EBIOSS

Información financiera anual 2017

En Sofía, a 30 de abril de 2018

Muy Señores Nuestros,

En virtud de lo previsto en el artículo 17 del Reglamento (UE) nº 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 la siguiente información relativa 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 2017 y hasta la fecha del informe anual:

- Adquisición del 51% de la compañía irlandesa REACT Energy (hoy EQTEC Plc), cotizada en el Alternative Investment Market de Londres. La transacción permite al Grupo acelerar el desarrollo de la cartera de proyectos de gasificación en Reino Unido, y consolida la posición de EBIOSS en un mercado de referencia. Tras una ampliación de capital realizada por EQTEC Plc, la participación de EBIOSS en ésta se situó en el 50,89%. (Hecho Relevante de 6/2/2017)

- Transformación de la forma jurídica en Sociedad Europea: EBIOSS Energy, SE. (Hecho Relevante de 13/2/2017).

- EQTEC recibió en febrero la aprobación por parte del Comité de Revisión de EIT InnoEnergy, para la construcción de una planta de gasificación de residuos que generará gas natural sintético, además de electricidad y calor. El EIT, a través de su plataforma Knowledge and Innovation Community, es un organismo de la Unión Europea cuyo objetivo es el de fomentar nuevas tecnologías energéticas sostenibles para Europa. Este proyecto, denominado POLYGEN, consiste en la construcción de una planta de generación de gas natural sintético, electricidad y calor a partir de combustibles alternativos como lodos residuales, residuos sólidos urbanos y biomasa. Los trabajos se extenderán todavía durante el ejercicio 2018. (Hecho Relevante de 23/2/2017)

- Emisión y colocación de bonos corporativos admitidos a cotización en el Euro MET de la Luxembourg Stock Exchange, por importe de 1,6 millones de libras (Hecho Relevante de 1/3/2017). Posteriormente, en junio se realizó una nueva colocación de una emisión en este mercado por importe de 2 millones de euros (Hecho Relevante de 5/6/2017)

- Firma de un contrato de colaboración estratégica con Rafako, S.A. y Exergon, Sp.z.o.o., para desarrollar proyectos de gasificación de residuos y biomasa a construir en Polonia, y basados en la tecnología EGT de EBIOSS. (Hecho Relevante de 18/4/2017).

- En mayo la empresa Reliable Energy Solutions Ltd. confirmó la oferta detallada y definitiva del contrato llave en mano (EPC) de Energy China, socio estratégico de EBIOSS, por un importe de 80,9 millones de euros. Posteriormente (Hecho Relevante de 5/7/2017) se firmó el contrato de EPC entre Reliable Energy Solutions y Energy China, quedando pues formalizada la designación de EBIOSS a través de EQTEC como proveedor de la tecnología de gasificación de las obras. Asimismo, ambas compañías firmaron un nuevo contrato de EPC para una planta de gasificación RDF "Melton Hull", de 16 Mw, en el que de nuevo la tecnología a emplear es la de EBIOSS.

- En julio se firmó un nuevo acuerdo exclusivo con la empresa Zebec Energy Lts. Para el desarrollo de una planta de gasificación de residuos de madera a instalar en Usk (Reino Unido), con una potencia eléctrica de 6,4 Mw y capacidad de tratamiento de hasta 42.000 toneladas anuales de residuos de madera. (Hecho Relevante de 11/7/2017).

- En octubre EQTEC Iberia, S.L. otorgó escritura de ampliación de capital por un montante total de 1.112.773 euros, que fue íntegramente suscrita por la matriz EBIOSS ENERGY SE, que elevó así su participación al 67%. (Hecho Relevante de 13/7/2017).

- Se completó el Reverse Take Over entre las filiales EQTEC Plc y EQTEC Iberia S.L, en virtud del cual EBIOSS pasó a tener el 50,25% de una EQTEC Plc posicionada ya como compañía global de desarrollo de proyectos y tecnología, altamente especializada y competitiva. (Hechos Relevantes de 17/7/2017, 27/7/2017, 4/12/2017, 22/12/2017 y 28/12/2017).

- Primeros pedidos y firma del contrato de alianza estratégica con CN-NL Waste Solution, filial del grupo financiero chino Fosun, para la fabricación e implementación de las tecnologías de la filial de gestión de residuos de EBIOSS, Winttec, en Asia. (Hecho Relevante de 10/1/2018).

- Firma de acuerdo de alianza estratégica con COBRA Instalaciones y Servicios, S.A., líder mundial del desarrollo, construcción y operación de proyectos de infraestructuras, para identificar y colaborar en proyectos que utilizarán la EQTEC Gasifier Technology. (Hecho Relevante de 27/2/2018). Ambas compañías están ya avanzando en la identificación de proyectos concretos conjuntos en Reino Unido, y han establecido un equipo de trabajo conjunto a tal efecto.

- Firma de una carta de intenciones con Black Toro Capital para la realización por parte de éste de una inversión de hasta 20 millones de euros por un máximo del 49,9% del capital de EBIOSS. En el marco de esta firma, a través de BTC se accedió a un préstamo de 2 millones de euros al 5% de interés, a amortizar una vez se consume la transacción. Los trabajos de Due Diligencie siguen su curso según lo previsto (Hechos Relevantes de 28/2/2018).

• Objetivos principales para 2018

- EBIOSS deberá consolidarse en 2018 como un grupo tecnológico e industrial que transforme en cuenta de resultados el ingente acopio de valor en balance de todos estos años, contando para ello con la fortaleza financiera para impulsar tal transformación del grupo en esta nueva etapa de crecimiento.

- Consolidar la entrada de un socio financiero de primer orden, y con él la intensidad de recursos financieros que permita eclosionar las oportunidades de negocios desarrolladas por el grupo en los últimos años.

- Estructurar nuestro pasivo de manera que la solvencia de nuestro balance se robustezca y permita, con la caja obtenida, alimentar el desarrollo de nuestros proyectos hacia una muy importante generación de flujo de caja operativo.

- Seguir acrecentando la comercialización de los productos y tecnologías desarrolladas tanto por EQTEC como por WINTTEC.

- Poner en valor las relaciones estratégicas de toda índole que a nivel global se han cosechado y acrecentado durante 2017.

- Uso de fondos dedicados principalmente a la comercialización de los productos y la consolidación de los canales productivos para acometer el delivery del pipeline de proyectos en cartera y nuevos.

• Informe de evolución anual

Si el ejercicio 2017 significó un salto cualitativo hacia la internacionalización y el crecimiento inorgánico de la Compañía, el 2018 ha servido para consolidar la senda iniciada, si bien ello ha supuesto un ingente esfuerzo en términos de focalización de los recursos humanos de EBIOSS en el cierre de relaciones estratégicas, recursos financieros y desarrollo de tecnología, productos y relaciones comerciales.

Los esfuerzos han redundado positivamente en el crecimiento del grupo a nivel inorgánico, así como en el sostenimiento de la expansión a nivel internacional.

Para ello, EBIOSS allanó el camino jurídico y administrativo para entrar a operar en todos los países de la Unión Europea al finalizar en el mes de marzo su transformación en Sociedad Europea (SE). El objetivo último de dicha transformación fue la de impulsar su crecimiento industrial, su expansión internacional y reforzar su posicionamiento geoestratégico.

Con anterioridad, en el mes de febrero y tras varios meses de negociación EBIOSS adquirió el control de la compañía cotizada en el AIM de Londres REACT Energy Plc (hoy denominada EQTEC Plc); control que posteriormente consolidó tras su fusión con EQTEC España, S.L.

Tal y como entonces se explicaba, el racional de la adquisición y su bondad para EBIOSS tuvo que ver con el pipeline de proyectos que EQTEC Plc, además de su carácter estratégico por su posicionamiento en Reino Unido, donde EBIOSS también aportaba una serie de proyectos con los que está colaborando con su socio estratégico China Energy.

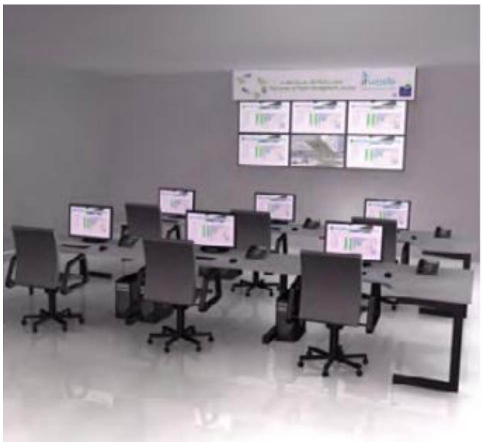
En cuanto a la captación de financiación, en el mes de marzo fueron suscritos mediante colocación privada 16 bonos corporativos senior de 100.000 libras de nominal por importe total de 1,6 millones de libras. Asimismo, en el mes de junio fueron suscritos, mediante una colocación privada, 20 bonos corporativos sénior de 100.000 euros de nominal, por un importe total de 2 millones de euros.

Inversión en el desarrollo de Winttec (anterior TNL SGPS)

La filial siguió consolidando sus perspectivas e incrementando su cartera de pedidos con la firma de nuevos contratos. WINTTEC se ha convertido en una palanca para las conversaciones que el grupo mantiene abiertas con sus Partners estratégicos, validando así la estrategia de la compañía.

Desde su adquisición, la filial ha desarrollado una nueva gama de productos, abriendo una nueva línea de negocio mediante la incorporación de productos tecnológicos de gestión inteligente de residuos.

Su oferta de productos incluye también un sistema de software que permite un control a tiempo real de la gestión BIG DATA que almacena y trata los datos para una eficiente y transparente gestión. Esto se hace mediante la implementación de un control room conectado a un servidor de almacenamiento de datos.



Así pues, se ha pasado de un modelo de negocio de venta puntual a la venta de un sistema de implementación tecnológica que cobra sus servicios por venta de datos de manera recurrente, así como la venta de la infraestructura de contenedores inteligentes.

La competitividad tecnológica y la cartera de productos resultante de este esfuerzo se plasma entre otros en los siguientes:

CITYBOX

De líneas simples y clásicas, responde a la necesidad de integración en el entorno urbano, causando el menor impacto visual posible. Sus dimensiones han sido diseñadas para obtener una solución compacta. Disponible para todas las fracciones de residuo, es utilizado como eco punto.

Con acceso mediante apertura de tapa que permite la introducción en el contenedor interno. CITYBOX, está disponible para diferentes volúmenes y con diferentes formatos de acceso. Siempre abierto o mediante control de acceso por identificación.

WiACCESS área

Control de acceso para áreas de aportación de residuos y/o zonas donde sea necesario el registro de uso. Su modularidad permite a WiACCESS área controlar cualquier tipo de sistema de cierre, gestionando la identificación y validación de usuario en el momento del uso. Los lectores WiACCESS área disponen de tecnología de lectura dual, reconociendo identificadores de proximidad y terminales móviles NFC.

Todos los datos son reportados a una plataforma web, permitiendo hacer la consulta y extracción de la información.

Disponen de la estanqueidad, robustez y con un sistema de seguridad anti-vandálico.

minicompactador

El Minitainer es un equipo de recogida de basuras soterrado que tiene la particularidad de estar dotado con una solución de compactación con capacidad para reducir el volumen de los residuos sólidos en una ratio media de 1:4 (variable según el tipo de residuo) sobre el contenedor que alberga.

Minitainer está concebido para dar servicio a zonas con una gran producción y donde se dispone de un espacio limitado, zonas residenciales de alta densidad, centros comerciales, supermercados, recintos feriales, estadios, etc. Este mantiene un aspecto agradable, discreto e integrado en el entorno, quedando tan solo a la vista el buzón de vertido.

WiSENSOR

Sensor volumétrico autónomo capaz de medir el estado de llenado de los contenedores, guardar información de la evolución de llenado, temperatura, momentos de recogida y estado de batería. Los dos sensores de ultrasonidos de alta resistencia realizan lecturas cruzadas, ofreciendo fiabilidad en el porcentaje de llenado incluso en residuos de difícil medición. El control volumétrico WiSENSOR tiene la capacidad de poder ser interrogado en el momento de la recogida. Esta opción facilita la optimización de cargas y eficacia en el servicio en las rutas programadas. Permite prolongar las rutas de uno o varios vehículos hasta el punto de poder reducir su número, con el consiguiente ahorro.

WiPOINT

La utilización de los puntos limpios, que como concepto inicial ha sido una excelente solución para la recogida descontrolada de residuos. En la actualidad, la falta de información para realizar una buena gestión está suponiendo un aumento del gasto público.
La solución WiPOINT desarrollada por WINTTEC, gestiona la trazabilidad de los residuos, en cuanto a tipo de usuario (ciudadano o empresa), el rigor en la cuantificación y tipología de los residuos. La información permite ser consultada desde una base única y en tiempo real.

WiACCESS contenedor

Instalados en las bocas de aportación de los contenedores, los distintos residuos o fracciones disponen de un sistema de cierre modular que permite el registro, validación e identificación de usuario en el momento del uso. El cierre codificado dispone de un de un sistema de comunicación bidireccional, que permita vía GPRS, WIFI o red local, actualizar la base de datos de ciudadanos con el sistema de identificación elegido.
Los lectores WiACESS disponen de tecnología de lectura dual, reconociendo identificadores de proximidad y terminales móviles NFC.

EQTEC. Integración y nuevos proyectos.

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.

En 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).

La integración de EQTEC Plc y EQTEC Iberia creó una empresa líder con tecnología patentada de gasificación que se utiliza en plantas de tamaño industrial para convertir los residuos en gas de síntesis y generar electricidad. La combinación de ambas compañías dota al grupo EBIOSS de un equipo humano y directivo altamente experimentado en el mercado de la energía, el suministro de residuos y fuentes de combustible, desarrollo de proyectos de ingeniería y energías renovables.

De esta forma EQTEC Plc dispone de las tecnologías de gasificación modulares más avanzadas disponibles en el mercado, ofreciendo una mayor eficiencia en comparación con otras tecnologías de generación de energía. Esta mayor eficiencia permite a EQTEC Plc ofrecer tarifas más atractivas que sus competidores, proporcionando una ventaja competitiva frente a ellos.

• Análisis de los Estados Financieros de EBIOSS Energy SE correspondientes al ejercicio 2017

A continuación, se presentan los estados financieros consolidados a 31 de diciembre de 2017, realizando una comparativa con el mismo periodo del ejercicio anterior:

❖ **Análisis de la cuenta de resultados consolidada del ejercicio 2017.**

A continuación, se presentan los estados financieros consolidados a 31 de diciembre de 2017, realizando una comparativa con el mismo periodo del ejercicio anterior:

EBIOSS Energy			
Consolidated income statement (million €)	2017	2016	Variation
Revenue	2,64	7,06	-63%
Other revenues	0,08	0,11	-27%
Work performed by the entity and capitalized	0,59	0,72	-18%
Materials, goods for resale and expenses for hired services	4,26	8,44	-49%
Employee benefit expenses	3,28	2,81	17%
Depreciation and amortization	0,68	0,53	28%
Other expenses	3,91	1,12	249%
Results from operating activities	**-8,82**	**-5,00**	**77%**
Net finance costs	1,92	1,00	92%
Profit/Loss before tax	**-10,74**	**-5,99**	**79%**
Income tax	0,34	0,73	-53%
Net profit/loss	**-10,40**	**-5,26**	**98%**
Profit for the year from discontinued operations	0,02	0,00	100%
Net profit/loss	**-10,38**	**-5,26**	**97%**

Los ingresos del ejercicio han caído fundamentalmente debido a la priorización estratégica que el grupo ha focalizado en:

- Inversión en desarrollo de tecnología y productos propios en Winttec.
- Consolidación y desarrollo de las relaciones estratégicas y la captación de proyectos.
- Búsqueda de recursos financieros para impulsar la puesta en valor de las inversiones y desarrollos del grupo.

Fruto de ello, las ventas se han reducido un 63% hasta los 2,64 millones de euros, y los trabajos realizados para el propio inmovilizado del grupo apenas han representado 0,59 millones de euros, un 18% menos que el ejercicio precedente.

Otros gastos alcanzan los 3,91 millones de euros, que incluyen un muy relevante importe de 1,727 millones de euros derivado de gastos relacionados con la relación con inversores y los valores emitidos y admitidos a cotización.

Los resultados operativos alcanzan unas pérdidas, por todo lo antedicho, de 8,82 millones de euros, un 77% superiores al ejercicio anterior.

Debido a los significativos costes financieros que está comportando el endeudamiento inherente a los proyectos del grupo, que conlleva un resultado financiero negativo de 1,92 millones de euros (prácticamente el doble que el ejercicio precedente), si bien el efecto impositivo y el resultado extraordinario dejan el resultado neto negativo del grupo en el ejercicio en 10,38 millones de euros.

Tal y como se detalla en la nota 2 de la memoria consolidada del grupo, y recoge Grant Thornton en su informe de auditoría, en base a los fondos que se prevén incorporar y a los ingresos derivados de los diversos proyectos ya firmados por la Compañía, la financiación necesaria parar afrontar las actividades a futuro será suficiente.

- **Análisis del balance consolidado del ejercicio 2017**

A continuación, se muestra el balance de situación a 31 de diciembre de 2017. 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 (milliion €)	**2017**	**2016**	**Variation (€)**	**Variation (%)**
Asset				
Non current Assets	59,31	45,26	14,05	31%
Current Assets	8,00	15,47	-7,48	-48%
Total Assets	**67,30**	**60,73**	**6,57**	**11%**
Liabilities				
Non Current Liabilities	25,36	19,19	6,17	32%
Current Liabilities	13,73	9,02	4,71	52%
Equity	28,22	32,52	-4,30	-13%
Total Equity and Liabilities	**67,30**	**60,73**	**6,57**	**11%**

El activo consolidado del grupo se ha visto incrementado un 11% hasta los 67,30 millones de euros fruto fundamentalmente de un incremento del 31% de los activos fijos del grupo hasta los 59,31 millones de euros, que compensa con creces una reducción del activo circulante hasta los 8 millones de euros (un 48% menos que el ejercicio precedente).

Por su parte los pasivos a largo plazo se incrementaron un 32% hasta los 25,36 millones de euros, y los pasivos corrientes un 52% hasta los 13,73 millones de euros.

Fruto de las pérdidas consolidadas los fondos propios del grupo caen un 13% hasta los 28,22 millones de euros.

- **Estados Financieros individuales y consolidados de EBIOSS Energy, SE a 31 de diciembre de 2017.**

GrantThornton

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Ebioss Energy SE
Sofia, Bulgaria

Report on the Audit of the Consolidated financial statements

Qualified Opinion

We have audited the consolidated consolidated financial statements of Ebioss Energy SE and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 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 EU and Bulgarian legislation.

Basis for Qualified Opinion

The Group has not eliminated unrealized intra-group profit of EUR 47 thousand for the year ended 31 December 2017 and a total of EUR 2,611 thousand related to prior periods, which has led to overstatement of Property, plant and equipment by EUR 2,658 thousand as of 31 December 2017. If the unrealized intra-group profit were properly eliminated, the consolidated net loss for the year ended 31 December 2017 would be increased by EUR 47 thousand, the accumulated loss would be increased by EUR 2,658 thousand and the shareholder's equity would be decreased by EUR 2,658 thousand.

As disclosed in note 30 to the consolidated financial statements as of 31 December 2017, the construction of the power plant developed by the subsidiary Syngas Italy SRL was finalized as at 31 March 2015 at which point it started to sell electricity. However, some plant devices needed extraordinary maintenance which led to suspension of its operations. The plant has been put back into operations a few times since 2015, but due to unexpected technical failure of filter parts production was stopped. After a detailed check, the team of engineers found out that the persisting problem comes from an error during the production process of the filter. The necessary repairs are expected to be undertaken in the first half of 2018 in order for the plant to start operations and reach full capacity in the second half of 2018. There is a risk that if the power plant is not running continuously, the property, plant and equipment of the subsidiary Syngas Italy SRL with carrying amount of EUR 4 656 thousand might be overstated. We were unable to obtain sufficient appropriate audit evidence to ascertain the recoverability of the carrying amount of these amounts based on the current circumstance described above and we were are unable to determine whether any further adjustments are necessary.

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 Consolidated 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 Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred net loss of EUR 10 382 thousand for the year ended 31 December 2017 and as of that date, the Group's current liabilities exceed its current assets by EUR 5 730 thousand. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Based on the funds that will be attracted through the capital increase and also the revenue from the 2 projects signed, as well as the existing signed in the 1st quarter of 2018, the management believes that the funds are adequate to finance the future activities of the Group. Based on the business plans and financial forecasts of the Group, repayment of the facilities will occur as required. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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. In addition to the matter described in the "Basis for Qualified Opinion" section we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment testing of non - financial assets	
Notes 11, 12 and 13 to the consolidated financial statements	
Key audit matter	**How this matter was addressed during the audit**
As at 31 December 2017, property, plant and equipment was EUR 35 185 thousand, intangible assets were EUR 12 233 thousand and goodwill arising on consolidation amounted to EUR 8 923 thousand. We focused on non-financial assets impairment assessment performed by management due to the size of these assets, which represented 84% of the Group's total assets at 31 December 2017 and because of the significant judgements required in estimating the expected future cash flows and the discount rates used in computing the recoverable amount of the assets.	During our audit, our audit procedures included, but were not limited to: - evaluation of the reasonableness of the key assumptions, including discount rates, growth rate and other key inputs was made with the participation of our in-house valuation experts by comparing Group's ratios with average market information of similar companies with similar activities and financial data; - evaluation of the sensitivity analysis made by management; - evaluation of the adequacy of disclosures, including disclosures of the main assumptions, estimates and sensitivity.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed a modified opinion on those statements on 28 April 2017.

Information Other than the Consolidated financial statements and Auditor's Report Thereon

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

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

We reached the conclusion that the other information is materially misstated with regard to the financial information and the related disclosures in the management report due to the effect of the matters described in the section "Basis for qualified opinion" above.

Responsibilities of Management and Those Charged with Governance for the Consolidated financial statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated financial statements

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

As part of our audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Consolidated financial statements and Auditor's Report Thereon", regarding annual management report, including the corporate governance statement, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act and Article 100m, paragraph (10) in relation to Article 100m, paragraph (8), subparagraphs (3) and (4) of Bulgarian Public Offering of Securities Act.

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

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

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

Statement Pursuant to Article 100m, Paragraph (10) of Bulgarian Public Offering of Securities Act

Based on the procedures performed and our knowledge of the Company and the environment in which it operates, in our opinion, there is no material misstatement in the description of the main characteristics of the internal control system and of the risk management system of the Company in connection with the financial reporting process and also in the information pursuant to Article 10, paragraph 1, items "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, which are included in the corporate governance statement, being a component of the annual management report.

Additional reporting concerning the audit of consolidated financial statements in connection with Article 100m, paragraph (4), subparagraph (3) of Bulgarian Public Offering of Securities Act

– *Statement on Article 100m, paragraph 4, subparagraph (3), item "b" of Public Offering of Securities Act*
Related party transactions are disclosed in note 28 to the consolidated financial statements. Based on the performed audit procedures on related party transactions as part of our audit of consolidated financial statements as a whole, no facts, circumstances or other information have come to our attention that caused us to conclude that the related party transactions are not disclosed in the accompanying consolidated financial statements for the year ended on 31 December 2017, in all material respects, in accordance with the requirements of IAS 24 „Related Party Disclosures". The results of our audit procedures on related party transactions were taken into consideration for the purposes of issuing an auditor's opinion on the consolidated financial statements as a whole, not for issuing a separate opinion only on related party transactions.
– *Statement on Article 100m, paragraph (4), subparagraph 3, item "c" of Public Offering of Securities Act*
Our responsibilities for audit of the consolidated financial statements as a whole, described in our report in section „Responsibilities of the Auditor for the Audit of Consolidated financial statements", include assessment

whether the consolidated financial statements present fairly the significant transactions and events. Based on the performed audit procedures on the significant transactions, which are fundamental to the consolidated financial statements for the year ended on 31 December 2017, no facts, circumstances or other information have come to our attention that caused us to conclude that there are instances of unfair presentation and disclosure in accordance with the requirements of IFRS, as adopted by the European Union. The results of our audit procedures on the significant transactions and events of the Company, which are material to the consolidated financial statements, were taken into consideration for the purposes of issuing an auditor's opinion on the consolidated financial statements as a whole, not for issuing a separate opinion only on the significant transactions.

