

The logo for EBIOSS features a stylized graphic on the left consisting of three curved, overlapping bands in dark grey, medium grey, and light grey. To the right of this graphic, the word "EBIOSS" is written in a large, bold, lime green sans-serif font.

EBIOSS

Informe Financiero 2016



En Sofía, a 30 de abril de 2017

Muy Señores Nuestros,

En virtud de lo previsto en el artículo 17 del Reglamento (UE) n° 596/2014 sobre abuso de mercado y en el artículo 228 del texto refundido de la Ley del Mercado de Valores, aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre, y disposiciones concordantes, así como en la Circular 15/2016 del Mercado Alternativo Bursátil (MAB), ponemos en su conocimiento el siguiente Hecho Relevante relativo a la sociedad EBIOSS Energy, SE.

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- Informe sobre estructura organizativa y sistema de control interno.

EBIOSS Energy SE

D. José Óscar Leiva Méndez

Presidente

- **Hitos principales acontecidos en 2016 y hasta la fecha del informe anual:**

- ❖ Incremento de ingresos por ventas recurrentes en un 59%
 - Incremento en 85,03% en la actividad de venta y gestión de sistemas de recogida de residuos
 - Incremento de un 32% en el resto de actividades de gasificación y peletización
- ❖ Entrega de la planta de gasificación para EDF y la Universidad de Lorraine.
- ❖ Entrega de la planta de gasificación de 1,2 MWe a SENSE ESCO, primer proyecto realizado en Croacia.
- ❖ Firma de un acuerdo estratégico con unos de los mayores grupos del sector de energía, Energy China, que permite reducir la necesidad de inversión de la Compañía, así como consolidar la venta de la tecnología de gasificación gracias a la solidez financiera y experiencia en grandes contratos de plantas energéticas de Energy China.
- ❖ Entrada en el Reino Unido para construir 4 plantas de gasificación de residuos junto con Energy China por un valor de 270 M de libras sujeto a due diligence.
- ❖ Acceso al mercado financiero de la Bolsa de Londres mediante la toma de control de la compañía irlandesa React Energy (hoy denominada Eqtec Plc).
- ❖ Conversión de la sociedad búlgara Ebioss Energy, AD en sociedad europea Ebioss Energy, SE para obtener beneficios jurídicos y económicos en las actuaciones dentro de la UE.
- ❖ Obtención del acta de final de obra y licencia de puesta en funcionamiento de la planta peletizadora en Bulgaria en septiembre del 2016.
- ❖ Gran esfuerzo de inversión en Investigación y Desarrollo en las dos tecnologías del Grupo por valor de más de 1.5M euros.
 - Winttec:
 - Reingeniería de todos los equipos de gestión y recogida de residuos para la mejora del margen de ventas y su industrialización.

- Desarrollo del software y hardware del tratamiento de información que facilita la recogida inteligente con su consecuente ahorro para los municipios.
- Eqtec Gasifier Technology
 - Desarrollo de la tecnología para la gasificación de RDF.
 - Formación de operarios para la Operación y Mantenimiento de plantas de gasificación.
- ❖ Reconocimiento tecnológico a través del proyecto financiado por la Unión Europea para la conversión de diferentes tipos de residuos en Gas Natural Sintético, junto con el mayor fabricante de calderas en Europa, Rafako.
- ❖ Reparación de un nuevo tipo de filtro desarrollado en la fase de I+D en la planta de Syngas Italy para aumentar su eficiencia anual, debido a un error en la fabricación del proveedor Metalik, detectado durante la fase de operación por nuestro equipo técnico de Eqtec.
- ❖ Tras la obtención del contrato de conexión eléctrica con la Compañía EVN para la planta de Karlovo Biomass y después de los cambios legislativos producidos en Bulgaria, la Compañía inició las conversaciones con la Comisión Nacional de Energía para obtener una tarifa especial denominada de Alta Eficiencia Energética con el fin de rentabilizar la inversión realizada. Es por esta razón, por la que la Compañía decidió posponer la entrada en funcionamiento prevista de Karlovo Biomass para el último trimestre de 2016 hasta la obtención de la tarifa definitiva.
- ❖ Tras el intercambio de know-how entre los ingenieros de Energy China y Eqtec durante los últimos seis meses, el consorcio integrado por las compañías ya está en disposición de hacer las ofertas detalladas de proyectos llave en mano.

- **Objetivos principales para 2017**

- ❖ **Tecnologías de gestión y recogida de residuos:**

- Crecimiento inorgánico mediante la adquisición de una compañía consolidada en el sector de la gestión de residuos urbanos para completar la cadena de valor del residuo sólido urbano.
- Mejora de los márgenes sobre ventas después de las inversiones realizadas en reingeniería.
- Aumento de los ingresos recurrentes con contratos de mantenimiento a largo plazo por la implementación de las tecnologías de recogida inteligente de residuos.
- Aumentar nuestra cartera de pedidos actualmente en negociación en otras regiones de Centroamérica y Sur de Europa.

- ❖ **Tecnologías de gasificación y peletización:**

- Inicio de las primeras construcciones en las plantas de gasificación en Reino Unido.
- Reforzar nuestra presencia en el mercado de capitales de Londres para financiar participaciones minoritarias en plantas de gasificación de residuos.
- Inicio de la construcción de otros dos proyectos en Croacia.
- Diversificación en la producción de otros pellets de residuo agrícola y forestal como alfalfa y madera.
- Consolidar nuestra presencia en el Sudeste Asiático con la firma de nuevos contratos en negociación.

• Informe de evolución anual

Este ejercicio 2016 ha significado el paso definitivo hacia la internacionalización y el crecimiento orgánico de la Compañía.

- Las conversaciones con potenciales socios estratégicos dieron su fruto culminando, ya en los primeros meses de 2017, con la adquisición de REACT Energy Plc, compañía cotizada en el AIM de Londres. Además, se aprobó el cambio de nombre de “REACT Energy Plc” por el de “EQTEC Plc” y a fecha ya está incorporada al Grupo. EQTEC Plc es propietaria de 3 proyectos que están en fase de desarrollo para su futura construcción: Newry, Enfield y Claycross que en total suman 28MW de capacidad total. Con esta operación EBIOS S acelera de manera notable el desarrollo de la cartera de proyectos de gasificación en Reino Unido, y consolida su posición en un mercado de referencia, y a través de un vehículo cotizado en él.
- En el mes de marzo de 2017 EBIOS S culminó su transformación en sociedad anónima europea. De esta forma, el grupo allana el camino jurídico y administrativo para entrar a operar en todos los países de la Unión Europea con el objetivo último de impulsar su crecimiento industrial, su expansión internacional y reforzar su posicionamiento geoestratégico.

Para empezar a hacer referencia a la actividad de la Compañía en 2016 cabe retrotraerse al anuncio a finales de 2015 de una ampliación de capital por la que EBIOS S permitiría la entrada de un socio estratégico e industrial en el capital de la Compañía, con el que poder soportar una mayor cartera de proyectos para terceros como un mayor tamaño de éstos.

Finalmente, la opción de llevar a cabo esta ampliación de capital fue desestimada y se priorizó la opción de alcanzar un acuerdo con un socio muy relevante tanto a nivel financiero como industrial, evitando la dilución accionarial, protegiendo la tecnología, y al mismo tiempo asegurando el desarrollo de la capacidad técnica y económica en la construcción del pipeline de proyectos que la Compañía viene acumulando.

Tal acuerdo se materializó finalmente con el gigante asiático Energy China. La rúbrica de este acuerdo supuso un notable incremento del potencial de desarrollo del pipeline de la Compañía. En virtud del mismo, EBIOS S proveerá sólo la ingeniería y los equipos principales de los proyectos y asigna una parte relevante del EPC a Energy China. Con ello, el volumen de facturación por proyecto se reduce (al solo facturar la parte de ingeniería y equipos principales) pero, por el contrario, aumenta el valor añadido de los servicios y la capacidad de abordar mayor volumen de proyectos y también proyectos más grandes y por tanto con mayor escala y eficiencia en costes.

La firma del acuerdo permite a EBIOSS Energy reducir sus necesidades esperadas de capital futura para ejecutar su pipeline internacional, gracias a la fortaleza financiera y al fácil acceso a la financiación del nuevo partner Energy China. EBIOSS Energy ha puesto a disposición de la firma china cuatro proyectos por valor de 270 millones de libras, los cuales están ubicados en el Reino Unido y sujetos a due diligence positiva.

Evolución de la actividad en el período de referencia.

Fruto de este importante hito, en la segunda mitad del ejercicio se firmaron los primeros acuerdos, sujetos a due diligence positiva, para la construcción de plantas de gasificación de CDR (Combustible derivado de Residuo, RDF en inglés) procedente de Residuo Sólido Urbano (RSU) en Reino Unido, junto con los desarrolladores de dichos proyectos:

- Proyecto “Catfoss” (Newcastle) tendrá una potencia eléctrica de hasta 12 MWe y una capacidad de tratamiento de hasta 72.000 toneladas anuales de RSU, y supone una inversión total aproximada de 53 millones de libras.
- Proyecto “Hull” (Hull) tendrá una potencia eléctrica de hasta 20 MWe y una capacidad de tratamiento de hasta 120.000 toneladas anuales de RSU y supone una inversión total aproximada de 93 millones de libras.

La inversión total de ambos contratos sería financiada en un 25% en forma de equity y 75% en forma de Project financing por parte de una entidad financiera designada por Energy China. Del 100% del equity de cada proyecto, un 51% sería aportado por los inversores chinos (20% Energy China y un 31% por parte de un inversor financiero chino), un 20% por el desarrollador de cada proyecto (Catfoss o Hull) y otro 29% por parte de EBIOSS o un inversor designado por el mismo.

- Proyecto “Reliable - Seal Sands” (Newcastle) tendrá una potencia eléctrica de hasta 16 MWe y una capacidad de tratamiento de hasta 96.000 toneladas anuales de RSU y supone una inversión total aproximada de 64 millones de libras, los cuales, serían financiados en su totalidad por el cliente.
- Proyecto “Reliable - Melton Hull” (Hull) tendrá una potencia eléctrica de hasta 15 MWe y una capacidad de tratamiento de hasta 91.000 toneladas anuales de RSU y supone una inversión total aproximada de 60 millones de libras, los cuales serían financiados en su totalidad por el cliente.

Estos proyectos suman una inversión total de 270 millones de libras, y supone para EBIOSS dar un nuevo paso adelante en los siguientes términos:

- ❖ Consolidación de la tecnología a nivel internacional.
- ❖ Interés de nuevos inversores a nivel internacional.

- ❖ Modelo de negocio rentable de construcción de plantas de gasificación sin dependencia de subsidios gubernamentales eliminando los riesgos de cambio regulatorio en tarifas eléctricas preferenciales.

Actividad de las empresas filiales

- ❖ **EQTEC Iberia**

La tecnología de EQTEC actualmente es capaz de gasificar residuo sólido urbano mediante un pretratamiento y peletizado para su posterior gasificación. Con estos resultados se ha comprobado la viabilidad de un modelo de negocio de plantas de gasificación que como principal aspecto positivo:

- No dependen del subsidio en la tarifa eléctrica gubernamental.
- No tiene riesgo de suministro de combustible.
- Alto retorno para los inversores.

Durante 2016 EQTEC Iberia ha finalizado la construcción de dos proyectos:

- Planta de gasificación de residuos para EDF y la Universidad de Lorraine (FRANCIA).
- Planta de gasificación de astillas de madera de 1,2 MWe a SENSE ESCO, primer proyecto realizado en Croacia.

EBIOSS continúa en negociaciones con diferentes fondos de inversión para participar en el desarrollo del pipeline de sus proyectos.

Además, en este 2016, EQTEC Iberia, S.L. obtuvo la concesión de la patente “PROCESO Y PLANTA DE COGENERACIÓN A TRAVÉS DE LA GASIFICACIÓN DE MATERIALES SÓLIDOS ORGÁNICOS”. Esta patente protege la Propiedad Industrial de la Compañía y la utilización de su tecnología EQTEC Gasifier Technology en los proyectos de generación de syngas y energía que la empresa está desarrollando.

En los primeros meses de 2017, EQTEC continuó ampliando su presencia internacional y diversificando su negocio, entrando en el mercado de los combustibles sintéticos, con la aplicación del syngas (gas de síntesis) para la producción de gas natural sintético (SNG). Así, dentro del Proyecto Polygen, recibió la aprobación por parte del Comité de Revisión de EIT InnoEnergy, para la construcción de una planta de gasificación de residuos en Polonia que generará SNG además de electricidad y calor.

Asimismo, EQTEC firmó un contrato marco de colaboración estratégica con las empresas polacas Rafako y Exergon para desarrollar proyectos de gasificación de residuos y biomasa en Polonia.

❖ EQTEC Plc

En febrero de 2017, EBIOSS cerró la adquisición de la irlandesa EQTEC Plc (antigua REACT Energy Plc) mediante la conversión de deuda hasta alcanzar el 51%. EQTEC Plc es una compañía dedicada al desarrollo de proyectos en el Reino Unido para la construcción de plantas energéticas que, mediante tecnología de gasificación de residuos, producirá energía eléctrica y/o energía térmica.

Con ello, EBIOSS utilizará a la Compañía como vehículo para canalizar inversiones en los proyectos del pipeline de EBIOSS que tiene en el Reino Unido y en otros países. Los beneficios fundamentales de esta operación para EBIOSS son los de tener una mayor visibilidad como compañía y el acceso al mercado de capitales de Londres para la financiación futura de las plantas de gasificación de residuos.

El 20 de febrero de 2017 la filial de EBIOSS completó con éxito una ampliación de capital y su posterior colocación entre varios inversores ingleses por un valor de 500.000 libras mediante la emisión de 10.000.000 de nuevas acciones ordinarias de 0,001 € de valor nominal cada una en el capital de la Sociedad EQTEC Plc a un precio de 0,05 libras esterlinas (5,00 peniques). Asimismo, EBIOSS convirtió, un importe de 585.000 euros (£ 500.000) en acciones nuevas del préstamo que tienen de fecha 8 de enero de 2016, que fue modificado el 12 de diciembre de 2016, en 10.000.000 de Nuevas Acciones Ordinarias a un precio de conversión de 0.05 libras esterlinas (5,00 peniques) por acción siguiendo los mismos términos de la Ampliación de Capital llevada a cabo con diferentes inversores del Reino Unido.

Con fecha 9 de marzo de 2017, se hizo otra ampliación de capital y su colocación a varios inversores ingleses por importe de 485.000 libras esterlinas mediante la colocación de 7.461.538 de nuevas acciones ordinarias de 0,001 € de valor nominal cada una en el capital de la Sociedad EQTEC Plc a un precio de 0,065 libras esterlinas (6,50 peniques). EBIOSS convirtió simultáneamente un importe de 335.717 euros en acciones nuevas del préstamo que tienen de fecha 8 de enero de 2016, que fue modificado el 12 de diciembre de 2016, en 4.491.197 de Nuevas Acciones Ordinarias a un precio de conversión de 0.065 libras esterlinas (6,50 peniques).

Es importante subrayar que el racional de la ampliación de capital, la posterior colocación y la conversión adicional de deuda para EBIOSS es muy importante ya que EQTEC Plc amplía de nuevo su base accionarial, consigue financiarse de manera regular en el mercado londinense y obtiene capacidad económica suficiente para desarrollar su actividad de consolidación de la cartera de proyectos que EQTEC PLC tiene actualmente, adicionales a los que además EBIOSS está desarrollando en el país junto con Energy China.

La Compañía está trabajando en el plan estratégico para el desarrollo de esta filial en el sector de la gasificación y eliminación de residuos a nivel internacional.

❖ WASTE INTELLIGENT TECHNOLOGIES SGPS (anterior TNL SGPS)

EBIOSS aumentó su participación directa en TNL SGPS mediante conversión de créditos pendientes de capitalizar alcanzando un 68% del total del capital social de la compañía. La inversión total realizada fue de 1.098.000 euros de los cuales 395.234 euros figuran como ampliación de capital y el resto como aportaciones suplementarias. Asimismo, TNL SGPS SL cambió su forma jurídica en Sociedad Anónima, así como la denominación pasándose a llamar WASTE INTELLIGENT TECHNOLOGIES SGPS SA (WINTTEC).

Como consecuencia de estos últimos actos, EBIOSS tiene la mayoría de representación en el nuevo Consejo de Administración y permite reforzar su posición en el mercado de la Gestión Avanzada de Residuos.

Por lo que hace referencia a la actividad comercial, la filial sigue consolidando sus perspectivas e incrementando su cartera de pedidos con la firma de nuevos contratos. A fecha del presente informe, tiene firmado hasta el momento una cartera por valor de 8,5 millones de euros que se verán reflejados en la facturación de los próximos meses.

❖ Biomass Distribution

Después de haber realizado el comisionado y de haber cumplido con éxito los trámites requeridos por las Administraciones Públicas de Bulgaria, la filial Biomass Distribution obtuvo el acta de fin de obra y licencia de puesta en funcionamiento de su planta peletizadora en Stroevo (Bulgaria). La planta tiene una capacidad de 6 toneladas por hora y ha supuesto una inversión aproximada de 3,6 millones de euros.

❖ Karlovo Biomass

Una vez acometidos los cambios en la planta de Karlovo para adecuarla a la Ley Energética de 2015, EBIOSS ha firmado el contrato final de conexión eléctrica con la empresa eléctrica EVN, compradora de la energía producida. La Compañía ha dado inicio al comisionado para la obtención del Acta de fin de obra y licencia de puesta en funcionamiento.

❖ Captación de deuda

En el mes de abril de 2016 fueron suscritos mediante colocación privada 20 bonos corporativos senior de 100.000 euros de nominal por importe total de 2 millones de euros.

Asimismo, en el mes de julio de 2016 fueron suscritos, mediante una colocación privada, 35 bonos corporativos sénior de 100.000 euros de nominal, por un importe total de 3,5 millones de euros.

Continuando con esta captación de financiación, a principios de 2017 se llevó a cabo una nueva colocación privada con inversores de Reino Unido, en la que se suscribieron 16 bonos corporativos sénior de 100.000 libras de nominal cada uno por un importe total de 1,6 millones de libras.

En total se llevan captados 14.4 millones de euros.

❖ **Otros**

EBIOSS Energy decidió, de común acuerdo, vender la totalidad de las participaciones sociales que tenía en la compañía CONECTA2 ENERGIA SL. Esta venta generó una plusvalía de 25.000 euros con respecto al precio pagado por las participaciones en febrero de 2016.

- **Análisis de los Estados Financieros de EBIOSS Energy SE correspondientes al ejercicio 2016 y grado de cumplimiento de las previsiones.**

❖ **Análisis de los Estados Financieros intermedios.**

A continuación, se presentan los estados financieros consolidados a 31 de diciembre de 2016, realizando una comparativa con el mismo periodo del año anterior:

EBIOSS Energy			
Consolidated income statement (million €)	2015	2016	Variation (%) 2015 vs 2016
Revenue	9,42	7,06	-25%
Other revenues	0,05	0,25	396%
Work performed by the entity and capitalized	5,22	0,72	-86%
Gain on a bargain purchases	-	-	-
Materials, goods for resale and expenses for hired services	12,17	8,44	-31%
Employee benefit expenses	2,89	2,81	-3%
Depreciation and amortization	0,52	0,53	2%
Other expenses	1,17	1,26	7%
Impairments	-	-	-
Results from operating activities	-2,07	-5,00	-142%
Net finance costs	0,42	1,00	135%
Profit/Loss before tax	-2,49	-5,99	-141%
Income tax	0,09	0,73	696%
Net profit/loss	-2,40	-5,26	-119%

**In 2015 it is included Revenue and Revenue from sale of non-current asset held for sale*

En relación con los ingresos (revenue), tal como se desglosa en la página 69 de la memoria consolidada, han tenido la siguiente evolución:

EBIOSS Energy	Segment 1: Construction, management and operation o biomass power plants and peletization plants			Segment 2: Sale and management of waste collection systems			TOTAL		
	2016	2015	Variation %	2016	2015	Variation %	2016	2015	Variation %
<i>(in thousands of EUR)</i>									
Revenues (ventas recurrentes)	2.503 €	1.894 €	32%	4.560 €	2.557 €	78%	7.063 €	4.451 €	59%
Other income	1 €	9 €	-89%	247 €	41 €		248 €	50 €	396%
Revenue from non-current asset held for sale (*)	- €	4.964 €	-	- €	- €	-	- €	4.964 €	-

() ingresos no recurrentes obtenidos en diciembre de 2015 por la venta de equipos de una isla de gasificación por valor de 4,964 millones de euros a Newry Biomass Limited*

Es subrayable de manera destacada la muy positiva evolución de los ingresos recurrentes por ventas obtenidos por la Compañía, aumentando un 59% sobre el año anterior que sigue poniendo en valor su estrategia de negocio en el ciclo del residuo urbano.

El retraso en la concreción del acuerdo con Energy China hasta casi transcurrido la mitad del ejercicio provocó una demora en la ejecución de proyectos, derivando todo ello en una minoración tanto en la partida de ingresos como en la de gastos, como consecuencia de una menor disponibilidad de recursos.

La demora de la firma de numerosos proyectos al último trimestre del año, ha provocado el trasladado de parte de la facturación prevista en el 2016 al ejercicio 2017 y 2018 como es el caso de los proyectos con Energy China.

Asimismo, la compañía ha invertido en actividades de innovación y desarrollo importantes recursos en forma de trabajos internos de ingeniería y reingeniería a través de profesionales propios y terceros, tanto en las filiales EQTEC, como Winttec o Syngas Italy. Sin perjuicio de que el criterio de prudencia contable haya llevado a la Compañía, de manera acorde con el criterio de su auditor, a finalmente no activar tales importes – con el subsiguiente impacto en la desviación de ingresos y gastos totales – se trata de inversiones que mejoran la competitividad de sus tecnologías y que servirán por tanto a la generación de ingresos y mayores márgenes futuros.

❖ Balance de situación consolidado del ejercicio 2016

A continuación, se muestra el balance de situación a 31 de diciembre de 2016. 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 Energy				
Balance Sheet (million €)	2015	2016	Variation (€) 2015 vs 2016	Variation (%) 2015 vs 2016
Asset				
Non current Assets	43,80	45,26	1,46	3%
Current Assets	15,91	15,47	-0,45	-3%
Total Assets	59,72	60,73	1,01	2%
Liabilities				
Non Current Liabilities	14,87	19,18	4,30	29%
Current Liabilities	7,73	9,03	1,30	17%
Equity	37,11	32,52	-4,59	-12%
Total Equity and Liabilities	59,72	60,73	1,01	2%

❖ **Grado de cumplimiento de las previsiones**

El pasado 31 de octubre de 2016 la compañía publicó el informe relativo a los estados financieros intermedios individuales y consolidados relativos al primer semestre del ejercicio 2016, en el que se incluía una actualización de las previsiones para los ejercicios 2016 y 2017, aprobadas por el Consejo de Administración por unanimidad en su reunión del 28 de octubre de 2016.

En la tabla siguiente se muestra el grado de cumplimiento respecto al presupuesto estimado para el cierre del ejercicio 2016 recogido en el Plan de Negocio de la Compañía vigente hasta la fecha:

EBIOSS Energy				
Consolidated income statement (million €)	2016	2016e	Variation (€) 2016 vs 2016e	Variation (%) 2016 vs 2016e
Revenue	7,06	9,00	-1,94	-22%
Other revenues	0,25	-	0,25	0%
Work performed by the entity and capitalized	0,72	0,47	0,25	53%
Gain on a bargain purchases	-	-	-	0%
Materials, goods for resale and expenses for hired services	8,44	8,24	0,20	2%
Employee benefit expenses	2,81	1,68	1,13	67%
Depreciation and amortization	0,53	0,9	-0,37	-41%
Other expenses	1,26	1,5	-0,25	-16%
Impairments	-	0,32	-0,32	0%
Results from operating activities	-5,00	-3,16	1,84	58%

La Compañía mantiene las previsiones anunciadas, fruto de la evolución de la actividad de 2016 y las perspectivas disponibles a fecha para el presente ejercicio.