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

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

- Grant Thornton OOD was appointed as statutory auditor of the consolidated financial statements of Ebioss Energy SE for the year ended on 31 December 2017 by the general meeting of shareholders, held on 30 March 20017, for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended on 31 December 2017 has been made for first, consecutive year.
- In support of our audit opinion, we have provided a description of the most significant assessed risks of material misstatement, a summary of the auditor's response and where relevant, key observations arising with respect to those risks in the section „Key audit matters" of this report.
- We confirm that our audit opinion is consistent with the additional report to the audit committee, which was provided in accordance with Article 60 of Bulgarian Independent Financial Audit Act.
- We declare that prohibited non-audit services referred to in Article 64 of Bulgarian Independent Financial Audit Act were not provided.
- We confirm that we remained independent of the Group in conducting the audit.
- For the period for which we were engaged as statutory auditors, we have not provided any other services to the Ebioss Energy SE and its controlled undertakings in addition to the statutory audit.

Mariy Apostolov
Managing partner
Registered auditor responsible for the audit

Grant Thornton Ltd.
Audit firm

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

30 March 2018
Bulgaria, Sofia

EBIOSS ENERGY SE

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

DIRECTORS AND OTHER OFFICERS

Executive Directors:

Jose Oscar Leiva Mendez
Luis Sanchez Angrill

Registered Seat

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Sofia 1404

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Legal Consultant

Angel Panayotov
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Bank

BNP Paribas Securities Services, Spain, Spain
Gestion de Patrimonios Mobiliarios Sociedad de Valores S.A., Spain
Unicredit Bulbank AD, Bulgaria
United Bulgarian Bank, Bulgaria
Raiffeisen Bank AD, 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

Grant Thornton OOD
26 Cherni Vruh Blvd.
Sofia 1421,
Bulgaria

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year end 31 December	Note	**2017 EUR'000**	**2016 EUR'000**
Revenue	3	2,638	7,063
Other revenue		83	248
Work performed by the entity and capitalized	4	592	721
Share of loss of equity accounted investees	14.1	(264)	(8)
Raw materials and consumables used	5	(487)	(2,847)
Cost of goods sold	6	(1,357)	(3,682)
Expenses for hired services	7	(2,418)	(1,906)
Employee benefit expenses	8	(3,284)	(2,811)
Depreciation and amortisation	11,12	(676)	(527)
Other expenses	9	(3,648)	(1,247)
Loss from operating activities		(8,821)	(4,996)
Finance income	10	226	99
Finance costs	10	(2,146)	(1,097)
Net finance costs		(1,920)	(998)
Loss before income tax		(10,741)	(5,994)
Income tax benefit	22	344	732
Loss for the year from continuing operations		(10,397)	(5,262)
Profit for the year from discontinued operations	16.2	15	-
Loss for the year		(10,382)	(5,262)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Revaluation of land, net of tax		(6)	16
		(6)	16
Items that will be reclassified to profit or loss:			
Foreign currency translation differences		(352)	27
		(352)	27
Other comprehensive (loss)/income for the year, net of tax		(358)	43
Total comprehensive loss for the year		(10,740)	(5,219)
Loss attributable to:			
Owners of the parent		(7,245)	(4,123)
Non-controlling interests		(3,137)	(1,139)
Loss for the year		(10,382)	(5,262)
Total comprehensive loss attributable to:			
Owners of the parent		(7,351)	(4,089)
Non-controlling interests		(3,389)	(1,130)
Total comprehensive loss for the year		(10,740)	(5,219)
Basic loss per share (EUR)	20	(0.35)	(0.20)

On 27.04.2018 the Board of Directors of EBIOSS ENERGY SE authorised these consolidated financial statements for issue.

ЕБИОС ЕНЕРДЖИ ЕД София
EBIOSS ENERGY SE Sofia

Executive Director (Jose Oscar Leiva Mendez):

Preparer (Evelina Vladimirova):

Audited according to the audit report dated 30.04.2018

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

Grant Thornton OOD, Audit firm
Mariy Apostolov, Managing partner
Registered auditor responsible for the audit

The notes on pages 9 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2017 EUR'000	31 December 2016 EUR'000
Assets			
Property, plant and equipment	11	35,185	25,862
Intangible assets	12	12,233	11,889
Goodwill	13	8,923	4,684
Investments in associates	14.1	-	264
Financial assets available for sale	14.2	547	547
Trade and other receivables	15	71	25
Deferred tax assets	22	2,347	1,985
Non-current assets		59,306	45,256
Inventory	17	1,378	1,613
Trade and other receivables	15	1,988	10,361
Cash and cash equivalents	18	2,049	1,023
Loans provided		-	900
Trade and other receivables from related parties	28	546	847
		5,961	14,744
Assets classified as held for sale	16	2,035	725
Current assets		7,996	15,469
Total assets		67,302	60,725
Equity			
Share capital	19.1	20,918	20,918
Share premium	19.2	15,662	15,700
Reserve for own shares	19.3	(74)	(179)
Revaluation surplus		149	155
Translation reserve		(41)	59
Accumulated loss		(10,735)	(3,758)
Equity attributable to owners of the parent		25,879	32,895
Non-controlling interests		2,337	(379)
Total equity		28,216	32,516
Liabilities			
Loans and borrowings	21	23,943	17,872
Deferred tax liabilities	22	1,117	1,116
Provisions	24	147	149
Trade and other payables	23	139	-
Finance leases	25	14	39
Non-current liabilities		25,360	19,176
Loans and borrowings	21	4,547	3,227
Trade and other payables	23	7,797	5,667
Trade and other payables to related parties	28	288	96
Finance leases	25	28	25
Income tax payable	22	19	18
		12,679	9,033
Liabilities directly associated with the assets held for sale	16	1,047	-
Current liabilities		13,726	9,033
Total liabilities		39,086	28,209
Total equity and liabilities		67,302	60,725

ЕБИОС ЕНЕРДЖИ ЕД
София

On 27.04.2018 the Board of Directors of EBIOSS ENERGY SE authorised these consolidated financial statements for issue.

EBIOSS ENERGY SE
Sofia

Executive Director (Jose Oscar Leiva Mendez):

Preparer (Evelina Vladimirova):

Audited according to the audit report dated 30.04.2018

ОДИТОРСКО ДРУЖЕСТВО
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Mariy Apostolov, Managing partner
Registered auditor responsible for the audit

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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	Accumulated loss EUR'000	Total attributable to owners of the Parent EUR'000	Non-controlling interest EUR'000	Total equity EUR'000
Balance at 1 January 2017	20,918	15,700	(179)	155	59	(3,758)	32,895	(379)	32,516
Total comprehensive loss									
Loss for the year	-	-	-	-	-	(7,245)	(7,245)	(3,137)	(10,382)
Other comprehensive loss	-	-	-	(6)	(100)	-	(106)	(252)	(358)
Total comprehensive loss	-	-	-	(6)	(100)	(7,245)	(7,351)	(3,389)	(10,740)
Transactions with owners of the Company									
Contributions and distributions									
Own shares acquired	-	(469)	(1,521)	-	-	-	(1,990)	-	(1,990)
Own shares sold	-	431	1,626	-	-	-	2,057	-	2,057
Total contributions and distributions	-	(38)	105	-	-	-	67	-	67
Changes in ownership interests									
Acquisition of subsidiaries with non-controlling interests (note 13.12 and 13.13)	-	-	-	-	-	-	-	2,713	2,713
Changes non-controlling interest without a change in control (note 13.14)	-	-	-	-	-	268	268	3,392	3,660
Total changes in ownership interests	-	-	-	-	-	268	268	6,105	6,373
Total transactions with owners of the Company	-	(38)	105	-	-	268	335	6,105	6,440
Balance at 31 December 2017	20,918	15,662	(74)	149	(41)	(10,735)	25,879	2,337	28,216

ЕБИОС ЕНЕРДЖИ ЕД
София

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EBIOSS ENERGY SE
Sofia

Preparer (Evelina Vladimirova):

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Share premium	Reserve for own shares	Revaluation surplus	Translation reserve	Retained earnings	Total attributable to owners of the Parent	Non-controlling interest	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance at 1 January 2016	20,918	15,934	(41)	139	16	285	37,251	(144)	37,107
Total comprehensive loss									
Loss for the year	-	-	-	-	-	(4,123)	(4,123)	(1,139)	(5,262)
Other comprehensive income	-	-	-	16	18	-	34	9	43
Total comprehensive loss	-	-	-	16	18	(4,123)	(4,089)	(1,130)	(5,219)
Transactions with owners of the Company									
Own shares acquired	-	(1,244)	(994)	-	-	-	(2,238)	-	(2,238)
Own shares sold	-	1,010	856	-	-	-	1,866	-	1,866
Sub-subsidiary capital increase (Note 13.10)	-	-	-	-	-	-	-	85	85
Total transactions with owners of the Company	-	(234)	(138)	-	-	-	(372)	85	(287)
Balance at 31 December 2016	20,918	15,700	(179)	155	59	(3,758)	32,895	(379)	32,516

On 27.04.2018 the Board of Directors of EBIOSS ENERGY SE authorised these consolidated financial statements for issue.

ЕБИОС ЕНЕРДЖИ ЕД
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Sofia

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The notes on pages 9 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2017 EUR'000	2016 EUR'000
Loss before income tax from continuing operations		(10,741)	(5,994)
Adjustments to loss:			
Depreciation and amortisation		676	527
Interest expense		2,060	996
Other finance costs		86	94
Share of loss of equity accounted investees		264	8
Interest income		(64)	(74)
Investment income		-	(25)
Impairment losses and write-offs		811	159
Impairment losses reversal		(6)	(135)
Changes in provisions		(2)	10
Net exchange rate (gains)/losses		(162)	7
Loss from sale of property, plant and equipment		-	3
Cash flows from operations before working capital changes		(7,078)	(4,424)
Change in:			
Inventories		96	401
Trade and other receivables		3,537	1,220
Trade and other payables		(268)	(1,280)
Other cash flow from operating activities			
Interest paid		(952)	(736)
Other finance costs paid		(86)	(94)
Interest received		52	33
Income tax paid		(18)	(84)
Exchange rates (gains)/losses realized		49	(7)
Net cash flows used in operating activities		(4,668)	(4,971)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(347)	(851)
Proceeds from sale of property, plant and equipment		8	-
Acquisition of intangible assets		(668)	(882)
Acquisition of other investments		-	(26)
Loans granted to related parties		-	(859)
Proceeds from sale of investment		-	525
Cash acquired through acquisition of subsidiaries		185	-
Cash attributable to disposal group at acquisition	16.2	(111)	-
Net cash flows used in investing activities		(933)	(2,093)

The notes on pages 9 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of capital, contributed by NCI		2,959	-
Proceeds from issue of corporate bonds		3,852	5,500
Payments related to issue of corporate bonds		(275)	(174)
Repayment of loans from related party		(298)	(537)
Proceeds on loans from related party		934	826
Proceeds from sale of own shares		2,057	1,866
Repurchase of own shares		(1,990)	(2,238)
Proceeds from bank borrowing		2,128	3,683
Repayment of bank borrowing		(3,267)	(4,145)
Proceeds on third party loans		633	-
Transaction costs related to bank and other borrowings		(82)	-
Payment of finance lease liabilities		(24)	(27)
Net cash flows from financing activities		6,627	4,754
Net increase/(decrease) in cash and cash equivalents		1,026	(2,310)
Cash and cash equivalents at 1 January		1,023	3,333
Cash and cash equivalents at 31 December	18	2,049	1,023

On 27.04.2018 the Board of Directors of EBIOSS ENERGY SE authorised these consolidated financial statements for issue.

ЕБИОС ЕНЕРДЖИ ЕД
София

Executive Director (Jose Oscar Leiva Mendez):

EBIOSS ENERGY SE
Sofia

Preparer (Evelina Vladimirova):

Audited according to the audit report dated 30.04.2018

Grant Thornton OOD, Audit firm
Mariy Apostolov, Managing partner
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ОДИТОРСКО ДРУЖЕСТВО
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1. Incorporation and principal activities

Incorporation of the parent company

Ebioss Energy SE (the" Company") is a joint stock company registered in Sofia, Bulgaria with UIC: 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 EBIOSS ENERGY EOOD. The financial statements as at 31 December 2017 consolidate the individual financial statements of the Company and its subsidiaries together referred to as the "Group" and individually as "Group entities".

On 1 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
Elektra 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**

1. Incorporation and principal activities (continued)

Incorporation (continued)

On 12 December 2012 Ebioss Energy OOD was 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.

In 2013 the share capital of the Company was increased from EUR 12,392 thousand to EUR 18,022 thousand. In 2014 the share capital of the Company was increased from EUR 18,022 thousand to EUR 20,918 thousand.

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 23 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 was made according to the official fixed exchange rate of the Bulgarian National Bank, where EUR 1= BGN 1,95583) and the nominal value of the shares was changed into EUR 1 each, according to the requirements of the Regulation. All the other corporate characteristics of the Company remain unchanged.

With resolution dated 30 June 2017, the ordinary General meeting of the Company resolved to delegate explicit powers to the Board of Directors of EBIOSS ENERGY SE to perform capital increase up to 34,000,000 Euro of the registered capital and to waive the pre-emptive rights of the current shareholders to subscribe shares on a pro-rata basis in case such capital increase is accomplished.

As at 31 December 2017 the share capital of Ebioss Energy SE belongs to the following shareholders:

Basic shareholders	Relative share %	Number of shares	Total share capital in EUR'000
Elektra Holding AD	35.11	7,344,017	7,344
Sofia Biomass EOOD	7.53	1,574,998	1,575
SunGroup Bulgaria EOOD	5.22	1,092,306	1,092
Origina Bulgaria OOD	1.85	387,794	388
Antigona Bulgaria EOOD	1.25	260,280	260
Minority shareholders	49.04	10,258,791	10,259
Total:	**100**	**20,918,186**	**20,918**

The main shareholders of Ebioss Energy SE are those who initially subscribed all the shares in the capital, upon the incorporation.

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.

1. Incorporation and principal activities (continued)

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

According to the amended Act on 6 March 2015, the companies may produce electricity with power capacity up to MW 1,5, 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 5 MW become no longer applicable. The feed-in tariff for production of electricity by way of combined cycle and indirect use of biomass of animal manure and agricultural substance for power plants with capacity up to 1,5 MW is fixed to 447,43 BGN/MWh.

On 24 July 2015, further changes in REA entered into legal force regarding the operating conditions related to renewable energy producers, which are applicable to the Company and its subsidiaries in Bulgaria.

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 Group 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 grid signed between – Karlovo Biomass EOOD and Heat Biomass EOOD and EVN Electricity Company, considering the above mentioned legislative amendments, are no longer effective.

As of 31 December 2017, 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 2 MW. The Company will also have 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 October 2018.

- **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 2 MW. The company will also have 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 and producing pallets in October 2018.

- **Plovdiv Biomass EOOD,** registered on 7 January 2011 with UIC 201385444 and with principal activity the development of thermal plant with capacity of 2 MW, 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 acquired in November 2012 a 100% owned subsidiary **Brila EOOD** which has the same principal activity: the development of a 2 MW thermal plant near the town of Plovdiv.

Incorporation and 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 2 MW, 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 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 2 MW, 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 acquired in November 2012 a 100% owned 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 2 MW, 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.

Ebioss Energy also has the ownership of **Biomass Distribution EOOD,** registered on 12 November 2012 with UIC 201336098 and with principal activity: to provide the necessary raw materials and biomass sources to the biomass power plants of the subsidiaries of Ebioss Energy SE in Bulgaria.

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

In 2013 Ebioss Energy SE 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 in accordance with IFRS. The newly incorporated company Energotec Eco AD plans to rent out a factory near the village of Kaloianovec and manufacture part of the main equipment for the biomass power plants. On the same date another entity from the Group Eqtec Iberia SL, acquired 35 shares with nominal value of BGN 100 (EUR 51.12), representing 7% of the registered capital of the company Energotec Eco AD. As at 31 December 2017 the Group has effective holding of 46.52% in Energotec Eco AD.

On 3 April 2014 according to an agreement for transfer of shares, Ebioss Energy SE 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 of 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. As of 31 March 2015, the plant of Syngas Italy in Toscana Region of 1 MW has been put into operation and started to sell electricity.

1. Incorporation and principal activities (continued)

On 1 August 2014, according to the Agreement for acquisition of quotas from the capital and subsequent capital increase, Ebioss Energy SE 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 SE for the amount of EUR 1,550 thousand. The main activity of the company is equity management of other companies. On 4 August 2014 additional 1,62% from the share capital of TNL SGPS LDA were acquired by Ebioss Energy SE, for the amount of EUR 50,000, 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 specialized 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 SE to TNL SGPS into supplementary capital. On 14 October 2016 TNL SGPS LDA was transformed into a public liability company and renamed to Waste Intelligent Technologies (WINTTEC). Subsequently EUR 395 thousand of the supplementary capital granted by Ebioss Energy SE was converted into registered capital of WINTTEC SGPS SA. Thus, the participation in the capital of WINTTEC SGPS SA was increased to 68%.

On 10 April 2014 with decision of the General meeting of EBIOSS ENERGY SE the nominal value of the shares of the Company was changed from EUR 2.56 to EUR 0.51. The numbers of the members of the Board of Directors was increased from 3 to 4 and Meriden Group SAU, Company registered in the Principality of Andorra with tax number (NRT) – A – 706620-E was appointed as a new member of the Board of Directors of the Company. The General meeting also took decision to delegate and issue an explicit statutory mandate of the Board of Directors of EBIOSS ENERGY SE 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 up to a total amount of EUR 20,452 thousand.

By decision of the extraordinary general meeting of Ebioss Energy SE dated 13 February 2015, a resolution was approved for the 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 BGN 60,000,000 (in words: sixty million Bulgarian 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 June 2015 the ordinary annual general meeting of Ebioss Energy SE 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 BGN 20,000,000 (in words: twenty million Bulgarian 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) 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 February 2015. On the grounds of art. 194, para. 4 of the Bulgarian Commercial Act, in conjunction with art. 215, para. 1 and art. 196, para. 3 of 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.

1. Incorporation and principal activities (continued)

On 7 February 2017 Ebioss Energy SE acquired 51% of 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. The shares of the company REACT Plc were quoted for trading on the London AIM stock market and its head office is domiciled in Ireland. As a result of the acquisition and the admission of Ebioss 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). Subsequently two conversions of the loan (principal and interest) granted by Ebioss Energy SE to Eqtec Plc into equity took place in February and March 2017. At the same time additional placement of new shares was done by Eqtec plc which together with the loan conversion resulted in decrease of the shares owned by Ebioss Energy SE from 51% to 50.03%.

In May 2017 Wintec SGPS SA, Portugal acquired the remaining 50% of the shares of Citytainer Brasil Soluções Ambientais Ltda (Citytainer Brasil), a Company based in S. Paulo (Brazil) for BRL 1 (EUR 0.30) thus increasing its participation in the share capital of Citytainer Brasil from 50% to 100% and obtaining control over it and its subsidiary, Citytainer Industria Ltda.

As of 31 December 2017, the following subsidiaries of Ebioss Energy SE were included in the consolidated financial statements of the Group:

Subsidiary	Country of incorporation	% ownership 31.12.2017	% ownership 31.12.2016
Heat Biomass EOOD	Bulgaria	100%	100%
Karlovo Biomass EOOD	Bulgaria	100%	100%
Tvarditsa Biomass EOOD	Bulgaria	100%	100%
Nova Zagora Biomass EOOD	Bulgaria	100%	100%
Plovdiv Biomass EOOD	Bulgaria	100%	100%
United Biomass EOOD	Bulgaria	100%	100%
Biomass Distribution EOOD	Bulgaria	100%	100%
Brilla EOOD	Bulgaria	100%	100%
Tvardica PV EOOD	Bulgaria	100%	100%
Eqtec Bulgaria EOOD	Bulgaria	100%	47.97%
Eqtec Iberia SL	Spain	50.25%	47.97%
Energotec Eco AD	Bulgaria	46.52%	46.36%
Syngas Italy S.L.R.	Italy	100%	100%
WINTTEC SGPS SA (former TNL SGPS SA)	Portugal	68%	68%
TNL SA	Portugal	68%	68%
Hirdant Lda	Portugal	68%	68%
TNL SL	Spain	54.4%	54.4%
Winttec World SL (former Addom SL)	Spain	68%	68%
TNL World EOOD	Bulgaria	68%	68%
Citytainer Brasil – Soluções Ambientais, Ltda	Brazil	68%	-
Citytainer Indústria, Ltda	Brazil	68%	-
Eqtec PLC	Ireland	50.25%	-
Newry Biomass No. 1 Limited	Ireland	50.25%	-
React Biomass Limited	Ireland	50.25%	-
Reforce Energy Limited	Ireland	50.25%	-
Pluckanes Windfarm Limited	Ireland	50.25%	-
Grass Door Limited	United Kingdom	50.25%	-
Newry Biomass Limited	Northern Ireland	25.25%	-
Enfield Biomass Limited	United Kingdom	50.25%	-
Moneygorm Wind Turbine Limited	Ireland	50.25%	-
Eqtec No. 1 Limited	Ireland	50.25%	-
Plymouth Biomass Limited	United Kingdom	50.25%	-
Clay Cross Biomass Limited	United Kingdom	45.23%	-
Altilow Wind Turbine Limited	Ireland	50.25%	-

2. Accounting policies

Basis of preparation

The consolidated financial statements were authorised for issue by the Board of Directors on 30 April 2018.

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the 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 consolidated 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 13 *Acquisition of subsidiaries*
- Note 16 *Assets classified as held for sale and discontinued operations*
- Note 27 *Financial instruments*

2. Accounting policies (continued)

Going concern basis of accounting

The consolidated financial statements of the Group as at 31 December 2017 have been prepared on the basis of the going concern concept despite the fact that for the period ended 31 December 2017 the Group reported net loss amounting to EUR 10,382 thousand and its current liabilities exceed the current assets by EUR 5,730 thousand as of 31 December 2017.

In the beginning of 2018 Ebioss Energy SE, obtained a loan of EUR 2 million. The Management is currently negotiating (subject to an ongoing due diligence process) additional capital contributions of up to EUR 18 million with Black Toro Capital. The Group has also introduced optimization policy which will lead to lower operating costs and other elements of the working capital. It is expected that these measures will improve the liquidity position of the Group.

Based on the funds that will be attracted through the capital increase and also the revenue from the 2 projects in the UK signed as well as the existing contracts of WINTTEC GROUP signed in the 1st quarter of 2018, the Management believes that the funds are adequate to finance the future activities of the Group. Based on the business plans and financial forecasts of the Group, repayment of the facilities will occur as required.

The Board of directors have prepared business plans based on their best estimation of the cashflows of the Company in the short and medium term. Such forecasts inherently contain management judgments and estimates in respect of future trading conditions, the timing of receipts and payments and other relevant matters. The main management judgments, estimates and assumptions used in the prepared business plans are that the management will be successful in the planned capital increase.

Having considered the business plans, the directors have a reasonable expectation that Ebioss Energy SE has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the separate financial statements.

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.

2. Accounting policies (continued)

Basis for consolidation (continued)

(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 arising from intra-group transactions should be eliminated.

(vi) Acquisitions from entities under common control

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

The Group policy is to apply IFRS 3 *Business combinations* by analogy in accounting for business combination under common control and the acquisition 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.