La desviación en el conjunto de ingresos y gastos se debe fundamentalmente a la no activación de un volumen de trabajos relevantes en materia de ingeniería y reingeniería, de manera acordada con el auditor a la hora de formular los estados financieros.

- **Estados Financieros individuales y consolidados de EBIOSS Energy, SE a 31 de diciembre de 2016.**

EBOSS ENERGY AD

SEPARATE REPORT ON ACTIVITIES AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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EBOSS ENERGY AD

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EBIOS ENERGY AD

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

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Sofia 1404

Bank

Raiffeisen Bank, Bulgaria
UniCredit Bulbank, 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. Бyn.
Fl. 7; office 12
Sofia 1612

A handwritten mark or signature consisting of a large, stylized loop on the left and a small horizontal dash on the right, followed by the number '2'.

E BIOSS ENERGY AD

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors presents their separate report on activities and audited separate financial statements of E BIOSS ENERGY AD (the Company) for the period ended 31 December 2016.

Incorporation

E BIOSS 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 E BIOSS ENERGY EOOD.

On 01 October 2012 E BIOSS ENERGY EOOD was transformed into E BIOSS ENERGY OOD and on the same date the share capital of E BIOSS 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 E BIOSS 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

E BIOSS ENERGY AD

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

1. Incorporation and principal activities (continued)

Incorporation (continued)

On 12 December 2012 E BIOSS ENERGY OOD has been transformed into joint stock company E BIOSS 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.

During 2013 the share capital of the Company was increased from EUR 12,392 thousand to EUR 18,022. During 2014 the share capital of the Company was increased from EUR 18,022 thousand to EUR 20,918 thousand (see note 17.1)

As at 31 December 2016 the share capital of Ebioss Energy AD is owned by 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	36.37	14,880,185	14,880	7,608
Sofia Biomass EOOD	7.53	3,080,430	3,080	1,575
Sun Group Bulgaria EOOD	5.50	2,248,471	2,249	1,149
Origina Bulgaria OOD	1.89	775,140	775	396
Antigona Bulgaria EOOD	1.24	509,065	509	260
Minority shareholders	<u>47.47</u>	<u>19,419,125</u>	<u>19,419</u>	<u>9,930</u>
Total:	<u>100</u>	<u>40,912,416</u>	<u>40,912</u>	<u>20,918</u>

The basic shareholders of the company are those who initially subscribed all the shares in the capital, upon the incorporation. These shareholders owned approximately 52.53% of the share capital of the Company as at 31.12.2016.

The minority shareholders are those who subscribed shares in two subsequent capital increases made in 2013 and 2014 by means of public offering of shares on the Spanish Alternative Stock Exchange Market – MAB. These shareholders own 47.47% of the share capital of the Company as at 31.12.2016.

Principal activities

The principal activity of the Company is the management of projects in the field of engineering, construction and development of gasification Power Plants, development of technological solutions for comprehensive management of household waste, separate waste collection systems, and waste storage facilities.

Due to amendments in the Renewable Energy Act that entered into force in 2015 in Bulgaria the projects have been modified.

According to the amended Act on 6th of March 2015, the companies may produce electricity with power capacity up to 1,5 MW, using combined cycle and indirect use of biomass out of which total weight animal manure shall comprise not less than 50%. Thus the Companies' 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.

EBOSS ENERGY AD

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

1. Incorporation and principal activities (continued)

Principal activities (continued)

On 24th July 2015 further changes in the Renewable Energy Act /REA/ entered into legal force regarding the operating conditions related to renewable energy producers, which are applicable to the Company.

According to the amended REA, the feed-in tariffs and the preferential prices for electricity takeoff, being produced from biomass electrical plants with power output up to 1,5 MW, shall apply only for energy facilities working with combined cycle and indirect use of biomass of which overall weight not less than 60 per cent is to be animal manure. Furthermore, these incentives can be used only if the respective producer of electricity from renewable sources can prove to own authorized animal breeding farm minimum three years before the date of submission of application for connection to the electrical grid and if the respective producer of electricity owns certain number of authorized animals with the purpose to prove the origin of the manure which is to be used as feedstock for the plant.

Following the above mentioned changes in the legislation, the Company has started to reorganize and redesign further its existing power production facilities of Karlovo Biomass Power Plant and construction in progress of Heat Biomass Power Plant. The contracts for connection to the National Electricity signed between – Karlovo Biomass EOOD and Heat Biomass EOOD and EVN Electricity Company, considering the above mention legislative amendments, are no longer effective.

As of December 31, 2016 the projects under development in Bulgaria are the following:

- **Heat Biomass EOOD**, registered on 6 January 2011 with UIC 201384552 and with principal activity: the construction of a biomass gasification power plant with a capacity of 2MW. The Power Plant is going to be constructed on a site located near the town of Plovdiv. In addition, the Company will develop dryer facility for wood chips and straw and will be engaged in the production of pellets. Upon commissioning of the Power Plant the Company will fully own and operate the whole facility, which will be completed and put in operation in 2017.

- **Karlovo Biomass EOOD**, registered on 6 January 2011 with UIC 201384641 and with principal activity: the construction of a biomass gasification power plant with a capacity of 2MW. The Power Plant is going to be constructed on a site located near the town of Plovdiv. In addition, the Company will develop dryer facility for wood chips and straw and will be engaged in the production of pellets. Upon commissioning of the Power Plant the Company will fully own and operate the whole facility, which will be completed and will start selling electricity in 2017 and producing pellets in 2018.

- **Plovdiv Biomass EOOD**, registered on 7 January 2011 with UIC 201385444 and with principal activity: : the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020. Plovdiv Biomass has acquired in November 2012 a 100% subsidiary **Brila EOOD** which has the same principal activity: the development of a 2 MW thermal plant near the town of Plovdiv.

- **Nova Zagora Biomass EOOD**, registered on 7 January 2011 with UIC 201385519 and with principal activity: the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Nova Zagora. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020.

E BIOSS ENERGY AD

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

1. Incorporation and principal activities (continued)

Principal activities (continued)

- **Tvardica Biomass EOOD**, registered on 7 January 2011 with UIC 201384926 and with principal activity: the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Tvardica. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020. Tvardica Biomass EOOD has acquired in November 2012 a 100% subsidiary **Tvardica PV EOOD**, which has the same principal activity: the development of a 2 MW thermal plant near the town of Tvarditza.
- **United Biomass EOOD**, registered on 6 January 2011 with UIC 201384562 and with principal activity: the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Letnitsa. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020.

The Company also has the ownership of **Biomass Distribution EOOD**, registered on 12 November 2012 with UIC 201336098 and with principal activity: processing of raw materials and biomass sources and production of pellets.

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, Poland, Italy and Bulgaria.

In December 2013 the Company participated in the incorporation of the joint-stock company **Energotec-Eco AD** through subscription 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 plans in the next two to three years 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 Sorgania 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 is located in municipality of Castiglione d'Orcia, Toscana region. In 2015 the plant of Syngas Italy in Toscana Region of 1 MW has been put into operation, but due to technical problems its activities were limited in 2016. The plant is expected to be fully operational in 2017.

On 10 April 2014 with decision of the General meeting of E BIOSS ENERGY AD the nominal value of the shares of the Company is changed from EUR 2.56 to EUR 0,51. The General meeting also takes decision to delegate and issues an explicit statutory mandate of the Board of Directors of E BIOSS 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.

E BIOSS ENERGY AD

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

1. Incorporation and principal activities (continued)

Principal activities (continued)

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 share participation in other companies domiciled in Spain, Portugal and Brazil. The whole group is specializing in the development of technological solutions for comprehensive management of household waste, separate waste collection systems, and waste storage facilities.

By decision of the extraordinary General Meeting of Ebioss Energy AD dated 13th of February 2015, a resolution was approved for the issuance of emission of freely transferable, interest-bearing, bonds, convertible or non-convertible, or any other debt instrument under the following parameters: overall nominal and emission value of the debt instruments: up to 60,000,000 BGN (in words: sixty million leva) or its equivalent in Euro, according to the official fixed exchange rate of the Bulgarian National Bank, with term for issuance of the emission up to 3 (three) and term for repayment up to 10 (ten) years as from the date of placement of the respective emission. The bond loan (or any other debt instrument) may be issued within several emissions of bonds or in one single emission, up to the amount specified above.

The General Meeting also adopted a resolution the shares of "E BIOSS 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.

Subsequently, on 26.06.2015 the Ordinary Annual General meeting of Ebioss Energy AD additionally approved a resolution in respect of accomplishment of private placement procedure for convertible bonds, under the following parameters: freely transferable, interest-bearing, convertible dematerialized bonds with overall nominal and emission value up to 20,000,000 BGN (in words: twenty million levs) or its equivalent in Euro, according to the official fixed exchange rate of the Bulgarian National Bank, with term for issuance of the emission up to 3 (three) years and term for repayment up to 10 (ten) years as from the date of placement of the respective emission. The emission convertible bonds, which is subject to the said resolution, is part of the overall approved amount of debt instruments, which the General meeting of "Ebioss Energy" AD has adopted for issuance, as per Minutes of the General meeting dated 13.02.2015. On the grounds of art. 194, para. 4 of the Commercial Act, in conjunction with art. 215, para. 1 and art. 196, para. 3 of the Bulgarian Commercial Act, the General meeting has delegated to the Board of Directors explicitly to waive the pre-emptive rights of the current shareholders of "Ebioss Energy" AD in respect to acquisition part of the emission convertible bonds, which corresponds to their share-stake in the capital of the Company.

2. Review of performance of the Company and its current position.

The Company's development to date, financial results and position are presented in the separate financial statements. For the period ended 31 December 2016 the financial result of the Company is net loss in the amount of EUR 1,015 thousand and the net equity is a positive value amounting to EUR 34,677 thousand. As of 31 December 2016 the earnings per share are a negative value of EUR 0,025.



E BIOSS ENERGY AD

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

3. Analysis of key, financial and non-financial, performance indicators relevant to the business operations of the entity

The Company management periodically review its gearing and liquidity ratios which are indicators of financial stability. As of 31.12.2016 the liquidity ratio increase significantly due to repayment of liability to related party. The gearing ratio increase slightly due to new bond issued during 2016.

Gearing ratio (total liabilities / total equity)

31.12.2016	31.12.2015
0,38	0,33

Liquidity ratio (current assets / current liabilities)

31.12.2016	31.12.2015
18,26	1,8

As of 31.12.2016 the Company has 22 employees (2015: 21 employees).

4. Events after the reporting period

On the 7th of February 2017 Ebioss Energy AD has acquired 51% share stake in the company REACT Plc by means of conversion of corporate debt into equity and the corresponding capital increase and subscription of the newly emitted shares thereunder by EBIOSS. The shares of the company REACT Plc are quoted for trading on the London AIM stock market and its head office is domiciled in Ireland. As a consequence of the acquisition and the admission of Ebioss as a majority shareholder, REACT was renamed by decision of the General meeting into EQTEC Plc and Ebioss obtained the right to nominate the majority of the board members, including the Executive director (CEO).

On the 24th of February 2017 the Board of Directors of Ebioss Energy AD approved a resolution for private placement of new emission of corporate bonds at a total amount of 1,600,000 £, representing 16 non-convertible, freely transferable bonds with par value and emission value of 100,000 £ each. The bond emission was successfully subscribed on the same date (24.02.2017) on the Luxembourg Stock Exchange. The maturity date of the emission is 24th of February 2023 and the annual coupon is 7%.

By decision of extraordinary general meeting of the shareholders of Ebioss Energy AD, held on 13th of February 2017 the company was transformed into European company, as per Regulation (EC) N^o 2157/2001. The Bulgarian Trade Register has inscribed the relevant corporate changes on the 23rd of March 2017 and thereafter EBIOSS has the legal form of "Societas Europaea" or "SE". The capital of the company was denominated in Euro (the conversion of the registered capital has been made according to the official fixed exchange rate of the Bulgarian National Bank, where 1 € = 1,95583 BGN) and the nominal value of the shares was changed into 1 Euro each, according to the rules of the Regulation. All the other corporate characteristics of the company remain unchanged.

At the end of April the subsidiary Syngas Italy Srl. has resolved the technical problem with the filter and the Power plant has been put into operation.

There are no other significant events after the reporting period, which should be reflected or disclosed in these separate financial statements.

5. Future development of the Company

The Company is committed to support its subsidiary companies, which are engaged in development of projects in the field of biomass gasification, production of pellets and waste collection management.



EBIOSS ENERGY AD

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

6. Activities in the field of research and development

The company was not involved in research and development activities in 2016 and 2015.

7. Information concerning acquisitions of own shares required under the procedure provided for in Art. 187e of the Commerce Act

During the year ended 31.12.2016 the Company purchased 1,944,108 own shares for EUR 2,239 thousand and sold 1,674,968 own shares for EUR 1,867 thousand.

As of 31.12.2016 the Company own 349,947 own shares (2015: 80,807 own shares). As of 31 December 2016 own shares acquired by the Company represent 0,85% from share capital (2015: 0,2% from share capital)

8. Existence of branches of the Company

The Company does not have branches in 2016 and 2015.

9. Company`s financial risk management objectives and policies

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

- credit risk
- liquidity risk
- market risk.

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.

(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.

(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.

(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.



EBIOS ENERGY AD

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

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.

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. No information is disclosed about the fair values of financial assets and financial liabilities that are not measured at fair value as their carrying value is a reasonable approximation of fair value.

CORPORATE GOVERNANCE STATEMENT

1. Code of Corporate Governance

The Company has issued a Code of Corporate Governance approved by Jose Oscar Leiva Mendez. The Company strictly follows this Code of Corporate Governance. This document is published on the official website of the Company.

2. System of internal control and management of risks

Internal control is defined as a process integrated into the Company's activities and executed by the Board of Directors, the Audit Committee, by management and employees.

The Company has established adequate and effective internal control, which is continuous process integrated in all of the Company's activities and is designed to achieve:

- compliance with legislation
- compliance with internal rules and contracts
- reliability and completeness of financial and operational information
- economy, efficiency and effectiveness of the activities
- protection of assets and information

Everyone in the Company has a certain responsibility with regard to internal control. The Company has created adequate organizational structure to ensure segregation of duties, proper division of responsibilities and adequacy of reporting levels. The control functions of the participants in the internal control system are regulated in the job descriptions of the persons concerned. There is commitment to competence at each working place and there are strict requirements for the knowledge and skills needed for each position. The management has set the values of integrity and ethical behavior through Code of conduct.

Risks relevant to financial reporting include external and internal events, transactions, and circumstances that may arise and have a negative impact on the entity's ability to initiate, record, and process financial data. The management applies a conservative approach to identifying the business risks that are material for the preparation of the financial statements, assesses their significance and likelihood of their occurrence, and decides how to address these risks, how to manage them, and how to evaluate the results reliably.



EBIOS ENERGY AD

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

3. Information under Article 10, Paragraph 1, Letters "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 regarding take-over offers;

- **significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC;**

As of 31 December 2016 the major shareholders in the Company are: Electra Holding AD - 36,37%; Sofia Biomass EOOD - 7,53% and Sungroup Bulgaria EOOD – 5,5%. During the financial year 2016 the major shareholders in Ebioss Energy AD have not acquired or transferred directly and/or indirectly (under the meaning of Art. 145 and art. 146 under the meaning of the Bulgarian Public Offering of Securities Act) voting rights in the General shareholders meeting of the Company, where as a result of the acquisition or transfer such voting right reaches, exceeds or falls below 5 per cent or a figure multiple of 5 per cent, from the number of votes in the Company's general meeting.

- **holders of any securities with special control rights and a description of those rights**

No securities with special control rights exist.

- **any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of 30.4.2004 EN Official Journal of the European Union L 142/19 votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities**

No restriction of voting rights exist in articles of association.

- **the rules governing the appointment and replacement of board members and the amendment of the articles of association;**

The appointment and replacement of board members and the amendment of the articles of association can be done only through decision of General Shareholders meeting.

- **the powers of board members, and in particular the power to issue or buy back shares**

With the last revision of Company`s articles of association dated 13.02.2017 the Board of Directors is entrusted with the powers, within five-year term, as from the date of approval of the General meeting, acting with own discretion and having the right to specify all the parameters of the respective emission, to increase the capital of the Company up to maximum amount of BGN 100 million through issuing of new shares or through conversion of bonds into shares. The Board of Directors does not have specific rights in relation to buy back of shares.

4. Information regarding composition and functioning of the administrative, managerial and supervisory bodies and their committees, as well as description of the diversity policy applied as regards the administrative, managerial and supervisory bodies of the issuer in connection with aspects such as age, gender or education and professional experience

The Company's management bodies are the following:

1. Board of Directors with the following members:
 - Jose Oscar Leiva Mendez
 - Luis Sanchez Angrill
 - Carlos Cuervo Arango Martinez
 - Alexandra Vesselinova Tcherveniakova

The Board of Directors conduct regular meetings at least once in three months to review the results of the Company, to evaluate business risks and to discuss future prospects for development of the Company.

The Company has appointed an Audit Committee to supervise the financial reporting and ensure the independence of the appointed auditors.

EBIOS ENERGY AD

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

In respect to the members of the management/supervisory bodies the Company applies the policy of diversity regarding gender, age, education and professional background. This is to ensure that the members have been appointed based on their expertise and capacity to contribute to the achievement of the Company's objectives.

Director's responsibilities

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable prudent judgements and estimates have been made in the preparation of the separate financial statements for the year ended 31 December 2016.

The Directors also confirm that applicable accounting standards have been followed and that the separate 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 2016 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, 28 April 2017





BAKER TILLY

20
YEARS
OF EXCELLENCE

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of EBIOSS ENERGY AD

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the accompanying separate financial statements of EBIOSS ENERGY AD (the "Company"), which comprise the separate statement of financial position as at December 31, 2016, and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the separate financial statements give a true and fair view of the financial position of EBIOSS ENERGY AD as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

Basis for qualified opinion

As described in note 9 to the accompanying separate financial statements, the Power plant owned by subsidiary company Syngas Italy Srl with capacity of 1MW was not operating in 2016 on a continuous basis, due to defect in the filter manufactured by external supplier. In April 2017 the technical problem has been resolved and the Plant has been put into operation. There is risk that if the Power Plant is not running continuously, investment in subsidiary Syngas Italy Srl with carrying amount of EUR 650 thousand and loans granted to this subsidiary of EUR 3,080 thousand might be overstated. We were unable to determine whether any adjustments to these amounts were necessary and the attached separate financial statements do not include any adjustments resulting from the above.

An independent member of Baker Tilly International

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Registered in Bulgaria (ID – 131 349 346). List of directors can be found at the Company's Registered Office.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the requirements of IFAA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other matters

We have reported separately on 28 April 2017 on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

The opinion in that report is qualified with regard to inclusion as of 31 December 2016 of unrealized intra-group profit of EUR 2,611 thousand in Property, plant and equipment" and for the year ended 31 December 2016 of EUR 43 thousand in "Work performed by the entity and capitalized". The report is also qualified as of 31 December 2016 with regard to the possible overstatement of Property, plant and equipment and Deferred tax assets of EUR 4,664 thousand and EUR 440 thousand, respectively and overstatement of trade receivables as of 31 December 2016 with EUR 184 thousand.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>1) Valuation of investment in subsidiary WIT SGPS (former TNL SGPS) Refer to note 9</p> <p>As of 31 December 2016 Ebioss Energy AD has investment in the subsidiary WIT SGPS amounting to EUR 2,698 thousand.</p> <p>The Parent has conducted an impairment test and concluded that there is no need of impairment of the investment in the subsidiary.</p> <p>Valuation of investment in subsidiary is a key audit matter, because the management conclusion required significant management judgement and the balance is material to the separate financial statements.</p>	<p>During our audit we have performed the following procedures in relation to valuation of investments in subsidiary WIT SGPS (former TNL SGPS):</p> <ul style="list-style-type: none"> • Assessing the impairment test methodology and model, applied by the Company regarding the investment in the subsidiary • Challenging the reasonableness of key model assumptions based on our knowledge of the business and industry; • Reconciling input data to supporting evidence, such as signed contracts with clients and approved budgets and considering reasonableness of these budgets.

- Check and assessment of the accuracy and completeness of the disclosures in the separate financial statements related to the valuation of the investments in this subsidiary

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

The Board of Directors (the Management) is responsible for the other information. The other information comprises the annual report on activities and the corporate governance statement, prepared by the Management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditor's report and to the extent it is specifically stated.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the EU, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Independent Financial Audit Act and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with Independent Financial Audit Act and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional matters, required to be reported by the Accountancy Act and Public Offering of Securities Act

In addition to our reporting responsibilities according to ISAs described in section “**Information Other than the Financial Statements and Auditor’s Report Thereon**”, with respect to the annual report on activities and the corporate governance statement, we have also performed the procedures required by the Guidelines of the Professional Organization of Chartered Accountants and Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA), issued on November 29, 2016. These procedures include tests over the form and content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (art. 100m, para 10 of POSA in relation to art. 100m, para 4, p. 3 and 4 of POSA), applicable in Bulgaria.

Opinion under Article 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

- The information included in the annual report on the activities for the financial year for which the separate financial statements have been prepared, is consistent with the separate financial statements.
- The annual report on the activities has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100m, paragraph 7 of the Public Offering of Securities Act.
- The information required by Chapter Seven of the Accountancy Act and Art. 100m, para 8 of the Public Offering of Securities Act is presented in the corporate governance statement covering the financial year for which the separate financial statements have been prepared.

Opinion under Art. 100m, para 10 in relation to art. 100m, para 8, p. 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed during our audit and as a result of the acquired knowledge and understanding of the Company and the environment in which it operates, acquired during our audit, in our opinion, the description of the main features of the Company's internal control and risk management systems in relation to the financial reporting process as part of the annual report on activities (as element of the content of the corporate governance statement) and the information under Article 10, paragraph 1, letter "c", "d", "e", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the EU Council of April 21, 2004 related to takeover bids, included in the corporate governance statement do not contain cases of material misrepresentations.

Additional reporting in relation to the audit of the financial statements under Art 100m, para 4, p. 3 of the Public Offering of Securities Act

Reporting in relation to Art 100m, para 4, p. 3, l. "b" of the Public Offering of Securities Act

Information on related party transactions is disclosed in Note 22 to the accompanying separate financial statements. Based on the procedures performed on related party transactions in the context of our audit of the separate financial statements as a whole, nothing has come to our attention indicating that the related party transactions are not disclosed in the accompanying separate financial statements for the year ended December 31, 2016, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. We have considered the results of our audit procedures on related party transactions in forming our opinion on the separate financial statements as a whole and not for the purpose of providing a separate opinion on the related party transactions.

Reporting in relation to Art 100m, para 4, p. 3, l. "c" of the Public Offering of Securities Act

Our responsibilities for the audit of the separate financial statements described in section "Auditor's Responsibilities for the Audit of the Financial Statements" include evaluating whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Based on the procedures performed on the material transactions underlying the separate financial statements for the year ended December 31, 2016, nothing has come to our attention indicating any instances of material unfair presentation and disclosure under the applicable IFRS as adopted by the European Union. We have considered the results of our audit procedures on the material transactions underlying the separate financial statements in forming our opinion on the separate financial statements as a whole and not for the purpose of providing a separate opinion on these material transactions.


Krassimira Radeva
Registered Auditor



Managing Director
Baker Tilly Klitou and Partners OOD

Sofia,
28 April 2017

EBIOS ENERGY AD

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 EUR'000	2015 EUR'000
Revenue from sales of goods	3	-	4,964
Revenue from services	4	246	215
Cost of sales	3	-	(4,005)
Depreciation expense	11,12	(27)	(20)
Expenses for hired services	5	(321)	(433)
Employee benefit expenses	6	(609)	(565)
Other expenses	7	(537)	(618)
Loss from operating activities		(1,248)	(462)
Finance income	8	945	772
Finance cost	8	(798)	(158)
Net finance income		147	614
Profit/(Loss) before income tax		(1,101)	152
Income tax (expense)/ income	20	86	(40)
Profit/(Loss) for the year		(1,015)	112
Other comprehensive income		-	-
Total comprehensive income for the year		(1,015)	112
Basic earnings per share (in EUR)	17	(0.025)	0.003

E BIOSS ENERGY AD

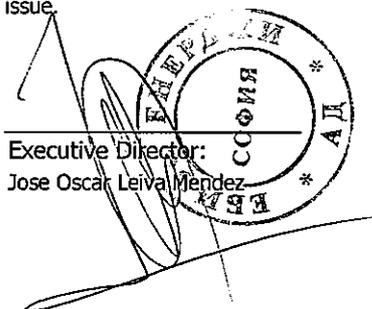
SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

ASSETS	Note	31.12.2016 EUR'000	31.12.2015 EUR'000
Non-current assets			
Investment in subsidiaries	9	16,316	15,218
Other investments	10	-	500
Loans provided to related parties	14.1	17,595	22,861
Deferred tax asset	20	166	80
Property, plant and equipment	11	93	110
Intangible assets	12	3	4
Total non-current assets		<u>34,173</u>	<u>38,773</u>
Current assets			
Cash and cash equivalents	13	203	1,204
Loans provided to related parties	14.1	6,450	2,225
Loans provided to third parties	14.2	900	-
Trade and other receivables	15	5,891	5,897
Deferred expenses		90	8
Total current assets		<u>13,534</u>	<u>9,334</u>
Total assets		<u>47,707</u>	<u>48,107</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16.1	20,918	20,918
Share premium		15,700	15,934
Reserve for own shares	16.2	(179)	(41)
Retained earnings		(1,762)	(747)
Total equity		<u>34,677</u>	<u>36,064</u>
Non-current liabilities			
Loans and borrowings	18	12,289	6,866
Total non-current liabilities		<u>12,289</u>	<u>6,866</u>
Current liabilities			
Trade and other payables	19	204	221
Trade and other payables to related parties	22.2	10	4,816
Loans and borrowings	18	527	140
Total current liabilities		<u>741</u>	<u>5,177</u>
Total liabilities		<u>13,030</u>	<u>12,043</u>
Total equity and liabilities		<u>47,707</u>	<u>48,107</u>

On 28 April 2017 the Board of Directors of E BIOSS ENERGY AD authorised these Separate Financial Statements for issue.

Executive Director:
Jose Oscar Leiva Mendez



E BIOS ENERGY AD

SEPARATE STATEMENT OF CHANGES IN EQUITY

	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 2015	20,918	15,351	(668)	(859)	34,742
Total comprehensive income					
Profit for the year	-	-	-	112	112
Total comprehensive income	-	-	-	112	112
Transactions with owners of the Company					
Own shares acquired	-	(2,128)	(1,819)	-	(3,947)
Own shares sold	-	2,711	2,446	-	5,157
Total transactions with owners of the Company	-	583	627	-	1,210
Balance at 31 December 2015	20,918	15,934	(41)	(747)	36,064
Balance at 1 January 2016	20,918	15,934	(41)	(747)	36,064
Total comprehensive income					
Loss for the year	-	-	-	(1,015)	(1,015)
Total comprehensive income	-	-	-	(1,015)	(1,015)
Transactions with owners of the Company					
Own shares acquired	-	(1,244)	(994)	-	(2,238)
Own shares sold	-	1,010	856	-	1,866
Total transactions with owners of the Company	-	(234)	(138)	-	(372)
Balance at 31 December 2016	20,918	15,700	(179)	(1,762)	34,677

E BIOSS ENERGY AD

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 EUR'000	2015 EUR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (Loss) for the year before tax		(1,101)	152
Adjustment for:			
Depreciation expense		27	20
Loss on sale of PPE		3	-
Interest expense		763	129
Interest income		(920)	(772)
Other financial expenses		35	29
Investment income		(25)	-
		<u>(1,218)</u>	<u>(442)</u>
Changes in working capital:			
Trade and other payables		(712)	4,667
Trade and other receivables		8	(5,782)
Deferred expenses		(82)	22
		<u>(2,004)</u>	<u>(1,535)</u>
Cash used in operating activities			
Interest paid		(499)	(8)
Other financial expenses paid		(35)	(29)
Net cash used in operating activities		<u>(2,538)</u>	<u>(1,572)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans provided to related parties		(4,627)	(7,904)
Repaid loans from related parties		1,444	609
Loans provided to third parties		(859)	-
Acquisition of investments		-	(500)
Acquisition of property, plant and equipment		(12)	(5)
Proceeds from sale of investments		525	-
		<u>(3,529)</u>	<u>(7,800)</u>
Net cash used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of corporate bonds		5,500	7,000
Payments related to issue of corporate bonds		(174)	(47)
Proceeds on loans from related parties		406	315
Repayment of loan from related parties		(279)	(315)
Proceeds from sale of own shares		1,866	5,157
Repurchase of own shares		(2,238)	(3,947)
Payment of finance lease liabilities		(15)	(44)
		<u>5,066</u>	<u>8,119</u>
Net cash from financing activities			
Net decrease in cash and cash equivalents		(1,001)	(1,253)
Cash and cash equivalents at 1 January		1,204	2,457
Cash and cash equivalents at 31 December	13	<u>203</u>	<u>1,204</u>

E BIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Incorporation and principal activities

Incorporation

E BIOSS ENERGY AD (the Company) is a joint stock company registered in Sofia, Bulgaria with EIC: 202356513. It was incorporated on 7 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 E BIOSS ENERGY EOOD.

On 1 October 2012 E BIOSS ENERGY EOOD was transformed into E BIOSS ENERGY OOD and on the same date the share capital of E BIOSS 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 E BIOSS 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

E BIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Incorporation and principal activities (continued)

Incorporation (continued)

On 12 December 2012 E BIOSS ENERGY OOD has been transformed into joint stock company E BIOSS 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.

During 2013 the share capital of the Company was increased from EUR 12,392 thousand to EUR 18,022.

During 2014 the share capital of the Company was increased from EUR 18,022 thousand to EUR 20,918 thousand.

As at 31 December 2016 the share capital of Ebioss Energy AD is owned by 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	36.37	14,880,185	14,880	7,608
Sofia Biomass EOOD	7.53	3,080,430	3,080	1,575
Sun Group Bulgaria EOOD	5.50	2,248,471	2,249	1,149
Origina Bulgaria OOD	1.89	775,140	775	396
Antigona Bulgaria EOOD	1.24	509,065	509	260
Minority shareholders	<u>47.47</u>	<u>19,419,125</u>	<u>19,419</u>	<u>9,930</u>
Total:	<u>100</u>	<u>40,912,416</u>	<u>40,912</u>	<u>20,918</u>

The basic shareholders of the Company are those who initially subscribed all the shares in the capital, upon incorporation. These shareholders owned approximately 52.53% of the share capital of the Company as at 31.12.2016.

The minority shareholders are those who subscribed shares in two subsequent capital increases made in 2013 and 2014 by means of public offering of shares on the Spanish Alternative Stock Exchange Market – MAB. These shareholders own 47.47% of the share capital of the Company as at 31.12.2016.

Principal activities

The principal activity of the Company is the management of projects in the field of engineering, construction and development of gasification Power Plants, development of technological solutions for comprehensive management of household waste, separate waste collection systems, and waste storage facilities.

Due to amendments in the Renewable Energy Act that entered into force in 2015 in Bulgaria the projects have been modified.

According to the amended Act on 6th of March 2015, the companies may produce electricity with power capacity up to 1,5 MW, using combined cycle and indirect use of biomass out of which total weight animal manure shall comprise not less than 50%. Thus the Company's 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.

On 24th July 2015 further changes in the Renewable Energy Act /REA/ entered into legal force regarding the operating conditions related to renewable energy producers, which are applicable to the Company.

EBIOS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Incorporation and principal activities (continued)

Principal activities (continued)

According to the amended REA, the feed-in tariffs and the preferential prices for electricity takeoff, being produced from biomass electrical plants with power output up to 1,5 MW, shall apply only for energy facilities working with combined cycle and indirect use of biomass of which overall weight not less than 60 per cent is to be animal manure. Furthermore, these incentives can be used only if the respective producer of electricity from renewable sources can prove to own authorized animal breeding farm minimum three years before the date of submission of application for connection to the electrical grid and if the respective producer of electricity owns certain number of authorized animals with the purpose to prove the origin of the manure which is to be used as feedstock for the plant. Following the above mentioned changes in the legislation, the Company has started to reorganize and redesign further its existing power production facilities of Karlovo Biomass Power Plant and construction in progress of Heat Biomass Power Plant. The contracts for connection to the National Electricity signed between – Karlovo Biomass EOOD and Heat Biomass EOOD and EVN Electricity Company, considering the above mention legislative amendments, are no longer effective.

As of December 31, 2016 the projects under development in Bulgaria are the following:

- **Heat Biomass EOOD**, registered on 6 January 2011 with UIC 201384552 and with principal activity: production of pellets from straw using power from constructed biomass gasification power plant with a capacity of 2MW. The Company will also has the ability to sell electricity from the power plant, which is not used for production of pellets. In addition, the Company will develop dryer facility for straw. Upon commissioning of the Plant the Company will fully own and operate the whole facility, which will be completed and put in operation in 2017.
- **Karlovo Biomass EOOD**, registered on 6 January 2011 with UIC 201384641 and with principal activity: production of pellets from wood chips using power from constructed biomass gasification power plant with a capacity of 2MW. The Company will also has the ability to sell electricity from the power plant, which is not used for production of pellets. In addition, the Company will develop dryer facility for wood chips. Upon commissioning of the Plant the Company will fully own and operate the whole facility and will start selling electricity in 2017 and producing pellets in 2018.
- **Plovdiv Biomass EOOD**, registered on 7 January 2011 with UIC 201385444 and with principal activity: the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020. Plovdiv Biomass has acquired in November 2012 a 100% subsidiary **Brifa EOOD** which has the same principal activity: the development of a 2 MW thermal plant near the town of Plovdiv.
- **Nova Zagora Biomass EOOD**, registered on 7 January 2011 with UIC 201385519 and with principal activity: the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Nova Zagora. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020.
- **Tvardica Biomass EOOD**, registered on 7 January 2011 with UIC 201384926 and with principal activity: the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Tvardica. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020. Tvardica Biomass EOOD has acquired in November 2012 a 100% subsidiary **Tvardica PV EOOD**, which has the same principal activity: the development of a 2 MW thermal plant near the town of Tvarditza.



EBOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Letniza. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020.

The Company also has the ownership of **Biomass Distribution EOOD**, registered on 12 November 2012 with UIC 201336098 and with principal activity: processing of raw materials and biomass sources and production of pellets.

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, Poland, Italy and Bulgaria.

In December 2013 the Company participated in the incorporation of the joint-stock company **Energotec-Eco AD** through subscription 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 plans in the next two to three years 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 is located in the municipality of Castiglione d'Orcia, Toscana region. In 2015 the plant of Syngas Italy in Toscana Region of 1 MW has been put into operation, but due to technical problems its activities were limited in 2016. The plant is expected to be fully operational in 2017.

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 share participation in other companies domiciled in Spain, Portugal and Brazil. The whole group is specializing in the development of technological solutions for comprehensive management of household waste, separate waste collection systems, and waste storage facilities.

EBOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Incorporation and principal activities (continued)

Principal activities (continued)

By decision of the extraordinary General Meeting of Ebioss Energy AD dated 13th of February 2015, a resolution was approved for the issuance of emission of freely transferable, interest-bearing, bonds, convertible or non-convertible, or any other debt instrument under the following parameters: overall nominal and emission value of the debt instruments: up to 60,000,000 BGN (in words: sixty million leva) or its equivalent in Euro, according to the official fixed exchange rate of the Bulgarian National Bank, with term for issuance of the emission up to 3 (three) and term for repayment up to 10 (ten) years as from the date of placement of the respective emission. The bond loan (or any other debt instrument) may be issued within several emissions of bonds or in one single emission, up to the amount specified above.

Subsequently, on 26.06.2015 the Ordinary Annual General meeting of Ebioss Energy AD additionally approved a resolution in respect of accomplishment of private placement procedure for convertible bonds, under the following parameters: freely transferable, interest-bearing, convertible dematerialized bonds with overall nominal and emission value up to 20,000,000 BGN (in words: twenty million levs) or its equivalent in Euro, according to the official fixed exchange rate of the Bulgarian National Bank, with term for issuance of the emission up to 3 (three) years and term for repayment up to 10 (ten) years as from the date of placement of the respective emission. The emission convertible bonds, which is subject to the said resolution, is part of the overall approved amount of debt instruments, which the General meeting of "Ebioss Energy" AD has adopted for issuance, as per Minutes of the General meeting dated 13.02.2015. On the grounds of art. 194, para. 4 of the Commercial Act, in conjunction with art. 215, para. 1 and art. 196, para. 3 of the Bulgarian Commercial Act, the General meeting has delegated to the Board of Directors explicitly to waive the pre-emptive rights of the current shareholders of "Ebioss Energy" AD in respect to acquisition part of the emission convertible bonds, which corresponds to their share-stake in the capital of the Company.

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 28 April 2017.

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 presented in Euro 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 the registered office in Sofia, 49 Bulgaria Blvd.



EBOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

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 period ended 31 December 2016 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and its subsidiaries.

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 at 31 December 2016 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

These separate financial statements are not consolidated. The consolidated financial statements were authorised for issue by the Board of Directors on 28 April 2017.

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.

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

- Note 21 – Financial instruments

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. These financial statements are presented in thousands of EUR, which is the Company's presentation currency.



E BIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

Foreign currency translation (continued)

(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.

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Company.

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.

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

E BIOS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

Tax (continued)

- 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 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

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.

EBIOS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

Property, plant and equipment (continued)

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
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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.

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.

EBIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Available-for-sale financial assets comprise of equity instruments that do not have quoted market price.

(ii) 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.

EBIOS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

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 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. Management assesses the probability such liability to occur as low and considering the number and structure of the employees, management considers this liability insignificant and therefore it has not been recognized in the financial statements.

(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.



EBIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

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)

(ii) Financial assets

A financial asset not classified 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.

Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease.

At inception or upon reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

(ii) Leased assets

Assets held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

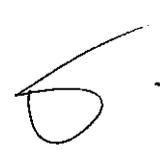
(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.



EBIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

Non-current liabilities

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

Amendments to IFRS

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 the accounting period beginning on 1 January 2016. 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.

Management 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.

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 15 Revenue from Contracts with Customers

The new standard is effective for annual periods starting on or after 1 January 2018. The Company is in the process of assessing the impact of the new standard on its financial statements.

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

IFRS 14 Regulatory Deferral Accounts

The new standard is effective for annual periods starting on or after 1 January 2016. Endorsement process is postponed by EU for indefinite period. The Company is in process of assessing the impact of the new standard on its financial statements.

IFRS 16 Leases

The new standard is effective for annual periods starting on or after 1 January 2019. The Company is in the process of assessing the impact of the new standard 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

The effective date is deferred indefinitely. The adoption of these amendments by EU is postponed. The Company is in the process of assessing the impact of the amendments on its financial statements.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses

These amendments are effective for annual periods starting on or after 1 January 2017. The Company is in the process of assessing the impact of the amendments on its financial statements.

Amendments to IAS 7: Disclosure Initiative

These amendments are effective for annual periods starting on or after 1 January 2017. The Company is in the process of assessing the impact of the amendments on its financial statements.

Clarifications to IFRS 15: Revenue from Contracts with Customers

These clarifications are effective for annual periods starting on or after 1 January 2018. The Company is in the process of assessing the impact of the clarifications on its financial statements.

EBIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

Amendments to IFRS 2: Classification and Measurement of Shares - based Payment Transactions

These amendments are effective for annual periods starting on or after 1 January 2018. The Company is in the process of assessing the impact of the amendments on its financial statements.

Amendments of IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

These amendments are effective for annual periods starting on or after 1 January 2018. The Company is in the process of assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRS Standards 2014-2016 cycle

These improvements are effective for annual periods starting on or after 1 January 2017. The Company is in the process of assessing the impact of the improvements on its financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

This interpretation is effective for annual periods starting on or after 1 January 2018. The Company is in the process of assessing the impact of the interpretation on its financial statements.

Amendments to IAS 40: Transfers of Investment Property

These amendments are effective for annual periods starting on or after 1 January 2018. The Company is in the process of assessing the impact of the amendments on its financial statements.



EBOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. Revenue from sale of goods and cost of sales

	2016	2015
	EUR'000	EUR'000
Revenue from sales of goods	-	4,964
	<u>-</u>	<u>4,964</u>
Cost of goods sold	-	4,005
	<u>-</u>	<u>4,005</u>

In 2015 the Company bought idle technological biomass gasification equipment from its subsidiary Karlovo Biomass EOOD, which has been subsequently sold with margin to an EU-based customer.

4. Revenue from services

	2016	2015
	EUR'000	EUR'000
Revenue from services	246	215
	<u>246</u>	<u>215</u>

The revenue recognised is related to contracts for consultancy services, concluded with Karlovo Biomass EOOD, Biomass Distribution EOOD, Heat Biomass EOOD and Syngas Italy (see also note 22.5).

5. Expenses for hired services

	2016	2015
	EUR'000	EUR'000
Consultancy fees	99	170
Office rent	47	52
Audit services	32	41
Equipment dismantling	36	-
Advertising	58	85
Other	85	85
	<u>321</u>	<u>433</u>

6. Employee benefit expenses

	2016	2015
	EUR'000	EUR'000
Wages and salaries	549	508
Compulsory social security contribution	50	47
Accrued expenses for unused paid leave	10	10
	<u>609</u>	<u>565</u>

7. Other expenses

	2016	2015
	EUR'000	EUR'000
Stock exchange and investors related expenses	177	250
Vehicles related	59	60
Other expenses	301	308
	<u>537</u>	<u>618</u>

EBOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. Finance income and costs

	2016	2015
	EUR'000	EUR'000
Interest income	920	772
Investment income	25	-
	<u>945</u>	<u>772</u>
Interest expense	(763)	(129)
Net FX loss	(7)	(12)
Bank expenses	(28)	(17)
Finance costs	<u>(798)</u>	<u>(158)</u>
Net finance income recognized in profit or loss	<u>147</u>	<u>614</u>

9. Investment in subsidiaries

	2016	2015
	EUR'000	EUR'000
Balance at 1 January	15,218	15,218
New investments	1,098	-
Balance at 31 December	<u>16,316</u>	<u>15,218</u>

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 projects and commencement of production. See also Note 1.

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 the newly established company Energotec-Eco AD and control over its operating and financing activities.

On 3 April 2014 according to an 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, a 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%.

On 3 October 2016 a decision was made to convert EUR 1,098 thousand of the loan granted by Ebioss Energy AD to TNL SGPS into supplementary capital. On 14 October 2016 TNL SGPS was transformed into a public limited company and renamed to Waste Intelligent Technologies SGPS SA (WIT). Subsequently EUR 395 thousand of the supplementary capital granted by Ebioss Energy AD was converted into registered capital of WIT SGPS SA. Thus the participation in the capital of WIT SGPS SA was increased to 68%.

E BIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. Investment in subsidiaries (continued)

The investments in subsidiaries as at 31 December 2016 and 31 December 2015 are presented below:

Subsidiary	Country of incorporation	% ownership 31.12.2016	Investment amount in EUR'000 31.12.2016	% ownership 31.12.2015	Investment amount in EUR '000 31.12.2015
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	100%	650
WIT SGPS (TNL SGPS)	Portugal	68%	2,698	52.62%	1,600
Total investment			16,316		15,218

Power plant owned by subsidiary company Syngas Italy Sri with capacity of 1MW was not operating in 2016 on a continuous basis, due to defect in the filter manufactured by external supplier. In April 2017 the technical problem has been resolved and the Plant has been put into operation. See also Note 24.

All shares from the investments in Karlovo Biomass EOOD, Heat Biomass EOOD and Biomass Distribution EOOD are pledged in favour of United Bulgarian Bank in relation to loan contracts 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 amount of EUR 5,600 thousand. As at 31 December 2016 the principal to be repaid by Karlovo Biomass OOD to United Bulgarian Bank amounts to EUR 4,341 thousand.

10. Other investments

On 20th of April 2015 Ebioss Energy AD signed with the Spanish company CONECTA2 ENERGIA S.L., domiciled in the city of Barcelona, an Agreement for investment intention under which Ebioss will 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 EUR 1,500,000.

As at 31 December 2015 Ebioss Energy AD acquired 16.7% of the capital of CONECTA2 ENERGIA S.L for the amount of EUR 500 thousand.

On 19th of February 2016 according to an agreement between E BIOSS ENERGY AD, CONECTA2 and the shareholders of CONECTA2, the investment agreement and shareholders agreement signed formerly between E BIOSS ENERGY AD and CONECTA2 have been rescinded. The parties agreed for full buy-back of all the shares purchased by E BIOSS ENERGY AD for the price of 525,000 Euro. Subsequently, the payment of this amount was made by bank transfer on 23th of February 2016.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. Property, plant and equipment

	Computers and equipment EUR'000	Vehicles EUR'000	Total EUR'000
Cost			
Balance at 1 January 2015	6	2	8
Additions	5	117	122
Balance at 31 December 2015	<u>11</u>	<u>119</u>	<u>130</u>
Balance at 1 January 2016	11	119	130
Additions	4	8	12
Disposals	-	(3)	(3)
Balance at 31 December 2016	<u>15</u>	<u>124</u>	<u>139</u>
Depreciation and impairment losses			
Balance at 1 January 2015	1	-	1
Charge for the year	4	15	19
Balance at 31 December 2015	<u>5</u>	<u>15</u>	<u>20</u>
Charge for the year	6	20	26
Balance at 31 December 2016	<u>11</u>	<u>35</u>	<u>46</u>
Carrying amounts			
At 1 January 2015	5	2	7
At 31 December 2015	<u>6</u>	<u>104</u>	<u>110</u>
At 31 December 2016	<u>4</u>	<u>89</u>	<u>93</u>

12. Intangible assets

	Software EUR'000
Cost	
Balance at 1 January 2015	6
Balance at 31 December 2015	<u>6</u>
Balance at 31 December 2016	<u>6</u>
Amortisation and impairment losses	
Balance at 1 January 2015	1
Charge for the year	1
Balance at 31 December 2015	<u>2</u>
Charge for the year	1
Balance at 31 December 2016	<u>3</u>
Carrying amounts	
At 1 January 2015	5
At 31 December 2015	<u>4</u>
At 31 December 2016	<u>3</u>

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. Cash and cash equivalents

	31.12.2016 EUR'000	31.12.2015 EUR'000
Cash at bank	179	1,036
Cash in hand	24	168
	<u>203</u>	<u>1,204</u>

Cash and cash equivalents are denominated in following currencies:

	31.12.2016 EUR'000	31.12.2015 EUR'000
BGN	167	80
EUR	36	1,124
	<u>203</u>	<u>1,204</u>

14.1 Loans provided to related parties

	Currency EUR	Annual interest 4/5%	Amount EUR'000	Maturity
Balance at 1 January 2016			25,086	
New proceeds:				
- Heat Biomass EOOD			354	31.12.2018
- Karlovo Biomass EOOD			1,619	31.12.2018/2021
- Plovdiv Biomass EOOD			1	31.12.2018
- Biomass Distribution EOOD			485	31.12.2018
- Brila EOOD			1	31.12.2018
- Syngas Italy S.R.L.			608	31.12.2017
- WIT SGPS SA (former TNL SGPS SA)			5	31.12.2017
- WIT SGPS SA (former TNL SGPS SA) (cession agreement)			647	31.12.2017
- TNL SL			325	31.12.2017
- TNL SL (cession agreement)			17	31.12.2017
- TNL SA			362	31.12.2017
- Tvardica Biomass EOOD			1	31.12.2018
- United Biomass EOOD			1	31.12.2018
- Company employee			5	10.05.2017
- Eqtec Iberia			860	30.04.2017
Loans repaid:				
- Heat Biomass EOOD			(311)	
- Karlovo Biomass EOOD			(1,079)	
- Karlovo Biomass EOOD – amount off-set			(4,005)	
- Plovdiv Biomass EOOD			(1)	
- Biomass Distribution EOOD			(37)	
- Brila EOOD			(1)	
- Addom (cession agreement)			(17)	
- WIT SGPS SA (former TNL SGPS SA)– debt converted to capital			(1,098)	
- TNL SL (cession agreement)			(419)	
- TNL SA (cession agreement)			(228)	
- Company employees			(8)	
- Directors			(6)	

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14.1 Loans provided to related parties (continued)

	Currency EUR	Annual interest 4/5%	Amount EUR'000	Maturity
Loan interest accrued:				
- Heat Biomass EOOD			103	
- Karlovo Biomass EOOD			416	
- United Biomass EOOD			1	
- Plovdiv Biomass EOOD			1	
- Biomass Distribution EOOD			185	
- Addom (cession agreement)			(1)	
- Syngas Italy S.R.L.			106	
- WIT SGPS SA (former TNL SGPS SA)			32	
- WIT SGPS SA (former TNL SGPS SA) (cession agreement)			13	
- TNL SL			15	
- TNL SL (cession agreement)			(10)	
- TNL SA			6	
- TNL SA (cession agreement)			(3)	
- TNL World			1	
- Nova Zagora Biomass EOOD			2	
- Eqtec Iberia			9	
- Tvardica Biomass EOOD			1	
- Brila EOOD			1	
Balance at 31 December 2016			<u>24,045</u>	

EUR'000	Total	Up to 1 year	1-2 years	2-5 years	More than 5 years
Loans	<u>24,045</u>	<u>6,450</u>	<u>17,595</u>	-	-
	24,045	6,450	17,595	-	-

During 2016, the following cession arrangements have been concluded:

- On 24 May 2016 an Agreement for substitution of a party under a corporate loan was signed between EbiOSS Energy AD ("Lender"), Addom ("Borrower") and TNL SL ("Substituent") whereby EbiOSS Energy and TNL SL agreed that TNL SL would undertake the obligations of Addom to EbiOSS arising from a previously signed loan agreement, for the amount of EUR 18 thousand, formed as follows: principal - EUR 17 thousand and interest EUR 1 thousand. All other terms and conditions of the loan agreement remain unchanged;
- On 31 May 2016 an Agreement for substitution of a party under a corporate loan was signed between EbiOSS Energy AD ("Lender"), TNL SL ("Borrower") and TNL SGPS ("Substituent") whereby EbiOSS Energy and TNL SGPS agreed that TNL SGPS would undertake the obligations of TNL SL to EbiOSS arising from a previously signed loan agreement, for the amount of EUR 428 thousand, formed as follows: principal - EUR 419 thousand and interest EUR 9 thousand. All other terms and conditions of the loan agreement remain unchanged;
- On 2 June 2016 an Agreement for substitution of a party under a corporate loan was signed between EbiOSS Energy AD ("Lender"), TNL SA ("Borrower") and TNL SGPS ("Substituent") whereby EbiOSS Energy and TNL SGPS agreed that TNL SGPS would undertake the obligations of TNL SA to EbiOSS arising from a previously signed loan agreement, for the amount of EUR 231 thousand, formed as follows: principal - EUR 228 thousand and interest EUR 3 thousand. All other terms and conditions of the loan agreement remain unchanged.