2. Accounting policies (continued)

Basis for consolidation (continued)

(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.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Group`s entities are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The functional currency for the subsidiaries Eqtec Iberia SL, Spain, Syngas Italy S.R.L., TNL SGPS Portugal, TNL SA Portugal, TNL SL Spain, Hirdant Lda Portugal and Winttec World SL (former Addom SL) is EUR. The functional currency for Citytainer Brasil Ltda and Citytainer Industria Ltda is BRL and the one of the subsidiaries, registered in the United Kigdom is GBP. The functional currency of the parent and rest of the subsidiaries in the Group is BGN. The consolidated financial statements are presented in thousands of EUR, which is the Group's presentation currency.

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.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency at the exchange rate of EUR to BGN of 1/1.95583, as the Bulgarian lev (BGN) is pegged to the euro (EUR).

Revenue recognition

(i) Goods sold

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

(ii) Services

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

Finance income and finance costs

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

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

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.

2. Accounting policies (continued)

Tax

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

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

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

In determining the amount of current and deferred tax the 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.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;

- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

2. Accounting policies (continued)

Discontinued operations (continued)

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Assets classified as 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.

2. Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation

Depreciation 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:

Leasehold buildings	5-50 years
Equipment	4-14 years
Furniture	10 years
Computers	2-5 years
Motor vehicles	4-6 years
Wind turbine	20 years
Heat boilers	15-20 years
Power plants	12-20 years

Land is not depreciated.

The residual values and useful lives of the assets 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 that the fair value of net assets in subsidiary acquired, in the case of bargain purchase, the difference is directly recognized in profit or loss.

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

2. Accounting policies (continued)

Intangible assets and goodwill (continued)

Development costs

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 amortisation 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 amortisation begins 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 amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation 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.

2. Accounting policies (continued)

Leased assets (continued)

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.

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.

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.

2. Accounting policies (continued)

Derecognition of financial assets and 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 year end 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.

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.

2. Accounting policies (continued)

Impairment of assets (continued)

(i) Non-financial assets (continued)

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 Bulgarian Labour Code at the time when employees acquire pension rights, the company owes 2 monthly salaries for employees with less than 10 years, or 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. Except for Bulgaria under the foreign jurisdictions where the Group operates there are no obligations to pay future additional remuneration for the employees, when they reach retirement age.

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.

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.

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.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these financial statements.

(a) Estimated impact of the adoption of IFRS 9 and IFRS 15

The Group is required to adopt IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. The Group is in the process of assessing the impact that the initial application of IFRS 9 and IFRS 15 will have on its financial statements.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Group's financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Group's financial statements. The timing and measurement of the Group's revenues are not expected to change significantly under IFRS 15 because of the nature of the Group's operations and the types of revenues it earns.

2. Accounting policies (continued)

New standards and interpretations not yet adopted (continued)

(c) IFRS 9 *Financial Instruments*

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group does not expect IFRS 9 to have material impact on the financial statements. The classification of the Group's financial instruments is not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial instruments that it holds.

(d) IFRS 16 *Leases*

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group has started an initial assessment of the potential impact on its financial statements.

(e) Other standards

The following new or amended standards are not expected to have a significant impact on the Group's financial statements.

- *Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions*
- *Annual Improvements to IFRS 2014-2016 Cycle*
- *Amendments to IAS 40 Transfers of Investment Property*
- *Amendments to IFRS 9: Prepayment Features with Negative Compensation*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*

Standards and interpretations not yet endorsed by the EC

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

2. Accounting policies (continued)

Standards and interpretations not yet endorsed by the EC (continued)

(a) IFRS 17 *Insurance Contracts*

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the consolidated financial statements of the Group because the Group does not issue insurance or reinsurance contracts, does not hold reinsurance contracts and does not issue investment contracts with discretionary participation features.

(b) Other amendments

The following changes are not expected to have a significant impact on the Group's consolidated financial statements.

- *IFRIC 23 Uncertainty over Income Tax Treatments*

- *Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures*

- *Annual Improvements to IFRS 2015-2017 Cycle*

- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*

- *Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture*

- *Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)*

3. Revenue

For the year ended 31 December	**2017 EUR'000**	**2016 EUR'000**
Sales of goods	1,523	4,177
Rendering of services	1,115	2,873
Power generation	-	13
	2,638	7,063

4. Work performed by the entity and capitalized

For the year ended 31 December	**2017 EUR'000**	**2016 EUR'000**
Eqtec Iberia SL	255	180
TNL	200	113
Project Newry Biomass	121	-
Project Karlovo Biomass	16	99
Biomass Distribution	-	168
Syngas Italy	-	161
	592	721

For 2017 the Group has not eliminated the intragroup unrealized profit amounting to EUR 46 thousand (2016: EUR 43 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 SL and petrol and other office consumables.

6. Cost of goods sold

For the year ended 31 December	2017 EUR'000	2016 EUR'000
Waste containers	1,057	3,476
Materials sold	300	206
	1,357	3,682

7. Expenses for hired services

For the year ended 31 December	2017 EUR'000	2016 EUR'000
Professional services	1,150	832
Office rent and utilities	603	241
Advertising expenses	99	125
Telephone expenses	58	58
External transport services	44	46
Subcontractors services related to construction of biomass power plants	10	14
Other expenses for hired services	454	590
	2,418	1,906

The remuneration for services provided by the registered auditors to the parent company and its subsidiaries for 2017 amounts to EUR 114 thousand. No tax consultancy or other services, not related to the audit, have been provided. This disclosure is made in compliance with the requirements of Article 30 of Bulgarian Accountancy Act.

8. Employee benefit expenses

For the year ended 31 December	2017 EUR'000	2016 EUR'000
Wages and salaries	2,638	2,367
Compulsory social security contributions	461	399
Accrued expenses for unused paid leave	19	24
Others	166	21
	3,284	2,811

9. Other expenses

For the year ended 31 December	2017 EUR'000	2016 EUR'000
Stock exchange and investors related expenses	1,727	177
Impairment losses and write-offs	805	159
Insurance	62	71
Others	1,054	840
	3,648	1,247

10. Finance income and costs

For the year ended 31 December	2017 EUR'000	2016 EUR'000
Interest income	64	74
Net exchange rate differences	162	-
Investment income	-	25
Finance income	**226**	**99**
Interest expense	(2,060)	(996)
Bank expenses	(86)	(94)
Net exchange rate differences	-	(7)
Finance costs	**(2,146)**	**(1,097)**
Net finance costs recognised in profit or loss	**(1,920)**	**(998)**

11. Property, plant and equipment

	Land	Buildings	Power plants & production facilities	Other 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 2016	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
Additions	-	-	1	33	-	6	5	286	331
Acquisition through business combination	-	-	1,233	-	-	-	-	9,912	11,145
Revaluation	(6)	-	-	-	-	-	-	-	(6)
Disposals	-	(3)	-	(64)	(18)	(29)	-	(3)	(117)
Reclassification to assets held for sale			(1,234)	-	-	-	-	-	(1,234)
Effect of movements in exchange rates	-	-	-	-	-	-	-	(505)	(505)
At 31 December 2017	**1,176**	**1,024**	**7,116**	**1,370**	**51**	**31**	**185**	**25,373**	**36,326**
Depreciation and impairment loss									
Balance at 1 January 2016	-	-	13	376	41	14	54	40	538
Depreciation for the year	-	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
Depreciation for the year	-	41	94	239	6	10	29	-	419
Disposals	-	-	-	(64)	(18)	(29)	-	-	(111)
Reclassification to assets held for sale	-	-	(67)	-	-	-	-	-	(67)
Impairment loss	-	-	-	-	-	-	-	166	166
Effect of movements in exchange rates	-	-	-	-	-	-	-	(116)	(116)
Balance at 31 December 2017	**-**	**51**	**57**	**804**	**19**	**8**	**112**	**90**	**1,141**
Net book value									
At 31 December 2016	**1,182**	**1,017**	**7,086**	**772**	**38**	**27**	**97**	**15,643**	**25,862**
At 31 December 2017	**1,176**	**973**	**7,059**	**566**	**32**	**23**	**73**	**25,283**	**35,185**

11. Property, plant and equipment (continued)

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 Karlovo Biomass, projects developed by Eqtec plc and its subsidiaries etc.

The Group has capitalized interest expenses amounting to EUR 952 thousand directly related to construction of Karlovo Biomass power plant as at 31 December 2017.

The assets under construction as at 31 December 2017 are attributable to the following projects:

	Assets under construction
	EUR'000
Karlovo Biomass EOOD	13,648
Eqtec PLC	9,366
Heat Biomass EOOD	2,223
Brila EOOD	15
Plovdiv Biomass EOOD	14
Tvardica Biomass EOOD	9
Nova Zagora Biomass EOOD	8
	25,283

All property, plant and equipment of the subsidiaries Karlovo Biomass EOOD, Heat Biomass EOOD and Biomass Distribution EOOD amounting to EUR 19,787 thousand as at 31 December 2017 are pledged as collateral under loan contract dated 2 June 2014 between subsidiary company Karlovo Biomass EOOD and United Bulgarian Bank (see Note 21.1).

Land is valued at fair value 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.

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 valuation report of the appraiser shows the following amounts for the value of land as at 31 December 2017:

	Value according to the valuation report
	EUR'000
Heat Biomass EOOD	52
Karlovo Biomass EOOD	118
Tvardica Biomass EOOD	87
Nova Zagora Biomass EOOD	147
Plovdiv Biomass EOOD	88
United Biomass EOOD	207
Tvarditsa PV EOOD	195
Brila EOOD	88
Biomass Distribution EOOD	194
	1,176

11. Property, plant and equipment (continued)

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.

The land was initially acquired as part of a business combination which took place in November 2012. Carrying amount of the land that would have been included in the financial statements had it been carried at cost less impairment losses would have come to EUR 1,009 thousand.

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 2016	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
Additions	-	665	-	-	665
Disposals	-	(6)	-	(37)	(43)
Balance at 31 December 2017	10,302	1,725	911	10	12,948
Amortisation					
Balance at 1 January 2016	-	121	105	54	280
Charge for the year	-	85	96	13	194
Disposals	-	-	-	(37)	(37)
Balance at 31 December 2016	-	206	201	30	437
Charge for the year	-	136	181	7	324
Disposals	-	(6)	(3)	(37)	(46)
Balance at 31 December 2017	-	336	379	-	715
Net book value					
At 1 January 2016	**10,338**	**541**	**295**	**27**	**11,201**
At 31 December 2016	**10,302**	**860**	**710**	**17**	**11,889**
At 31 December 2017	**10,302**	**1,389**	**532**	**10**	**12,233**

Development costs in progress as at 31 December 2017 represent licences, contracts, permits, designs, etc. related to development phase of the following seven projects for construction and operation of pelletization plants:

	Development costs in progress EUR'000
Biomass power plant and pelletization plant of Heat Biomass EOOD	2,566
Biomass power plant and pelletization plant of Karlovo Biomass EOOD	2,967
Thermal plant and pelletization plant of Tvarditsa Biomass EOOD	1,745
Thermal plant and pelletization plant of Nova Zagora Biomass EOOD	1,090
Thermal plant and pelletization plant of Plovdiv Biomass EOOD	1,003
Thermal plant and pelletization plant of United Biomass EOOD	930
Thermal plant and pelletization plant of Tvarditsa PV EOOD	1
	10,302

12. Intangible assets (continued)

Development costs in progress have been recognized initially as part of business combination and valued at fair value 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 amortisation will start when the projects are finalised and the production commences.

Development cost in progress with carrying amount EUR 5,533 thousand are pledged as collateral under loan contract dated 02 June 2014 between subsidiary company Karlovo Biomass EOOD and United Bulgarian Bank (see note 21) as well as under Annex 1 dated 1 September 2016 to the said loan contract, whereof the other subsidiary companies Heat Biomass EOOD and Biomass Distribution EOOD have entered as joint-debtors towards United Bulgarian Bank and have pledged all their commercial establishments as additional collateral in favour of the bank (see Note 21).

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 2017:

	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
Biomass power plants and peletization plant of Heat Biomass EOOD	2,566	4,608	2,042
Biomass power plants and peletization plant of Karlovo Biomass EOOD	2,967	4,989	2,022
Thermal plants and peletization plant of Tvarditsa Biomass EOOD	1,745	3,711	1,966
Thermal plants and peletization plant of Nova Zagora Biomass EOOD	1,090	3,700	2,610
Thermal plants and peletization plant of Plovdiv Biomass EOOD	1,003	3,681	2,678
Thermal plants and peletization plant of United Biomass EOOD	930	3,672	2,742
Thermal plants and peletization plant of Tvarditsa PV EOOD	1	-	(1)
Total	**10,302**	**24,361**	**14,059**

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 reporting period.

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.

13. Acquisitions of subsidiaries

A summary of the goodwill, recognized in the consolidated financial statements of the Group following the business combinations described further is presented below:

In thousands of EUR	Note	Acquisition date	Goodwill recognized at acquisition	Impairments	Goodwill as at 31 December 2017
Heat Biomass EOOD	13.1	30 November 2012	1,221	-	1,221
Karlovo Biomass EOOD	13.1	30 November 2012	825	-	825
Nova Zagora Biomass EOOD	13.1	30 November 2012	185	-	185
United Biomass EOOD	13.1	30 November 2012	103	-	103
Tvartica Biomass EOOD	13.1	30 November 2012	411	-	411
Eqtec Iberia SL	13.2	30 November 2012	76	-	76
WINTECH SGPS SA (former TNL SGPS)	13.6	1 August 2014	1,915	(52)	1,863
Eqtec plc	13.12	7 February 2017	3,461	-	3,461
Citytainer Brasil Soluções Ambientais Ltda	13.13	3 May 2017	778	-	778
Total			**8,975**	**(52)**	**8,923**

13.1 Acquisitions from entities under common control

The acquisition of Heat Biomass EOOD, Karlovo Biomass EOOD, Plovdiv Biomass EOOD, Nova Zagora Biomass EOOD, United Biomass EOOD and Tvardica Biomass EOOD from Elektra Holding AD, Sungroup Bulgaria EOOD and Sofia Biomass EOOD is made by capital increase of Ebioss Energy SE 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 as of the date of business combination:

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

13. Acquisitions of subsidiaries (continued)

13.2. Acquisition of Eqtec Iberia SL

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

According to the share transfer agreement signed between Elektra Holding AD and Ebioss Energy SE in November 2012, Ebioss Energy SE acquired 45% of the share capital of Eqtec Iberia SL.

The transferred ownership from Elektra Holding AD to Ebioss Energy SE 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 sold the shares was at the amount of EUR 206 thousand.

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

In thousand EUR	**Eqtec Iberia SL 30 November 2012**
Consideration transferred	206
Fair value of identifiable net assets:	
Property, plant and equipment	190
Intangible assets	25
Inventories	284
Investment in group companies and associates	1
Trade and other receivables	325
Deferred tax assets	30
Cash and cash equivalents	4
Bank loans	(87)
Finance leases	(16)
Deferred tax liabilities	(3)
Trade and other payables	(464)
Total fair value of identifiable net assets:	289
Share of net assets Ebioss Energy (45%)	130
Non-controlling interest at proportional share of fair value of net assets (55%)	159
Goodwill	76

13.3 Acquisition of Energotec Eco AD

In 2013 Ebioss Energy SE acquired 215 shares with nominal value of BGN 100 (EUR 51.12), representing 43% of the registered capital of the company Energotec Eco AD, which constitute control over financial and operating policy of the entity. The new incorporated company Energotec Eco AD plans to rent out a factory nearby village of Kaloianovec and manufacture part of the main equipment for the biomass power plants. On the same date, another entity from the Group Eqtec Iberia SL acquired 35 shares with nominal value of BGN 100 (EUR 51.12), representing 7% of the registered capital of the company Energotec Eco AD. As at 30.06.2017 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 SE, Ebioss Energy SE transferred to Eqtec Iberia SL Spain EUR 360 thousand through bank transfer. Against this amount Ebioss Energy SE acquired 1,900 new shares with nominal value of EUR 6 and as a result the capital of Eqtec Iberia SL Spain was increased from EUR 200,004 to EUR 211,404. This implied premium of EUR 348,600 paid for the acquisition of these shares. Through this capital increase Ebioss Energy increased its ownership of Eqtec Iberia SL Spain from 45% to 48% while the non-controlling interest was decreased from 55% to 52%.

13. Acquisitions of subsidiaries (continued)

13.4 Acquisition of additional shares in existing subsidiary (continued)

The Group recognised:

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

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 acquired 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 3 April 2014**
Consideration transferred	650
Fair value of identifiable net assets:	
Property, plant and equipment	3,400
Investment in group companies and associates	115
Trade and other receivables	50
Bank deposits	4
Trade and other payables	(183)
Total fair value of identifiable net assets:	3,386
Gain on a bargain purchases	2,736

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 SE 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 EUR 1,550 thousand. As of the acquisition date TNL SGPS controlled 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%
- Winttec World SL (former Addom SL) (Spain) – 74.92%

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

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

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

The total non-controlling interest recognised as a result of the acquisition of TNL SGPS and its subsidiaries amounted to EUR (479) thousand and was 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 of at the amount of 60% of the goodwill recognized at acquisition of Addom SL amounting to EUR 52 thousand.

13.7 Acquisition of additional shares in existing subsidiary

On 4 August 2014 Ebioss Energy SE 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. Acquisitions of subsidiaries (continued)

13.8 Acquisition of additional shares in existing sub-subsidiaries

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

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

13.9 Acquisition of TNL World EOOD, 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 EOOD will be primarily engaged in production, engineering and trading with waste containers. At the point of acquisition TNL World's net assets were zero and the consideration transferred was less then EUR 1 thousand.

13.10 Increase of share capital of TNL SL

In May 2016, the share capital of TNL SL was increased with EUR 426 thousand. The new shares were acquired by the existing shareholders – TNL SGPS acquired 80% of the new shares for the amount of EUR 341 thousand and Arrizabal Elkartea acquired 20% of the new shares for the amount of EUR 85 thousand. As a result of the transaction the Group recognized:

- 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 SE to TNL SGPS into supplementary capital. On the same day it was decided to convert EUR 840 thousand loan granted by 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 (WINTTEC). On the same day share capital of Waste Intelligent Technologies SGPS SA (WINTTEC) was increased with EUR 470 thousand. Ebioss Energy SE subscribed new shares for the amount of EUR 395 thousand through conversion of supplementary capital into registered capital of WINTTEC SGPS SA. The rest of the shares at the amount of EUR 75 thousand were subscribed by the shareholder Nuno Lopez. Thus the participation of Ebioss Energy in the capital of WINTTEC 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 of EUR 109 thousand - due to conversion of loans granted to supplementary capital.

13. Acquisitions of subsidiaries (continued)

13.12 Acquisition of Eqtec plc, Ireland

On the 7 February 2017 Ebioss Energy SE 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. 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).

As of the acquisition date Eqtec plc controlled the following companies:

Name	Country of incorporation	Shareholding	Principal activity
Newry Biomass No. 1 Limited	Republic of Ireland	100%	Investment company
React Biomass Limited	Republic of Ireland	100%	Investment company
Reforce Energy Limited	Republic of Ireland	100%	Renewable energy development company
Pluckanes Windfarm Limited	Republic of Ireland	100%	Generation of electricity through wind
Grass Door Limited	United Kingdom	100%	Developer & operator of biomass heat generating projects
Newry Biomass Limited	Northern Ireland	50.02%	Energy utility company
Enfield Biomass Limited	United Kingdom	100%	Energy utility company
Moneygorm Wind Turbine Limited	Republic of Ireland	100%	Dormant company
Eqtec No. 1 Limited (formerly React Energy No. 1 Limited)	Republic of Ireland	100%	Investment company
Plymouth Biomass Limited	United Kingdom	100%	Energy utility Company
Clay Cross Biomass Limited	United Kingdom	90%	Energy utility company
Altilow Wind Turbine Limited	Republic of Ireland	100%	Generation of electricity through wind

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

in thousand EUR	**Eqtec plc group**
Consideration transferred	5,150
Fair value of identifiable net assets:	
Property, plant and equipment	11,145
Trade and other receivables	292
Cash and cash equivalents	185
Other non-current liabilities	(881)
Trade and other payables	(1,305)
Current borrowings	(4,668)
Total fair value of identifiable net assets:	4,768
Share of net assets Ebioss Energy SE	1,689
Non-controlling interest at proportional share of fair value of net assets	3,079
Goodwill	3,461

13. Acquisitions of subsidiaries (continued)

13.13 Acquisition of Citytainer Brasil Soluções Ambientais Ltda by WINTECH SGPS SA

In May 2017 Wintech SGPS SA, Portugal acquired the remaining 50% of the shares of Citytainer Brasil Soluções Ambientais Ltda (Citytainer Brasil), a Company based in S. Paulo (Brazil), for 1 BRL (0.30 EUR) thus increasing its participation in the share capital of Citytainer Brasil from 50% to 100% and obtaining control over it and its subsidiary - Citytainer Indústria e comércio de Equipamentos Industriais, Ltda (Citytainer Indurstria).

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

in thousand EUR	**Citytainer Brasil SA Ltda and Citytainer Industria Ltda**
Consideration transferred	-
Fair value of identifiable net assets:	
Non-current receivables	296
Current receivables	5
Non-current liabilities	(970)
Current liabilities	(475)
Total fair value of identifiable net assets:	(1,144)
% share of Ebioss Energy SE	68%
Share of net assets Ebioss Energy SE	(778)
Non-controlling interest at proportional share of fair value of net assets	(366)
Goodwill	778

13.14 Group restructurings and changes in participation without loss of control

- On 20 February 2017 and 9 March 2017 two conversions of the loan (principal and interest) granted by Ebioss Energy SE to Eqtec Plc into equity took place. At the same time additional placement of new shares was done by Eqtec plc which together with the loan conversion resulted in decrease of the share owned by Ebioss Energy SE from 51% to 50.03%.

- On 2 September 2017, the general meeting of shareholders of Eqtec Iberia SL approved capital increase of EUR 121,938 issuing 20,323 new shares of EUR 6 of nominal value each, being the total capital of the company EUR 333,342, through the conversion of loans given by Ebioss Energy SE. This capital increase has been fully subscribed by Ebioss Energy SE with share premium of EUR 990,835. As a result Ebioss Energy increased its participation in Eqtec Iberia SL to 67%.

- On 13 October 2017 Ebioss Energy SE acquired 100% of the registered capital of Eqtec Bulgaria EOOD, thus becoming the new sole owner of all the issued shares. The vendor under this transaction was Eqtec Iberia SL and the price of the shares under the signed share-transfer agreement was EUR 605 thousand. This amount was offset against the loan payable by Eqtec Iberia SL to Ebioss Energy SE.

- On 28 December 2017 the planned reverse takeover of Eqtec Iberia SL was finalized.

Prior to this transaction Ebioss Energy SE owned 67% of the capital of Eqtec Iberia SL (Spain) and 50.03% of the capital of Eqtec plc (Ireland). By signing the share purchase agreement Ebioss Energy SE transferred its entire holding in Eqtec Iberia SL to Eqtec plc in exchange of 583,705,171 consideration shares from the capital of Eqtec plc. At the same time Eqtec plc also acquired the remaining 33% of Eqtec Iberia SL from Inava Ingenieria de Analisis SL (Spain) against an allotment of 250,159,360 consideration shares from the capital of Eqtec plc. In addition to the transaction described above, Eqtec plc has raised extra capital by issue of 246,153,847 ordinary shares and has issued 80,769,231 conversion shares.

13. Acquisitions of subsidiaries (continued)

13.14 Group restructurings and changes in participation without loss of control

After completion of the transactions described above and as at 31 December 2017 Ebioss Energy SE owned 100% of Eqtec Bulgaria EOOD, 50.25% of Eqtec plc where Eqtec plc held 100% of Eqtec Iberia SL.