The repayments made by the Company's employees and Directors were funds withheld from remunerations due.

E BIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14.1 Loans provided to related parties (continued)

	Currency EUR	Annual interest 4/5%	Amount EUR'000	Maturity
Balance at 1 January 2015			17,028	
New proceeds:				
- Heat Biomass EOOD			52	31.12.2018
- Heat Biomass EOOD (cession agreement)			1,512	31.12.2018
- Karlovo Biomass EOOD			4,226	31.12.2018
- Plovdiv Biomass EOOD			13	31.12.2018
- Tvardica PV EOOD			3	31.12.2018
- Biomass Distribution EOOD			1,726	31.12.2018
- Brila EOOD			13	31.12.2018
- Addom			17	31.12.2016
- Syngas Italy S.R.L.			1,003	31.12.2017
- WIT SGPS SA (former TNL SGPS SA)			317	31.12.2016
- TNL SL			355	31.12.2016
- TNL SA			143	31.12.2016
- TNL World			13	31.12.2016
- Company employees			7	31.12.2016
- Directors			18	31.12.2017
Loans repaid:				
- Heat Biomass EOOD			(6)	
- Karlovo Biomass EOOD			(235)	
- Karlovo Biomass EOOD (cession agreement)			(1,512)	
- Plovdiv Biomass EOOD			(18)	
- Tvardica Biomass EOOD			(2)	
- Tvardica PV EOOD			(1)	
- Biomass Distribution EOOD			(229)	
- Brila EOOD			(18)	
- WIT SGPS SA (former TNL SGPS SA)			(40)	
- TNL SA			(60)	
- Company employees			(5)	
- Directors			(5)	
Loan interest accrued:				
- Heat Biomass EOOD			42	
- Karlovo Biomass EOOD			472	
- United Biomass EOOD			1	
- Plovdiv Biomass EOOD			1	
- Tvardica Biomass EOOD			1	
- Biomass Distribution EOOD			146	
- Brila EOOD			1	
- Nova Zagora Biomass EOOD			1	
- Addom			1	
- Syngas Italy S.R.L.			70	
- WIT SGPS SA (former TNL SGPS SA)			25	
- TNL SL			9	
- TNL SA			2	
Balance at 31 December 2015			<u>25,086</u>	

EBIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14.1 Loans provided to related parties (continued)

EUR'000	Total	Up to 1 year	1-2 years	2-5 years	More than 5 years
Loans	<u>25,086</u>	<u>2,225</u>	<u>2,293</u>	<u>20,568</u>	-
	25,086	2,225	2,293	20,568	-

On 30.12.2015 a cession agreement was signed between Ebioss Energy AD and Heat Biomass EOOD according to which Ebioss Energy AD transferred part of its receivables from Karlovo Biomass EOOD for the amount of EUR 1,512 thousand to Heat Biomass EOOD. The cession agreement was concluded at par where Heat Biomass EOOD shall repay the amount due to Ebioss Energy AD till 31 December 2018, including interest charges at 4%.

14.2 Loans provided to third parties

	Amount EUR'000	
Balance at 1 January 2016		
New proceeds:		
- React Energy	859	07.02.2017
- React Energy (cession agreement to Newry Biomass)	(57)	
- Newry Biomass (cession agreement with React Energy)	57	31.12.2017
Loan interest accrued:		
- React Energy	41	
Balance at 31 December 2016	<u>900</u>	

On 25 November 2016 a Settlement agreement was signed between Ebioss Energy, React Energy and Newry Biomass where the Parties agreed that Newry Biomass will substitute React in all its obligations for repayment of the loan amounting to EUR 57 thousand and will repay the amount directly to the bank account of Ebioss Energy AD.

15. Trade and other receivables

	Note	31.12.2016 EUR'000	31.12.2015 EUR'000
Trade receivables		5,150	4,964
Trade receivables due from related parties	22.7	123	48
Prepaid amounts to suppliers		50	58
Receivables from employees		172	1
Refundable VAT		128	810
Other receivables		268	16
		<u>5,891</u>	<u>5,897</u>

16. Capital and capital reserves

16.1. 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 2015	<u>40,912,416</u>	<u>20,918</u>
Balance at 31 December 2015/1 January 2016	<u>40,912,416</u>	<u>20,918</u>
Balance at 31 December 2016	<u>40,912,416</u>	<u>20,918</u>

16.2. 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 2015 the Company held 80,807 own shares with nominal value EUR 0.51 (BGN 1).

As at 31 December 2016 the Company held 349,947 own shares with nominal value EUR 0.51 (BGN 1).

EBIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

17. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2016 was based on the loss attributable to ordinary shareholders of EUR (1,186) thousand (31 December 2015: profit EUR 112 thousand), and a weighted average number of ordinary shares outstanding of 40,606 thousand (31 December 2015: 39,978 thousand), calculated as follows:

(i) Profit attributable to ordinary shareholders (basic)

<i>In thousands of EUR</i>	31.12.2016	31.12.2015
Profit/(Loss) for the year	(1,015)	112
Profit/(Loss) attributable to ordinary shareholders	(1,015)	112

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

<i>In thousands of shares</i>	31.12.2016	31.12.2015
Issued ordinary shares at 1 January	40,912	40,912
Effect from repurchased own shares	(306)	(934)
Weighted average number of ordinary shares at 31 December	40,606	39,978
Earnings per share (EUR)	(0.025)	0.003

18. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. More information about the Company's exposure to interest rate, foreign currency and liquidity risk is included in Note 21.

<i>In thousands of EUR</i>	31.12.2016	31.12.2015
Non-current liabilities		
Unsecured corporate bonds issues	12,254	6,811
Finance lease liabilities	35	55
	12,289	6,866
Current liabilities		
Unsecured corporate bonds issues	373	121
Finance lease liabilities	19	19
Loans payable to related parties	135	-
	527	140

(a) Corporate bonds issue

<i>In thousands of EUR</i>	Amount EUR'000
Proceeds from issue of bonds	7,000
Transaction costs	(189)
Net proceeds	6,811
Accrued interest	121
Carrying amount of liability at 31 December 2015	6,932
Proceeds from issue of bonds	5,500
Transaction costs	(57)
Net proceeds	5,443
Accrued interest	747
Paid interest	(495)
Carrying amount of liability at 31 December 2016	12,627

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18. Loans and borrowings (continued)

On 18th June 2015, 30 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by the Company with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 18th June 2020 and maturity dates of the coupon payments shall be as follows: 18th June 2016, 18th June 2017, 18th June 2018, 18th June 2019 and 18th June 2020.

The Company shall have the right after expiration of a 36-month period as from the date of issue, to buy-back from the bond holders some or all of the bonds at nominal value plus the accrued interest of the coupons, calculated as to the date of exercising such call option.

On 16th December 2015, 40 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by the Company with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 22nd December 2020 and maturity dates of the coupon payments shall be as follows: 22nd December 2016, 22nd December 2017, 22nd December 2018, 22nd December 2019 and 22nd December 2020.

On 14th April 2016, 20 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by the Company with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 20th April 2021 and maturity dates of the coupon payments shall be as follows: 20th April 2017, 20th April 2018, 20th April 2019, 20th April 2020 and 20th April 2021.

On 12 July 2016, 35 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by the Company with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 12th July 2021 and maturity dates of the coupon payments shall be as follows: 20th April 2017, 20th April 2018, 20th April 2019, 20th April 2020 and 20th April 2021.

(b) Finance lease

Finance lease liabilities as at 31 December 2016 are payable as follows:

<i>In thousands of EUR</i>	Future minimum lease payments	Future interest payments 4.15%	Principal
Less than one year	24	5	19
Between one and two years	24	3	21
Between two and five years	15	1	14
Total	63	9	54

Finance lease liabilities as at 31 December 2015 are payable as follows:

<i>In thousands of EUR</i>	Future minimum lease payments	Future interest payments 4.15%	Principal
Less than one year	26	7	19
Between one and two years	25	5	20
Between two and five years	39	4	35
Total	90	16	74

(c) Loans payable to related parties – Elektra Holding AD

<i>In thousands of EUR</i>	Amount EUR'000	Maturity
Carrying amount of liability at 1 January 2016	-	
Proceeds	406	
Repayments	(279)	
Net proceeds	127	31.12.2017
Accrued interest (4%)	8	31.12.2017
Carrying amount of liability at 31 December 2016	135	31.12.2017

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

19. Trade and other payables

Trade payables	31.12.2016 EUR'000	31.12.2015 EUR'000
Payables to suppliers	135	44
	<u>135</u>	<u>44</u>
Other payables		
Payables in regards to bonds issue	25	142
Accruals for unused paid leave	35	25
Other tax liabilities	9	10
	<u>69</u>	<u>177</u>
Trade and other payables	<u>204</u>	<u>221</u>

20. Taxation

Income tax recognised in profit or loss	2016 EUR'000	2015 EUR'000
Deferred tax expense/(benefit)	(86)	40
Income tax expense for the period	<u>(86)</u>	<u>40</u>

Reconciliation of the effective income tax rate:

	2016 EUR'000	2015 EUR'000
Profit/(Loss) for the year	(1,015)	112
Total income tax expense/(benefit)	<u>(86)</u>	<u>40</u>
Profit/(Loss) before income tax	<u>(1,101)</u>	<u>152</u>
Income tax expense at the statutory income tax rate of 10%	(110)	15
Unrecognised deferred tax asset - unused paid leaves	1	1
Non-deductible expenses	<u>23</u>	<u>24</u>
Income tax expense/(benefit)	<u>(86)</u>	<u>40</u>
Effective tax rate	<u>8%</u>	<u>26%</u>

Under the current provisions of the Bulgarian Corporate Tax Act, the 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.

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.

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets		Liabilities		Net	
	2016 EUR'000	2015 EUR'000	2016 EUR'000	2015 EUR'000	2016 EUR'000	2015 EUR'000
Tax loss carry-forwards	(166)	(80)	-	-	(166)	(80)
Tax (assets) liabilities	<u>(166)</u>	<u>(80)</u>	<u>-</u>	<u>-</u>	<u>(166)</u>	<u>(80)</u>
Net tax (assets) liabilities	<u>(166)</u>	<u>(80)</u>	<u>-</u>	<u>-</u>	<u>(166)</u>	<u>(80)</u>

E BIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

20. Taxation (continued)

Movement in deferred tax balances

<i>In thousand of EUR</i>	Balance 1 January 2015	Recognized in profit or loss	Balance 31 December 2015	Recognized in profit or loss	Balance 31 December 2016
Tax loss carry-forwards	(120)	40	(80)	(96)	(176)
	(120)	40	(80)	(96)	(176)

21. 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.

(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	31.12.2016 EUR'000	31.12.2015 EUR'000
Loans provided to related parties	22.1	24,045	25,086
Loans provided to third parties	14.2	900	-
Trade receivables	15	5,150	4,964
Trade receivables from related parties	22.7	123	48
Bank balances	13	179	1,036
		<u>30,397</u>	<u>31,134</u>

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.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. 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 2016:

<i>In thousands of EUR</i>		Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years
Non-derivative financial liabilities						
Corporate bonds issued	18	12,627	(16,332)	(822)	(875)	(14,635)
Finance lease liabilities	18	54	(63)	(24)	(24)	(15)
Trade and other payables to related parties	22.2	10	(10)	(10)	-	-
Loans payable to related parties	18	135	(140)	(140)	-	-
Payables to suppliers	19	160	(160)	(160)	-	-
		<u>12,986</u>	<u>(16,705)</u>	<u>(1,156)</u>	<u>(899)</u>	<u>(14,650)</u>

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2015:

<i>In thousands of EUR</i>		Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years
Non-derivative financial liabilities						
Corporate bonds issued	18	6,932	(9,450)	(490)	(490)	(8,470)
Finance lease liabilities	18	74	(90)	(26)	(25)	(39)
Trade and other payables to related parties	22.2	4,816	(4,816)	(4,816)	-	-
Payables to suppliers	19	186	(186)	(186)	-	-
		<u>12,008</u>	<u>(14,542)</u>	<u>(5,518)</u>	<u>(515)</u>	<u>(8,509)</u>

(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.

E BIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. Financial instruments (continued)

Interest rate risk (continued)

Profile

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

<i>In thousands of EUR</i>	Nominal amount	
	31.12.2016	31.12.2015
Fixed rate instruments		
Financial assets	22,826	23,876
Financial liabilities	(12,681)	(7,074)
	<u>10,145</u>	<u>16,802</u>

The Company has no variable rate instruments as at 31 December 2016 and 31 December 2015.

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. No information is disclosed about the fair values of financial assets and financial liabilities that are not measured at fair value as their carrying value is a reasonable approximation of fair value.

22. 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 E BIOSS ENERGY AD
Heat Biomass EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
Karlovo Biomass EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
Plovdiv Biomass EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
Tvardica Biomass EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
Tvardica PV EOOD	subsidiary, 100% owned by Tvardica Biomass EOOD
United Biomass EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
Nova Zagora Biomass EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
Biomass Distribution EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
EQTEC Iberia S.L., Spain	subsidiary, 48% owned and controlled by E BIOSS ENERGY AD
Eqtec Bulgaria EOOD	subsidiary, 100% owned and controlled by EQTEC Iberia S.L.
Energotec Eco AD	subsidiary, 43% owned and controlled by E BIOSS ENERGY AD
Brila EOOD	subsidiary, 100% owned by Plovdiv Biomass EOOD
Syngas Italy S.R.L.	subsidiary, 100% owned by E BIOSS ENERGY AD (since 3.04.2014)
WIT SGPS SA, Portugal (former TNL SGPS LDA)	subsidiary, 68% owned and controlled by E BIOSS ENERGY AD
TNL SA, Portugal	subsidiary, 100% owned and controlled by WIT SGPS SA
Hirdant, Portugal	subsidiary, 100% owned and controlled by WIT SGPS SA
Addom, Spain	subsidiary, 100% owned and controlled by WIT SGPS SA
TNL SL, Spain	subsidiary, 80% owned and controlled by WIT SGPS SA
TNL World, Bulgaria	subsidiary, 100% owned and controlled by WIT SGPS SA (since 17.09.2015)
Citytainer Brasil, Brasil	associate of WIT SGPS SA
Citytainer Industria, Brasil	subsidiary 100% owned and controlled by Citytainer Brasil
Inava Ingeiyeria De Analisis SL	under common control
Ortiz Elektra AD	under common control
Biomass Gorno EOOD	under common control

E BIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. Related party transactions and balances (continued)

Luxur PV EOOD	under common control
Bul PV EOOD	under common control
Bul Biomass EOOD	under common control
Luxur Biomass OOD	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 E BIOSS ENERGY AD are Jose Oscar Leiva Mendez and Luis Sanchez Angrill.

The remuneration to the key management personnel in 2016 amounts to EUR 126 thousand (2015: EUR 126 thousand).

22.1 Loans provided to related parties

	31.12.2016 EUR'000	31.12.2015 EUR'000
Heat Biomass EOOD		
- principal	2,628	2,585
- interest	253	151
Karlovo Biomass EOOD		
- principal	9,884	13,349
- interest	1,164	747
United Biomass EOOD		
- principal	36	34
- interest	5	3
Nova Zagora Biomass EOOD		
- principal	24	24
- interest	3	3
Tvardica Biomass EOOD		
- principal	20	19
- interest	3	2
Plovdiv Biomass EOOD		
- principal	25	25
- interest	4	3
Tvarditsa PV EOOD		
- principal	9	9
- interest	1	1
Biomass Distribution		
- principal	4,951	4,503
- interest	357	173
Brila EOOD		
- principal	18	17
- interest	3	2
Syngas Italy S.R.L.		
- principal	2,889	2,281
- interest	191	85
WIT SGPS SA (former TNL SGPS SA)		
- principal	91	537
- interest	73	28
Addom		
- principal	-	17
- interest	-	1
TNL SL		
- principal	278	355
- interest	15	9
TNL SA		
- principal	217	83
- interest	5	2

EBIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. Related party transactions and balances (continued)

22.1 Loans provided to related parties (continued)

	31.12.2016	31.12.2015
	EUR'000	EUR'000
TNL World		
- principal	13	13
- interest	1	-
Eqtec Iberia		
- principal	860	-
- interest	9	-
Company employees		
- principal	9	13
Directors		
- principal	6	12
	<u>24,045</u>	<u>25,086</u>

22.2 Trade and other payables to related parties

	31.12.2016	31.12.2015
	EUR'000	EUR'000
Karlovo Biomass EOOD	-	4,806
Elektra Holding AD	10	10
	<u>10</u>	<u>4,816</u>

The amount payable to Karlovo Biomass EOOD as at 31 December 2015 is in relation to equipment purchased. In 2016 the amount of EUR 4,005 thousand, payable to Karlovo Biomass EOOD has been off-set against liabilities of Karlovo Biomass to EbiOSS Energy under the credit line granted (See also note 14.1).

22.3 Loans received from related parties

During 2016 a loan for the amount of EUR 406 thousand has been received from Elektra Holding AD. EUR 279 thousand have been paid back during the reporting. (See note 18).

During 2015 a loan for the amount of EUR 315 thousand has been received from Elektra Holding AD which has been fully repaid prior to the end of the reporting period.

22.4 Services received from related parties

	31.12.2016	31.12.2015
	EUR'000	EUR'000
Eqtec Iberia SL – transportation of equipment	7	-
Eqtec Bulgaria EOOD – transportation of equipment	3	-
	<u>10</u>	<u>-</u>

22.5 Services rendered to related parties

	2016	2015
	EUR'000	EUR'000
Karlovo Biomass EOOD	61	62
Biomass Distribution EOOD	62	51
Heat Biomass EOOD	61	51
Syngas Italy S.r.l.	62	51
	<u>246</u>	<u>215</u>

EBIOSS ENERGY AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. Related party transactions and balances (continued)

22.6 Purchase of equipment

	2016	2015
	EUR'000	EUR'000
Karlovo Biomass EOOD	-	4,005
	-	4,005

22.7 Trade receivables from related parties

	31.12.2016	31.12.2015
	EUR'000	EUR'000
Karlovo Biomass EOOD	25	12
Syngas Italy S.r.l.	61	36
Biomass Distribution EOOD	25	-
Heat Biomass EOOD	12	-
	123	48

23. 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 amount of EUR 5,600 thousand until the time of commissioning of plant property of Karlovo Biomass EOOD. As of 31.12.2016 principal of loan to be repaid by Karlovo Biomass EOOD is EUR 4,341 thousand.

24. Events after the reporting period

On the 7th of February 2017 Ebioss Energy AD has acquired 51% share stake in the company REACT Plc by means of conversion of corporate debt into equity and the corresponding capital increase and subscription of the newly emitted shares thereunder by Ebioss Energy AD. The shares of the company REACT Plc are quoted for trading on the London AIM stock market and its head office is domiciled in Ireland. As a consequence of the acquisition and the admission of Ebioss Energy AD as a majority shareholder, REACT Plc was renamed by decision of the General meeting into EQTEC Plc and Ebioss obtained the right to nominate the majority of the board members, including the Executive director (CEO).

On the 24th of February 2017 the Board of Directors of Ebioss Energy AD approved a resolution for private placement of new emission of corporate bonds at a total amount of 1,600,000 £, representing 16 non-convertible, freely transferable bonds with par value and emission value of 100,000 £ each. The bond emission was successfully subscribed on the same date (24.02.2017) on the Luxembourg Stock Exchange. The maturity date of the emission is 24th of February 2023 and the annual coupon is 7%.

By decision of extraordinary general meeting of the shareholders of Ebioss Energy AD, held on 13th of February 2017 the company was transformed into European company, as per Regulation (EC) № 2157/2001. The Bulgarian Trade Register has inscribed the relevant corporate changes on the 23rd of March 2017 and thereafter EBIOSS has the legal form of "Societas Europaea" or "SE". The capital of the company was denominated in Euro (the conversion of the registered capital has been made according to the official fixed exchange rate of the Bulgarian National Bank, where 1 € = 1,95583 BGN) and the nominal value of the shares was changed into 1 Euro each, according to the rules of the Regulation. All the other corporate characteristics of the company remain unchanged.

At the end of April the subsidiary Syngas Italy Srl. has resolved the technical problem with the filter and the Power plant has been put into operation.

There are no other significant events after the reporting period, which should be reflected or disclosed in these separate financial statements.

EBOSS ENERGY AD

CONSOLIDATED REPORT ON ACTIVITIES AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016



EBOSS ENERGY AD

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E BIOSS ENERGY AD

CONSOLIDATED REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS AND OTHER OFFICERS

Executive Directors:

Jose Oscar Leiva Mendez
Luis Sanchez Angrill

Registered Seat

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Sofia 1404

Address for correspondence

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Sofia 1404

Legal Consultant

Angel Panayotov
49 Bulgaria Blvd
Floor 11-12
Sofia 1404

Bank

Raiffeisen Bank AD, Bulgaria
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



E BIOSS ENERGY AD

CONSOLIDATED REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors presents its consolidated report on activities and audited consolidated financial statements of E BIOSS ENERGY AD (the Company) and its subsidiaries (the Group) for the year ended 31 December 2016.

Incorporation

E BIOSS 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 E BIOSS ENERGY EOOD.

On 01 October 2012 E BIOSS ENERGY EOOD was transformed into E BIOSS ENERGY OOD and on the same date the share capital of E BIOSS 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 E BIOSS 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

E BIOSS ENERGY AD

CONSOLIDATED REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

1. Incorporation and principal activities (continued)

Incorporation (continued)

On 12 December 2012 E BIOSS ENERGY OOD has been transformed into joint stock company E BIOSS 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.