As a result of the transactions the Group recognized:

- total increase in NCI amounting to EUR 1,181 thousand, comprised of:

  - EUR 3,555 thousand increase of NCI – due to additional share capital subscribed by NCI out of which EUR 2,959 thousand contributed in cash and EUR 596 thousand subscribed through debt conversion;

  - EUR 300 thousand decrease of NCI – as result of the acquisition of the previously outstanding 52% of Eqtec Bulgaria EOOD by the Group;

  - EUR 32 thousand increase of NCI – re-distribution of retained earnings from prior periods following the decrease of the share owned in Eqtec plc from 51% to 50.25% and the increase of the share owned in Eqtec Iberia SL from 48% to 50.25%;

  - EUR 105 thousand increase of NCI - as part of the acquisition of Reforce Energy Limited and subsidiaries, the Group took responsibility over 105,000 "B" Ordinary Shares of EUR 1 each issued by Reforce Energy Limited as part of the Business Expansion Scheme in Ireland. As part of this scheme, Newry Biomass No. 1 Limited entered into a put and call option agreement, dated 20 December 2012, whereby Newry Biomass No. 1 Limited may be required to purchase the outstanding "B" Ordinary Shares in Reforce Energy Limited at a price to be agreed with between Newry Biomass No. 1 Limited and the holders of the "B" Ordinary Shares in Reforce Energy Limited. The option may be exercised on any date between 1 January 2017 and 31 March 2017. The put option was not exercised in this time frame and as there is no obligation, upon the expiry of the put option, for the Group to purchase the outstanding "B" Ordinary Shares in Reforce Energy Limited, this has resulted in a change of ownership interest without a loss of control and the Company has transferred €105,000 from financial liabilities to non-controlling interests in 2017. The call option is still in situ; however, it is not the intention of the Group, at this time, to exercise it.

- increase of retained earnings of EUR 268 thousand;

14. Investments

14.1 Investments in associates	**31.12.2017 EUR'000**	**31.12.2016 EUR'000**
Investment in Citytainer Brasil – Soluções Ambientais, LTDA, held by TNL SGPS	-	264
	-	264

Investment in associate as at 31 December 2016 represented a 50% stake in the company "Citytainer Brasil Soluções Ambientais, Ltda" based in S. Paulo (Brazil). Ebioss Energy SE exercised significant influence over this Company and following the acquisition of the remaining 50% of the shares in May 2017 gained full control.

Eqtec plc also holds a 30% share in GG Eco Energy Limited, UK, a company specialized in operator of biomass heat generating projects reported at nil value as at 31 December 2017.

14. Investments (continued)

14.2 Financial assets available for sale	**31.12.2017 EUR'000**	**31.12.2016 EUR'000**
Investment in EAL COMPOST SRL, held by Syngas Italy Srl	115	115
Stocks held from Mutual Guarantee Societies	29	29
Bonds – Sense Esco Belisce D.o.o.	403	403
	547	547

15. Trade and other receivables

Current part of trade and other receivables	**31.12.2017 EUR'000**	**31.12.2016 EUR'000**
Trade receivables from clients	947	8,412
Advance payments to suppliers	110	58
Refundable VAT	443	515
Receivables from employees	29	184
Other receivables	459	1,192
	1,988	10,361

Non- current part of trade and other receivables	**31.12.2017 EUR'000**	**31.12.2016 EUR'000**
Other receivables	71	25
	71	25

An impairment loss of EUR 441 thousand was recognised for trade and other receivables during the financial period.

16. Assets classified as held for sale and discontinued operations

As at 31 December 2017, assets classified as held for sale and discontinued operations amount to EUR 2,035 thousand (see Note 16.1 and 16.2).

	31.12.2017 EUR'000
Assets classified as held for sale related to:	
Karlovo Biomass EOOD	725
Pluckanes Windfarm Limited	1,310
	2,035

16.1 Assets classified as held for sale

As at 31 December 2017 and 31 December 2016 the Group presented as an asset classified as held for sale the remaining non–current part of the idle equipment related to Karlovo Biomass EOOD of EUR 725 thousand, measured at the lower of its carrying amount and fair value less costs to sell. Management expects to sell the remaining assets during 2018. Efforts to sell the remaining asset continue and a sale is expected in the course of 2018. The asset held for sale is part of Operating Segment 1 Construction, management and operation of biomass power plants and peletization plants (see Note 28).

16.2 Assets classified as held for sale and discontinued operations

The Group is in negotiations with certain parties with respect to the sale of Eqtec plc's subsidiary, Pluckanes Windfarm Limited, which is involved in the generation of electricity through wind. The disposal is consistent with the Group's long-term policy for Eqtec plc and its subsidiaries to focus its activities as a technology solution group for waste gasification to energy projects. The disposal is expected to be complete in Q2 2018.

Consequently, assets and liabilities allocable to Pluckanes Windfarm Limited were classified as a disposal group. Revenues and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing activities and are shown as a single line item on the face of the statement of profit or loss.

16. Assets classified as held for sale and discontinued operations (continued)

16.2 Assets classified as held for sale and discontinued operations (continued)

Result of discontinued operations

The combined results of the discontinued operations included in the loss for the year are set out below. Comparative profit from discontinued operations are not presented since Eqtec plc and its subsidiaries were acquitted on 7 February 2017.

For the period	**7.02.2017- 31.12.2017 EUR'000**
Revenue	155
Expenses for hired services	(39)
Depreciation	(67)
Profit from operating activities	49
Finance cost	(34)
Net finance costs	(34)
Profit from discontinued operations before income tax	15
Income tax	-
Profit from discontinued operations	15
Profit from discontinued operations attributable to:	
Owners of the parent	8
Non-controlling interests	7
Profit from discontinued operations	15

Cash flows used in discontinued operations

For the period	**7.02.2017- 31.12.2017 EUR'000**
Profit from discontinued operations	15
Adjustments to profit from discontinued operations:	
Depreciation	67
Interest expense	34
Cash flows from operations before working capital changes	116
Change in:	
Trade and other receivables	(4)
Trade and other payables	5
Other cash flow from operating activities	
Interest paid	(37)
Net cash flows from discontinued operations from operating activities	80
Cash flows used in financing activities	
Repayment of borrowings	(86)
Net cash flows from discontinued operations used in financing activities	(86)
Net decrease in cash and cash equivalents	(6)
Cash and cash equivalents at 7 February	111
Cash and cash equivalents in the disposal group at 31 December	105

16. Assets classified as held for sale and discontinued operations (continued)

16.2 Assets classified as held for sale and discontinued operations (continued)

Assets and liabilities classified as held for sale:

	31.12.2017 EUR'000
Assets classified as held for sale:	
Property, plant and equipment	1,167
Trade and other receivables	38
Cash and cash equivalents	105
	1,310
Liabilities classified as held for sale:	
Loans and borrowings	987
Trade and other payables	60
	1,047

The directors of the Group expect that the fair value less costs to sell Pluckanes Windfarm Limited will be higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on reclassification of the assets and liabilities as held for sale.

The disposal group is part of Operating Segment 1 Construction, management and operation of biomass power plants and peletization plants (see Note 28).

17. Inventory

	31.12.2017 EUR'000	31.12.2016 EUR'000
Goods	567	438
Raw materials and consumables	468	812
Work in progress	167	187
Spare parts	176	176
	1,378	1,613

During 2017 the Group tested its inventories for impairment and wrote them down to their net realisable value, which resulted in a loss of EUR 109 thousand.

18. Cash at bank and in hand

	31.12.2017 EUR'000	31.12.2016 EUR'000
Cash at bank	2,031	992
Cash in hand	18	31
	2,049	1,023

In addition, as at 31 December 2017 EUR 105 thousand are included in the disposal group held for sale.

19. Capital and capital reserves

19.1. Ordinary shares

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

19. Capital and capital reserves (continued)

19.1. Ordinary shares (continued)

As at 31 December 2016 the Company had 40,912,416 ordinary shares with a nominal value of EUR 0.51 (BGN 1) each.

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

Thus, as at 31 December 2017 the capital of the Company is denominated in EUR and amounts to EUR 20,918,186 comprised of 20,918,186 shares with a nominal value of EUR 1 each.

19.2. Share Premium Reserve

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

19.3. Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Company.

As at 31 December 2017 the Company held 74,008 own shares with nominal value EUR 1 at total amount of EUR 74 thousand.

As at 31 December 2016 the Company held 349,947 own shares with nominal value EUR 0.51 (BGN 1) at total amount of EUR 179 thousand.

20. Loss per share

Basic loss per share

The calculation of basic loss per share (LPS) at 31 December 2017 is based on the loss attributable to ordinary shareholders of EUR 7,245 thousand (31 December 2016: loss of EUR 4,123 thousand), and a weighted average number of ordinary shares outstanding of 20,704 thousand (31 December 2016: 20,762 thousand), calculated as follows:

(i) Loss attributable to ordinary shareholders (basic)

In thousands of EUR	**31.12.2017**	**31.12.2016**
Loss for the year	(7,245)	(4,123)
Loss attributable to ordinary shareholders	(7,245)	(4,123)

20. Loss per share (continued)

Basic loss per share (continued)

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

In thousands of shares	**31.12.2017**	**31.12.2016 Adjusted**	**31.12.2016 Before adjustment**
Issued ordinary shares at 1 January	40,912	20,918	40,912
Reverse share split	(19,994)	-	-
Effect from repurchased own shares	(214)	(156)	(306)
Weighted average number of ordinary shares at 31 December	20,704	20,762	40,606
Loss per share (EUR)	(0.35)	(0.20)	(0.10)

For comparability purposes retrospective adjustment of the comparison period EPS was made. The prior period value of LPS is adjusted to take into consideration the reverse share split which took place in 2017, a transaction that resulted in adjustment of the number of shares without a corresponding change in resources.

Diluted earnings per share

The Group does not have dilutive potential ordinary shares in the form of bonds, convertible into shares of the parent (Ebioss Energy SE) or share options.

21. Loans and borrowings

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 27.

In thousands of EUR		**31.12.2017**	**31.12.2016**
Non-current liabilities			
Unsecured corporate bonds issues	21.2	15,786	12,254
Bank loans	21.1	4,540	5,618
Other non-current loans and borrowings	21.3	3,617	-
		23,943	17,872
Current liabilities			
Unsecured corporate bonds issues	21.2	986	373
Bank loans	21.1	2,718	2,713
Loans payable to related parties	21.4	806	141
Other loans and borrowings		37	-
		4,547	3,227

21. Loans and borrowings (continued)

21.1 Bank loans

Bank loans structure as at 31 December 2017:

Bank	Authorised limit of loan EUR'000	Interest rate	Balance 31.12.2017 EUR'000	Maturity
BBVA	150	2.55%	17	28.04.2018
Banco Popular	350	2.80%	300	13.01.2021
Banco Popular	250	2.80%	245	30.06.2017
Banco Santander	250	3.92%	194	29.12.2019
Caixbank	250	4.00%	71	30.04.2018
Syngastech	40	-	40	10.01.2018
Loans credit cards	n/a	-	9	05.01.2018
Overdrafts	38	-	38	Payable on demand
UBB	5,600	3M EURIBOR +6%	4,001	30.09.2025
BBVA - overdraft	150	2.65%	150	29.01.2018
Andbank-overdraft	n/a	n/a	4	Payable on demand
BBVA	150	2.65%	117	23.01.2020
Allied Irish Banks	2	n/a	2	Payable on demand
Banco Popular	738	6.33%	540	30.09.2022
Santandertotta	330	7.00%	125	30.04.2020
Caixa Geral de Depositos	500	3.83%	46	16.12.2017
BPI	500	3.38%	150	22.04.2019
BPI	1,500	4.81%	430	06.08.2019
BPI	320	5.49%	53	06.08.2018
Millenniumbcp	230	7.63%	68	14.02.2018
Millenniumbcp – promissory note	80	5.00%	80	30.04.2018
Banco Popular - overdraft	2	n/a	2	Payable on demand
Popular Bank	27	6.50%	27	03.11.2020
Escrow account – Banco Sabadell	51	8.05%	51	17.06.2018
Escrow account – Lacaixa Bank	100	4.62%	100	04.05.2018
BBVA Bank	35	4.00%	28	27.02.2020
Escrow account – BBVA Bank	35	4.00%	35	28.02.2018
Escrow account – Itau Bank	n/a	10%	7	31.12.2017
Confirmings - Banco Popular	100	3.50%	100	23.09.2017
Factoring – Banco Popular	400	5.33%	40	20.05.2018
Promissory notes – Banco Sabadell	150	4.75%	172	19.03.2018
Credit cards	n/a	8%	16	31.12.2017
TOTAL BANK LOANS			**7,258**	

31 December 2017 EUR'000	Total	Up to 1 year	1-2 years	2-5 years	More than 5 years
Short term loans	2,718	2,718	-	-	-
Long term loans	4,540	-	986	1,749	1,805
	7,258	2,718	986	1,749	1,805

21. Loans and borrowings (continued)

21.1 Bank loans (continued)

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	3M EURIBOR+6%	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	n/a	5.56%	63	21.07.2017
Banco Sabadell – Escrow Account	100	5.25%	57	20.03.2016
Confirmings - Millenniumbcp	100	6M EURIBOR	95	30.05.2018
Confirmings - Banco Popular	100	3.50%	62	23.09.2017
Factoring – Banco Popular	750	5.33%	440	20.05.2018
Credit cards	n/a	8%	7	31.12.2016
TOTAL BANK LOANS			**8,331**	

31 December 2016	**Total**	**Up to 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
EUR'000					
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

21. Loans and borrowings (continued)

21.1 Bank loans (continued)

Securities, guarantees and pledges related to bank loans

On 2 June 2014, the subsidiary Karlovo Biomass EOOD signed loan contracts with United Bulgarian Bank for financing of first stage of construction of biomass power plant located in Karlovo for maximum amount up to EUR 5,600 thousand. In relation to the above contract 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 repayment of the whole amount under the loan contract.

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

Beneficiary	Amount EUR'000	Expiration date	Type	Company
BPI Bank	250	22.04.2019	PME Invest	TNL SA
Caixa Geral de Depositos	250	30.04.2018	PME Invest	TNL SA
BPI Bank	221	06.08.2019	Financial guarantee on a loan of 1,500 thousand EUR	TNL SA
Camara Municipal do Porto	210	No fixed term	Performance bond	TNL SA
BPI Bank	209	06.08.2019	Financial guarantee on a loan of 1,500 thousand EUR	TNL SA
Municipio de Oeiras	155	09.10.2018	Goods collection	TNL SA
BPI Bank	104	06.08.2019	Financial guarantee on a loan of 1,500 thousand EUR	TNL SA
MSF - Engenharia	16	No fixed term	Goods collection	TNL SA
Municipio de Mondim de Basto	8	No fixed term	Goods collection	TNL SA
BPI Bank	5	No fixed term	Goods collection	TNL SA
Resiuos do Nordeste EM	5	No fixed term	Goods collection	TNL SA
EQUIPAV SA	2	No fixed term	Performance bond	TNL SA
TOTAL	**1,435**			

21.2 Corporate bonds

In thousands of EUR	
Carrying amount of liability at 1 January 2016	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

21. Loans and borrowings (continued)

21.2 Corporate bonds (continued)

Carrying amount of liability at 1 January 2017	12,627
Proceeds from issue of bonds	3,852
Transaction costs	(275)
Net proceeds	3,577
Accrued interest	1,156
Paid interest	(542)
Revaluation of GBP bonds as at 31 December 2017	(46)
Carrying amount of liability at 31 December 2017	16,772

On 18 June 2015, 30 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by Ebioss Energy SE with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 18 June 2020 and maturity dates of the coupon payments shall be as follows: 18 June 2016, 18 June 2017, 18 June 2018, 18 June 2019 and 18 June 2020. Ebioss Energy SE 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 16 December 2015, 40 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by Ebioss Energy SE with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 22 December 2020 and maturity dates of the coupon payments shall be as follows: 22 December 2016, 22 December 2017, 22 December 2018, 22 December 2019 and 22 December 2020.

On 14 April 2016, 20 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by Ebioss Energy SE with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 20 April 2021 and maturity dates of the coupon payments shall be as follows: 20 April 2017, 20 April 2018, 20 April 2019, 20 April 2020 and 20 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 Ebioss Energy SE with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 12 July 2021 and maturity dates of the coupon payments shall be as follows: 20 April 2017, 20 April 2018, 20 April 2019, 20 April 2020 and 20 April 2021.

On 24 February 2017, 16 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by Ebioss Energy SE with a par value of GBP 100 thousand each. Maturity date of the principal payment shall be 24 February 2022 and maturity dates of the coupon payments shall be as follows: 24 February 2018, 24 February 2019, 24 February 2020, 24 February 2021 and 24 February 2022.

On 2 June 2017, 20 interest-bearing (interest rate fixed at 7%), registered, freely transferable, non-convertible, non-collateral corporate bonds were issued by Ebioss Energy SE with a par value of EUR 100 thousand each. Maturity date of the principal payment shall be 2 June 2022 and maturity dates of the coupon payments shall be as follows: 2 June 2018, 2 June 2019, 2 June 2020, 2 June 2021 and 2 June 2022.

21. Loans and borrowings (continued)

21.3 Other non-current loans and borrowings

15% Secured Loan Note Facility, provided to Eqtec plc

Other non-current borrowings comprise of a 15% secured loan note facility (SLF), initially provided to Eqtec plc (formerly REACT Energy plc) on 15 July 2015, amounting to £1,000,000 (before expenses). EcoFinance, a group which sources finance for renewable energy projects, has provided the SLF. The SLF is at a fixed rate of 15% per annum, the interest on which will be paid monthly in arrears. The SLF is for a five-year term and the principal together with any accrued interest will be repayable by a bullet repayment at the end of the term. The SLF is secured by mortgage debentures, cross guarantees and share pledges over EQTEC and its subsidiary companies.

The carrying amount of the SLF as at 31 December 2017 is EUR 924 thousand while the face value amounts to EUR 1,126 thousand.

15% convertible secured loan note, provided to Eqtec plc

On 24 July 2015, as part of the Scheme of Arrangement announced on 14 July 2015 as approved by the High Court in Dublin, an existing secured debt held by Altair Group Investment Limited ("Altair" or "the Secured Creditor"), comprising the 9% Secured Loan Note of £1.5 million issued in 2014 and the Examinership financing facility of €500,000, was refinanced by way of a new two-year 7.5% £2 million Convertible Secured Loan Note ("CSLN"), repayable in July 2017, and is secured by the same security package granted in favour of EcoFinance. This is governed by an inter-creditor deed under which the SLF security plus interest and costs shall rank in priority to the CSLN security plus interest and costs. Under the terms of the CSLN, the Secured Creditor has the right to convert up to £1 million into new Ordinary Shares at £0.10.

The carrying amount of the CSLN as at 31 December 2017 is EUR 2,693 thousand where the face value, including accrued interest, amounts to EUR 2,693 thousand.

The CSLN was due for repayment on 14 July 2017. On 17 July 2017, Eqtec plc announced that it had entered into a standstill agreement with Altair whereby Altair has consented, inter alia, to extend the repayment date of the CSLN from 14 July 2017 to the earlier of three business days following the completion of the acquisition of the share capital of Eqtec Iberia SL by Eqtec plc or 31 October 2017.

On 31 October 2017, Altair agreed with Eqtec plc the following:

(i) to extend the Standstill Period until 31 December 2017 and, accordingly, it agrees to forbear from exercising its rights and remedies under the CSLNs until the expiry of the Standstill Period;

(ii) to extend the date for payment of the CSLNs to the expiry of the Standstill Period; and

(iii) that conditional on Admission becoming effective on or before the expiry of the Standstill Period, Altair agrees to further extend the date for payment of the CSLNs together with accrued interest thereon until 14 July 2020 ("Extension Date") subject to the following terms:

(A) that the interest rate set out in the CSLNs shall be increased from 7.5% to the rate of 15% per annum for the period between (but excluding) 31 October 2017 and the Extension Date on the outstanding principal amount of the Notes;

(B) that in the event that the Company repays the entire amount due under the CSLNs in full prior to the Extension Date the interest set above shall be reduced as follows to 9% per annum if repaid between 1 November 2017 and 30 April 2018 and to 12% per annum if repaid between 1 May 2018 and 31 October 2019

21. Loans and borrowings (continued)

21.3 Other non-current loans and borrowings (continued)

15% convertible secured loan note, provided to Eqtec plc (continued)

In consideration of Altair's agreement to the extension of the payment of the Notes, Eqtec plc agrees that, conditional on Admission:

(i) Eqtec plc shall pay £300,000 to Altair within five business days following Admission in satisfaction of accrued interest on the Notes;

(ii) Eqtec plc will amend the Instrument to provide that up to £1 million of outstanding principal amount of the Notes may be converted at the election of Altair into new ordinary shares in the Company ("Ordinary Shares") at a 10% discount to the price at which such shares are issued to investors pursuant to the fundraising undertaken in connection with Admission ("Placing Price");

(iii) Eqtec plc will grant Altair with warrants over Ordinary Shares at an exercise price of 150% of the Placing Price ("Exercise Price"), exercisable for five years from the date of grant. The number of Ordinary Shares subject to the warrant will be such number which, when multiplied by the Exercise Price, equals £1 million.

21.4 Loans payable to related parties

As at 31 December 2017, loans payable to related parties amount to EUR 806 thousand, from which EUR 731 thousand is due to Elektra Holding AD and EUR 75 thousand – to other related parties.

21.4.1 Loans due to Elektra Holding AD

	Loans due to Elektra Holding AD
Balance at 1 January 2016	-
Proceeds	406
Repayments	(279)
Interest accrued (4%)	8
Balance at 31 December 2016	135
Proceeds	859
Payments made directly by Elektra Holding AD on behalf of the Group	13
Repayments	(292)
Net proceeds	580
Accrued interest (4%)	16
Balance at 31 December 2017	731

The loan granted by Elektra Holding AD is due for repayment till 31 December 2018.

21.4.2 Loans due to other related parties

	Loans due to other related parties
Balance at 1 January 2016	844
New proceeds	420
Debt converted into capital	(1,000)
Repayments	(258)
Balance at 31 December 2016	6
New proceeds	75
Repayments	(6)
Balance at 31 December 2017	75

21. Loans and borrowings (continued)

21.5 Reconciliation of movements of liabilities to cash flows arising from financing activities

In thousands of EUR	Convertible notes	Loans payable to related parties	Bank loans and overdrafts	Finance lease liabilities	Other loans and borrowings	BES shares	Total
Balance at 1 January 2017	12,627	141	8,331	64	-	-	21,163
Changes from financing cash flows							
Proceeds from issue of convertible notes	3,852	-	-	-	-	-	3,852
Proceeds from loans and borrowings	-	934	2,128	-	633	-	3,695
Transaction costs related to loans and borrowings	(275)	-	(17)	-	(65)	-	(357)
Repayment of borrowings	-	(298)	(3,267)	-	-	-	(3,565)
Payment of financial lease liabilities	-	-	-	(24)	-	-	(24)
Total changes from financing cash flows	3,577	636	(1,156)	(24)	568	-	3,601
Changes arising from obtaining control of subsidiaries (note 13.12)	-	-	1,074	-	4,370	105	5,549
The effect of changes in foreign exchange rates	(46)	-	-	-	(72)	-	(118)
Other changes							
Liability related							
New finance lease	-	-	-	2	-	-	2
Debt converted to equity	-	-	-	-	(921)	-	(921)
Debt converted to NCI	-	-	-	-	(596)	(105)	(701)
Reclassified to disposal group	-	-	(1,073)	-	-	-	(1,073)
Payments made on behalf of the borrower	-	13	-	-	-	-	13
Capitalized borrowing costs	-	-	262	-	-	-	262
Interest expense	1,156	16	205	5	510	-	1,892
Interest paid	(542)	-	(385)	(5)	(205)	-	(1,137)
Total liability related other changes	614	29	(991)	2	(1,212)	(105)	(1,663)
Balance at 31 December 2017	16,772	806	7,258	42	3,654	-	28,532

22. Taxation

For the year ended 31 December	2017 EUR'000	2016 EUR'000
Current tax expense		
Current period	(19)	(18)
Deferred tax expense		
Origination and reversal of temporary differences	363	750
Income tax benefit for the period	344	732

Reconciliation of effective tax rate:

	2017 EUR'000	2016 EUR'000
Loss before tax from continuing operations	(10,741)	(5,994)
Income tax using the Company's domestic tax rate, 10%	1,074	599
Effect of tax rates in foreign jurisdictions*	625	478
Effect of share of profit of equity-accounted investees	(55)	-
Recognition of tax effects of previously unrecognised lax losses	-	11
Tax incentives	22	-
Permanent differences	(258)	(126)
Net effect of deferred taxes not recognised	(831)	(230)
Deferred tax asset write-off	(233)	-
Income tax (expense)/benefit	344	732
Effective tax rate	3%	12%

* Part of the subsidiaries and sub-subsidiaries operate in tax jurisdictions with higher tax rates (Spain, Italy, Portugal, Brazil and United Kingdom).