During 2013 the share capital of the Company was increased from EUR 12,392 thousand to EUR 18,022. During 2014 the share capital of the Company was increased from EUR 18,022 thousand to EUR 20,918 thousand (see note 17.1)

As at 31 December 2016 the share capital of Ebioss Energy AD is owned by 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	36.37	14,880,185	14,880	7,608
Sofia Biomass EOOD	7.53	3,080,430	3,080	1,575
Sun Group Bulgaria EOOD	5.50	2,248,471	2,249	1,149
Origina Bulgaria OOD	1.89	775,140	775	396
Antigona Bulgaria EOOD	1.24	509,065	509	260
Minority shareholders	<u>47.47</u>	<u>19,419,125</u>	<u>19,419</u>	<u>9,930</u>
Total:	<u>100</u>	<u>40,912,416</u>	<u>40,912</u>	<u>20,918</u>

The basic shareholders of the company are those who initially subscribed all the shares in the capital, upon the incorporation. These shareholders owned approximately 52.53% of the share capital of the Company as at 31.12.2016.

The minority shareholders are those who subscribed shares in two subsequent capital increases made in 2013 and 2014 by means of public offering of shares on the Spanish Alternative Stock Exchange Market – MAB. These shareholders own 47.47% of the share capital of the Company as at 31.12.2016.

Principal activities

The principal activity of the Group is the management of the engineering, construction and development of gasification Power Plants as well as development of technological solutions for comprehensive management of household waste, separate waste collection systems, and waste storage facilities.

Due to amendments in the Renewable Energy Act that entered into force in 2015 in Bulgaria the projects have been modified. According to the amended Act on 6th of March 2015, the companies may produce electricity with power capacity up to 1,5 MW, using combined cycle and indirect use of biomass out of which total weight animal manure shall comprise not less than 50%. Thus the Companies' 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.

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E BIOSS ENERGY AD

CONSOLIDATED REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

1. Incorporation and principal activities (continued)

Principal activities (continued)

On 24th July 2015 further changes in the Renewable Energy Act /REA/ entered into legal force regarding the operating conditions related to renewable energy producers, which are applicable to the Company.

According to the amended REA, the feed-in tariffs and the preferential prices for electricity takeoff, being produced from biomass electrical plants with power output up to 1,5 MW, shall apply only for energy facilities working with combined cycle and indirect use of biomass of which overall weight not less than 60 per cent is to be animal manure. Furthermore, these incentives can be used only if the respective producer of electricity from renewable sources can prove to own authorized animal breeding farm minimum three years before the date of submission of application for connection to the electrical grid and if the respective producer of electricity owns certain number of authorized animals with the purpose to prove the origin of the manure which is to be used as feedstock for the plant.

Following the above mentioned changes in the legislation, the Company has started to reorganize and redesign further its existing power production facilities of Karlovo Biomass Power Plant and construction in progress of Heat Biomass Power Plant. The contracts for connection to the National Electricity signed between – Karlovo Biomass EOOD and Heat Biomass EOOD and EVN Electricity Company, considering the above mention legislative amendments, are no longer effective.

As of December 31, 2016 the projects under development in Bulgaria are the following:

- **Heat Biomass EOOD**, registered on 6 January 2011 with UIC 201384552 and with principal activity: the construction of a biomass gasification power plant with a capacity of 2MW. The Power Plant is going to be constructed on a site located near the town of Plovdiv. In addition, the Company will develop dryer facility for wood chips and straw and will be engaged in the production of pellets. Upon commissioning of the Power Plant the Company will fully own and operate the whole facility, which will be completed and put in operation in 2017.
- **Karlovo Biomass EOOD**, registered on 6 January 2011 with UIC 201384641 and with principal activity: the construction of a biomass gasification power plant with a capacity of 2MW. The Power Plant is going to be constructed on a site located near the town of Plovdiv. In addition, the Company will develop dryer facility for wood chips and straw and will be engaged in the production of pellets. Upon commissioning of the Power Plant the Company will fully own and operate the whole facility, which will be completed and will start selling electricity in 2017 and producing pellets in 2018.
- **Plovdiv Biomass EOOD**, registered on 7 January 2011 with UIC 201385444 and with principal activity: : the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020. Plovdiv Biomass has acquired in November 2012 a 100% subsidiary **Brila EOOD** which has the same principal activity: the development of a 2 MW thermal plant near the town of Plovdiv.
- **Nova Zagora Biomass EOOD**, registered on 7 January 2011 with UIC 201385519 and with principal activity: the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Nova Zagora. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020.

E BIOSS ENERGY AD

CONSOLIDATED REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

1. Incorporation and principal activities (continued)

Principal activities (continued)

- **Tvardica Biomass EOOD**, registered on 7 January 2011 with UIC 201384926 and with principal activity: the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Tvardica. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020. Tvardica Biomass EOOD has acquired in November 2012 a 100% subsidiary **Tvardica PV EOOD**, which has the same principal activity: the development of a 2 MW thermal plant near the town of Tvarditza.
- **United Biomass EOOD**, registered on 6 January 2011 with UIC 201384562 and with principal activity: the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Letnitza. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020.

The Company also has the ownership of **Biomass Distribution EOOD**, registered on 12 November 2012 with UIC 201336098 and with principal activity: processing of raw materials and biomass sources and production of pellets.

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, Poland, Italy and Bulgaria.

In December 2013 the Company participated in the incorporation of the joint-stock company **Energotec-Eco AD** through subscription 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 plans in the next two to three years 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 is located in municipality of Castiglione d'Orcia, Toscana region. In 2015 the plant of Syngas Italy in Toscana Region of 1 MW has been put into operation, but due to technical problems its activities were limited in 2016. The plant is expected to be fully operational in 2017.

On 10 April 2014 with decision of the General meeting of E BIOSS ENERGY AD the nominal value of the shares of the Company is changed from EUR 2.56 to EUR 0,51. The General meeting also takes decision to delegate and issues an explicit statutory mandate of the Board of Directors of E BIOSS 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.



E BIOSS ENERGY AD

CONSOLIDATED REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

1. Incorporation and principal activities (continued)

Principal activities (continued)

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 share participation in other companies domiciled in Spain, Portugal and Brazil. The whole group is specializing in the development of technological solutions for comprehensive management of household waste, separate waste collection systems, and waste storage facilities.

By decision of the extraordinary General Meeting of Ebioss Energy AD dated 13th of February 2015, a resolution was approved for the issuance of emission of freely transferable, interest-bearing, bonds, convertible or non-convertible, or any other debt instrument under the following parameters: overall nominal and emission value of the debt instruments: up to 60,000,000 BGN (in words: sixty million leva) or its equivalent in Euro, according to the official fixed exchange rate of the Bulgarian National Bank, with term for issuance of the emission up to 3 (three) and term for repayment up to 10 (ten) years as from the date of placement of the respective emission. The bond loan (or any other debt instrument) may be issued within several emissions of bonds or in one single emission, up to the amount specified above.

The General Meeting also adopted a resolution the shares of "E BIOSS 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.

Subsequently, on 26.06.2015 the Ordinary Annual General meeting of Ebioss Energy AD additionally approved a resolution in respect of accomplishment of private placement procedure for convertible bonds, under the following parameters: freely transferable, interest-bearing, convertible dematerialized bonds with overall nominal and emission value up to 20,000,000 BGN (in words: twenty million levs) or its equivalent in Euro, according to the official fixed exchange rate of the Bulgarian National Bank, with term for issuance of the emission up to 3 (three) years and term for repayment up to 10 (ten) years as from the date of placement of the respective emission. The emission convertible bonds, which is subject to the said resolution, is part of the overall approved amount of debt instruments, which the General meeting of "Ebioss Energy" AD has adopted for issuance, as per Minutes of the General meeting dated 13.02.2015. On the grounds of art. 194, para. 4 of the Commercial Act, in conjunction with art. 215, para. 1 and art. 196, para. 3 of the Bulgarian Commercial Act, the General meeting has delegated to the Board of Directors explicitly to waive the pre-emptive rights of the current shareholders of "Ebioss Energy" AD in respect to acquisition part of the emission convertible bonds, which corresponds to their share-stake in the capital of the Company.

2. 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 period 01 January 2016 - 31 December 2016 the financial result of the Group is net loss in the amount of EUR 5 262 thousand from which EUR 1 139 thousand is attributable to Non-controlling interests. Net equity including negative Non-controlling interests of EUR 270 thousand is a positive value amounting to EUR 32 516 thousand. As of 31 December 2016 the earnings per share are a negative value of EUR 0,10.



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E BIOSS ENERGY AD

CONSOLIDATED REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

3. Analysis of key, financial and non-financial, performance indicators relevant to the business operations of the Group

The Group management periodically review its gearing and liquidity ratios which are indicators of financial stability. As of 31.12.2016 the liquidity ratio decrease mainly due to increase in short term loans and increase in trade payables. The gearing ratio increase due to new bond issued during 2016 and due to decrease of equity during the period.

Gearing ratio (total liabilities / total equity)

31.12.2016	31.12.2015
0,87	0,6

Liquidity ratio (current assets / current liabilities)

31.12.2016	31.12.2015
1,71	2,05

4. Events after the reporting period

On the 7th of February 2017 Ebioss Energy AD has acquired 51% share stake in the company REACT Plc by means of conversion of corporate debt into equity and the corresponding capital increase and subscription of the newly emitted shares thereunder by EBIOSS. The shares of the company REACT Plc are quoted for trading on the London AIM stock market and its head office is domiciled in Ireland. As a consequence of the acquisition and the admission of Ebioss as a majority shareholder, REACT was renamed by decision of the General meeting into EQTEC Plc and Ebioss obtained the right to nominate the majority of the board members, including the Executive director (CEO).

On the 24th of February 2017 the Board of Directors of Ebioss Energy AD approved a resolution for private placement of new emission of corporate bonds at a total amount of 1,600,000 £, representing 16 non-convertible, freely transferable bonds with par value and emission value of 100,000 £ each. The bond emission was successfully subscribed on the same date (24.02.2017) on the Luxembourg Stock Exchange. The maturity date of the emission is 24th of February 2023 and the annual coupon is 7%.

By decision of extraordinary general meeting of the shareholders of Ebioss Energy AD, held on 13th of February 2017 the company was transformed into European company, as per Regulation (EC) N^o 2157/2001. The Bulgarian Trade Register has inscribed the relevant corporate changes on the 23rd of March 2017 and thereafter EBIOSS has the legal form of "Societas Europaea" or "SE". The capital of the company was denominated in Euro (the conversion of the registered capital has been made according to the official fixed exchange rate of the Bulgarian National Bank, where 1 € = 1,95583 BGN) and the nominal value of the shares was changed into 1 Euro each, according to the rules of the Regulation. All the other corporate characteristics of the company remain unchanged.

At the end of April the subsidiary company Syngas Italy Srl. has resolved the technical problem with the filter and the plant has been put into operation.

There are no other significant events after the reporting period, which should be reflected or disclosed in these consolidated financial statements.

5. Future development of the Group

The Group is committed to continue the development of its projects in the field of biomass gasification, production of pellets and waste collection management.



E BIOSS ENERGY AD

CONSOLIDATED REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

6. Activities in the field of research and development

On 27th October 2016 subsidiary company EQTEC Iberia S.L. has obtained patent for "Process and cogeneration plant through the gasification of organic solid material"

In 2016 subsidiary company TNL Equipamientos Ambientales S.L. has requested the inscription of two patents:

- "Security system for underground installations for waste collection" requested 09.08.2016
- "Underground installations for waste collection" requested 14.09.2016

7. Information concerning acquisitions of own shares required under the procedure provided for in Art. 187e of the Commerce Act

During the year ended 31.12.2016 the Ebioss Energy AD purchased 1,944,108 own shares for EUR 2,239 thousand and sold 1,674,968 own shares for EUR 1,867 thousand.

As of 31.12.2016 the Ebioss Energy AD own 349,947 own shares (2015: 80,807 own shares). As of 31 December 2016 own shares acquired by the Ebioss Energy AD represent 0,85% from share capital (2015: 0,2% from share capital)

8. Existence of branches of the Group companies

Group Companies does not have branches in 2016 and 2015.

9. Company`s financial risk management objectives and policies

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

- credit risk
- liquidity risk
- market risk.

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.

(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 related parties.

(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.



E BIOSS ENERGY AD

CONSOLIDATED REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

(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

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

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.

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.

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 Group has no financial assets and financial liabilities at fair value. No information is disclosed about the fair values of financial assets and financial liabilities that are not measured at fair value as their carrying value is a reasonable approximation of fair value.

CORPORATE GOVERNANCE STATEMENT

1. Code of Corporate Governance

The Group has issued a Code of Corporate Governance approved by Jose Oscar Leiva Mendez. The Group strictly follows this Code of Corporate Governance. This document is published on the official website of EbiOSS Energy AD.

2. System of internal control and management of risks

Internal control is defined as a process integrated into the Group's activities and executed by the Board of Directors, the Audit Committee, by management and employees.

The Group has established adequate and effective internal control, which is continuous process integrated in all of the Group's activities and is designed to achieve:

- compliance with legislation
- compliance with internal rules and contracts
- reliability and completeness of financial and operational information
- economy, efficiency and effectiveness of the activities
- protection of assets and information



EBIOSS ENERGY AD

CONSOLIDATED REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

Everyone in the Group has a certain responsibility with regard to internal control. The Group has created adequate organizational structure to ensure segregation of duties, proper division of responsibilities and adequacy of reporting levels. The control functions of the participants in the internal control system are regulated in the job descriptions of the persons concerned. There is commitment to competence at each working place and there are strict requirements for the knowledge and skills needed for each position. The management has set the values of integrity and ethical behavior through Code of conduct.

Risks relevant to financial reporting include external and internal events, transactions, and circumstances that may arise and have a negative impact on the entity's ability to initiate, record, and process financial data. The management applies a conservative approach to identifying the business risks that are material for the preparation of the financial statements, assesses their significance and likelihood of their occurrence, and decides how to address these risks, how to manage them, and how to evaluate the results reliably.

3. Information under Article 10, Paragraph 1, Letters "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 regarding take-over offers;

- **significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC;**

As of 31 December 2016 the major shareholders in EbiOSS Energy AD are: Electra Holding AD - 36,37%; Sofia Biomass EOOD - 7,53% and SunGroup Bulgaria EOOD – 5,5%. During the financial year 2016 the major shareholders in EbiOSS Energy AD have not acquired or transferred directly and/or indirectly (under the meaning of Art. 145 and art. 146 under the meaning of the Bulgarian Public Offering of Securities Act) voting rights in the General shareholders meeting of the Company, where as a result of the acquisition or transfer such voting right reaches, exceeds or falls below 5 per cent or a figure multiple of 5 per cent, from the number of votes in the EbiOSS Energy General meeting.

- **holders of any securities with special control rights and a description of those rights**

No securities with special control rights exist.

- **any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of 30.4.2004 EN Official Journal of the European Union L 142/19 votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities**

No restriction of voting rights exist in articles of association.

- **the rules governing the appointment and replacement of board members and the amendment of the articles of association;**

The appointment and replacement of board members and the amendment of the articles of association can be done only through decision of General Shareholders meeting.

- **the powers of board members, and in particular the power to issue or buy back shares**

With the last revision of articles of association of EbiOSS Energy AD dated 13.02.2017 the Board of Directors is entrusted with the powers, within five-year term, as from the date of approval of the General meeting, acting with own discretion and having the right to specify all the parameters of the respective emission, to increase the capital of the Company up to maximum amount of BGN 100 million through issuing of new shares or through conversion of bonds into shares. The Board of Directors does not have specific rights in relation to buy back of shares.



E BIOSS ENERGY AD

CONSOLIDATED REPORT ON ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

4. Information regarding composition and functioning of the administrative, managerial and supervisory bodies and their committees, as well as description of the diversity policy applied as regards the administrative, managerial and supervisory bodies of the issuer in connection with aspects such as age, gender or education and professional experience

The Group's management bodies are the following:

1. Board of Directors with the following members:

- Jose Oscar Leiva Mendez
- Luis Sanchez Angrill
- Carlos Cuervo Arango Martinez
- Alexandra Vesselinova Tcherveniakova

The Board of Directors conduct regular meetings at least once in three months to review the results of the Group, to evaluate business risks and to discuss future prospects for development of the Group.

The Group has appointed an Audit Committee to supervise the financial reporting and ensure the independence of the appointed auditors.

In respect to the members of the management/supervisory bodies the Group applies the policy of diversity regarding gender, age, education and professional background. This is to ensure that the members have been appointed based on their expertise and capacity to contribute to the achievement of the Group's objectives.

Director's responsibilities

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable prudent judgements and estimates have been made in the preparation of the consolidated financial statements for the year ended 31 December 2016.

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.

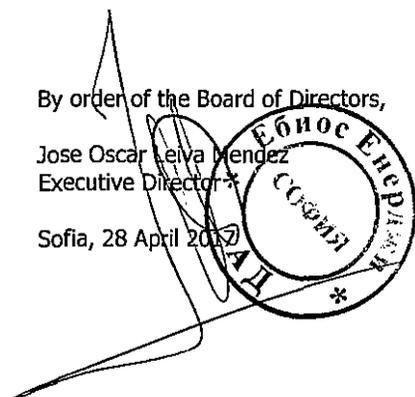
The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As of 31 December 2016 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, 28 April 2017

A handwritten signature in black ink is written over a circular stamp. The stamp contains the text "Е BIOSS ENERGY AD" around the top edge and "С С ОГОВОРЕНИЕ" around the bottom edge. There is a small asterisk at the bottom of the stamp.



BAKER TILLY

20
YEARS
OF EXCELLENCE

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of EBIOSS ENERGY AD

Qualified Opinion

We have audited the consolidated financial statements of EBIOSS ENERGY AD („the Group“), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in paragraph 2 of the Basis for Qualified Opinion paragraph and except for the effects of the matters described in paragraphs 1 and 3 of the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements give true and fair view of the financial position of EBIOSS ENERGY AD as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by European Union.

Basis for qualified opinion

1. For the year ended 31 December 2015, the Group has not eliminated unrealized intra-group profit from “Work performed by the entity and capitalized“ of EUR 656 thousand and has recognized EUR 501 thousand of accumulated unrealized intra-group profit from prior periods through reclassification and subsequent sale of non-current assets held for sale. During 2016 the Group has accumulated new unrealized intra-group profit of EUR 43 thousand. As a result “Work performed by the entity and capitalized“ for the year ended 31 December 2016 and 31 December 2015 is overstated by EUR 43 thousand and EUR 656 thousand, respectively and as of 31 December 2016 and 31 December 2015 Property, plant and equipment is overstated by EUR 2,611 thousand and EUR 2,568 thousand, respectively. If the unrealized intra-group profit has been properly eliminated, the consolidated net loss for 2016 would be increased by EUR 43 thousand, the retained earnings would be decreased by EUR 2,568 thousand and the shareholder's equity would be decreased by EUR 2,611 thousand.

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Registered in Bulgaria (ID – 131 349 346). List of directors can be found at the Company's Registered Office.

2. As described in note 11 to the accompanying consolidated financial statements the Power plant located in Italy with capacity of 1MW was not operating in 2016 on a continuous basis, due to defect in the filter manufactured by external supplier. In April 2017 the technical problem has been resolved and the Plant has been put into operation. There is risk that if the Power Plant is not running continuously, property, plant and equipment with carrying amount of EUR 4,664 thousand and related Deferred tax assets of EUR 440 thousand might be overstated. We were unable to determine whether any adjustments to these amounts were necessary and the attached consolidated financial statements do not include any adjustments resulting from the above.

3. As of 31 December 2016 Trade and other receivables include trade receivables from client amounting to EUR 734 thousand for which the Group has signed an agreement for rescheduling of these receivables for the next five years. The Group did not reclassify trade receivable as non-current in accordance with the rescheduling plan and has not measured them at amortised cost using the effective interest method. It is estimated that, the value of trade receivables, if they have been measured at amortised cost as of 31 December 2016 is EUR 550 thousand. As a result of the above, finance costs for the year ended 31 December 2016 are understated with EUR 184 thousand and as of 31 December 2016 trade and other receivables are overstated by EUR 184 thousand. If trade receivables have been properly measured at amortised cost, the consolidated net loss for 2016 would be increased by EUR 184 thousand, the retained earnings would be decreased by EUR 184 thousand and the shareholder's equity would be decreased by EUR 184 thousand.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group within the meaning of the *Code of Ethics for Professional Accountants* issued by International Ethics Standards Board for Accountants (IESBA Code) and the Independent Financial Audit Act (IFAA) applicable to our audit of the financial statements in Bulgaria and we have also fulfilled our other ethical responsibilities in accordance with the requirements of IFAA and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>1) Valuation of Development cost and Goodwill related to Pelletization Projects - Note 12 and Note 13.1</p> <p>Development cost and Goodwill related to Pelletization plant projects have been initially recognised as part of business combination.</p> <p>Following initial recognition, intangible assets are carried at cost less any accumulated</p>	<p>During our audit we have performed the following procedures in relation to Development costs and Goodwill related to Pelletization plant Projects:</p> <ul style="list-style-type: none"> • Evaluation of the external valuers'

amortization and accumulated impairment losses, if any. The Group reviews intangible assets and goodwill for impairment at each reporting period.

Management engaged licensed independent appraiser for the purposes of impairment testing as of 31 December 2016 and concluded that there is no impairment loss needed to be booked with respect to the Development costs and Goodwill.

The valuation of Group's Development costs and Goodwill related to Pelletization Plant Projects is key audit matter as management conclusions required significant management judgement and the balances of Development costs and Goodwill are material part of the Group's assets.

objectivity, independence and expertise;

- Assessment of the methodology used and the key assumptions made based on our knowledge of the industry;
- Check, on a sample basis, of the accuracy of the input data used in the impairment testing model
- Reviewed the impairment test of goodwill prepared by the Management and assessment of the reasonableness of the assumptions made.
- Check and assessment of the accuracy and completeness of the disclosures in the consolidated financial statements related to the valuation of Development costs and Goodwill

2) Valuation of Goodwill related to WIT SGPS (former TNL SGPS Group). Refer to note 13.6

Ebioss Energy Group has recognised goodwill amounting to EUR 1,915 thousand related to the acquisition of WIT SGPS Group in 2014.

The Group has conducted an impairment test and concluded that except goodwill related to subsidiary Addom, which has been impaired by EUR 52 thousand, there is no further impairment of goodwill needed.

Valuation of Goodwill is a key audit matter, because management conclusion required significant management judgement and Goodwill related to WIT SGPS is material part of the Group's assets.

During our audit we have performed the following procedures in relation to Goodwill related to WIT SGPS:

- Assessing the impairment test methodology
- Challenging the reasonableness of key assumptions based on our knowledge of the business and industry;
- Reconciling input data to supporting evidence, such as signed contracts with clients and approved budgets and considering reasonableness of these budgets.
- Check and assessment of the accuracy and completeness of the disclosures in the consolidated financial statements related to the valuation of Goodwill

Other information, different from financial statements and auditors report

Management is responsible for the other information. Other information, which we have received before the date of our auditor's report consist of Annual consolidated report on activities and annual corporate governance statement, prepared by management in accordance with Chapter Seven from Accountancy Act, but does not include the financial statements and our auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon, unless if it is explicitly stated in our report, and to the extent it is stated. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, as adopted by EU 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.

During the preparation of these consolidated financial statements management has the responsibility to make an assessment regarding Group's ability to continue as going concern, and to disclose when it is applicable, questions related to the going concern assumption and to using the accounting framework based on going concern assumption, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Independent Financial Audit Act and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements

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

Additional matters for reporting required by Accountancy Act

In addition to our reporting requirements in accordance with ISA, described above in the section „Other information, different from financial statements and auditors report“ in relation to the Annual report on activities we have performed the procedures added to those required by the ISAs, in accordance with guidelines of the professional organization of Certified Public Accountants and Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA), approved by Management board on 29.11.2016. These procedures comprise checks on the existence, as well as checks of the form and content of this other information with the purpose to support us in forming of opinion, whether the other information includes the disclosures and reporting requirements, provided in Chapter Seven of the Accountancy Act, and the Public Offering of Securities Act (art. 100m, para 10 of POSA in relation to art. 100m, para 4, p. 3 and 4 of POSA), applicable in Bulgaria.

Opinion in accordance with Art. 37, para. 6 of Accountancy Act

On the basis of the procedures performed, our opinion is that:

- a) The information, included in the Annual consolidated report on activities for the financial year is consistent with the consolidated financial statements for the same reporting period.
- b) The Annual consolidated report on activities has been prepared in accordance with the requirements of Chapter Seven from the Accountancy Act. and of Art. 100m, paragraph 7 of the Public Offering of Securities Act
- c) The information required by Chapter Seven of the Accountancy Act and Art. 100m, para 8 of the Public Offering of Securities Act is presented in the corporate governance statement covering the financial year for which the consolidated financial statements have been prepared.

Opinion under Art. 100m, para 10 in relation to art. 100m, para 8, p. 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed during our audit and as a result of the acquired knowledge and understanding of the Group and the environment in which it operates, acquired during our audit, in our opinion, the description of the main features of the Group's internal control and risk management systems in relation to the financial reporting process as part of the consolidated annual report on activities (as element of the content of the corporate governance statement) and the information under Article 10 , paragraph 1, letter "c", "d", "e", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the EU Council of April 21, 2004 related to takeover bids, included in the corporate governance statement do not contain cases of material misrepresentations.

Additional reporting in relation to the audit of the financial statements under Art 100m, para 4, p. 3 of the Public Offering of Securities Act

Reporting in relation to Art 100m, para 4, p. 3, l. "b" of the Public Offering of Securities Act

Information on related party transactions is disclosed in Note 30 to the accompanying consolidated financial statements. Based on the procedures performed on related party transactions in the context of our audit of the consolidated financial statements as a whole, nothing has come to our attention indicating that the related party transactions are not disclosed in the accompanying consolidated financial statements for the year ended December 31, 2016, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures.

We have considered the results of our audit procedures on related party transactions in forming our opinion on the consolidated financial statements as a whole and not for the purpose of providing a separate opinion on the related party transactions.

Reporting in relation to Art 100m, para 4, p. 3, l. "c" of the Public Offering of Securities Act

Our responsibilities for the audit of the consolidated financial statements described in section "Auditor's Responsibilities for the Audit of the Financial Statements" include evaluating whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Based on the procedures performed on the material transactions underlying the consolidated financial statements for the year ended December 31, 2016, nothing has come to our attention indicating any instances of material unfair presentation and disclosure under the applicable IFRS as adopted by the European Union. We have considered the results of our audit procedures on the material transactions underlying the consolidated financial statements in forming our opinion on the consolidated financial statements as a whole and not for the purpose of providing a separate opinion on these material transactions.



Krassimira Radeva
Registered Auditor

Managing Director
Baker Tilly Klitou and Partners OOD



Sofia,
28 April 2017

E BIOSS ENERGY AD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 EUR'000	2015 EUR'000
Revenue	3	7,063	4,451
Other revenue		248	50
Revenue from sale of non-current asset held for sale	16	-	4,964
Net book value of asset held for sale	16	-	(3,278)
Work performed by the entity and capitalized	4	721	5,218
Changes in inventories and work in progress		-	3
Share of loss from associated companies		(8)	(7)
Raw materials and consumables used	5	(2,847)	(1,724)
Cost of goods sold	6	(3,682)	(1,447)
Expenses for hired services	7	(1,906)	(5,723)
Employee benefit expenses	8	(2,811)	(2,890)
Depreciation and amortization	11,12	(527)	(520)
Other expenses	9	(1,247)	(1,169)
Loss from operating activities		(4,996)	(2,072)
Finance income	10	99	23
Finance costs	10	(1,097)	(447)
Net finance cost		(998)	(424)
Loss before income tax		(5,994)	(2,496)
Income tax	24	732	92
Loss for the year		(5,262)	(2,404)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of land, net of tax		16	52
		16	52
<i>Items that may be reclassified to profit or loss:</i>			
Equity accounted investees – foreign currency translation difference		27	60
		27	60
Other comprehensive income for the year, net of tax		43	112
Total comprehensive income for the year		(5,219)	(2,292)
Profit/(Loss) attributable to:			
Owners of the parent		(4,123)	(1,870)
Non-controlling interests		(1,139)	(534)
Profit/(Loss) for the year		(5,262)	(2,404)
Total comprehensive income attributable to:			
Owners of the parent		(4,089)	(1,802)
Non-controlling interests		(1,130)	(490)
Total comprehensive income for the year		(5,219)	(2,292)
Basic earnings (loss) per share (euro)	21	(0.10)	(0.05)

The notes on pages 24 to 73 are an integral part of these consolidated financial statements.

E BIOSS ENERGY AD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	31.12.2016 EUR'000	31.12.2015 EUR'000
Assets			
Non-current assets			
Property, plant and equipment	11	25,862	25,327
Intangible assets	12	11,889	11,201
Investments in associates	14.1	264	244
Other investments	14.2	115	615
Held to maturity investments	14.3	432	406
Trade and other receivables	15	25	37
Goodwill	13	4,684	4,736
Deferred tax assets	24	1,985	1,235
Total non-current assets		45,256	43,801
Current assets			
Inventory	17	1,613	1,879
Trade and other receivables	15	10,361	9,279
Cash at bank and in hand	19	1,023	3,333
Loans granted	18	900	-
Trade and other receivables from related parties	30	847	698
		14,744	15,189
Non-current assets held for sale	16	725	725
Total current assets		15,469	15,914
Total assets		60,725	59,715
Equity and liabilities			
Equity			
Share capital	20.1	20,918	20,918
Share premium	20.2	15,700	15,934
Reserve for own shares	20.3	(179)	(41)
Revaluation surplus		155	139
Translation reserve		59	16
Retained earnings		(3,758)	285
Equity attributable to owners of the parent		32,895	37,251
Non-controlling interests		(379)	(144)
Total equity		32,516	37,107
Non-current liabilities			
Loans payable to third parties	22	17,872	13,565
Provisions	26	149	139
Finance leases	27	39	55
Deferred tax liabilities	24	1,116	1,115
Total non-current liabilities		19,176	14,874
Current liabilities			
Loans due to related parties	23	141	844
Loans payable to third parties	22	3,086	2,114
Trade and other payables	25	5,667	4,560
Other payables to related parties	30	96	96
Finance leases	27	25	36
Income tax payable	24	18	84
Total current liabilities		9,033	7,734
Total liabilities		28,209	22,608
Total equity and liabilities		60,725	59,715

These consolidated financial statements are approved on behalf of E BIOSS ENERGY AD on 28 April 2017.

Executive Director
Jose Oscar Leiva Mendez

The notes on pages 24 to 73 are an integral part of these consolidated financial statements.

EBIOS ENERGY AD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital EUR'000	Share premium EUR'000	Reserve for own shares EUR'000	Revaluation surplus EUR'000	Translation reserve 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 2016	20,918	15,934	(41)	139	16	285	37,251	(144)	37,107
Total comprehensive income									
Loss for the year	-	-	-	-	-	(4,123)	(4,123)	(1,139)	(5,262)
Other comprehensive income	-	-	-	16	18	-	34	9	43
Total comprehensive income	-	-	-	16	18	(4,123)	(4,089)	(1,130)	(5,219)
Transactions with owners of the Parent									
<i>Contributions by and distributions to owners of the Parent</i>									
Own shares acquired	-	(1,244)	(994)	-	-	-	(2,238)	-	(2,238)
Own shares sold	-	1,010	856	-	-	-	1,866	-	1,866
Sub-subsidiary capital increase	-	-	-	-	-	-	-	85	85
Total contributions by and distributions to owners of the parent	-	(234)	(138)	-	-	-	(372)	85	(287)
<i>Changes in ownership interests in subsidiaries</i>									
Acquisition of non-controlling interest without a change in control /note 13.10 and 13.11/	-	-	-	-	25	80	105	810	915
Total transactions with owners of the parent	-	(234)	(138)	-	25	80	(267)	895	628
Balance at 31 December 2016	20,918	15,700	(179)	155	59	(3,758)	32,895	(379)	32,516

The notes on pages 24 to 73 are an integral part of these consolidated financial statements.

EBIOSS ENERGY AD

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	Translation reserve 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 2015	20,918	15,351	(668)	87	-	2,155	37,843	346	38,189
Total comprehensive income									
Loss for the year	-	-	-	-	-	(1,870)	(1,870)	(534)	(2,404)
Other comprehensive income	-	-	-	52	16	-	68	44	112
Total comprehensive income	-	-	-	52	16	(1,870)	(1,802)	(490)	(2,292)
Transactions with owners of the Parent									
<i>Contributions by and distributions to owners of the Parent</i>									
Own shares acquired	-	(2,128)	(1,819)	-	-	-	(3,947)	-	(3,947)
Own shares sold	-	2,711	2,446	-	-	-	5,157	-	5,157
Total transactions with owners of the parent	-	583	627	-	-	-	1,210	-	1,210
Balance at 31 December 2015	20,918	15,934	(41)	139	16	285	37,251	(144)	37,107



EBIOS ENERGY AD

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 EUR'000	2015 EUR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before tax		(5,994)	(2,496)
Adjustments to profit:			
Depreciation and amortization		527	520
Interest expense		996	355
Interest income		(74)	(23)
Investment income		(25)	-
Other financial expense		101	92
Impairment losses		107	290
Impairment losses reversals		(135)	-
Goodwill impairment loss		52	-
Changes in provisions		10	9
Share of loss of equity accounted investees		8	7
Profit on sale of non-current assets held for sale		-	(1,686)
Loss from sale of PPE		3	-
Cash flows from operations before working capital changes		(4,424)	(2,932)
Change in:			
Inventories		401	(457)
Trade and other payables		1,220	560
Trade and other receivables		(1,280)	(651)
Other cash flow from operating activities			
Interest paid		(736)	(234)
Interest received		33	23
Other financial expense paid		(101)	(92)
Income tax paid		(84)	(360)
Net cash flows from/(used in) operating activities		(4,971)	(4,143)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(851)	(5,438)
Acquisition of intangible assets		(882)	(339)
Proceeds from sale of investments		525	-
Acquisition of other investments		(26)	(872)
Loans granted to related party		(859)	-
Net cash flows used in investing activities		(2,093)	(6,649)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of corporate bonds		5,500	7,000
Payments related to issue of corporate bonds		(174)	(47)
Repayment of loan from related party		(537)	(398)
Proceeds on loan from related party		826	315
Proceeds from sale of own shares		1,866	5,157
Repurchase of own shares		(2,238)	(3,947)
Proceeds from bank borrowing		3,683	2,722
Repayment of bank borrowing		(4,145)	(2,299)
Transaction costs related to bank borrowings		-	(14)
Payment of finance lease liabilities		(27)	(77)
Net cash flows from financing activities		4,754	8,412
Net increase/ (decrease) in cash and cash equivalents		(2,310)	(2,380)
Cash and cash equivalents at 1 January		3,333	5,713
Cash and cash equivalents at 31 December	19	1,023	3,333

The notes on pages 24 to 73 are an integral part of these consolidated financial statements.

E BIOSS ENERGY AD

Notes to the 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 2015 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	2,136	1,092
Total:	100	2,423,550	24,236	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



EBIOSS ENERGY AD

Notes to the consolidated 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.

During 2013 the share capital of the Company was increased from EUR 12,392 thousand to EUR 18,022.

During 2014 the share capital of the Company was increased from EUR 18,022 thousand to EUR 20,918 thousand (see note 20.1)

As at 31 December 2016 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	36.37	14,880,185	14,880	7,608
Sofia Biomass EOOD	7.53	3,080,430	3,080	1,575
Sungroup Bulgaria EOOD	5.50	2,248,471	2,249	1,149
Origina Bulgaria OOD	1.89	775,140	775	396
Antigona Bulgaria EOOD	1.24	509,065	509	260
Minority shareholders	<u>47.47</u>	<u>19,419,125</u>	<u>19,419</u>	<u>9,930</u>
Total:	<u>100</u>	<u>40,912,416</u>	<u>40,912</u>	<u>20,918</u>

The basic shareholders of the company are those who initially subscribed all the shares in the capital, upon the incorporation. These shareholders owned approximately 52.53% of the share capital of the Company as at 31.12.2016.

The minority shareholders are those who subscribed shares in two subsequent capital increases made in 2013 and 2014 by means of public offering of shares on the Spanish Alternative Stock Exchange Market – MAB. These shareholders own 47.47% of the share capital of the Company as at 31.12.2016.

Principal activities

The principal activities of the Group are management, engineering and construction of gasification power plants, production of pelets and sale and management of waste collection systems.

Due to amendments in the Renewable Energy Act that entered into force in 2015 in Bulgaria the projects have been modified.

Notes to the consolidated financial statements

1. Incorporation and principal activities (continued)

Principal activities (continued)

According to the amended Act on 6th of March 2015, the companies may produce electricity with power capacity up to 1,5 MW, using combined cycle and indirect use of biomass out of which total weight animal manure shall comprise not less than 50%. Thus the Companies' 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.

On 24th July 2015 further changes in the Renewable Energy Act /REA/ entered into legal force regarding the operating conditions related to renewable energy producers, which are applicable to the Company.

According to the amended REA, the feed-in tariffs and the preferential prices for electricity takeoff, being produced from biomass electrical plants with power output up to 1,5 MW, shall apply only for energy facilities working with combined cycle and indirect use of biomass of which overall weight not less than 60 per cent is to be animal manure. Furthermore, these incentives can be used only if the respective producer of electricity from renewable sources can prove to own authorized animal breeding farm minimum three years before the date of submission of application for connection to the electrical grid and if the respective producer of electricity owns certain number of authorized animals with the purpose to prove the origin of the manure which is to be used as feedstock for the plant. Following the above mentioned changes in the legislation, the Company has started to reorganize and redesign further its existing power production facilities of Karlovo Biomass Power Plant and construction in progress of Heat Biomass Power Plant. The contracts for connection to the National Electricity signed between – Karlovo Biomass EOOD and Heat Biomass EOOD and EVN Electricity Company, considering the above mention legislative amendments, are no longer effective.

As of December 31, 2016 the projects under development in Bulgaria are the following:

- **Heat Biomass EOOD**, registered on 6 January 2011 with UIC 201384552 and with principal activity: production of pellets from straw using power from constructed biomass gasification power plant with a capacity of 2MW. The Company will also has the ability to sell electricity from the power plant, which is not used for production of pellets. In addition, the Company will develop dryer facility for straw. Upon commissioning of the Plant the Company will fully own and operate the whole facility, which will be completed and put in operation in 2017.
- **Karlovo Biomass EOOD**, registered on 6 January 2011 with UIC 201384641 and with principal activity: production of pellets from wood chips using power from constructed biomass gasification power plant with a capacity of 2MW. The Company will also has the ability to sell electricity from the power plant, which is not used for production of pellets. In addition, the Company will develop dryer facility for wood chips. Upon commissioning of the Plant the Company will fully own and operate the whole facility, which will be completed and will start selling electricity in 2017 and producing pellets in 2018.
- **Plovdiv Biomass EOOD** registered on 7 January 2011 with UIC 201385444 and with principal activity: : the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020. Plovdiv Biomass has acquired in November 2012 a 100% subsidiary **Brila EOOD** which has the same principal activity: the development of a 2 MW thermal plant near the town of Plovdiv.



Notes to the consolidated financial statements

1. Incorporation and principal activities (continued)

Principal activities (continued)

- **Nova Zagora Biomass EOOD**, registered on 7 January 2011 with UIC 201385519 and with principal activity: the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Nova Zagora. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020.
- **Tvardica Biomass EOOD**, registered on 7 January 2011 with UIC 201384926 and with principal activity: the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Tvardica. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020. Tvardica Biomass EOOD has acquired in November 2012 a 100% subsidiary **Tvardica PV EOOD**, which has the same principal activity: the development of a 2 MW thermal plant near the town of Tvarditza.
- **United Biomass EOOD**, registered on 6 January 2011 with UIC 201384562 and with principal activity: the development of thermal plant with capacity of 2MW, which will generate steam for drying wood chips and straw as well as production and selling of pellets. The thermal plant, the dryer facility as well as the pelletising installation are going to be constructed on a site located near the town of Letnitza. Upon commissioning of the plant and the installations the Company will fully own and operate the whole facility, which should be completed and put in operation in 2020.

The Company also has the ownership of **Biomass Distribution EOOD**, registered on 12 November 2012 with UIC 201336098 and with principal activity: processing of raw materials and biomass sources and production of pellets.

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, Poland, Italy and Bulgaria.

In December 2013 the Company participated in the incorporation of the joint-stock company **Energotec-Eco AD** through subscription 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** plans in the next two to three years 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 is located in municipality of Castiglione d'Orcia, Toscana region. In 2015 the plant of **Syngas Italy** in Toscana Region of 1 MW has been put into operation, but due to technical problems its activities were limited in 2016. The plant is expected to be fully operational in 2017.



EBIOSS ENERGY AD

Notes to the consolidated financial statements

1. Incorporation and principal activities (continued)

Principal activities (continued)

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 share participation in other companies domiciled in Spain, Portugal and Brazil. The whole group is specializing in the development of technological solutions for comprehensive management of household waste, separate waste collection systems, and waste storage facilities.

On 3 October 2016 a decision was made to convert EUR 1,098 thousand of the loan granted by Ebioss Energy AD to TNL SGPS into supplementary capital. On 14 October 2016 TNL SGPS was transformed into a public limited company and renamed to Waste Intelligent Technologies SGPS SA (WINTECH). Subsequently EUR 395 thousand of the supplementary capital granted by Ebioss Energy was converted into registered capital of WINTECH SGPS SA. Thus the participation in the capital of WINTECH SGPS SA was increased to 68%.

As at 31 December 2016 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 31.12.2016	% ownership 31.12.2015
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%
Egtec 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%	100%
WIT SGPS (former TNL SGPS)	Portugal	68%	52.62%
TNL SA	Portugal	68%	52.62%
Hirdant	Portugal	68%	52.62%
TNL SL	Spain	54,4%	42.10%
Addom	Spain	68%	52.62%
TNL World	Bulgaria	68%	52.62%

EBIOSS ENERGY AD

Notes to the consolidated financial statements

1. Incorporation and principal activities (continued)

Principal activities (continued)

By decision of the extraordinary General Meeting of EbiOSS Energy AD dated 13th of February 2015, a resolution was approved for the issuance of emission of freely transferable, interest-bearing, bonds, convertible or non-convertible, or any other debt instrument under the following parameters: overall nominal and emission value of the debt instruments: up to 60,000,000 BGN (in words: sixty million leva) or its equivalent in Euro, according to the official fixed exchange rate of the Bulgarian National Bank, with term for issuance of the emission up to 3 (three) and term for repayment up to 10 (ten) years as from the date of placement of the respective emission. The bond loan (or any other debt instrument) may be issued within several emissions of bonds or in one single emission, up to the amount specified above. (See note 21.2)

Subsequently, on 26.06.2015 the Ordinary Annual General meeting of EbiOSS Energy AD additionally approved a resolution in respect of accomplishment of private placement procedure for convertible bonds, under the following parameters: freely transferable, interest-bearing, convertible dematerialized bonds with overall nominal and emission value up to 20,000,000 BGN (in words: twenty million levs) or its equivalent in Euro, according to the official fixed exchange rate of the Bulgarian National Bank, with term for issuance of the emission up to 3 (three) years and term for repayment up to 10 (ten) years as from the date of placement of the respective emission. The emission convertible bonds, which is subject to the said resolution, is part of the overall approved amount of debt instruments, which the General meeting of "EbiOSS Energy" AD has adopted for issuance, as per Minutes of the General meeting dated 13.02.2015. On the grounds of art. 194, para. 4 of the Commercial Act, in conjunction with art. 215, para. 1 and art. 196, para. 3 of the Bulgarian Commercial Act, the General meeting has delegated to the Board of Directors explicitly to waive the pre-emptive rights of the current shareholders of "EbiOSS Energy" AD in respect to acquisition part of the emission convertible bonds, which corresponds to their share-stake in the capital of the Company.



EBIOSS ENERGY AD

Notes to the consolidated financial statements

2. Accounting policies

Basis of preparation

These consolidated financial statements were authorised for issue by the Board of Directors on 28 April 2017.

The consolidated financial statements have been prepared in accordance with IFRS as adopted by 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.

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 11 *Property, plant and equipment*
- Note 12 *Intangible assets*
- Note 16 *Assets held for sale*



EBIOSS ENERGY AD

Notes to the consolidated financial statements

2. Accounting policies (continued)

Going concern basis of accounting

The consolidated financial statements of the Group as at 31 December 2016 have been prepared on the basis of the going concern concept. Management's opinion is that the funds secured by the shareholders and long term financing obtained through issuing of bonds 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.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, other than unrealised profit are eliminated.

EBIOSS ENERGY AD

Notes to the consolidated financial statements

2. Accounting policies (continued)

Basis for consolidation (continued)

(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, management and operation of Biomass Power plants and Peletization 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.



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Notes to the consolidated financial statements

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., WIT SGPS (former 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.

Notes to the consolidated financial statements

2. Accounting policies (continued)

Finance income and finance costs (continued)

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.

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.



Notes to the consolidated financial statements

2. Accounting policies (continued)

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

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 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.

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



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Notes to the consolidated financial statements

2. Accounting policies (continued)

Property, plant and equipment (continued)

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 (except for the production facilities where the machine hour method is applied) 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
Power plants	20 years
Buildings	20 years
Production facilities (Syngas Italy)	Based on hours in use

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 acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of identifiable assets acquired is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses.

If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less than 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 separately 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.

Notes to the consolidated financial statements

2. Accounting policies (continued)

Intangible assets and goodwill (continued)

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:

Patents and trademarks	5 years
Development costs	5 years
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.



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Notes to the consolidated financial statements

2. Accounting policies (continued)

Leased assets (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.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise of bonds.



Notes to the consolidated financial statements

2. Accounting policies (continued)

Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Available-for-sale financial assets comprise of equity instruments that do not have quoted market price.

(ii) 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.

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.



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Notes to the consolidated financial statements

2. Accounting policies (continued)

Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

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.

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.



Notes to the consolidated financial statements

2. Accounting policies (continued)

Impairment of assets (continued)

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.

(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 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.

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.



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Notes to the consolidated financial statements

2. Accounting policies (continued)

Employee benefits (continued)

(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.

Amendments to IFRS

During the current year, the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for the accounting period beginning on 1 January 2016. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these consolidated 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



Notes to the consolidated financial statements

2. Accounting policies (continued)

Amendments to IFRS (continued)

Management expects that the adoption of these accounting standards in future periods will not have a material effect on the consolidated financial statements of the Group.

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 Group's consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments

The new standard is effective for annual periods beginning on or after 1 January 2018. The Group is in process of assessing the impact of the new standard on its financial position or performance.

IFRS 15 Revenue from Contracts with Customers

The new standard is effective for annual periods starting on or after 1 January 2018. The Group is in the process of assessing the impact of the new standard on its consolidated financial statements.

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

IFRS 14 Regulatory Deferral Accounts

The new standard is effective for annual periods starting on or after 1 January 2016. Endorsement process is postponed by EU for indefinite period. The Group is in process of assessing the impact of the new standard on its consolidated financial statements.

IFRS 16 Leases

The new standard is effective for annual periods starting on or after 1 January 2019. The Group is in the process of assessing the impact of the new standard on its consolidated 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

The effective date is deferred indefinitely. The adoption of these amendments by EU is postponed. The Group is in the process of assessing the impact of the amendments on its consolidated financial statements.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses

These amendments are effective for annual periods starting on or after 1 January 2017. The Group is in the process of assessing the impact of the amendments on its consolidated financial statements.

Amendments to IAS 7: Disclosure Initiative

These amendments are effective for annual periods starting on or after 1 January 2017. The Group is in the process of assessing the impact of the amendments on its consolidated financial statements.

Notes to the consolidated financial statements

2. Accounting policies (continued)

Amendments to IFRS (continued)

Clarifications to IFRS 15: Revenue from Contracts with Customers

These clarifications are effective for annual periods starting on or after 1 January 2018. The Group is in the process of assessing the impact of the clarifications on its consolidated financial statements.