Recognised deferred tax assets and liabilities

In thousands of EUR	Assets		Liabilities		Net	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Assets under construction	(133)	(100)	-	-	(133)	(100)
Land and developments costs	-	-	1,117	1,116	1,117	1,116
Tax loss carry-forwards	(2,214)	(1,885)	-	-	(2,214)	(1,885)
Tax (assets)/ liabilities	(2,347)	(1,985)	1,117	1,116	(1,230)	(869)

Under the current provisions of Bulgarian Corporate Income 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 2017 for the subsidiaries, the tax losses can be carried forward for a period from 5-12 years (depending on the year when incurred) in Portugal and there is no limit for utilization of these losses in Spain and Italy.

23. Trade and other payables

Non- current part of trade and other payables	31.12.2017 EUR'000	31.12.2016 EUR'000
Other payables	139	-

Current part of trade and other payables	31.12.2017 EUR'000	31.12.2016 EUR'000
Trade payables to suppliers	4,328	3,664
Trade payables	4,328	3,664
Payables regarding to bonds issuance	4	25
Payables related to group restructurings	1,012	-
Payables to employees	484	152
Social security contributions	450	33
VAT payable	367	302
Other tax liabilities	536	491
Other payables	616	1,000
Other payables	3,469	2,003
Total	**7,936**	**5,667**

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

24. Provisions

	31.12.2017 EUR'000	31.12.2016 EUR'000
Future demolition costs, Galina plant, Syngas Italy S.R.L.	114	114
Others	33	35
	147	149

25. Finance leases

	31.12.2017 EUR'000	31.12.2016 EUR'000
Non-current	14	39
Current	28	25
	42	64

Finance lease liabilities as at 31 December 2017 are payable as follows:

			31.12.2017
	Future minimum lease payments EUR'000	Interest	Principal EUR'000
Less than one year	31	3	28
Between one and two years	15	1	14
Total	46	4	42

25. Finance leases (continued)

Finance lease liabilities as at 31 December 2016 were 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	73	9	64

26. 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.

(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 2017/ 31 December 2016 the carrying amounts of the financial assets are as follows:

	Note	31.12.2017 EUR'000	31.12.2016 EUR'000
Trade receivables from clients	15	947	8,412
Trade receivables from related parties	28	546	847
Financial assets	14	432	432
Loans provided		-	900
Bank balances	18	2,031	992
		3,956	11,583

(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.

26. 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 2017:

	Note	Carrying amount EUR'000	Contractual cash flows EUR'000	up to 1 year EUR'000	1-2 years EUR'000	2-5 years EUR'000	More than 5 years EUR'000
Non-derivative financial liabilities							
Bank loans	21.1	(7,258)	(8,576)	(3,093)	(1,247)	(2,229)	(2,007)
Corporate bonds	21.2	(16,772)	(20,945)	(1,422)	(1,142)	(18,381)	-
Other loans and borrowings		(3,654)	(5,289)	(611)	(573)	(4,105)	-
Loans due to related parties	29	(806)	(834)	(834)	-	-	-
Payables to related parties	29	(288)	(288)	(288)	-	-	-
Trade and other payables	24	(5,344)	(5,344)	(5,344)	-	-	-
Finance lease	26	(42)	(46)	(31)	(15)	-	-
		(34,164)	(41,322)	(11,623)	(2,977)	(24,715)	(2,007)

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	21.1	(8,331)	(10,065)	(3,145)	(1,355)	(3,142)	(2,423)
Corporate bonds	21.2	(12,627)	(16,332)	(822)	(875)	(14,635)	-
Loans due to related parties	28	(141)	(146)	(146)	-	-	-
Other payables to related parties	28	(96)	(96)	(96)	-	-	-
Trade and other payables	23	(3,689)	(3,689)	(3,689)	-	-	-
Finance lease	25	(64)	(73)	(30)	(28)	(15)	-
		(24,948)	(30,401)	(7,928)	(2,258)	(17,792)	(2,423)

(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.

26. Financial instruments (continued)

(c) Market risk (continued)

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 EUR 1 = BGN 1,95583.

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

	Nominal amount	
In thousands of EUR	**31.12.2017**	**31.12.2016**
	EUR'000	**EUR'000**
Fixed rate instruments		
Financial assets	2,463	2,283
Financial liabilities	(23,042)	(16,606)
	(20,579)	(14,323)

	Nominal amount	
In thousands of EUR	**31.12.2017**	**31.12.2016**
	EUR'000	**EUR'000**
Variable rate instruments		
Financial liabilities	(3,943)	(4,225)
	(3,943)	(4,225)

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming that the amount of the liability outstanding at the end of the year was outstanding for the whole year. If interest rates have been 20 basis points higher/lower and all other variables were held constant, the Group's loss for the period would increase/decrease by EUR 25 thousand.

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.

27. Segment Reporting

As at 31 December 2017 and 31 December 2016 the Group has two reporting segments:

Information related to each reportable segment is set out below.

	Segment 1 Construction, management and operation of biomass power plants and peletization plants		Segment 2 Sale and management of waste collection systems		Total	
For the year ended *In thousands of EUR*	**31.12.2017**	**31.12.2016**	**31.12.2017**	**31.12.2016**	**31.12.2017**	**31.12.2016**
Revenues	718	2,503	1,920	4,560	2,638	7,063
Other income	4	1	79	247	83	248
Share of loss of equity accounted investees	-	-	(264)	(8)	(264)	(8)
Work performed by the entity and capitalized	392	608	200	113	592	721
Raw materials and consumables used	(447)	(2,795)	(40)	(52)	(487)	(2,847)
Cost of goods sold	(300)	(206)	(1,057)	(3,476)	(1,357)	(3,682)
Expenses for hired services	(1,691)	(1,142)	(727)	(764)	(2,418)	(1,906)
Inter segment incomes/(expenses) for hired services	26	-	(26)	-	-	-
Employee benefit expenses	(2,296)	(1,880)	(988)	(931)	(3,284)	(2,811)
Depreciation and amortisation	(334)	(232)	(342)	(295)	(676)	(527)
Other expenses	(2,839)	(811)	(809)	(436)	(3,648)	(1,247)
Loss from operating activities	**(6,767)**	**(3,954)**	**(2,054)**	**(1,042)**	**(8,821)**	**(4,996)**
Finance income	226	98	-	1	226	99
Finance expenses	(1,780)	(834)	(366)	(263)	(2,146)	(1,097)
Inter-segment finance income/(expense)	60	54	(60)	(54)	-	-
Net finance costs	**(1,494)**	**(682)**	**(426)**	**(316)**	**(1,920)**	**(998)**
Loss before income tax	**(8,261)**	**(4,636)**	**(2,480)**	**(1,358)**	**(10,741)**	**(5,994)**
Income tax (expense)/ benefit	596	543	(252)	189	344	732
Loss from continuing operations	**(7,665)**	**(4,093)**	**(2,732)**	**(1,169)**	**(10,397)**	**(5,262)**
Profit from discontinued operations	**15**	**-**	**-**	**-**	**15**	**-**
Loss for the year	**(7,650)**	**(4,093)**	**(2,732)**	**(1,169)**	**(10,382)**	**(5,262)**
Other comprehensive income/ (loss)	**(358)**	**16**	**-**	**27**	**(358)**	**43**
Total comprehensive loss	**(8,008)**	**(4,077)**	**(2,732)**	**(1,142)**	**(10,740)**	**(5,219)**

27. Segment Reporting (continued)

	Segment 1 Construction and Management of Biomass Power Plants		Segment 2 Sale and management of waste collection systems		Total	
In thousands of EUR	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Total assets for reportable segments	61,800	52,753	5,502	7,972	67,302	60,725
Total liabilities for reportable segments	32,661	21,267	6,425	6,942	39,086	28,209

28. Related party transactions and balances

Related parties are as follows:

Related party	Relationship
Southeimer LLC, Spain	Ultimate parent
Elektra Holding AD, Bulgaria	Parent of EBIOSS ENERGY SE
Citytainer Brasil Ltda, Brasil	Associate as of 31 December 2016
Citytainer Industria Ltda, Brasil	Associate as of 31 December 2016
Arrizabal Elkartea SL, Portugal	shareholder in the subsidiary TNL SL
GG Eco Energy Limited, United Kingdom	Associate of Eqtec plc
Foad Jaffal	shareholder in the subsidiary Wintec SGPS

Directors

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

Remuneration of key management personnel of the group for 2017 is EUR 857 thousand, including EUR 115 thousand redundancy costs (2016: EUR 344 thousand).

28. Related party transactions and balances (continued)

Balances with related parties

In thousands of EUR	Balance outstanding as at			
	31.12.2017		31.12.2016	
	Receivables	Payables	Receivables	Payables
Arrizabal Elkartea SL	69	(27)	167	(86)
Foad Jaffal	434	-	-	-
Elektra Holding AD	-	(89)	-	(10)
Citytainer Brasil	-	-	670	-
Citytainer Industria	-	-	1	-
Directors	43	(162)	-	-
Others	-	(10)	9	-
	546	(288)	847	(96)

Loans due to related parties
In thousands of EUR

	Balance outstanding as at	
Payables to:	31.12.2017	31.12.2016
Elektra Holding AD	(731)	(135)
Arrizabal Elkartea SL	(75)	(6)
	(806)	(141)

Transactions with related parties

In thousands of EUR	Description	For the period ended 31.12.2017	For the period ended 31.12.2016
Arrizabal Elkartea SL	Trade	147	309
Arrizabal Elkartea SL	Cost of goods sold	(246)	(302)
Arrizabal Elkartea SL – amounts received	Loans	75	344
Arrizabal Elkartea SL – loans capitalized	Loans	-	(85)
Arrizabal Elkartea SL – amounts repaid	Loans	(6)	(258)
Nuno Lopez – amounts received	Loans	-	76
Nuno Lopez – debt converted to capital	Loans	-	(75)
Elektra Holding AD – amounts received and payments made on behalf of the Group	Loans	872	406
Elektra Holding AD – amounts repaid	Loans	(292)	(279)
Elektra Holding AD – interest accrued	Loans	16	8
GG Eco Energy Limited	Trade	37	-

29. Commitments and contingent liabilities

Ebioss Energy SE, Heat Biomass EOOD and Biomass Distribution EOOD are joint debtors in relation to a Loan contract dated 02.06.2014 between Karlovo Biomass EOOD and United Bulgarian Bank AD as well as under Annex 1 dated 1 September 2016 to the said contract up to the moment of repayment of the whole amount under the loan contract. As at 31 December 2017 (31 December 2016) the outstanding principal to this loan is EUR 4,052 thousand (EUR 4,341 thousand).

The Group has no other commitments or contingent liabilities as at 31 December 2017 and 31 December 2016.

30. Events after the reporting period end

Update on Syngas Italy Project

The construction of the power plant developed by Syngas Italy SRL was finalized as at 31 March 2015 at which point it started to sell electricity. However, some plant devices needed extraordinary maintenance which led to suspension of its operations. The plant has been put back in operations a few times after that point but due to unexpected technical failure of filter parts production was stopped. After a detailed check, the team of engineers found out that the persisting problem comes from error during the production process of the filter. The necessary repairs are expected to be undertaken in the first half of 2018 in order for the plant to start operations and reach full capacity in the second half of 2018.

Extra loan funding

With a resolution of the Board of Directors, dated 27 February 2018, granting of consent and provision of mandate to the Executive Director of "Ebioss Energy" SE for conclusion of a loan was approved. In 2018 Ebioss Energy SE has obtained a loan of EUR 2 million and is currently negotiating (subject to an ongoing due diligence process) additional capital contributions of up to EUR 18 million with Black Toro Capital.

Ecofinance and Altair Loan Facilities

Eqtec plc announced on 19 January 2018 that it had made a partial repayment of £378,882 on its Secured Loan Facility ("SLF"), which comprises a five-year term loan of £1,000,000 at 15% per annum fixed rate of interest, with Ecofinance GLI Limited ("Ecofinance"). The SLF, commencing in 2015, was repayable in full in July 2020. Eqtec plc, with the agreement of Ecofinance, had decided to repay £378,882 of capital and £2,958 in accrued interest to Ecofinance, earlier than scheduled, in order to reduce the cost of debt to the Group. The remaining balance of £621,118 is repayable in July 2020.

Separately, as set out in its Admission Document published on 27 November 2017, Eqtec plc had also reached agreement to further restructure its existing 7.5% £2,000,000 Convertible Secured Loan Note ("CSLN") with Altair Group Investment Limited ("Altair"). The CSLN was originally due for repayment with accrued interest on 14 July 2017. However, as set out in the Admission Document, standstill agreements were entered into by both parties in July and October 2017. As a result of the early repayment on the SLF, Altair will become the sole beneficiary of the SLF and shareholder of Ecofinance.

In accordance with those agreements, the CSLN was amended such that (i) the maturity date of the CSLN is extended to 14 July 2020 (ii) the interest rate applicable to the CSLN is varied to 15% p.a. (subject to a reduction in the interest rate for early repayment of the CSLN) and (iii) the price at which the CSLN converts has been amended to 0.585 pence per share. It was agreed that in consideration of Altair agreeing to these changes to the CSLN, after admission of EQTEC's enlarged share capital to trading on AIM following the acquisition of Eqtec Iberia SL, which occurred on 28 December 2017, Eqtec plc would grant to Altair warrants to subscribe for 105,263,158 ordinary shares exercisable at 0.975 pence per share for a period of five years and that Eqtec plc would pay Altair interest outstanding on the CSLN to July 2017 of £300,000. Eqtec plc and Altair have agreed that this interest payment will not now be paid until the earlier of the next capital raise that may be conducted by Eqtec plc or 30 April 2018.

30. Events after the reporting period end (continued)

Unsecured Convertible Loan Note Facility

On 28 February 2018, Eqtec plc announced that it has agreed an Unsecured Convertible Loan Note facility of up to £7.5 million ("Loan Notes") with one investor ("the Investor") to help accelerate the growth strategy. In addition, Eqtec plc will allocate the proceeds of the issue of the Loan Notes towards furthering its existing project portfolio, to avail of possible investment opportunities and for general working capital.

The Loan Notes will be issued to a single investor, Bercheva Opportunities Limited, in up to five tranches. Each Loan Note has a subscription price of £23,500 and will be redeemed at par value, being £25,000; five years from the date of issue (the "Maturity Date") unless converted at an earlier date. The issue of the first tranche of Loan Notes having an aggregate principal amount of £1.5 million is committed and will close later today. Eqtec plc will receive subscription proceeds of £1,350,000 for this issue and has agreed to pay an arrangement fee of 5% on this and subsequent issues.

Subsequent issues of Loan Notes will be made at the sole discretion of Eqtec plc and must be for a minimum of £1.5 million and a maximum of £2 million in principal amount of Loan Notes. Eqtec plc can elect to issue Loan Notes every 90 calendar days unless the parties agree to vary the issue date. The issue of Loan Notes will require the consent of the Investor where there has been an event of default by Eqtec plc or the closing bid price of the Ordinary Shares (as defined below) on AIM is below 1p for any five consecutive trading days.

The Loan Notes are convertible by the Investor at any time before the Maturity Date into ordinary shares of €0.001 each in the capital of Eqtec plc ("Ordinary Shares") at the lesser of: a) 125% of the closing bid-price of an Ordinary Share on AIM one trading day before the date of issue of the relevant Loan Notes being converted; and b) the lowest closing bid price of an Ordinary Share on AIM from the ten trading days immediately prior to notice of conversion being served (the "Conversion Price"). The Investor has undertaken not to dispose of any Ordinary Shares arising from a conversion of Loan Notes on any given trading day if the number of Ordinary Shares disposed would exceed the greater of: (a) 5% of the maximum nominal amount of Ordinary Shares which have been or may be issued on any conversion of Loan Notes issued under the Instrument (assuming conversion of the Loan Notes in full at the Conversion Price(s) prevailing on such trading day); and (b) 20% of the daily trading volume of Ordinary Shares on the relevant trading day, other than in a block transaction.

Upon conversion of a Loan Note, the holder will be granted one warrant to subscribe for an Ordinary Share ("Warrant") for every two Ordinary Shares issued on conversion. The subscription price payable on the exercise of a Warrant will be the lesser of: a) £0.027 per share; or b) 125% of the Conversion Price attributable to the Loan Notes the conversion of which resulted in the grant of the Warrant. Each Warrant will be exercisable at any time prior to the fifth anniversary of the date of issue of the relevant Loan Note. The Warrants have adjustment and anti-dilution provisions in the event of certain changes to Eqtec plc's share capital and issues of Ordinary Shares at below the relevant exercise price unless the Investor has been offered a pro rata right to participate in such issue.

The Loan Notes will not bear interest. In certain events of default by Eqtec plc or in case of not having sufficient share authorities in place to permit the issue of Ordinary Shares on a conversion of the Loan Notes, the Investor may elect to redeem the Loan Notes for 120 per cent. of the par value of such Loan Notes. In the event of a change of control of Eqtec plc, it may be required to redeem the Loan Notes at 110 per cent. of the par value of such Loan Notes. Eqtec plc can also elect to redeem at any time one or more Loan Notes at a price equal to 105 per cent. of the par value of such Loan Notes, subject to giving the Investor 10 business days' notice, following which the Investor will have the ability to convert some or all of these Loan Notes instead.

30. Events after the reporting period end (continued)

Update on unsecured Convertible Loan Note Facility

On 16 March 2018, Eqtec plc announced that further to the statement of 28 February 2018, the Board of Directors has decided not to proceed with any further draw down amounts under the Unsecured Convertible Loan Note Facility Agreement of up to £7.5 million ("Loan Notes").

There are no other significant events after the reporting period, which have a bearing on the understanding of the consolidated financial statements.

EBIOSS ENERGY AD

DIRECTOR'S REPORT

The Board of Directors presents its consolidated report on the activities of EBIOSS ENERGY SE (the Company) and its subsidiaries (the Group) for the year ended 2017.

Incorporation

Ebioss Energy SE (the" Company") is a joint stock company registered in Sofia, Bulgaria with UIC: 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 EBIOSS ENERGY EOOD. The financial statements as at 31 December 2017 consolidate the individual financial statements of the Company and its subsidiaries together referred to as the "Group" and individually as "Group entities".

On 1 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
Elektra 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

DIRECTOR'S REPORT

Incorporation (continued)

On 12 December 2012 Ebioss Energy OOD was 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.

In 2013 the share capital of the Company was increased from EUR 12,392 thousand to EUR 18,022 thousand. In 2014 the share capital of the Company was increased from EUR 18,022 thousand to EUR 20,918 thousand.

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 23 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 was made according to the official fixed exchange rate of the Bulgarian National Bank, where EUR 1= BGN 1,95583) and the nominal value of the shares was changed into EUR 1 each, according to the requirements of the Regulation. All the other corporate characteristics of the Company remain unchanged.

With resolution dated 30 June 2017, the ordinary General meeting of the Company resolved to delegate explicit powers to the Board of Directors of EBIOSS ENERGY SE to perform capital increase up to 34,000,000 Euro of the registered capital and to waive the pre-emptive rights of the current shareholders to subscribe shares on a pro-rata basis in case such capital increase is accomplished.

As at 31 December 2017 the share capital of Ebioss Energy SE belongs to the following shareholders:

Basic shareholders	**Relative share %**	**Number of shares**	**Total share capital in EUR'000**
Elektra Holding AD	35.11	7,344,017	7,344
Sofia Biomass EOOD	7.53	1,574,998	1,575
SunGroup Bulgaria EOOD	5.22	1,092,306	1,092
Origina Bulgaria OOD	1.85	387,794	388
Antigona Bulgaria EOOD	1.25	260,280	260
Minority shareholders	49.04	10,258,791	10,259
Total:	**100**	**20,918,186**	**20,918**

The main shareholders of Ebioss Energy SE are those who initially subscribed all the shares in the capital, upon the incorporation.

EBIOSS ENERGY AD

DIRECTOR'S REPORT

Principal activities

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

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

According to the amended Act on 6 March 2015, the companies may produce electricity with power capacity up to MW 1,5, 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 5 MW become no longer applicable. The feed-in tariff for production of electricity by way of combined cycle and indirect use of biomass of animal manure and agricultural substance for power plants with capacity up to 1,5 MW is fixed to 447,43 BGN/MWh.

On 24 July 2015, further changes in REA entered into legal force regarding the operating conditions related to renewable energy producers, which are applicable to the Company and its subsidiaries in Bulgaria.

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 Group 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 grid signed between – Karlovo Biomass EOOD and Heat Biomass EOOD and EVN Electricity Company, considering the above mentioned legislative amendments, are no longer effective.

As of 31 December 2017, 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 2 MW. The Company will also have 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 October 2018.

- **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 2 MW. The company will also have 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 and producing pallets in October 2018.

- **Plovdiv Biomass EOOD,** registered on 7 January 2011 with UIC 201385444 and with principal activity the development of thermal plant with capacity of 2 MW, 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 acquired in November 2012 a 100% owned subsidiary **Brila EOOD** which has the same principal activity: the development of a 2 MW thermal plant near the town of Plovdiv. **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 2 MW, 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 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 2 MW, 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 acquired in November 2012 a 100% owned 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 2 MW, 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.

Ebioss Energy also has the ownership of **Biomass Distribution EOOD,** registered on 12 November 2012 with UIC 201336098 and with principal activity: to provide the necessary raw materials and biomass sources to the biomass power plants of the subsidiaries of Ebioss Energy SE in Bulgaria.

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

Principal activities (continued)

the registered capital of the company Energotec Eco AD, which constitute control in accordance with IFRS. The newly incorporated company Energotec Eco AD plans to rent out a factory near the village of Kaloianovec and manufacture part of the main equipment for the biomass power plants. On the same date another entity from the Group Eqtec Iberia SL, acquired 35 shares with nominal value of BGN 100 (EUR 51.12), representing 7% of the registered capital of the company Energotec Eco AD. As at 31 December 2017 the Group has effective holding of 46.52% in Energotec Eco AD.

On 3 April 2014 according to an agreement for transfer of shares, Ebioss Energy SE 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 of 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. As of 31 March 2015, the plant of Syngas Italy in Toscana Region of 1 MW has been put into operation and started to sell electricity.

On 1 August 2014, according to the Agreement for acquisition of quotas from the capital and subsequent capital

increase, Ebioss Energy SE 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 SE for the amount of EUR 1,550 thousand. The main activity of the company is equity management of other companies. On 4 August 2014 additional 1,62% from t

the share capital of TNL SGPS LDA were acquired by Ebioss Energy SE, for the amount of EUR 50,000, 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 specialized 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 SE to TNL SGPS into supplementary capital. On 14 October 2016 TNL SGPS LDA was transformed into a public liability company and renamed to Waste Intelligent Technologies (WINTTEC). Subsequently EUR 395 thousand of the supplementary capital granted by Ebioss Energy SE was converted into registered capital of WINTTEC SGPS SA. Thus, the participation in the capital of WINTTEC SGPS SA was increased to 68%.

On 10 April 2014 with decision of the General meeting of EBIOSS ENERGY SE the nominal value of the shares of the Company was changed from EUR 2.56 to EUR 0.51. The numbers of the members of the Board of Directors was increased from 3 to 4 and Meriden Group SAU, Company registered in the Principality of Andorra with tax number (NRT) – A – 706620-E was appointed as a new member of the Board of Directors of the Company. The General meeting also took decision to delegate and issue an explicit statutory mandate of the Board of Directors of EBIOSS ENERGY SE 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 up to a total amount of EUR 20,452 thousand.