Amendments to IFRS 2: Classification and Measurement of Shares - based Payment Transactions

These amendments are effective for annual periods starting on or after 1 January 2018. The Group is in the process of assessing the impact of the amendments on its consolidated financial statements.

Amendments of IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

These amendments are effective for annual periods starting on or after 1 January 2018. The Group is in the process of assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRS Standards 2014-2016 cycle

These improvements are effective for annual periods starting on or after 1 January 2017. The Group is in the process of assessing the impact of the improvements on its consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

This interpretation is effective for annual periods starting on or after 1 January 2018. The Group is in the process of assessing the impact of the interpretation on its consolidated financial statements.

Amendments to IAS 40: Transfers of Investment Property

These amendments are effective for annual periods starting on or after 1 January 2018. The Group is in the process of assessing the impact of the amendments on its consolidated financial statements.



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Notes to the consolidated financial statements

3. Revenue

	2016 EUR'000	2015 EUR'000
Rendering of services	2,873	2,509
Sales of goods	4,177	1,918
Sales of electricity	13	24
	<u>7,063</u>	<u>4,451</u>

4. Work performed by the entity and capitalized

	2016 EUR'000	2015 EUR'000
Project Karlovo Biomass	99	3,581
Biomass Distribution	168	1,293
Syngas Italy	161	60
Eqtec Iberia	180	120
TNL	113	164
	<u>721</u>	<u>5,218</u>

For 2016 the Group has not eliminated the intragroup unrealized profit amounting to EUR 43 thousand (2015: EUR 656 thousand).

5. Raw materials and consumables used

Raw materials and consumables represent mainly materials related to construction of Biomass Power Plant Projects, incurred by EQTEC Iberia and Syngas Italy.

6. Cost of goods sold

	2016 EUR'000	2015 EUR'000
Waste containers	3,476	1,447
Materials	206	-
	<u>3,682</u>	<u>1,447</u>

7. Expenses for hired services

	2016 EUR'000	2015 EUR'000
Subcontractors services related to construction of plants	14	3,775
Professional services	832	847
Advertising expenses	125	151
Office rent	241	208
Telephone expenses	58	85
External transport services	46	27
Other expenses for hired services	590	630
	<u>1,906</u>	<u>5,723</u>



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Notes to the consolidated financial statements

8. Employee benefit expenses

	2016 EUR'000	2015 EUR'000
Wages and salaries	2,367	2,439
Compulsory social security contribution	399	393
Voluntary social security contribution	-	9
Accrued expenses for unused paid leave	24	25
Other	21	24
	<u>2,811</u>	<u>2,890</u>

9. Other expenses

	2016 EUR'000	2015 EUR'000
Stock exchange and investors related expenses	177	250
Insurances	71	94
Impairment loss trade receivables	107	290
Impairment of goodwill (see Note 13.6)	52	-
Other expenses	840	535
	<u>1,247</u>	<u>1,169</u>

10. Finance income and costs

	2016 EUR'000	2015 EUR'000
Interest income	74	23
Investment income	25	-
Finance income	<u>99</u>	<u>23</u>
Interest expense	(996)	(355)
Net FX loss	(7)	(26)
Bank expenses	(94)	(66)
Finance costs	<u>(1,097)</u>	<u>(447)</u>
Net finance costs recognised in profit or loss	<u>(998)</u>	<u>(424)</u>



EBIOS ENERGY AD

Notes to the consolidated financial statements

11. Property, plant and equipment

	Land	Buildings	Power plants & production facilities	Equipment	Furniture	Computers	Vehicles	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost									
Balance at 1 January 2015	1,103	-	-	1,384	59	47	111	21,616	24,320
Additions	5	-	-	4	14	6	117	5,419	5,565
Reclassification	-	-	4,511	-	-	-	-	(4,511)	-
Reclassification to assets held for sale	-	-	-	-	-	-	-	(4,003)	(4,003)
Revaluation	57	-	-	-	-	-	-	-	57
Disposals	-	-	-	(2)	-	(6)	(66)	-	(74)
At 31 December 2015	1,165	-	4,511	1,386	73	47	162	18,521	25,865
Additions	-	-	176	17	13	9	21	1,103	1,339
Reclassification	-	1,027	2,429	-	-	-	-	(3,456)	-
Revaluation	17	-	-	-	-	-	-	-	17
Disposals	-	-	-	(2)	(17)	(2)	(3)	(485)	(509)
At 31 December 2016	1,182	1,027	7,116	1,401	69	54	180	15,683	26,712
Depreciation and impairment losses									
Balance at 1 January 2015	-	-	-	118	31	3	78	40	270
Charge for the period	-	-	13	260	10	17	41	-	341
Disposals	-	-	-	(2)	-	(6)	(65)	-	(73)
Balance at 31 December 2015	-	-	13	376	41	14	54	40	538
Charge for the period	-	10	17	255	7	15	29	-	333
Disposals	-	-	-	(2)	(17)	(2)	-	-	(21)
Balance at 31 December 2016	-	10	30	629	31	27	83	40	850
Net book value									
At 31 December 2015	1,165	-	4,498	1,010	32	33	108	18,481	25,327
At 31 December 2016	1,182	1,017	7,086	772	38	27	97	15,643	25,862

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Notes to the consolidated financial statements

11. Property, plant and equipment (continued)

Power plant owned by subsidiary company Syngas Italy Srl with capacity of 1MW was not operating in 2016 on a continuous basis, due to defect in the filter manufactured by external supplier. In April 2017 the technical problem has been resolved and the Plant has been put into operation. See also Note 32.

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 biomass gasification power plants by Heat Biomass, Karlovo Biomass, pelletization plant by Biomass Distribution etc /see Note 1, and Note 4/.

The Group has capitalized interest expenses amounting to EUR 680 thousand directly related to construction of Karlovo Biomass plant.

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

All assets of the subsidiaries Karlovo Biomass EOOD, Heat Biomass EOOD and Biomass Distribution EOOD are pledged as collateral under loan contract dated 02.06.2014 between subsidiary company Karlovo Biomass EOOD and United Bulgarian Bank (see Note 22).

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 2016:

	Carrying amount of land	Value according to the valuation report	Excess of fair value over carrying amount
	EUR'000	EUR'000	EUR'000
Peletization plant of Heat Biomass EOOD	52	52	-
Peletization plant of Karlovo Biomass EOOD	119	119	-
Peletization plant of Tvardica Biomass EOOD	87	87	-
Peletization plant of Nova Zagora Biomass EOOD	147	147	-
Peletization plant of Plovdiv Biomass EOOD	93	93	-
Peletization plant of United Biomass EOOD	207	207	-
Tvarditsa PV EOOD	195	195	-
Brila EOOD	87	87	-
Biomass Distribution EOOD	194	194	-
Total	1,181	1,181	-

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.

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Notes to the consolidated financial statements

12. Intangible assets

	Development costs in progress EUR '000	Development costs EUR '000	Patents and trade- marks EUR '000	Software EUR '000	Total EUR '000
Cost					
Balance at 1 January 2015	10,375	289	397	81	11,142
Additions	1	373	3	-	377
Disposals	(38)	-	-	-	(38)
Balance at 31 December 2015	10,338	662	400	81	11,481
Additions	-	639	276	3	918
Reclassification	-	(235)	235	-	-
Disposals	(36)	-	-	(37)	(73)
Balance at 31 December 2016	10,302	1,066	911	47	12,326
Amortisation					
Balance at 1 January 2015	-	42	24	35	101
Charge for the period	-	79	81	19	179
Balance at 31 December 2015	-	121	105	54	280
Charge for the period	-	85	96	13	194
Disposals	-	-	-	(37)	(37)
Balance at 31 December 2016	-	206	201	30	437
Net book value					
At 1 January 2015	10,375	247	373	46	11,041
At 31 December 2015	10,338	541	295	27	11,201
At 31 December 2016	10,302	860	710	17	11,889

Development costs in progress as at 31 December 2016 represent licences, contracts, permits, designs, etc. related to development phase of the following seven projects for construction and operation of Peletization Plants:

	EUR'000
Peletization Plant of Heat Biomass EOOD	2,566
Peletization Plant of Karlovo Biomass EOOD	2,968
Peletization Plant of Tvarditsa Biomass EOOD	1,745
Peletization Plant of Nova Zagora Biomass EOOD	1,090
Peletization Plant of Plovdiv Biomass EOOD	1,003
Peletization Plant of United Biomass EOOD	929
Tvarditsa PV EOOD	1
	10,302

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 projects and commencement of production (see also Note 1). Their amortization will start when the Projects are finalized and the production commences.

Development cost in progress with carrying amount EUR 2,968 thousand are pledged as collateral under loan contract dated 02.06.2014 between subsidiary company Karlovo Biomass EOOD and United Bulgarian Bank (see note 22).

EBIOSS ENERGY AD

Notes to the consolidated financial statements

12. Intangible assets (continued)

Review for impairment

The management of the Group determines the fair value of development costs in progress related to the Peletization 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 2016:

	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
Peletization Plant of Heat Biomass EOOD	2,566	4,600	2,034
Peletization Plant of Karlovo Biomass EOOD	2,968	4,969	2,001
Peletization Plant of Tvarditsa Biomass EOOD	1,745	3,725	1,980
Peletization Plant of Nova Zagora Biomass EOOD	1,090	3,710	2,620
Peletization Plant of Plovdiv Biomass EOOD	1,003	3,704	2,701
Peletization Plant of United Biomass EOOD	929	3,702	2,773
Tvarditsa PV EOOD	1	-	1
Total	10,302	24,410	14,108

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.

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Notes to the consolidated financial statements

13. Acquisitions of subsidiaries

13.1 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 projects. See also Note 1.

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
<i>Fair value of identifiable net assets:</i>										
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)

EBIOSS ENERGY AD

Notes to the consolidated financial statements

13. Acquisitions of subsidiaries (continued)

13.2. Acquisition of Eqtec Iberia, SL

On 30 November 2012 Ebioss Energy AD has also acquired control over EQTEC Iberia SL,, 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
<i>Fair value of identifiable net assets:</i>	
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

13.3 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 SI 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.

13.4 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.

EBIOSS ENERGY AD

Notes to the consolidated financial statements

13. Acquisitions of subsidiaries (continued)

13.5 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
<i>Fair value of identifiable net assets:</i>	
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

13.6 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.



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Notes to the consolidated financial statements

13. Acquisitions of subsidiaries (continued)

13.6 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
<i>Fair value of identifiable net assets:</i>					
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
Impairment	-	-	-	-	(52)
Goodwill as of 31 December 2016	(654)	2,414	35	34	34

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.

In 2016 the Group has recognized impairment at the amount of 60% of the goodwill recognised at the acquisition of Addom amounting to EUR 52 thousand.

13.7 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.

13.8 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:

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

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Notes to the consolidated financial statements

13. Acquisitions of subsidiaries (continued)

13.9 Acquisition of TNL World, Bulgaria by TNL SGPS, Portugal

On 17 September 2015 according to agreement for purchase of shares, TNL SGPS acquired 100% of the shares of TNL World EOOD, Bulgaria (previously called "Val Biomass" EOOD). TNL World will be primarily engaged in production, engineering and trading with waste containers. At the point of acquisition TNL World's net asset was zero and the consideration transferred was less than 1 thousand EUR.

13.10 Increase in share capital of TNL SL

In May 2016 share capital of TNL SL has been increased with EUR 426 thousand. The new shares have been acquired from the existing shareholders – TNL SGPS acquired 80% of the new shares for the amount of EUR 341 thousand and Arrizabal Elkarte acquired 20% of the new shares for the amount of EUR 85 thousand. As a result of the transaction the Group recognised:

- increase in NCI amounting to EUR 85 thousand

13.11 Acquisition of additional share (15.38%) in existing subsidiary – TNL SGPS

On 3 October 2016 a decision was made to convert EUR 1,098 thousand of the loan granted by Ebioss Energy AD to TNL SGPS into supplementary capital. On the same date it was decided to convert EUR 840 thousand loan granted from the shareholder Foad Jafal into supplementary capital.

On 14 October 2016 TNL SGPS was transformed into a public limited company and renamed to Waste Intelligent Technologies SGPS SA (WINTECH). On the same day share capital of Waste Intelligent Technologies SGPS SA (WINTECH) has been increased with EUR 470 thousand. Ebioss Energy AD subscribed new shares for the amount of EUR 395 thousand through conversion of supplementary capital into registered capital of WINTECH SGPS SA. The rest of the shares for the amount of EUR 75 thousand have been subscribed by the shareholder Nuno Lopez. Thus the participation in the capital of WINTECH SGPS SA was increased to 68%.

As a result of the above transactions the Group recognised:

- total increase in NCI amounting to EUR 810 thousand, comprised of:
 - EUR 731 thousand (increase of NCI) - due to conversion of loans granted to supplementary capital
 - EUR 75 thousand (increase of NCI) – due to additional share capital subscribed by NCI
 - EUR 29 thousand (increase of NCI) - re-distribution of retained earnings from prior periods following the decrease of the share owned by the NCI;
 - EUR (25) thousand (decrease of NCI) - re-distribution of translation reserves from prior periods following the decrease of the share owned by the NCI;
- decrease of retained earnings of EUR 29 thousand
- increase in retained earnings with EUR 109 thousand – due to conversion of loans granted to supplementary capital

14. Investments

14.1 Investments in associates

	31.12.2016 EUR'000	31.12.2015 EUR'000
Investment in Citytainer Brasil – Soluções Ambientais, LTDA, held by TNL SGPS	264	244
	<u>264</u>	<u>244</u>

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.



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Notes to the consolidated financial statements

14. Investments (continued)

14.2 Other investments available for sale

	31.12.2016	31.12.2015
	EUR'000	EUR'000
Investment in EAL COMPOST SRL, held by Syngas Italy	115	115
Investment in CONECTA2 ENERGIA S.L	-	500
	<u>115</u>	<u>615</u>

On 20th of April 2015 Ebioss Energy signed an Agreement for investment intention with the Spanish company CONECTA2 ENERGIA S.L, domiciled in the city of Barcelona. According to it Ebioss is to be admitted as shareholder in the capital of CONECTA2 ENERGIA S.L. The parties agreed to perform legal procedure of gradual capital increase of the registered capital of CONECTA2 ENERGIA S.L. within approximately 1-year term, 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 EUR 1,500,000.

As at 31 December 2015 Ebioss Energy AD has acquired 16.7 % of the capital of CONECTA2 ENERGIA S.L for the amount of EUR 500 thousand.

On 19th of February 2016 according to an agreement between E BIOSS ENERGY AD, CONECTA2 and the shareholders of CONECTA2, the investment agreement and shareholders agreement signed formerly between E BIOSS ENERGY AD and CONECTA2 have been rescinded. The parties agreed for buy-back of all the shares purchased by E BIOSS ENERGY AD for the price of 525,000 Euro. Subsequently, the payment of the agreed amount was made by bank transfer on 23th of February 2016.

14.3 Held to maturity investments

	31.12.2016	31.12.2015
	EUR'000	EUR'000
Stocks held from Mutual Guarantee Societies	29	34
Bonds – Sense Esco Belisce D.o.o.	403	372
	<u>432</u>	<u>406</u>

15. Trade and other receivables

Current part of trade and other receivables

	31.12.2016	31.12.2015
	EUR'000	EUR'000
Trade receivables from clients	8,412	7,305
Advance payments to suppliers	58	110
Refundable VAT	515	1,495
Receivables from employees	178	1
Other receivables	1,192	368
	<u>10,361</u>	<u>9,279</u>

Non-current part of trade and other receivables

	31.12.2016	31.12.2015
	EUR'000	EUR'000
Other receivables	25	37
	<u>25</u>	<u>37</u>

16. Non-current assets held for sale

Following a change in the Renewable Energy Act (see Note 1) the management committed to a plan to reorganize, redesign and sell part of the existing power production facilities of Karlovo Biomass Plant. Accordingly, idle equipment was classified as non-current assets held for sale during 2015. During 2015 the Group sold to external party part of this equipment with net book value EUR 3,278 thousand and recognized revenue of EUR 4,964 thousand.

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Notes to the consolidated financial statements

16. Non-current assets held for sale (continued)

As of 31 December 2016 the Group has presented as non-current asset held for sale the remaining part of the idle equipment related to Karlovo Biomass of EUR 725 thousand, measured at the lower of its carrying amount and fair value less costs to sell.

Efforts to sell the remaining asset continue and a sale is expected in the course of 2017. The asset held for sale is part of Operating Segment 1 *Construction and management of peletization plants* (see Note 29).

17. Inventory

	31.12.2016 EUR'000	31.12.2015 EUR'000
Work in progress	187	411
Raw materials and consumables	812	784
Spare parts	176	176
Goods	438	508
	<u>1,613</u>	<u>1,879</u>

18. Loans granted

	Amount EUR'000	
Balance at 1 January 2016		
New proceeds:		
- React Energy	859	07.02.2017
- React Energy (cession agreement to Newry Biomass)	(57)	
- Newry Biomass (cession agreement with React Energy)	57	31.12.2017
Loan interest accrued:		
- React Energy	41	
Balance at 31 December 2016	<u>900</u>	

On 25 November 2016 a Settlement agreement was signed between Ebioss Energy, React Energy and Newry Biomass where the Parties agree that Newry will substitute React in all its obligations for repayment of the loan amounting to EUR 57 thousand and will repay the amount directly to the bank account of Ebioss Energy AD.

19. Cash and cash equivalents

	31.12.2016 EUR'000	31.12.2015 EUR'000
Cash at bank	992	3,153
Cash in hand	31	180
	<u>1,023</u>	<u>3,333</u>

20. Capital and capital reserves

20.1. 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	thousand EUR
Balance on 1 January 2015	<u>40,912,416</u>	<u>20,918</u>
Balance at 31 December 2015	<u>40,912,416</u>	<u>20,918</u>
Balance at 31 December 2016	<u>40,912,416</u>	<u>20,918</u>

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Notes to the consolidated financial statements

20.2. 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.

20.3. 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 2015 the Company held 80,807 own shares with nominal value EUR 0.51 (BGN 1).

As at 31 December 2016 the Company held 349,947 own shares with nominal value EUR 0.51 (BGN 1).

21. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2016 was based on the (loss) attributable to ordinary shareholders of EUR (4,123) thousand (31 December 2015: EUR (1,870) thousand), and a weighted average number of ordinary shares outstanding of 40,606 thousand (31 December 2015: 39,978 thousand), calculated as follows:

(i) Profit attributable to ordinary shareholders (basic)

In thousands of EUR

	31.12.2016	31.12.2015
Loss for the year	(4,123)	(1,870)
Loss attributable to ordinary shareholders	(4,123)	(1,870)

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

In thousands of shares

	31.12.2016	31.12.2015
Issued ordinary shares at 1 January	40,912	40,912
Effect from repurchased own shares	(306)	(934)
Weighted average number of ordinary shares at 31 December	40,606	39,978
Earnings per share (EUR)	(0.10)	(0.05)

Diluted earnings per share

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

22. Loans payable to third parties

This note provides information about the contractual terms of the Group's interest-bearing bank loans and issued corporate bonds, which are measured at amortised cost. More information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in Note 28.

In thousands of EUR

	31.12.2016	31.12.2015
Non-current liabilities		
Unsecured corporate bonds issues	12,254	6,811
Bank loans	5,618	6,754
	17,872	13,565
Current liabilities		
Unsecured corporate bonds issues	373	121
Bank loans	2,713	1,993
	3,086	2,114

EBIOS ENERGY AD

Notes to the consolidated financial statements

22.1 Bank loans

Bank loans structure as at 31 December 2016:

Bank	Authorised limit of loan EUR'000	Interest rate	Balance 31.12.2016 EUR'000	Maturity
CAIXABANK	32	4.60%	5	26.06.2017
BANK SABADELL	5	5.13%	1	20.07.2017
CAIXABANK	250	2.75%	53	30.04.2017
BBVA	150	2.55%	68	28.04.2018
BANCO POPULAR	250	2.80%	248	30.06.2017
BANCO POPULAR	350	2.80%	350	13.01.2021
BANCO SANTANDER	250	3.92%	250	29.12.2019
CAIXABANK	250	4.00%	216	30.04.2017
UBB	5,600	6.31%	4,225	02.06.2026
Novo Banco	200	5.57%	22	12.03.2017
Banco Popular	738	6.33%	622	14.10.2018
Santandertotta	330	7.00%	158	30.04.2020
Caixa Geral de Depositos	500	3.83%	91	16.12.2017
BPI	500	3.38%	250	22.04.2019
BPI	1,500	4.81%	676	06.08.2019
BPI	320	5.49%	124	06.08.2018
Millenniumbcp	230	7.63%	128	14.02.2018
Millenniumbcp	120	7.55%	120	24.05.2016
Negative current account	-	-	63	-
Banco Sabadell – Escrow Account	100	5.25%	57	20.03.2016
Confirmings - Millenniumbcp	-	-	95	-
Confirmings - Banco Popular	-	-	62	-
Factoring – Banco Popular	-	5.33%	440	-
Credit cards	-	-	7	-
TOTAL BANK LOANS			8,331	

EUR'000	Total	Up to 1 year	1-2 years	2-5 years	More than 5 years
Short term loans	2,713	2,713	-	-	-
Long term loans	5,618	-	1,024	2,504	2,090
	8,331	2,713	1,024	2,504	2,090

EBIOSS ENERGY AD

Notes to the consolidated financial statements

22. Loans payable to third parties (continued)

22.1 Bank loans (continued)

Bank loans structure as at 31 December 2015:

Bank	Authorised limit of loan EUR'000	Interest rate	Balance 31.12.2015 EUR'000	Maturity
CAIXABANK	92	6.17%	11	15.06.2016
CAIXABANK	32	4.70%	16	26.06.2017
BANK SABADELL	5	5.13%	3	20.07.2017
CAIXABANK	250	2.75%	179	30.04.2017
BBVA	150	2.55%	117	28.04.2018
BBVA	15	2.00%	5	28.04.2016
BANCO POPULAR	250	1.80%	247	22.06.2016
Banco Santander	250	2.10%	231	11.12.2016
UBB	5,600	6.31%	4,781	02.06.2026
Novo Banco	200	5.57%	96	12.03.2017
Banco Popular	500	6.33%	738	14.10.2018
Santandertotta	330	7.00%	185	30.04.2020
Caixa Geral de Depositos	500	3.83%	199	16.12.2017
Caixa Geral de Depositos	27	4.07%	27	03.02.2017
BPI	500	3.38%	275	22.04.2019
BPI	1,500	4.81%	860	06.08.2019
BPI	320	5.49%	196	06.08.2018
Millenniumbcp	230	7.63%	183	14.02.2018
Promissory notes - Millenniumbcp	45	4.00%	45	-
Millenniumbcp	120	7.55%	120	24.05.2016
Banco Sabadell – escrow account	100	5.25%	20	20.03.2016
Confirmings – Milleniumbcp	-	-	54	-
Confirmings – Banco Popular	-	-	100	-
Factoring – Banco Sabadell	-	4.75%	30	-
Factoring – Banco Popular	-	5.33%	25	-
Credit cards	-	-	4	-
TOTAL BANK LOANS			<u>8,747</u>	

EBIOSS ENERGY AD

Notes to the consolidated financial statements

22. Loans payable to third parties (continued)

22.1 Bank loans

EUR'000	Total	Up to 1 year	1-2 years	2-5 years	More than 5 years
Short term loans	1,993	1,993	-	-	-
Long term loans	6,754	-	1,125	2,782	2,847
	<u>8,747</u>	<u>1,993</u>	<u>1,125</u>	<u>2,782</u>	<u>2,847</u>

Securities, guarantees and pledges related to bank loans

On 02 June 2014 a subsidiary company Karlovo Biomass EOOD signed loan contracts with United Bulgarian Bank for financing of construction of 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. The VAT financing facility has been fully repaid to the bank in the first half of 2015.