By decision of the extraordinary general meeting of Ebioss Energy SE dated 13 February 2015, a resolution was approved for the 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 BGN 60,000,000 (in words: sixty million Bulgarian 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 June 2015 the ordinary annual general meeting of Ebioss Energy SE additionally approved a

EBIOSS ENERGY AD

DIRECTOR'S REPORT

Principal activities (continued)

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 BGN 20,000,000 (in words: twenty million Bulgarian 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) 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 February 2015. On the grounds of art. 194, para. 4 of the Bulgarian Commercial Act, in conjunction with art. 215, para. 1 and art. 196, para. 3 of 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.

On 7 February 2017 Ebioss Energy SE acquired 51% of 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. The shares of the company REACT Plc were quoted for trading on the London AIM stock market and its head office is domiciled in Ireland. As a result of the acquisition and the admission of Ebioss 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). Subsequently two conversions of the loan (principal and interest) granted by Ebioss Energy SE to Eqtec Plc into equity took place in February and March 2017. At the same time additional placement of new shares was done by Eqtec plc which together with the loan conversion resulted in decrease of the shares owned by Ebioss Energy SE from 51% to 50.03%.

In May 2017 Wintec SGPS SA, Portugal acquired the remaining 50% of the shares of Citytainer Brasil Soluções Ambientais Ltda (Citytainer Brasil), a Company based in S. Paulo (Brazil) for BRL 1 (EUR 0.30) thus increasing its participation in the share capital of Citytainer Brasil from 50% to 100% and obtaining control over it and its subsidiary, Citytainer Industria Ltda.

On 2 September 2017, the general meeting of shareholders of Eqtec Iberia SL approved capital increase of EUR 121,938 issuing 20,323 new shares of EUR 6 of nominal value each, being the total capital of the company EUR 333,342, through the conversion of loans given by Ebioss Energy SE. This capital increase has been fully subscribed by Ebioss Energy SE with share premium of EUR 990,835. As a result Ebioss Energy increased its participation in Eqtec Iberia SL to 67%.

On 13 October 2017 Ebioss Energy SE acquired 100% of the registered capital of Eqtec Bulgaria EOOD, thus becoming the new sole owner of all the issued shares. The vendor under this transaction was Eqtec Iberia S.L. and the price of the shares under the signed share-transfer agreement was EUR 605 thousand. This amount was offset against the loan payable by EQTEC Iberia S.L. to Ebioss Energy SE.

On 28 December 2017 Ebioss Energy SE transferred its entire holding in Eqtec Iberia SL to Eqtec plc in exchange of 583,705,171 consideration shares from the capital of Eqtec plc.

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 1 January 2017 – 31 December 2017 the financial result of the Group is net loss in the amount of EUR 10 382 thousand from which EUR 3 137 thousand is attributable to Non-controlling interests. Net equity including Non-controlling interests of EUR 2 337 thousand is a positive value amounting to EUR 28 216 thousand. As of 31 December 2017 the earnings per share are a negative value of EUR 0,35.

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

The Company management periodically review its gearing and liquidity ratios which are indicators of financial stability.

Gearing ratio (total liabilities / total equity)

31.12.2017	31.12.2016
1,39	0,87

Liquidity ratio (current assets / current liabilities)

31.12.2017	31.12.2016
0,58	1,71

4. Events after the reporting period

Update on Syngas Italy Project

The construction of the power plant developed by Syngas Italy SRL was finalized as at 31 March 2015 at which point it started to sell electricity. However, some plant devices needed extraordinary maintenance which led to suspension of its operations. The plant has been put back in operations a few times after that point but due to unexpected technical failure of filter parts production was stopped. After a detailed check, the team of engineers found out that the persisting problem comes from error during the production process of the filter. The necessary repairs are expected to be undertaken in the first half of 2018 in order for the plant to start operations and reach full capacity in the second half of 2018.

Extra loan funding

With a resolution of the Board of Directors, dated 27 February 2018, granting of consent and provision of mandate to the Executive Director of "Ebioss Energy" SE for conclusion of loan was approved. In 2018 Ebioss Energy SE has obtained a loan of EUR 2 million and is currently negotiating (subject to an ongoing due diligence process) additional capital contributions of up to EUR 18 million with Black Toro Capital.

Ecofinance and Altair Loan Facilities

Eqtec plc announced on 19 January 2018 that it had made a partial repayment of £378,882 on its Secured Loan Facility ("SLF"), which comprises a five-year term loan of £1,000,000 at 15% per annum fixed rate of interest, with

31. Events after the reporting period end (continued)

Ecofinance GLI Limited ("Ecofinance"). The SLF, commencing in 2015, was repayable in full in July 2020. Eqtec plc, with the agreement of Ecofinance, had decided to repay £378,882 of capital and £2,958 in accrued interest to Ecofinance, earlier than scheduled, in order to reduce the cost of debt to the Group. The remaining balance of £621,118 is repayable in July 2020.

Separately, as set out in its Admission Document published on 27 November 2017, Eqtec plc had also reached agreement to further restructure its existing 7.5% £2,000,000 Convertible Secured Loan Note ("CSLN") with Altair Group Investment Limited ("Altair"). The CSLN was originally due for repayment with accrued interest on 14 July 2017. However, as set out in the Admission Document, standstill agreements were entered into by both parties in July and October 2017. As a result of the early repayment on the SLF, Altair will become the sole beneficiary of the SLF and shareholder of Ecofinance.

In accordance with those agreements, the CSLN was amended such that (i) the maturity date of the CSLN is extended to 14 July 2020 (ii) the interest rate applicable to the CSLN is varied to 15% p.a. (subject to a reduction in the interest rate for early repayment of the CSLN) and (iii) the price at which the CSLN converts has been amended to 0.585 pence per share. It was agreed that in consideration of Altair agreeing to these changes to the CSLN, after admission of EQTEC's enlarged share capital to trading on AIM following the acquisition of Eqtec Iberia SL, which occurred on 28 December 2017, Eqtec plc would grant to Altair warrants to subscribe for 105,263,158 ordinary shares exercisable at 0.975 pence per share for a period of five years and that Eqtec plc would pay Altair interest outstanding on the CSLN to July 2017 of £300,000. Eqtec plc and Altair have agreed that this interest payment will not now be paid until the earlier of the next capital raise that may be conducted by Eqtec plc or 30 April 2018.

Unsecured Convertible Loan Note Facility

On 28 February 2018, Eqtec plc announced that it has agreed an Unsecured Convertible Loan Note facility of up to £7.5 million ("Loan Notes") with one investor ("the Investor") to help accelerate the growth strategy. In addition, Eqtec plc will allocate the proceeds of the issue of the Loan Notes towards furthering its existing project portfolio, to avail of possible investment opportunities and for general working capital.

The Loan Notes will be issued to a single investor, Bercheva Opportunities Limited, in up to five tranches. Each Loan Note has a subscription price of £23,500 and will be redeemed at par value, being £25,000; five years from the date of issue (the "Maturity Date") unless converted at an earlier date. The issue of the first tranche of Loan Notes having an aggregate principal amount of £1.5 million is committed and will close later today. Eqtec plc will receive subscription proceeds of £1,350,000 for this issue and has agreed to pay an arrangement fee of 5% on this and subsequent issues.

Subsequent issues of Loan Notes will be made at the sole discretion of Eqtec plc and must be for a minimum of £1.5 million and a maximum of £2 million in principal amount of Loan Notes. Eqtec plc can elect to issue Loan Notes every 90 calendar days unless the parties agree to vary the issue date. The issue of Loan Notes will require the consent of the Investor where there has been an event of default by Eqtec plc or the closing bid price of the Ordinary Shares (as defined below) on AIM is below 1p for any five consecutive trading days.

The Loan Notes are convertible by the Investor at any time before the Maturity Date into ordinary shares of €0.001 each in the capital of Eqtec plc ("Ordinary Shares") at the lesser of: a) 125% of the closing bid-price of an Ordinary Share on AIM one trading day before the date of issue of the relevant Loan Notes being converted; and b) the lowest closing bid price of an Ordinary Share on AIM from the ten trading days immediately prior to notice of conversion being served (the "Conversion Price"). The Investor has undertaken not to dispose of any Ordinary Shares arising from a conversion of Loan Notes on any given trading day if the number of Ordinary Shares disposed would exceed the greater of: (a) 5% of the maximum nominal amount of Ordinary Shares which have been or may be issued on any conversion of Loan Notes issued under the Instrument (assuming conversion of the Loan Notes in full at the Conversion Price(s) prevailing on such trading day); and (b) 20% of the daily trading volume of

31. Events after the reporting period end (continued)

Ordinary Shares on the relevant trading day, other than in a block transaction.

Upon conversion of a Loan Note, the holder will be granted one warrant to subscribe for an Ordinary Share ("Warrant") for every two Ordinary Shares issued on conversion. The subscription price payable on the exercise of a Warrant will be the lesser of: a) £0.027 per share; or b) 125% of the Conversion Price attributable to the Loan Notes the conversion of which resulted in the grant of the Warrant. Each Warrant will be exercisable at any time prior to the fifth anniversary of the date of issue of the relevant Loan Note. The Warrants have adjustment and anti-dilution provisions in the event of certain changes to Eqtec plc's share capital and issues of Ordinary Shares at below the relevant exercise price unless the Investor has been offered a pro rata right to participate in such issue.

The Loan Notes will not bear interest. In certain events of default by Eqtec plc or in case of not having sufficient share authorities in place to permit the issue of Ordinary Shares on a conversion of the Loan Notes, the Investor may elect to redeem the Loan Notes for 120 per cent. of the par value of such Loan Notes. In the event of a change of control of Eqtec plc, it may be required to redeem the Loan Notes at 110 per cent. of the par value of such Loan Notes. Eqtec plc can also elect to redeem at any time one or more Loan Notes at a price equal to 105 per cent. of the par value of such Loan Notes, subject to giving the Investor 10 business days' notice, following which the Investor will have the ability to convert some or all of these Loan Notes instead.

Update on unsecured Convertible Loan Note Facility

On 16 March 2018, Eqtec plc announced that further to the statement of 28 February 2018, the Board of Directors has decided not to proceed with any further draw down amounts under the Unsecured Convertible Loan Note Facility Agreement of up to £7.5 million ("Loan Notes").

There are no other significant events after the reporting period, which have a bearing on the understanding of the 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.

6. Activities in the field of research and development

In 2017 EQTEC Iberia has obtained the following patents:

- "Process and reactor for gasification of organic solid materials" for Europe
- "Process for conditioning a gas stream from a gasifier, thermal cracking of tars and steam reforming and reactor used" for Europe and China.

In 2017 TNL Equipamientos Ambientales S.L. has requested the inscription of the following patents:

- "Security hinge" requested on 23.05.2017
- "System for waste management" requested on 23.05.2017
- "Volumetric sensor" requested on 23.05.2017

Development costs in progress as at 31 December 2017 represent licences, contracts, permits, designs, etc. related to development phase of the following seven projects for construction and operation of plants:

- Biomass power plant and pelletization plant of Heat Biomass EOOD
- Biomass power plant and pelletization plant of Karlovo Biomass EOOD
- Thermal plant and pelletization plant of Tvarditsa Biomass EOOD
- Thermal plant and pelletization plant of Nova Zagora Biomass EOOD
- Thermal plant and pelletization plant of Plovdiv Biomass EOOD
- Thermal plant and pelletization plant of United Biomass EOOD
- Thermal plant and pelletization plant of Tvarditsa PV EOOD

In 2016 EQTEC Iberia S.L. has obtained patent for "Process and cogeneration plant through the gasification of organic solid materials" for Spain.

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

- "Security system for underground installations for waste collection" requested on 09.08.2016
- "Underground installations for waste collection" requested on 4.09.2016

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

As of 31.12.2017 the Company own 74 008 own shares (2016: 349,947 own shares). As of 31 December 2017 own shares acquired by the Company represent 0,35% from share capital (2016: 0,85% from share capital).

8. Existence of branches of the Group companies

The Company does not have branches in 2017 and 2016.

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.

(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 GOVERNACE 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

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.

EBIOSS ENERGY AD

DIRECTOR'S REPORT

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 2017 the major shareholders in the Company are: Elektra Holding AD – 35,11%; Sofia Biomass EOOD - 7,53% and Sungroup Bulgaria EOOD – 5,22%.

- **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 EUR 50 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 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.

EBIOSS ENERGY AD

DIRECTOR'S REPORT

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 2017.

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 2017 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, 30 April 2017

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Ebioss Energy SE
Sofia

Report on the Audit of the Separate Financial Statements

Qualified Opinion

We have audited the separate financial statements of Ebioss Energy SE (the Company), which comprise the separate statement of financial position as at 31 December 2017 and the sepatare statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 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 EU and Bulgarian legislation.

Basis for Qualified Opinion

As disclosed in note 23 to the separate financial statements as of 31 December 2017, the construction of the power plant developed by the subsidiary Syngas Italy SRL was finalized as at 31 March 2015 at which point it started to sell electricity. However, some plant devices needed extraordinary maintenance which led to suspension of its operations. The plant has been put back into operations a few times since 2015, but due to unexpected technical failure of filter parts production was stopped. After a detailed check, the team of engineers found out that the persisting problem comes from an error during the production process of the filter. The necessary repairs are expected to be undertaken in the first half of 2018 in order for the plant to start operations and reach full capacity in the second half of 2018. There is a risk that if the power plant is not running continuously, the investment in the subsidiary Syngas Italy SRL with carrying amount of EUR 650 thousand and loans granted to this subsidiary of EUR 3 675 thousand might be overstated. We were unable to obtain sufficient appropriate audit evidence to ascertain the recoverability of the carrying amount of these amounts based on the current circumstance described above. We are unable to determine whether any further adjustments are necessary.

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 Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the separate financial statements, which indicates that the management believes that the current and future planned activities of the Company as well as the funds secured will unable the Company to continue its operations and settle its obligations in the ordinary course of business, without sale of assets and change of its operating activities. Having considered the business plans, management have a reasonable expectation that Ebioss Energy SE has adequate resources to continue in operational existence for the foreseeable future. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "Basis for Qualified Opinion" section we have determined the matters described below to be the key audit matters to be communicated in our report.

Investment in subsidiaries	
Note 9 to the separate financial statements	
Key audit matter	**How this matter was addressed during the audit**
As of 31.12.2017 the investments in subsidiaries of Ebioss Energy SE amounted to EUR 24 105 thousand. We focused on management's estimates of the existence of indications of impairment of the value of investments in subsidiaries and the need to prepare impairment tests due to the materiality of investments in subsidiaries that represent 47% of the total assets of the Company as at 31.12.2017 and due to the significant assumptions needed to make these judgments.	During our audit, our audit procedures included, but were not limited to: - assessments of the appropriateness of key assumptions about the existence of impairment indications, including based on the current financial performance of the subsidiaries; - analysis of management's judgment and analysis of the existence of indications of impairment; - assessing the adequacy of the disclosures in the financial statements, including disclosures of the underlying assumptions and judgments about investments in subsidiaries.

Emphasis of matter

We draw attention to Note 9 in the separate financial statement, which states that investments in subsidiaries have been initially recognized at cost. The recoverable amount of these investments was confirmed by expert assessments as of December 31, 2017. The assumptions used in these estimates are related to the going concern principle, which depends on the continued financial support of the owners and the successful realization of the projects. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who expressed a modified opinion on those statements on 28 April 2017.

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

Management is responsible for the other information. The other information comprises the annual management report, including the corporate governance statement, prepared in accordance with Bulgarian 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. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We reached the conclusion that the other information is materially misstated with regard to the financial information and the related disclosures in the management report due to the effect of the matter described in section "Basis for qualified opinion" above.

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Separate Financial Statements and Auditor's Report Thereon", regarding annual management report, including the corporate governance statement, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria -

Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act and Article 100m, paragraph (10) in relation to Article 100m, paragraph (8), subparagraphs (3) and (4) of Bulgarian Public Offering of Securities Act.

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

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

(a) the information in the management report is consistent with the separate financial statements for the same reporting period, on which we have issued qualified opinion in the section "Report on the Audit of the Separate Financial Statements" above;

(b) the management report is prepared in accordance with the applicable legal requirements;

(c) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the management report, except for the effect of the matter described in section "Information Other than the Separate Financial Statements and Auditor's Report Thereon" of "Report on the Audit of the Separate Financial Statements";

(d) the corporate governance statement for the financial year contains the required information in accordance with the applicable legal requirements, including Article 100m, paragraph (8) of Bulgarian Public Offering of Securities Act;

Statement Pursuant to Article 100m, Paragraph (10) of Bulgarian Public Offering of Securities Act

Based on the procedures performed and our knowledge of the Company and the environment in which it operates, in our opinion, there is no material misstatement in the description of the main characteristics of the internal control system and of the risk management system of the Company in connection with the financial reporting process and also in the information pursuant to Article 10, paragraph 1, items "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, which are included in the corporate governance statement, being a component of the annual management report.

Additional reporting concerning the audit of financial statements in connection with Article 100m, paragraph (4), subparagraph (3) of Bulgarian Public Offering of Securities Act

– *Statement on Article 100m, paragraph 4, subparagraph (3), item "b" of Public Offering of Securities Act*

Related party transactions are disclosed in note 12 to the separate financial statements. Based on the performed audit procedures on related party transactions as part of our audit of financial statements as a whole, no facts, circumstances or other information have come to our attention that caused us to conclude that the related party transactions are not disclosed in the accompanying financial statements for the year ended on 31 December 2017, in all material respects, in accordance with the requirements of IAS 24 „Related Party Disclosures". The results of our audit procedures on related party transactions were taken into consideration for the purposes of issuing an auditor's opinion on the financial statements as a whole, not for issuing a separate opinion only on related party transactions.

– *Statement on Article 100m, paragraph (4), subparagraph 3, item "c" of Public Offering of Securities Act*

Our responsibilities for audit of the financial statements as a whole, described in our report in section „Responsibilities of the Auditor for the Audit of Separate Financial Statements", include assessment whether the financial statements present fairly the significant transactions and events. Based on the performed audit procedures on the significant transactions, which are fundamental to the financial statements for the year ended on 31 December 2017, no facts, circumstances or other information have come to our attention that caused us to conclude that there are instances of unfair presentation and disclosure in accordance with the requirements of IFRS, as adopted by the European Union. The results of our audit procedures on the significant transactions and events of the Company, which are material to the financial statements, were taken into consideration for the purposes of issuing an auditor's opinion on the financial statements as a whole, not for issuing a separate opinion only on the significant transactions.

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

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

- Grant Thornton OOD was appointed as statutory auditor of the separate financial statements of Ebioss Energy for the year ended on 31 December 2017 by the general meeting of shareholders, held on 30 June 2017, for a period of one year.

- The audit of the separate financial statements of the Company for the year ended on 31 December 2017 has been made for first consecutive year.
- In support of our audit opinion, we have provided a description of the most significant assessed risks of material misstatement, a summary of the auditor's response and where relevant, key observations arising with respect to those risks in the section „Key audit matters“ of this report.
- We confirm that our audit opinion is consistent with the additional report to the audit committee, which was provided in accordance with Article 60 of Bulgarian Independent Financial Audit Act.
- We declare that prohibited non-audit services referred to in Article 64 of Bulgarian Independent Financial Audit Act were not provided.
- We confirm that we remained independent of the Company in conducting the audit.
- For the period for which we were engaged as statutory auditors, we have not provided any other services to the Company and its controlled undertakings in addition to the statutory audit.

Mariy Apostolov
Managing partner
Registered auditor responsible for the audit

Grant Thornton Ltd.
Audit firm

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

30 April 2018
Bulgaria, Sofia

EBIOSS ENERGY SE

SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2017

EBIOSS ENERGY SE

SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2017

CONTENTS **PAGE**

DIRECTORS AND OTHER OFFICERS

Executive Directors

Jose Oscar Leiva Mendez
Luis Sanchez Angrill

Registered seat

49 Bulgaria Blvd.
Floor 11-12
Sofia 1404

Address for correspondence

49 Bulgaria Blvd.
Floor 11-12
Sofia 1404

Legal Consultant

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

Bank

UniCredit Bulbank AD, Bulgaria
United Bulgarian Bank, Bulgaria
Raiffeisen Bank, Bulgaria
BNP Paribas Securities Services, Spain
Gestion de Patrimonios Mobiliarios Sociedad de Valores, S.A., Spain
Banco de Sabadell S.A., Spain
Banco Popular Portugal S.A.
Banco Bilbao Vizcaya Argentaria S.A., Spain

Auditor

Grant Thornton OOD
26 Cherni Vruh Blvd.
Sofia 1421
Bulgaria

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Note	2017 EUR'000	2016 EUR'000
Revenue from services	3	246	246
Depreciation and amortization	9,10	(25)	(27)
Expenses for hired services	4	(363)	(321)
Employee benefit expenses	5	(582)	(609)
Other expenses	6	(835)	(537)
Result from operating activities		(1,559)	(1,248)
Finance income	7	1,055	945
Finance cost	7	(1,217)	(798)
Net finance income/ (expense)		(162)	147
Loss before income tax		(1,721)	(1,101)
Income tax income	18	140	86
Loss for the period		**(1,581)**	**(1,015)**
Total comprehensive loss for the period		**(1,581)**	**(1,015)**
Basic loss per share (in EUR)	15	**(0.076)**	**(0.049)**

On 30.03.2018 the Board of Directors of EBIOSS ENERGY SE authorised these financial statements for issue.

Executive Director:
Jose Oscar Leiva Mendez

Prepared by:
Evelina Vladimirova

Audited according to the audit report dated 30.04.2018

Grant Thornton Ltd., Audit firm
Mariy Apostolov, Managing partner
Registered auditor responsible for the audit

SEPARATE STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 December 2017 EUR'000	31 December 2016 EUR'000
Non-current assets			
Investment in subsidiaries	8	24,105	16,316
Loans provided to related parties	12.1	18,432	17,595
Deferred tax asset	18	306	166
Property, plant and equipment	9	73	93
Intangible assets	10	2	3
Total non-current assets		**42,918**	**34,173**
Current assets			
Loans provided to related parties	12.1	8,023	6,450
Trade and other receivables	13	619	5,891
Cash and cash equivalents	11	37	203
Deferred expenses		-	90
Loans provided to third parties	12.2	-	900
Total current assets		**8,679**	**13,534**
Total assets		**51,597**	**47,707**
EQUITY AND LIABILITIES			
Equity			
Share capital	14.1	20,918	20,918
Share premium		15,662	15,700
Reserve for own shares	14.2	(74)	(179)
Accumulated loss		(3,343)	(1,762)
Total equity		**33,163**	**34,677**
Non-current liabilities			
Loans and borrowings	16	15,855	12,289
Total non-current liabilities		**15,855**	**12,289**
Current liabilities			
Loans and borrowings	16	1,993	527
Trade and other payables	17	462	204
Trade and other payables to related parties	20.2	124	10
Total current liabilities		**2,579**	**741**
Total liabilities		**19,703**	**13,030**
Total equity and liabilities		**51,597**	**47,707**

On 30.03.2018 the Board of Directors of EBIOSS ENERGY SE authorised these separate financial statements for issue.