In relation to the above contracts the Group has 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 the 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	Performance bond	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	Performance bond	TNL SA
MSF - Engenharia	16	No fixed term	Goods collection	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
Municipio de Oeiras	155	09.10.2018	Goods collection	TNL SA
Camara de Odivelas	3	No fixed term	Goods collection	Hirdant
Camara de Odivelas	2	No fixed term	Goods collection	Hirdant
TOTAL	<u>1,165</u>			

EBIOSS ENERGY AD

Notes to the consolidated financial statements

22. Loans payable to third parties (continued)

22.2 Corporate bonds

In thousands of EUR

	Amount EUR'000
Proceeds from issue of bonds	7,000
Transaction costs	(189)
Net proceeds	6,811
Accreted interest	121
Carrying amount of liability at 31 December 2015	6,932
Proceeds from issue of bonds	5,500
Transaction costs	(57)
Net proceeds	5,443
Accrued interest	747
Paid interest	(495)
Carrying amount of liability at 31 December 2016	12,627

On 18th June 2015, 30 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by Ebioss Energy AD with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 18th June 2020 and maturity dates of the coupon payments shall be as follows: 18th June 2016, 18th June 2017, 18th June 2018, 18th June 2019 and 18th June 2020.

Ebioss Energy AD shall have the right after expiration of 36-month period as from the date of issue, to buy-back from the bond holders some or all of the bonds at nominal value plus the accrued interest of the coupons, calculated as to the date of exercising such call option.

On 16th December 2015, 40 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by the Company with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 22th December 2020 and maturity dates of the coupon payments shall be as follows: 22nd December 2016, 22nd December 2017, 22nd December 2018, 22nd December 2019 and 22nd December 2020.

On 14th April 2016, 20 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by the Company with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 20th April 2021 and maturity dates of the coupon payments shall be as follows: 20th April 2017, 20th April 2018, 20th April 2019, 20th April 2020 and 20th April 2021.

On 12 July 2016, 35 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by the Company with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 12th July 2021 and maturity dates of the coupon payments shall be as follows: 20th April 2017, 20th April 2018, 20th April 2019, 20th April 2020 and 20th April 2021.



EBIOSS ENERGY AD

Notes to the consolidated financial statements

23. Loans payable to related parties

23.1 Loans due to Elektra Holding AD

	Amount EUR'000	Maturity
Balance at 1 January 2015	-	
New proceeds	315	
Repayments	(315)	
Balance at 31 December 2015	-	
New proceeds	406	
Repayments	(279)	
Interest accrued (4%)	8	
Balance at 31 December 2016	135	31.12.2017

23.2 Loans due to other related parties

	Amount EUR'000	Maturity
Balance at 1 January 2015	927	
Repayments	(83)	
Balance at 31 December 2015	844	
New proceeds	420	
Debt converted into capital	(1,000)	
Repayments	(258)	
Balance at 31 December 2016	6	31.12.2017

24. Taxation

	2016 EUR'000	2015 EUR'000
Current tax expense	18	89
Origination and reversal of temporary differences	(750)	(181)
Income tax expense (benefit) for the period	(732)	(92)

Reconciliation of effective tax rate:

	2016 EUR'000	2015 EUR'000
Profit/(Loss) for the year	(5,262)	(2,404)
Total income tax (expense) / benefit	732	92
Profit / (Loss) before income tax	(5,994)	(2,496)
Income tax using the Company's domestic tax rate, 10%	(599)	(250)
Effect of tax rates in foreign jurisdictions*	(478)	(348)
Recognition of tax effects of previously unrecognized tax losses	(11)	(7)
Permanent differences	126	100
Net effect of deferred taxes not recognized	230	413
Income tax expense/(benefit)	(732)	(92)
Effective tax rate	(12)%	(4)%

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

EBIOSS ENERGY AD

Notes to the consolidated financial statements

24. Taxation (continued)

Tax liability	31.12.2016 EUR'000	31.12.2015 EUR'000
Corporate income tax payable	18	84
	<u>18</u>	<u>84</u>

Recognised deferred tax assets and liabilities

In thousands of EUR	Assets		Liabilities	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Assets under construction	(100)	(72)	-	-
Land and developments costs revaluation	-	-	1,116	1,115
Tax loss carry-forwards	(1,885)	(1,163)	-	-
Tax (assets) liabilities	<u>(1,985)</u>	<u>(1,235)</u>	<u>1,116</u>	<u>1,115</u>
Net tax (assets) liabilities	<u>(1,985)</u>	<u>(1,235)</u>	<u>1,116</u>	<u>1,115</u>

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 2016 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 time limit for utilization of these losses in Spain and Italy.

25. Trade and other payables

	31.12.2016 EUR'000	31.12.2015 EUR'000
Trade payables to suppliers	3,664	2,618
Trade payables	<u>3,664</u>	<u>2,618</u>
Payables in regards to bonds issuance	25	142
Payables to employees	152	181
Compulsory social security contributions	33	22
VAT payable	302	807
Other tax liabilities	491	228
Other payables	<u>1,010</u>	<u>562</u>
Other payables	<u>2,013</u>	<u>1,942</u>
	<u>5,667</u>	<u>4,560</u>

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

26. Provisions

	31.12.2016 EUR'000	31.12.2015 EUR'000
Future demolition costs, Galina plant, Italy	114	114
Others	35	25
	<u>149</u>	<u>139</u>

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Notes to the consolidated financial statements

27. Finance lease

	31.12.2016 EUR'000	31.12.2015 EUR'000
Non-current	39	55
Current	25	36
	<u>64</u>	<u>91</u>

Finance lease liabilities are payable as follows:

	31.12.2016		
	Future minimum lease payments EUR'000	Interest	Principal EUR'000
Less than one year	30	5	25
Between one and two years	28	3	25
Between two and five years	15	1	14
Total	<u>73</u>	<u>9</u>	<u>64</u>

	31.12.2015		
	Future minimum lease payments EUR'000	Interest	Principal EUR'000
Less than one year	43	7	36
Between one and two years	25	5	20
Between two and five years	39	4	35
Total	<u>107</u>	<u>16</u>	<u>91</u>

28. Financial instruments

Overview

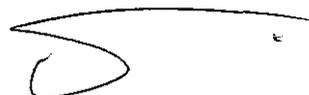
The Group has exposure to the following risks from its use of financial instruments:

- 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.



Notes to the consolidated financial statements

28. 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 at 31 December the carrying amounts of the financial assets are as follows:

	Note	2016 EUR'000	2015 EUR'000
Trade receivables from clients	15	8,412	7,305
Trade receivables from related parties	30	847	698
Loans provided	18	900	-
Held to maturity investments	14.3	432	406
Cash and cash equivalents	19	992	3,153
		<u>11,583</u>	<u>11,562</u>

(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 2016:

	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	22.1	(8,331)	(10,065)	(3,145)	(1,355)	(3,142)	(2,423)
Corporate bonds	22.2	(12,627)	(16,332)	(822)	(875)	(14,635)	-
Loans due to related parties	23	(141)	(146)	(146)	-	-	-
Other payables to related parties	30	(96)	(96)	(96)	-	-	-
Trade and other payables	25	(3,689)	(3,689)	(3,689)	-	-	-
Finance lease	27	(64)	(73)	(30)	(28)	(15)	-
		<u>(24,948)</u>	<u>(30,401)</u>	<u>(7,928)</u>	<u>(2,258)</u>	<u>(17,792)</u>	<u>(2,423)</u>

Notes to the consolidated financial statements

28. 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 2015:

	<i>Note</i>	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	22.1	(8,747)	(10,978)	(2,482)	(1,527)	(3,556)	(3,413)
Corporate bonds	22.2	(6,932)	(9,450)	(490)	(490)	(8,470)	-
Loans due to related parties	30	(844)	(844)	(844)	-	-	-
Other payables to related parties	30	(96)	(96)	(96)	-	-	-
Trade and other payables	25	(2,760)	(2,760)	(2,760)	-	-	-
Finance lease	27	(91)	(107)	(43)	(25)	(39)	-
		<u>(19,470)</u>	<u>(24,235)</u>	<u>(6,715)</u>	<u>(2,042)</u>	<u>(12,065)</u>	<u>(3,413)</u>

(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.

Notes to the consolidated financial statements

28. 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:

<i>In thousands of EUR</i>	Nominal amount	
	31.12.2016	31.12.2015
	EUR'000	EUR'000
Fixed rate instruments		
Financial assets	2,283	3,559
Financial liabilities	(16,606)	(11,712)
	<u>14,323</u>	<u>(8,153)</u>

<i>In thousands of EUR</i>	Nominal amount	
	31.12.2016	31.12.2015
	EUR'000	EUR'000
Variable rate instruments		
Financial liabilities	(4,225)	(4,781)
	<u>(4,225)</u>	<u>(4,781)</u>

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.



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Notes to the consolidated financial statements

29. Segment Reporting

As at 31 December 2016 and 31 December 2015 the Group has two reporting segments:

Information related to each reportable segment is set out below.

<i>In thousands of EUR</i>	Segment 1 construction, management and operation of biomass power plants and peletization plants		Segment 2 Sale and management of waste collection systems		Total	
	2016	2015	2016	2015	2016	2015
Revenues	2,503	1,894	4,560	2,557	7,063	4,451
Other income	1	9	247	41	248	50
Revenue from non-current asset held for sale	-	4,964	-	-	-	4,964
NBV of asset held for sale	-	(3,278)	-	-	-	(3,278)
Changes in inventory and work in progress	-	-	-	3	-	3
Loss from associated companies	-	-	(8)	(7)	(8)	(7)
Work performed by the entity and capitalized	608	5,054	113	164	721	5,218
Raw materials and consumables used	(2,795)	(1,678)	(52)	(46)	(2,847)	(1,724)
Cost of goods/equipment sold	(206)	-	(3,476)	(1,447)	(3,682)	(1,447)
Expenses for hired services	(1,142)	(5,142)	(764)	(581)	(1,906)	(5,723)
Employee benefit expenses	(1,880)	(2,021)	(931)	(869)	(2,811)	(2,890)
Depreciation and amortization	(232)	(209)	(295)	(311)	(527)	(520)
Other expenses	(811)	(761)	(436)	(408)	(1,247)	(1,169)
Profit/(Loss) from operating activities	(3,954)	(1,168)	(1,042)	(904)	(4,996)	(2,072)
Finance income	98	23	1	-	99	23
Finance expenses	(834)	(197)	(263)	(250)	(1,097)	(447)
Inter-segment finance income/expense	54	37	(54)	(37)	-	-
Net finance costs	(682)	(137)	(316)	(287)	(998)	(424)
Profit/(Loss) before income tax	(4,636)	(1,305)	(1,358)	(1,191)	(5,994)	(2,496)
Income tax	543	37	189	55	732	92
Profit/(Loss) for the year	(4,093)	(1,268)	(1,169)	(1,136)	(5,262)	(2,404)
Other comprehensive income	16	52	27	60	43	112
Total comprehensive income	(4,077)	(1,216)	(1,142)	(1,076)	(5,219)	(2,292)

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Notes to the consolidated financial statements

29. Segment Reporting (continued)

<i>In thousands of EUR</i>	Segment 1 Construction, management and operation of biomass power plants and peletization plants		Segment 2 Sale and management of waste collection systems		Total	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Assets for reportable segments	52,753	53,097	7,972	6,618	60,725	59,715
Total assets	52,753	53,097	7,972	6,618	60,725	59,715
Liabilities for reportable segments	21,267	16,414	6,942	6,194	28,209	22,608
Total liabilities	21,267	16,414	6,942	6,194	28,209	22,608

30. Related party transactions and balances

Related parties are as follows:

Related party	Relationship
Southeimer LLC, Spain	Ultimate parent
Elektra Holding AD	Parent of E BIOSS ENERGY AD
Heat Biomass EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
Karlovo Biomass EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
Plovdiv Biomass EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
Nova Zagora Biomass EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
Tvardica Biomass EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
United Biomass EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
Biomass Distribution EOOD	subsidiary, 100% owned by E BIOSS ENERGY AD
Syngas Italy S.R.L.	subsidiary, 100% owned by E BIOSS ENERGY AD
EQTEC Iberia SL, Spain	subsidiary, 48% owned and controlled by E BIOSS ENERGY AD
EQTEC Bulgaria EOOD	subsidiary, 48% owned and controlled by E BIOSS 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
WIT SGPS SA (former TNL SGPS), Portugal	subsidiary, 68% owned by Ebioss Energy AD
TNL SA, Portugal	subsidiary of WIT SGPS SA (former TNL SGPS), Portugal, 68% effective ownership of Ebioss Energy
Hirdant, Portugal	subsidiary of WIT SGPS SA (former TNL SGPS), Portugal, 68% effective ownership of Ebioss Energy
TNL SL, Spain	subsidiary of WIT SGPS SA (former TNL SGPS), Portugal, 54,4% effective ownership of Ebioss Energy
TNI World, Bulgaria	subsidiary of WIT SGPS SA (former TNL SGPS), Portugal, 68% effective ownership of Ebioss Energy

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Notes to the consolidated financial statements

30. Related party transactions and balances (continued)

Addom, Spain	subsidiary of WIT SGPS SA (former TNL SGPS), Portugal, 68% effective ownership of Ebioss Energy
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
Smolyan Biomass EOOD	under common control
Titan Power OOD	under common control
Eko El Invest	under common control
Citytainer Brasil, Brasil	Associate company
Citytainer Industria, Brasil	under common control
Arrizabal Elkarte SL, Portugal	shareholder in TNL SL

Directors

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

Remuneration of key management personnel of the group for the period 01.01.2016-31.12.2016 is 344 thousand EUR (2015: 394 thousand EUR).

Balances with related parties

In thousands of EUR

	Balance outstanding as at			
	31.12.2016		31.12.2015	
	Receivables	Payables	Receivables	Payables
Citytainer Brasil	670	-	263	-
Citytainer Industria	1	-	383	-
Arrizabal Elkarte SL	167	(86)	39	(86)
Elektra Holding AD	-	(10)	-	(10)
Receivables from employees	9	-	13	-
	<u>847</u>	<u>(96)</u>	<u>698</u>	<u>(96)</u>

Loans payable to/receivable from related parties

In thousands of EUR

	Balance outstanding as at			
	31.12.2016		31.12.2015	
	Receivables	Payables	Receivables	Payables
Mr. Foad Jafal	-	-	-	(840)
Elektra Holding AD	-	(135)	-	-
Arrizabal Elkarte SL	-	(6)	-	(4)
	<u>-</u>	<u>(141)</u>	<u>-</u>	<u>(844)</u>

EBIOSS ENERGY AD

Notes to the consolidated financial statements

30. Related party transactions and balances (continued)

Transactions with related parties

<i>In thousands of EUR</i>	Description	For the period ended 31.12.2016	For the period ended 31.12.2015
Citytainer Brasil	Trade		-
Arrizabal Elkarte SL - revenue	Trade	309	214
Arrizabal Elkarte SL – cost of goods sold	Trade	(302)	-
Transactions with employees	Trade	5	4
Mr. Foad Jafal	Loans	-	(63)
Mr. Foad Jafal - debt converted in capital	Loans	(840)	-
Arrizabal Elkarte SL– amounts received	Loans	344	(23)
Arrizabal Elkarte SL– amounts repaid	Loans	(258)	-
Arrizabal Elkarte SL– debt converted in capital	Loans	(85)	-
Nuno Lopez – amounts received	Loans	76	-
Nuno Lopez - debt converted in capital	Loans	(75)	-
Elektra Holding AD – amounts received	Loans	406	315
Elektra Holding AD – amounts repaid	Loans	(279)	(315)
Elektra Holding AD – interest accrued	Loans	8	-

31. Commitments and contingent liabilities

EbioSS Energy AD is a joint debtor in relation to a Loan contract dated 02.06.2014 between Karlovo Biomass EOOD and United Bulgarian Bank AD for the amount of EUR 5,600 thousand until the time of commissioning of plant property of Karlovo Biomass EOOD. As of 31 December 2016 the outstanding principal to this loan is EUR 4,341 thousand. See note 22.1.

The Group has no other commitments or contingent liabilities as at 31 December 2016 and 31 December 2015.

32. Events after the reporting period end

On the 7th of February 2017 EbioSS Energy AD acquired 51% share stake in the company REACT Plc by means of conversion of corporate debt into equity and the corresponding capital increase and subscription of the newly emitted shares thereunder by EBIOSS. The shares of the company REACT Plc are quoted for trading on the London AIM stock market and its head office is domiciled in Ireland. As a consequence of the acquisition and the admission of EbioSS as a majority shareholder, REACT was renamed by decision of the General meeting into EQTEC Plc and EbioSS obtained the right to nominate the majority of the board members, including the Executive director (CEO).

On the 24th of February 2017 the Board of Directors of EbioSS Energy AD approved a resolution for private placement of new emission of corporate bonds at a total amount of 1,600,000 £, representing 16 non-convertible, freely transferable bonds with par value and emission value of 100,000 £ each. The bond emission was successfully subscribed on the same date (24.02.2017) on the Luxembourg Stock Exchange. The maturity date of the emission is 24th of February 2023 and the annual coupon is 7%.

By decision of extraordinary general meeting of the shareholders of EbioSS Energy AD, held on 13th of February 2017 the company was transformed into European company, as per Regulation (EC) N^o 2157/2001. The Bulgarian Trade Register has inscribed the relevant corporate changes on the 23rd of March 2017 and thereafter EBIOSS has the legal form of "Societas Europaea" or "SE". The capital of the company was denominated in Euro (the conversion of the registered capital has been made according to the official fixed exchange rate of the Bulgarian National Bank, where 1 € = 1,95583 BGN) and the nominal value of the shares was changed into 1 Euro each, according to the rules of the Regulation. All the other corporate characteristics of the company remain unchanged.

Notes to the consolidated financial statements

32. Events after the reporting period end (continued)

At the end of April the subsidiary company Syngas Italy Srl. has resolved the technical problem with the filter and the plant has been put into operation.

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.



- **Informe sobre estructura y sistema de control interno.**

El presente informe emitido por EBIOSS Energy, SE incluye información relativa a la estructura organizativa, así como el sistema de control interno con los que cuenta la Sociedad para el cumplimiento de las obligaciones de información que establece el mercado conforme a la Circular 15/2016 del Mercado Alternativo Bursátil (MAB).

I. ESTRUCTURA ORGANIZATIVA Y ENTORNO DE CONTROL

Es responsabilidad del Consejo de Administración junto con la Comisión de Auditoría el diseño, implantación y funcionamiento de los sistemas de control interno adecuados de cara a garantizar el cumplimiento de las obligaciones de información pública en general y financiera en particular, al mercado.

El Consejo de Administración dispone de un Reglamento que contempla la obligación de coordinar, velar y vigilar el cumplimiento de los principios de actuación que en el mismo se recogen en materia de información privilegiada, valores, información relevante, conflictos de interés, autocartera, operaciones especiales, comunicación y otras. El Consejo de Administración está constituido por cuatro miembros y la Comisión de Auditoría está formado por tres personas.

Las principales funciones que desempeña la Comisión de Auditoría son las siguientes:

- Supervisar los procesos de elaboración de la información económico-financiera.
- Supervisar la eficiencia de los sistemas de control interno de la Sociedad;
- Supervisión de la eficacia de los sistemas de gestión de riesgos de la Sociedad;
- Supervisión de la auditoría financiera independiente en la Sociedad;
- Revisar la independencia del auditor legal de la Sociedad, incluido el seguimiento de la prestación de servicios de administración por parte del auditor.

Para garantizar que en todo momento la Sociedad atiende el cumplimiento de información que establece el MAB, el Presidente y el Departamento Financiero están en permanente contacto y celebran reuniones periódicas para garantizar la suficiencia organizativa en materia de cumplimiento de las obligaciones de información con el mercado y el correcto funcionamiento de los mecanismos de los que la Compañía se ha dotado a tal fin.

II. INFORMACIÓN FINANCIERA: ELABORACIÓN, REVISIÓN Y AUTORIZACIÓN

La información financiera es elaborada por la Dirección Financiera de la empresa asistida por el Presidente y el auditor externo de la Sociedad. Posteriormente es revisada por el Comisión de Auditoría y aprobada por el Consejo de Administración de la Compañía.

La Sociedad identifica los principales procesos de cara a establecer procedimientos de control que reduzcan cualquier riesgo asociado a los mismos. Dichos procedimientos son establecidos por la Dirección General y los responsables de las áreas corporativas, encargados asimismo de su cumplimiento.

Los órganos responsables de supervisar el proceso de identificación de riesgos de la información financiera son el Departamento Financiero, el Presidente y el Comisión de Auditoría y, por supuesto, el Consejo de Administración como órgano último y responsable de la información financiera de la Sociedad.

La Dirección Financiera:

- a) Supervisa la anotación, valoración, desglose y presentación de la información financiera y la correcta estimación de las provisiones.
- b) Identifica y comprueba la correcta anotación en la información financiera de los riesgos derivados de la actividad crediticia, de mercado y tesorería, así como los que se pudieran originar por riesgo operacional.
- c) Supervisa la correcta aplicación de las normas, junto con la Dirección Legal de la compañía, evitando que un error en su aplicación, o un desconocimiento de las mismas provoque errores en la información financiera.

Tal y como se comenta anteriormente, la Comisión de Auditoría tiene la función de control y supervisión de todo el proceso de identificación de riesgos de la información financiera. El Consejo de Administración, como máximo órgano de gobierno de la entidad, es el encargado de aprobar las políticas de seguridad de la información financiera y los manuales de políticas contables.

III. SUPERVISIÓN DEL SISTEMA DE CONTROL INTERNO Y FUNCIONES DE LA COMISIÓN DE AUDITORÍA EN CASO DE EXISTIR

El Reglamento del Consejo establece como competencia del Consejo de Administración, como máximo órgano de decisión de la sociedad, la formulación de las cuentas anuales y del informe de gestión, así como la propuesta de aplicación del resultado de la Sociedad.

Los estados financieros, así como las estimaciones en las que se basan las partidas más relevantes de los mismos o las distintas proyecciones que maneja la entidad, son revisadas por el Presidente, la Comisión de Auditoría y el Consejo de Administración, además de por los auditores externos de la Sociedad.

Para asegurar la veracidad de la información se establecen controles individuales operados en las diferentes áreas sobre las transacciones que afectan al reporte de información financiera. Toda la información financiera se captura a través de las transacciones de las aplicaciones informáticas.

Corresponde al Departamento Financiero definir y actualizar las políticas contables, así como transmitir las a las personas de la organización con implicación en la elaboración de la información financiera, y la Comisión de Auditoría es el órgano responsable de estas políticas. Las mismas son actualizadas para su adecuación a los cambios normativos, siempre que se producen.

El Departamento Financiero es el encargado de resolver dudas o conflictos derivados de la interpretación de las políticas contables, las cuales son validadas por el auditor externo de la Sociedad.

Asimismo, el Departamento Financiero comunica las debilidades significativas de control interno que pudieran identificarse en otros procesos efectuadas durante el ejercicio. En estos casos, se elaboran planes de acción con el objetivo de mitigar las citadas deficiencias observadas, de los cuales se lleva a cabo el oportuno seguimiento.

IV. OTROS ASESORES O EXPERTOS INDEPENDIENTES

Respecto al auditor de cuentas, el procedimiento establecido prevé la asistencia del mismo a las reuniones de la Comisión de Auditoría de la entidad, con el fin de informar del resultado de los trabajos desarrollados y, en su caso, dar a conocer el detalle de las debilidades de control interno puestas de manifiesto y los planes de acción puestos en marcha para remediar dichas debilidades.

Por último, los Estados Financieros y las Cuentas Anuales son sometidos a auditoría por el auditor de cuentas de la Sociedad que emite una opinión sobre los mismos y, del mismo modo, la información financiera semestral es sometida a revisión limitada por parte de los mismos auditores.

V. OTRA INFORMACIÓN RELEVANTE

Para la elaboración de la información pública general, la Sociedad dispone de un procedimiento interno de comunicación cuyo objetivo es cumplir un modelo de actuación con las normativas del MAB y regular a través de procesos y normas la difusión y comunicación de información a terceros. La información es elaborada por el departamento de Investors Relations. El Presidente del Consejo de Administración es responsable de aprobar toda la circulación de la documentación o información a terceros.

Asimismo, el Investors Relations Manager es responsable de autorizar y coordinar la publicación de cualquier información en plataformas oficiales como BME-PC, CIFRADO, redes sociales u otras incluyendo la web de EBIOSS Energy.