ЕБИОС ЕНЕРДЖИ ЕД София

EBIOSS ENERGY SE Sofia

Executive Director:
Jose Oscar Leiva Mendez

Prepared by:
Evelina Vladimirova

Audited according to the audit report dated 30.04.2018

Одиторско дружество София Рег. № 032 Грант Торнтон ООД

Grant Thornton Ltd., Audit firm
Mariy Apostolov, Managing partner
Registered auditor responsible for the audit

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 2017	**20,918**	**15,700**	**(179)**	**(1,762)**	**34,677**
Total comprehensive loss					
Loss for the year	-	-	-	(1,581)	**(1,581)**
Total comprehensive loss	-	-	-	(1,581)	**(1,581)**
Transactions with owners of the Company					
Own shares acquired	-	(469)	(1,521)	-	**(1,990)**
Own shares sold	-	431	1,626	-	**2,057**
Total transactions with owners of the Company	-	(38)	105	-	**67**
Balance at 31 December 2017	**20,918**	**15,662**	**(74)**	**(3,343)**	**33,163**

	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 2016	**20,918**	**15,934**	**(41)**	**(747)**	**36,064**
Total comprehensive loss					
Loss for the year	-	-	-	(1,015)	**(1,015)**
Total comprehensive loss	-	-	-	(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**

On 30.03.2018 the Board of Directors of EBIOSS ENERGY SE authorised these separate financial statements for issue.

ЕБИОС ЕНЕРДЖИ ЕД
София
EBIOSS ENERGY SE
Sofia

Executive Director:
Jose Oscar Leiva Mendez

Prepared by:
Evelina Vladimirova

Audited according to the audit report dated

Grant Thornton Ltd., Audit firm
Mariy Apostolov, Managing partner
Registered auditor responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

The notes set out on pages 6 – 41 are an integral part of these separate financial statements.

EBIOSS ENERGY SE

SEPARATE STATEMENT OF CASH FLOWS
For the year ended 31 December

	Note	2017 EUR'000	2016 EUR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period before tax		**(1,721)**	**(1,101)**
Adjustment for:			
Depreciation expense		25	27
Loss on sale of PPE		-	3
Interest expense		1,181	763
Interest income		(1,017)	(920)
Loans remitted		59	-
Other financial expenses		36	28
Net exchange rate (gains)/losses		(38)	7
Investment income		-	(25)
		(1,475)	(1,218)
Changes in working capital:			
Trade and other payables		380	(712)
Trade and other receivables		139	8
Deferred expenses		90	(82)
Cash used in operating activities		(866)	(2,004)
Interest received		50	-
Interest paid		(551)	(499)
Other financial expenses paid		(36)	(28)
Exchange rates gains realized		(8)	(7)
Net cash used in operating activities		**(1,411)**	**(2,538)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans provided to related parties		(3,564)	(4,627)
Repaid loans from related parties		309	1,444
Loans provided to third parties		-	(859)
Acquisition of property, plant and equipment		-	(12)
Proceeds from sales of investments		-	525
Net cash used in investing activities		**(3,255)**	**(3,529)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of corporate bonds		3,852	5,500
Payments related to issue of corporate bonds		(275)	(174)
Proceeds from loans from related parties		859	406
Repayment of loans from related parties		(292)	(279)
Proceeds from loans from third parties		37	-
Proceeds from bank loans		304	-
Repayment of bank loans		(33)	-
Proceeds from sale of own shares		2,057	1,866
Repurchase of own shares		(1,990)	(2,238)
Payment of finance lease liabilities		(19)	(15)
Net cash from financing activities		**4,500**	**5,066**
Net decrease in cash and cash equivalents		(166)	(1,001)
Cash and cash equivalents at 1 January		203	1,204
Cash and cash equivalents at 31 December	11	**37**	**203**

On 30.03.2018 the Board of Directors of EBIOSS ENERGY SE authorised these separate financial statements for issue.

Executive Director:
Jose Oscar Leiva Mendez

Prepared by:
Evelina Vladimirova

Audited according to the audit report dated:

Grant Thornton Ltd., Audit firm
Mariy Apostolov, Managing partner
Registered auditor responsible for the audit

ЕБИОС ЕНЕРДЖИ ЕД
София
EBIOSS ENERGY SE
Sofia

Одиторско дружество
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

The notes set out on pages 6 – 41 are an integral part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Incorporation and principal activities

Incorporation

EBIOSS ENERGY SE (the Company) is a joint stock company registered in Sofia, Bulgaria with UIC: 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 EBIOSS ENERGY EOOD.

On 1 October 2012 EBIOSS ENERGY EOOD was transformed into EBIOSS ENERGY OOD and on the same date the share capital was increased from EUR 102 (BGN 200) to EUR 12,391,414 (BGN 24,235,500), comprising 2,423,550 shares of a nominal value of EUR 5.11 (BGN 10) each, divided between the following shareholders:

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

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Incorporation and principal activities (continued)

Incorporation (continued)

On 12 December 2012 EBIOSS ENERGY OOD was 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.

In 2013 the share capital of the Company was increased from EUR 12,392 thousand to EUR 18,022. In 2014 the share capital of the Company was increased from EUR 18,022 thousand to EUR 20,918 thousand.

By decision of the extraordinary general meeting of the shareholders of Ebioss Energy AD, held on 13 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 23 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= BGN 1.95583) and the nominal value of the shares was changed into 1 EUR each, according to the rules of the Regulation. All the other corporate characteristics of the company remained unchanged.

As at 31 December 2017 the share capital of Ebioss Energy SE is owned by the following shareholders:

Shareholders	Relative share %	Number of shares	Total share capital in EUR'000
Elektra Holding AD	35.11	7,344,017	7,344
Sofia Biomass EOOD	7.53	1,574,998	1,575
SunGroup Bulgaria EOOD	5.22	1,092,306	1,092
Origina Bulgaria OOD	1.85	387,794	388
Antigona Bulgaria EOOD	1.25	260,280	260
Basic shareholders	**50.96**	**10,659,395**	**10,659**
Minority shareholders	**49.04**	**10,258,791**	**10,259**
Total:	**100**	**20,918,186**	**20,918**

The basic shareholders of the company are those who initially subscribed all the shares in the capital, upon its incorporation. The minority shareholders are mainly 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.

Principal activities

The principal activity of the Company is management of projects in the field of biomass gasification power plants, production of pellets and waste collection systems.

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

According to the amended Act on 6 March 2015, the companies may produce electricity with power capacity up to 1,5MW, 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 were no longer applicable.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Incorporation and principal activities (continued)

Principal activities (continued)

The feed-in tariff for production of electricity by way of combined cycle and indirect use of biomass of animal manure and agricultural substance for power plants with capacity up to 1,5MW is fixed to BGN 447.43 per 1MWh.

On 24 July 2015, further changes in the REA entered into legal force regarding the operating conditions for renewable energy producers, which are applicable to the Company. According to the amended REA, the feed-in tariffs and the preferential prices for electricity take-off, being produced from biomass electrical plants with power output up to 1,5MW, 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 breading 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. As a result of the changes in legislation, the contracts for connection to the national electricity grid signed between Karlovo Biomass EOOD and Heat Biomass EOOD and EVN Bulgaria Electrorazpredelenie EAD are no longer effective.

As of 31 December 2017, the projects under development in Bulgaria are carried out by the following subsidiaries:

- **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 have 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 October 2018.

- **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 have 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 and producing pellets in October 2018.

- **Plovdiv Biomass EOOD,** registered on 7 January 2011 with UIC 201385444 and with principal activity 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. In November 2012 Plovdiv Biomass acquired 100% of the subsidiary **Brila EOOD** which had the same principal activity: the development of a 2MW thermal plant near the town of Plovdiv.

- **Nova Zagora Biomass EOOD,** registered on 7 January 2011 with UIC 201385519 and with principal activity 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Incorporation and principal activities (continued)

Principal activities (continued)

- **Tvardica Biomass EOOD,** registered on 7 January 2011 with UIC 201384926 and with principal activity 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 acquired in November 2012 100% of the subsidiary **Tvardica PV EOOD,** which has the same principal activity: the development of a 2MW thermal plant near the town of Tvarditza.

- **United Biomass EOOD,** registered on 6 January 2011 with UIC 201384562 and with principal activity 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 SE 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 foundation, the company has implemented over 60 plant projects of production of electricity and / or heat, with capacities ranging from 60 kW to 10,000 kW. The company has developed and currently works on projects in Spain, Portugal, India, France, Germany, Italy and Bulgaria.

In December 2013 Ebioss Energy SE 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. Energotec Eco AD plans to rent out a factory near the 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 SE acquired 100% of the shares of Sorgenia Bioenergy S.P.A in Italy, which was renamed 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 March 2015 the plant Syngas Italy in Toscana Region for 1MW was put into operation and started selling electricity.

On 10 April 2014 with decision of the General meeting of EBIOSS ENERGY SE the nominal value of the shares of the Company was changed from EUR 2.56 to EUR 0.51. The numbers of the members of the Board of Directors was increased from 3 to 4 and Meriden Group SAU, Company registered in the Principality of Andorra with tax number (NRT) – A – 706620-E was appointed as a new member of the Board of Directors of the Company. The General meeting also took decision to delegate and issue an explicit statutory mandate of the Board of Directors of EBIOSS ENERGY SE 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 up to a total amount of EUR 20,452 thousand.

NOTES TO THE SEPARATE 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 SE 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 SE for the amount of EUR 1,550 thousand. The main activity of the company is equity management in other companies. On 4 August 2014 additional 1,62% from share capital of TNL SGPS LDA were acquired by Ebioss Energy SE 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 SE to TNL SGPS into supplementary capital. On the same day, it was decided to convert EUR 840 thousand loan granted by 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 (WINTTEC). On the same day share capital of Waste Intelligent Technologies SGPS SA (WINTTEC) was increased with EUR 470 thousand. Ebioss Energy SE subscribed new shares for the amount of EUR 395 thousand through conversion of supplementary capital into registered capital of WINTTEC SGPS SA. The rest of the shares at the amount of EUR 75 thousand were subscribed by the shareholder Nuno Lopez. Thus, the participation of Ebioss Energy in the capital of WINTTEC SGPS SA was increased to 68%.

On 7 February 2017 Ebioss Energy SE acquired 51% of 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. 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 result 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).

By decision of the extraordinary General Meeting of Ebioss Energy SE dated 13 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 BGN 60 million or its equivalent in Euro, according to the official fixed exchange rate of Bulgarian National Bank, with term for issuance of the emission up to 3 years and term for repayment up to 10 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 June 2015 the Ordinary Annual General meeting of Ebioss Energy SE 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 BGN 20 million or its equivalent in Euro, according to the official fixed exchange rate of Bulgarian National Bank, with term for issuance of the emission up to 3 years and term for repayment up to 10 years as from the date of placement of the respective emission. The emission of the convertible bonds, specified in this resolution, is part of the overall approved amount of debt instruments, which the General meeting of "Ebioss Energy" SE adopted for issuance, as per Minutes of the General meeting dated 13 February 2015. On the grounds of art. 194, para. 4, in conjunction with art. 215, para. 1 and art. 196, para. 3 of Bulgarian Commercial Act, the General meeting delegated to the Board of Directors explicitly to waive the pre-emptive rights of the current shareholders of Ebioss Energy SE in respect to acquisition part of the emission convertible bonds, which corresponds to their share-stake in the capital of the Company.

In May 2017 WINTTEC SGPS SA, Portugal acquired the remaining 50% of the shares of Citytainer Brasil Soluções Ambientais Ltda (Citytainer Brasil), a Company based in S. Paulo (Brazil) for BRL 1 (EUR 0.30) thus increasing its participation in the share capital of Citytainer Brasil from 50% to 100% and obtaining control over it and its subsidiary, Citytainer Industria Ltda.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

These separate financial statements have been prepared in accordance with IFRS as adopted by EU.

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 also prepared consolidated financial statements in accordance with IFRS as adopted by EU. The consolidated financial statements can be obtained from Ebioss Energy SE at their registered office in Sofia, 49 Bulgaria Blvd.

Users of these separate financial statements of the parent company should read them together with the consolidated financial statements of the Company and its subsidiaries as at and for the period ended 31 December 2017 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 Ebioss Energy SE as at 31 December 2017 have been prepared on the basis of the going concern concept.

The management believes that the current and future planned activities of the Company as well as the funds secured will enable the Company to continue its operations and settle its obligations in the ordinary course of business, without sale of assets and change of its operating activities.

In the beginning of 2018 Ebioss Energy SE, obtained a loan of EUR 2 million. The Management is currently negotiating (subject to an ongoing due diligence process) additional capital contributions of up to EUR 18 million with Black Toro Capital. The Group has also introduced optimization policy which will lead to lower operating costs and other elements of the working capital. It is expected that these measures will improve the liquidity position of the Group.

Based on the funds that will be attracted through the capital increase and also the revenue from the 2 projects in the UK signed as well as the existing contracts of WINTTEC GROUP signed in the 1st quarter of 2018, the Management believes that the funds are adequate to finance the future activities of the Ebioss Energy SE. Based on the business plans and financial forecasts of Ebioss Energy SE, repayment of the facilities will occur as required.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Going concern basis of accounting (continued)

The Board of directors have prepared business plans based on their best estimation of the cash flows of the Company in the short and medium term. Such forecasts inherently contain management judgments and estimates in respect of future trading conditions, the timing of receipts and payments and other relevant matters. The main management judgments, estimates and assumptions used in the prepared business plans are that the management will be successful in the planned capital increase.

Having considered the business plans, the directors have a reasonable expectation that Ebioss Energy SE has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the separate financial statements.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement at 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.

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.

(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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Revenue recognition

(i) Goods sold

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

(ii) Services

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

Finance income and finance costs

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

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

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

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

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Tax (continued)

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Impairment is accrued, if applicable, on the basis of the review for impairment.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognized in profit or loss as incurred.

Amortization

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

Other intangible assets	7 years

Investments in subsidiaries

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

Financial instruments

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

(i) Non-derivative financial assets

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

Loans and receivables

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

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Financial instruments (continued)

(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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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. The Company's obligation in respect of this defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and that amount is discounted. The calculation is performed based on the projected unit credit method.

The Company determines the net interest expense on the net defined benefit liability for the period by applying a market discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

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

(iii) Short-term employee benefits

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

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

(iv) Share-based payment transactions

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

2. Accounting policies (continued)

Provisions

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

Impairment

(i) Non-financial assets

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

(ii) Financial assets

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

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

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

2. Accounting policies (continued)

(iii) Lease payments (continued)

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.

Non-current liabilities

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

New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Company has not early adopted the following new or amended standards in preparing these financial statements.

(a) Estimated impact of the adoption of IFRS 9 and IFRS 15

The Company is required to adopt IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. The Company has assessed the estimated the impact that the initial application of IFRS 9 and IFRS 15 will have on its financial statements and no material impact is expected.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

(i) Sales of goods

For the sale of goods, revenue is currently recognized at the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

The Company's activity rarely involves sales of goods and therefore, significant impact is not expected.

(ii) Rendering of services

The Company is involved in rendering services, mainly to other related parties. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognised using the stage-of-completion method.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Company sells the services in separate transactions.

The Company has performed an initial comparison of the fair value and the stand-alone selling prices of the services. Since these amounts are broadly similar, the Company does not expect significant differences in the timing of revenue recognition for the services.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

2. Accounting policies (continued)

New standards and interpretations not yet adopted (continued)

(b) IFRS 15 *Revenue from Contracts with Customers*

(iii) Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

Since the Company is not a party on any construction contracts. No impact from the application of IFRS 15 is expected.

(iv) Transition

The Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018).

The Company however expects no impact even though a detailed assessment is still being performed.

(c) IFRS 9 *Financial Instruments*

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Company does not expect IFRS 9 to have material impact on the financial statements. The classification and measurement of the Company's financial instruments are not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial instruments that it holds.

(d) IFRS 16 *Leases*

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Company has started an initial assessment of the potential impact on its financial statements.

(e) Other standards

The following new or amended standards are not expected to have a significant impact on the Company's financial statements.

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

- Annual Improvements to IFRS 2014-2016 Cycle

- Amendments to IAS 40 Transfers of Investment Property

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

2. Accounting policies (continued)

New standards and interpretations not yet adopted (continued)

(e) Other standards (continued)

- *Amendments to IFRS 9: Prepayment Features with Negative Compensation*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*

Standards and interpretations not yet endorsed by the EC

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

(a) IFRS 17 *Insurance Contracts*

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the separate financial statements of the Company because the Company does not issue insurance or reinsurance contracts, does not hold reinsurance contracts and does not issue investment contracts with discretionary participation features.

(b) Other amendments

The following changes are not expected to have a significant impact on the Company's separate financial statements.

- *IFRIC 23 Uncertainty over Income Tax Treatments*
- *Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to IFRS 2015-2017 Cycle*
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*
- *Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture*
- *Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)*

3. Revenue from services

	2017 EUR'000	2016 EUR'000
Revenue from services	246	246
	246	246

The recognised revenue is related to contracts for consultancy services, concluded with Karlovo Biomass EOOD, Biomass Distribution EOOD, Heat Biomass EOOD and Syngas Italy Srl (see also note 20.5).

4. Expenses for hired services

	2017 EUR'000	2016 EUR'000
Consultancy fees	148	99
Advertising and exhibits	49	58
Office rent	46	47
Equipment dismantling	36	-
Audit services	31	32
Other	53	85
	363	321

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

5. Employee benefit expenses

	2017 EUR'000	2016 EUR'000
Wages and salaries	528	549
Social security contributions	50	50
Accrued expenses for unused paid leave	4	10
	582	609

6. Other expenses

	2017 EUR'000	2016 EUR'000
Stock exchange and investors related expenses	379	177
Loans written off	59	-
Vehicles related	42	59
Entertainment costs	25	39
Business trip related and other expenses	330	262
	835	537

7. Finance income and costs

	2017 EUR'000	2016 EUR'000
Interest income	1,017	920
Investment income	-	25
Net FX gains	38	-
	1,055	945
Interest expense	(1,181)	(763)
Net FX loss	-	(7)
Bank expenses	(36)	(28)
Finance costs	(1,217)	(798)
Net finance income/(expense) recognized in profit or loss	(162)	147

8. Investment in subsidiaries

	31.12.2017 EUR'000	31.12.2016 EUR'000
Balance at 1 January	16,316	15,218
New investments	9,467	1,098
Disposal of investments (Eqtec Iberia SL)	(1,678)	-
Balance at the end of the period	24,105	16,316

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 by the owners, measured at fair value by certified licensed apraisers as at the date of the in-kind contribution, based on discounted estimated future net cash flows to be generated by the companies. Their values are dependent on the estimated timing of completion of the Biomass Power Plants and commencement of electricity production.

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

8. Investment in subsidiaries (continued)

On 3 April 2014, according to agreement for transfer of shares Ebioss Energy SE 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 SE acquired 51% of the capital of TNL SGPS LDA, Portuguese company for the total amount of EUR 1,550 thousand. On 4 August 2014 Ebioss Energy SE acquired in addition 1,62% for 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 SE 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 (WINTTEC). Subsequently EUR 395 thousand of the supplementary capital granted by Ebioss Energy was converted into registered capital of WINTTEC SGPS SA. Thus, the participation in the capital of WINTTEC SGPS SA was increased to 68%.

On the 7 February 2017 Ebioss Energy SE 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. 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). Subsequently two conversions of the loan (principal and interest) granted by Ebioss Energy SE to Eqtec Plc into equity took place in February and March 2017. At the same time additional placement of new shares was done by Eqtec plc which together with the loan conversion resulted in decrease of the share owned by Ebioss Energy SE from 51% to 50.03%.

On 2 September 2017, the general meeting of shareholders of Eqtec Iberia SL approved capital increase of EUR 121,938 issuing 20,323 new shares of EUR 6 of nominal value each, being the total capital of the company EUR 333,342, through the conversion of loans given by Ebioss Energy SE. This capital increase has been fully subscribed by Ebioss Energy SE with share premium of EUR 990,835. As a result, Ebioss Energy increased its participation in Eqtec Iberia SL to 67%.

On 13 October 2017 Ebioss Energy SE acquired 100% of the registered capital of Eqtec Bulgaria EOOD, thus becoming the new sole owner of all the issued shares. The vendor under this transaction was Eqtec Iberia S.L. and the price of the shares under the signed share-transfer agreement was EUR 605 thousand. This amount was offset against the loan payable by EQTEC Iberia S.L. to Ebioss Energy SE.

On 28 December 2017 Ebioss Energy SE transferred its entire holding in Eqtec Iberia SL to Eqtec plc in exchange of 583,705,171 consideration shares from the capital of Eqtec plc. Prior to this transaction Ebioss Energy SE owned 67% of the capital of Eqtec Iberia SL (Spain) carried at cost at EUR 1,678 thousand and 50.03% of the capital of Eqtec plc (Ireland) carried at cost at EUR 6,071 thousand. By signing the share purchase agreement Ebioss Energy SE transferred its entire holding in Eqtec Iberia SL to Eqtec plc in exchange of 583,705,171 consideration shares from the capital of Eqtec plc. At the same time Eqtec plc also acquired the remaining 33% of Eqtec Iberia SL from Inava Ingenieria de Analisis SL (Spain) against an allotment of 250,159,360 consideration shares from the capital of Eqtec plc. In addition to the transaction described above, Eqtec plc has raised extra capital by issue of 246,153,847 ordinary shares and has issued 80,769,231 conversion shares. Thus after completion of the reverse takeover and as at 31 December 2017 Ebioss Energy SE owned 50.25% of Eqtec plc while Eqtec plc held 100% of Eqtec Iberia SL.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

8. Investment in subsidiaries (continued)

The investment in subsidiaries as at 31 December 2017 and 31 December 2016 are presented below:

Subsidiary	Country of incorporation	% ownership 31.12.2017	Investment amount in EUR'000 31.12.2017	% ownership 31.12.2016	Investment amount in EUR '000 31.12.2016
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
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
WINTTEC SGPS SA (former TNL SGPS)	Portugal	68%	2,698	68%	2,698
Eqtec Plc (former React Energy)	Ireland	50.25%	7,749	-	-
Eqtec Bulgaria EOOD	Bulgaria	100%	605	-	-
Total investment			**24,105**		**16,316**

All shares from the investment in Karlovo Biomass OOD are pledged in favour of United Bulgarian Bank AD in relation to loan contract dated 2 June 2014 between Karlovo Biomass EOOD as a borrower, United Bulgarian Bank AD as a lender and Ebioss Energy SE as a joint debtor for the amount of EUR 5,600 thousand. As at 31 December 2017 the principal to be repaid by Karlovo Biomass OOD to United Bulgarian Bank AD amounts to EUR 4,052 thousand.

9. Property, plant and equipment

	Computers and equipment EUR'000	Vehicles EUR'000	Total EUR'000
Cost			
Balance at 1 January 2016	11	119	130
Additions	4	8	12
Disposals	-	(3)	(3)
Balance at 31 December 2016	15	124	139
Balance at 1 January 2017	15	124	139
Additions	4	-	4
Balance at 31 December 2017	19	124	143
Depreciation			
Balance at 1 January 2016	5	15	20
Charge for the year	6	20	26
Balance at 31 December 2016	11	35	46
Charge for the year	3	21	24
Balance at 31 December 2017	14	56	70
Carrying amounts			
At 1 January 2016	6	104	110
At 31 December 2016	4	89	93
At 31 December 2017	5	68	73

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

10. Intangible assets

	Software EUR'000
Cost	
Balance at 1 January 2016	6
Balance at 31 December 2016	6
Balance at 31 December 2017	6
Amortisation and impairment losses	
Balance at 1 January 2016	2
Charge for the year	1
Balance at 31 December 2016	3
Charge for the year	1
Balance at 31 December 2017	4
Carrying amounts	
At 1 January 2016	4
At 31 December 2016	3
At 31 December 2017	2

11. Cash and cash equivalents

	31.12.2017 EUR'000	31.12.2016 EUR'000
Cash at bank	27	179
Cash in hand	10	24
Cash and cash equivalents	**37**	**203**

Cash and cash equivalents are denominated in following currencies:	31.12.2017 EUR'000	31.12.2016 EUR'000
BGN	-	167
EUR	37	36
	37	**203**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

12.1 Loans provided to related parties

	Currency EUR	Annual interest 4/5%	Amount EUR'000	Maturity
Balance at 1 January 2017			24,045	
New proceeds:				
- Eqtec Iberia S.L.			1,131	31.12.2017
- Eqtec Iberia S.L. (cession agreement)			15	31.12.2017
- TNL SL			531	31.12.2018
- Karlovo Biomass EOOD			526	31.12.2019
- Syngas Italy S.R.L.			272	31.12.2018
- Syngas Italy S.R.L. - cession agreement			197	31.12.2018
- Biomass Distribution EOOD			312	31.12.2019
- Biomass Distribution EOOD - cession agreement			147	31.12.2019
- WINTTEC SGPS SA			439	31.12.2018
- TNL SA			186	31.12.2018
- Heat Biomass EOOD			74	31.12.2019
- Company employees			19	31.12.2018
- United Biomass EOOD			2	31.12.2019
- Eqtec Bulgaria EOOD			2	31.12.2021
- Plovdiv Biomass EOOD			1	31.12.2019
- Nova Zagora Biomass EOOD			1	31.12.2019
Reclassified from loans to related parties following the acquisition of React Plc group				
- Newry Biomass - principal			57	
- Newry Biomass - interest			2	
Loans repaid:				
- Eqtec Iberia S.L. - debt converted to capital			(1,113)	
- Eqtec Iberia S.L. – offset against payables			(605)	
- Eqtec Iberia S.L. – cession agreements			(344)	
- Biomass Distribution EOOD			(174)	
- TNL SL			(80)	
- Karlovo Biomass EOOD			(38)	
- Karlovo Biomass EOOD - cession agreement			(15)	
- Heat Biomass EOOD			(14)	
- United Biomass EOOD			(1)	
- Nova Zagora Biomass EOOD			(1)	
- Eqtec Bulgaria EOOD			(1)	
Loans off-set against remunerations payable				
- Company employees			(9)	
- Directors			(6)	
Loans remitted:				
- Newry Biomass - principal			(57)	
- Newry Biomass - interest			(2)	
Loan interest accrued:				
- Karlovo Biomass EOOD			404	
- Biomass Distribution EOOD			204	
- Syngas Italy S.R.L.			126	
- Heat Biomass EOOD			105	
- Eqtec Iberia S.L.			51	
- TNL SL			27	
- TNL SA			16	
- WINTTEC SGPS SA (former TNL SGPS)			16	
- United Biomass EOOD			2	
- Brila EOOD			1	
-TNL World EOOD			1	
- Tvardica Biomass EOOD			1	
- Nova Zagora Biomass EOOD			1	
- Plovdiv Biomass EOOD			1	
Balance at 31 December 2017			**26,455**	

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

12.1 Loans provided to related parties (continued)

Balance at 31 December 2017 EUR'000	Total	Up to 1 year	1-2 years	2-5 years
Loans	26,455	8,023	18,428	4
	26,455	8,023	18,428	4

During 2017, the following agreements for offsetting of receivables and payables (referred to as "cession agreements" in the table above) were concluded:

- On 21 September 2017 an agreement was concluded between Ebioss Energy SE, Syngas Italy SRL and Eqtec Iberia SL where Eqtec Iberia SL transferred its receivables from Syngas Italy SRL, amounting to EUR 197 thousand, to Ebioss Energy SE. Based on the cession made Ebioss Energy SE and Eqtec Iberia SL set off their corresponding obligations, thus decreasing the outstanding amount lent by Ebioss Energy SL to Eqtec Iberia SL with EUR 197 thousand;
- On 22 September 2017 an agreement was concluded between Ebioss Energy SE, Biomass Distribution EOOD and Eqtec Iberia SL where Eqtec Iberia SL transferred its receivables from Biomass Distribution EOOD, amounting to EUR 147 thousand, to Ebioss Energy SE. Based on the cession made Ebioss Energy SE and Eqtec Iberia SL set off their corresponding obligations, thus decreasing the outstanding amount lent by Ebioss Energy SL to Eqtec Iberia SL with EUR 147 thousand;
- On 25 September 2017 an agreement was concluded between Ebioss Energy SE, Karlovo Biomass EOOD and Eqtec Iberia SL where Karlovo Biomass EOOD transferred its receivables from Eqtec Iberia SL, amounting to EUR 15 thousand, to Ebioss Energy SE. Based on the cession made Ebioss Energy SE and Karlovo Biomass EOOD set off their corresponding obligations, thus decreasing the outstanding amount lent by Ebioss Energy SL to Karlovo Biomass EOOD with EUR 15 thousand;
- On 13 October 2017 an Agreement for offsetting of payables and receivables for the amount of EUR 605 thousand was concluded between Ebioss Energy SE and Eqtec Iberia SL where Eqtec Iberia SL had an obligation towards Ebioss Energy SE under a loan agreements and Ebioss Energy SE had an obligation towards Eqtec Iberia SL for the purchase of the holding of Eqtec Iberia SL in Eqtec Bulgaria EOOD.

	Currency EUR	Annual interest 4/5%	Amount EUR'000	Maturity
Balance at 1 January 2016			25,086	
New proceeds:				
- Karlovo Biomass EOOD			1,619	31.12.2018
- Eqtec Iberia SL			860	30.04.2017
- WINTTEC SGPS SA (former TNL SGPS SA) (cession agreement)			647	31.12.2017
- Syngas Italy S.R.L.			608	31.12.2017
- Biomass Distribution EOOD			485	31.12.2018
- TNL SA			362	31.12.2017
- Heat Biomass EOOD			354	31.12.2018
- TNL SL			325	31.12.2017
- TNL SL (cession agreement)			17	31.12.2017
- WINTTEC SGPS SA (former TNL SGPS SA)			5	31.12.2017
- Company employee			5	10.05.2017
- Plovdiv Biomass EOOD			1	31.12.2018
- Brila EOOD			1	31.12.2018
- Tvardica Biomass EOOD			1	31.12.2018
- United Biomass EOOD			1	31.12.2018

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

12.1 Loans provided to related parties (continued)

Loans repaid:	
- Karlovo Biomass EOOD – amount off-set	(4,005)
- TNL SGPS – debt converted to capital	(1,098)
- Karlovo Biomass EOOD	(1,079)
- TNL SL (cession agreement)	(419)
- Heat Biomass EOOD	(311)
- TNL SA (cession agreement)	(228)
- Biomass Distribution EOOD	(37)
- Winntec World SL, Spain (former Addom SL) (cession agreement)	(17)
- Company employees	(8)
- Directors	(6)
- Plovdiv Biomass EOOD	(1)
- Brila EOOD	(1)
Loan interest accrued:	
- Karlovo Biomass EOOD	416
- Biomass Distribution EOOD	185
- Syngas Italy S.R.L.	106
- Heat Biomass EOOD	103
- WINTTEC SGPS SA (former TNL SGPS SA)	32
- TNL SL	15
- WINTTEC SA (former TNL SGPS SA) (cession agreement)	13
- Eqtec Iberia	9
- TNL SA	6
- Nova Zagora Biomass EOOD	2
- United Biomass EOOD	1
- Plovdiv Biomass EOOD	1
- TNL World	1
- Tvardica Biomass EOOD	1
- Brila EOOD	1
- Winntec World SL, Spain (former Addom SL) (cession agreement)	(1)
- TNL SA (cession agreement)	(3)
- TNL SL (cession agreement)	(10)
Balance at 31 December 2016	**24,045**

Balance at 31 December 2016	**Total**	**Up to 1 year**	**1-2 years**
EUR'000			
Loans	24,045	6,450	17,595
	24,045	6,450	17,595

During 2016, the following cession agreements were concluded:

- On 24 May 2016 an Agreement for substitution of a party under a corporate loan was signed between Ebioss Energy SE ("Lender"), Winntec World SL, Spain (former Addom SL) ("Borrower") and TNL SL ("Substituent") where Ebioss Energy SE and TNL SL agreed that TNL SL would undertake the obligations of Winntec World SL, Spain (former Addom SL) 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 SE ("Lender"), TNL SL ("Borrower") and TNL SGPS ("Substituent") where 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;

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

12.1 Loans provided to related parties (continued)

- On 2 June 2016 an Agreement for substitution of a party under a corporate loan was signed between Ebioss Energy SE ("Lender"), TNL SA ("Borrower") and TNL SGPS ("Substituent") where 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.

12.2 Loans provided to third parties

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:		
- Interest accrued - React Energy	41	
Balance at 31 December 2016	**900**	
New proceeds:		
- Eqtec Plc (previous React Energy)	68	
- Eqtec Plc (previous React Energy) – debt converted to capital	(870)	
Loan interest:		
- Interest accrued - React Energy	10	
- Interest accrued – Newry Biomass	2	
- Interest converted to capital- React Energy	(51)	
Reclassified as loans to related parties		
- Outstanding principal – Newry Biomass	(57)	
-Outstanding interest – Newry Biomass	(2)	
Balance at 31 December 2017	-	

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.

On 20 February 2017 and 9 March 2017, the following conversions of the loan (principal and interest) granted by Ebioss Energy SE to Eqtec Plc into equity took place respectively:

- EUR 585 thousand - principal;
- EUR 336 thousand – split as follows: EUR 285 thousands principal and EUR 51 thousands interest

At the same time additional placement of new shares has been done by Eqtec plc which together with the loan conversion resulted in decrease of the share owned by Ebioss Energy SE from 51% to 50.03%.

Following the acquisition of the Eqtec plc group (Eqtec Plc and its subsidiaries, including Newry Biomass), the loans outstanding are reclassified as "Loans to related parties". Subsequently Ebioss Energy SE granted forgiveness on the loan receivables from Newy Biomass.

13. Trade and other receivables

	Note	31.12.2017 EUR'000	31.12.2016 EUR'000
Trade receivables		-	5,150
Trade receivables due from related parties	20.6	239	123
Prepaid amounts to suppliers		15	50
Receivables from employees		25	172
Refundable VAT		125	128
Other receivables		215	268
		619	5,891

On 7 February 2017 trade receivable from Eqtec Plc (former React Energy) amounting to EUR 5,150 thousand was converted into equity resulting in acquisition of the majority of the shares of Eqtec Plc by Ebioss Energy SE.

The trade and other receivables are not considered overdue or impaired.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

14. Capital and capital reserves

14.1. Ordinary shares

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

As at 31 December 2016 the Company has issued 40,912,416 ordinary shares with a nominal value of EUR 0.51 (BGN 1) each.

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 23 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 was 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 EUR 1 each, according to the rules of the Regulation. Thus as at 31 December 2017 the capital of the Company is denominated in EUR and amounts to EUR 20,918,186.

14.2. Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Company.

As at 31 December 2017 the Company held 74,008 own shares with nominal value EUR 1 at total amount of EUR 74 thousand.

As at 31 December 2016 the Company held 349,947 own shares with nominal value EUR 0.51 (BGN 1) at total amount of EUR 179 thousand.

15. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2017 was based on the loss attributable to ordinary shareholders of EUR 1,581 thousand (31 December 2016: loss of EUR 1,015 thousand), and a weighted average number of ordinary shares outstanding of 20,704 thousand (31 December 2016: 20,762 thousand), calculated as follows:

(i) Loss attributable to ordinary shareholders (basic)

In thousands of EUR	**31.12.2017**	**31.12.2016**
Loss for the year	(1,581)	(1,015)
Loss attributable to ordinary shareholders	(1,581)	(1,015)

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

In thousands of shares	**31.12.2017**	**31.12.2016 Adjusted**	**31.12.2016**
Issued ordinary shares at 1 January	40,912	20,918	40,912
Reverse share split	(19,994)	-	-
Effect from repurchased own shares	(214)	(156)	(306)
Weighted average number of ordinary shares at 31 December	20,704	20,762	40,606
Earnings per share (EUR)	(0.076)	(0.049)	(0.025)

For comparability purposes retrospective adjustment of the comparison period EPS was made. The prior period value of EPS is adjusted to take into consideration the reverse share split which took place in 2017 – a transaction that resulted in adjustment of the number of shares without a corresponding change in resources.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

16. 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 19.

In thousands of EUR		31.12.2017	31.12.2016
Non-current liabilities			
Unsecured corporate bonds issues	(a)	15,786	12,254
Bank loans	(d)	55	-
Finance lease liabilities	(b)	14	35
		15,855	12,289
Current liabilities			
Unsecured corporate bonds issues	(a)	986	373
Loans payable to related parties	(c)	731	135
Overdraft		154	-
Bank loans	(d)	62	-
Finance lease liabilities	(b)	23	19
Loans payable to third parties		37	-
		1,993	527

(a) Corporate bonds issue

In thousands of EUR	
Carrying amount of liability at 1 January 2016	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
Proceeds from issue of bonds	3,852
Transaction costs	(275)
Net proceeds	3,577
Accrued interest	1,156
Paid interest	(542)
Revaluation of GBP bonds as at 31 December 2017	(46)
Carrying amount of liability at 31 December 2017	16,772

On 14 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 20 April 2021 and maturity dates of the coupon payments shall be as follows: 20 April 2017, 20 April 2018, 20 April 2019, 20 April 2020 and 20 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: 20 April 2017, 20 April 2018, 20 April 2019, 20 April 2020 and 20 April 2021.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

16. Loans and borrowings (continued)

(a) Corporate bonds issue (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 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 24 February 2017, 16 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 GBP 100 thousand each. Maturity date of the principal payment shall be 24 February 2022 and maturity dates of the coupon payments shall be as follows: 24 February 2018, 24 February 2019, 24 February 2020, 24 February 2021 and 24 February 2022.

On 2 June 2017, 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 2 June 2022 and maturity dates of the coupon payments shall be as follows: 2 June 2018, 2 June 2019, 2 June 2020, 2 June 2021 and 2 June 2022.

(b) Finance lease

Finance lease liabilities as at 31 December 2017 are payable as follows:

In thousands of EUR	**Future minimum lease payments**	**Future interest payments 4.15%**	**Principal**
Less than one year	26	3	23
Between one and two years	15	1	14
Total	41	4	37

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

In thousands of EUR	**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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

16. Loans and borrowings (continued)

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

In thousands of EUR	
Carrying amount of liability at 1 January 2016	-
Proceeds	406
Repayments	(279)
Net proceeds	127
Accrued interest (4%)	8
Carrying amount of liability at 31 December 2016/1 January 2017	135
Proceeds	859
Payments made directly by Elektra Holding AD on behalf of Ebioss Energy SE	13
Repayments	(292)
Net proceeds	580
Accrued interest (4%)	16
Carrying amount of liability at 31 December 2017	731

The loan granted by Elektra Holding AD is due for repayment till 31 December 2018.

(d) Bank loans

On 23 January 2017 the Company was granted a bank loan for the amount of EUR 150,000. The interest rate on the loan is 2.65% and the loan shall be fully repaid till 23 January 2020. Repayment instalments are due monthly following a schedule agreed between the parties upon concluding the contract.

(e) Reconciliation of movements of liabilities to cash flows arising from financing activities

In thousands of EUR	Convertible notes	Loans payable to related parties	Bank loans and overdrafts	Finance lease liabilities	Other loans	Total
Balance at 1 January 2017	12,627	135	-	54	-	12,816
Changes from financing cash flows						
Proceeds from issue of convertible notes	3,852	-	-	-	-	3,852
Proceeds from loans and borrowings	-	859	304		37	1,200
Transaction costs related to loans and borrowings	(275)	-	-	-	-	(275)
Repayment of borrowings	-	(292)	(33)	-	-	(325)
Payment of financial lease liabilities	-	-	-	(19)	-	(19)
Total changes from financing cash flows	3,577	567	271	(19)	37	4,433
The effect of changes in foreign exchange rates	(46)	-	-	-	-	(46)
Other changes						
Liability related						
New finance lease	-	-	-	2	-	2
Payments made on behalf of the borrower	-	13	-	-	-	13
Interest expense	1,156	16	4	5	-	1,181
Interest paid	(542)	-	(4)	(5)	-	(551)
Total liability related other changes	614	29	-	2	-	645
Balance at 31 December 2017	16,772	731	271	37	37	17,848

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

17. Trade and other payables

Trade payables	**31.12.2017 EUR'000**	**31.12.2016 EUR'000**
Payables to suppliers	257	135
	257	135
Other payables		
Payables to employees	106	-
Tax and contributions liabilities	58	9
Accruals for unused paid leave	37	35
Payables in regards to bonds issue	4	25
Others	-	-
	205	69
Trade and other payables	462	204

18. Taxation

Income tax recognised in profit or loss	**2017 EUR'000**	**2016 EUR'000**
Deferred tax benefit	140	86
Income tax benefit for the year	140	86

Reconciliation of the effective income tax rate:	**2017 EUR'000**	**2016 EUR'000**
Loss for the year	(1,581)	(1,015)
Total income tax benefit	140	86
Loss excluding income tax	(1,721)	(1,101)
Income tax (expense)/ benefit at the statutory income tax rate of 10%	172	110
Non-deductible expenses	(32)	(23)
Unrecognised deferred tax asset	-	(1)
Income tax benefit	140	86
Effective tax rate	12%	8%

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

18. Taxation (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 EUR'000	**2016 EUR'000**	**2017 EUR'000**	**2016 EUR'000**	**2017 EUR'000**	**2016 EUR'000**
Tax loss carry-forwards	299	166	-	-	299	166
Other temporary differences	7	-	-	-	7	-
Tax assets	306	166	-	-	306	166

Movement in deferred tax balances

In thousands of EUR	**Balance 1 January 2016**	**Recognized in profit or loss**	**Balance 31 December 2016**	**Recognized in profit or loss**	**Balance 31 December 2017**
Tax loss carry-forwards	80	86	166	133	299
Other temporary differences	-	-	-	7	7
	80	86	166	140	306

19. Financial instruments

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

(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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

19. Financial instruments (continued)

Risk management framework (continued)

(a) Credit risk (continued)

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	31.12.2017 EUR'000	31.12.2016 EUR'000
Loans provided to related parties	20.1	26,455	24,045
Loans provided to third parties	12.2	-	900
Trade receivables	13	-	5,150
Trade receivables from related parties	20.6	239	123
Bank balances (cash on hand excluded)	11	27	179
		26,721	30,397

At 31 December the Company has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 31 December, analysed by the length of time past due, are:

	31.12.2017 EUR'000	31.12.2016 EUR'000
More than 6 months but not more than 1 year	60	-
More than 1 year	64	-
Total	124	-

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a small number of customers in single industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

(b) Liquidity risk

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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2017:

In thousands of EUR		Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years
Non-derivative financial liabilities						
Corporate bonds issued	16	(16,772)	(20,945)	(1,422)	(1,142)	(18,381)
Loans payable to related parties	16	(731)	(759)	(759)	-	-
Bank loans and overdrafts	16	(271)	(278)	(222)	(52)	(4)
Trade and other payables to suppliers	17	(254)	(254)	(254)	-	-
Other payables to related parties	20.2	(70)	(70)	(70)	-	-
Finance lease liabilities	16	(37)	(41)	(26)	(15)	-
Loans payable to third parties	16	(37)	(38)	(38)	-	-
		(18,172)	(22,385)	(2,791)	(1,209)	(18,385)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

19. Financial instruments (continued)

Risk management framework (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:

In thousands of EUR		Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years
Non-derivative financial liabilities						
Corporate bonds issued	16	(12,627)	(16,332)	(822)	(875)	(14,635)
Finance lease liabilities	16	(54)	(63)	(24)	(24)	(15)
Trade and other payables to related parties	20.2	(10)	(10)	(10)	-	-
Loans payable to related parties	16	(135)	(140)	(140)	-	-
Trade and other payables to suppliers	17	(160)	(160)	(160)	-	-
		(12,986)	(16,705)	(1,156)	(899)	(14,650)

(c) Market risk

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

Currency risk

As at the reporting date the currency risk is considered as insignificant as major part of Company's transactions in foreign currency are denominated in euro, and the Bulgarian Lev is pegged to the euro. The Company's management does not believe that the peg will change within the next 12 months and therefore no sensitivity analysis has been performed.

Interest rate risk

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

Profile

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

	Nominal amount	
In thousands of EUR	**31.12.2017**	**31.12.2016**
Fixed rate instruments		
Financial assets	23,495	22,826
Financial liabilities	(17,372)	(12,681)
	6,123	10,145

The Company has no variable rate instruments as at 31 December 2017 and 31 December 2016.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

19. Financial instruments (continued)

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.

20. Related party transactions and balances

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

Related parties are as follows:

Related party	Relationship
Elektra Holding AD	Parent of EBIOSS ENERGY SE
Heat Biomass EOOD	subsidiary, 100% owned by EBIOSS ENERGY SE
Karlovo Biomass EOOD	subsidiary, 100% owned by EBIOSS ENERGY SE
Plovdiv Biomass EOOD	subsidiary, 100% owned by EBIOSS ENERGY SE
Tvardica Biomass EOOD	subsidiary, 100% owned by EBIOSS ENERGY SE
Tvardica PV EOOD	subsidiary, 100% owned by Tvardica Biomass EOOD
United Biomass EOOD	subsidiary, 100% owned by EBIOSS ENERGY SE
Nova Zagora Biomass EOOD	subsidiary, 100% owned by EBIOSS ENERGY SE
Biomass Distribution EOOD	subsidiary, 100% owned by EBIOSS ENERGY SE
EQTEC Iberia S.L., Spain	subsidiary, 100% owned and controlled by Eqtec plc (since 28.12.2017)
Eqtec Bulgaria EOOD	subsidiary, 100% owned by EBIOSS ENERGY SE
Energotec Eco AD	subsidiary, 43% owned and controlled by EBIOSS ENERGY SE
Brila EOOD	subsidiary, 100% owned by Plovdiv Biomass EOOD
Syngas Italy S.R.L.	subsidiary, 100% owned by EBIOSS ENERGY SE
WINTTEC SGPS SA (former TNL SGPS), Portugal	subsidiary, 52.62% owned and controlled by EBIOSS ENERGY SE
TNL SA, Portugal	subsidiary,100% owned and controlled by WINTTEC SGPS SA
Hirdant, Portugal	subsidiary,100% owned and controlled by WINTTEC SGPS SA
Winntec World SL, Spain (former Addom SL))	subsidiary,100% owned and controlled by WINTTEC SGPS SA
TNL SL, Spain	subsidiary, 80% owned and controlled by WINTTEC SGPS SA
TNL World EOOD, Bulgaria	subsidiary,100% owned and controlled by WINTTEC SGPS SA
EQTEC plc (former REACT Energy plc), Ireland	subsidiary, 50.25% owned and controlled by Ebioss Energy (since 7.02.2017)
Newry Biomass No. 1 Limited, Ireland	subsidiary,100% owned and controlled by Eqtec plc (since 7.02.2017)
React Biomass Limited, Ireland	subsidiary,100% owned and controlled by Eqtec plc (since 7.02.2017)
Reforce Energy Limited, Ireland	subsidiary,100% owned and controlled by Eqtec plc (since 7.02.2017)
Pluckanes Windfarm Limited, Ireland	subsidiary,100% owned and controlled by Eqtec plc (since 7.02.2017)
Grass Door Limited, UK	subsidiary,100% owned and controlled by Eqtec plc (since 7.02.2017)
Newry Biomass Limited, Northern Ireland	subsidiary,50.02 % owned and controlled by Eqtec plc (since 7.02.2017)
Enfield Biomass Limited, UK	subsidiary,100% owned and controlled by Eqtec plc (since 7.02.2017)
Moneygorm Wind Turbine Limited, Ireland	subsidiary,100% owned and controlled by Eqtec plc (since 7.02.2017)
Eqtec No. 1 Limited, Ireland	subsidiary,100% owned and controlled by Eqtec plc (since 7.02.2017)
Plymouth Biomass Limited, UK	subsidiary,100% owned and controlled by Eqtec plc (since 7.02.2017)
Clay Cross Biomass Limited, UK	subsidiary,90% owned and controlled by Eqtec plc (since 7.02.2017)
Altilow Wind Turbine Limited, Ireland	subsidiary,100% owned and controlled by Eqtec plc (since 7.02.2017)
Citytainer Brasil, Brasil	Subsidiary of WINTTEC SGPS SA (since 30 April 2017)
Citytainer Industria, Brasil	Subsidiary 100% owned and controlled by Citytainer Brasil
Inava Ingeiyieria De Analisis SL	under common control
Ortiz Elektra AD	under common control
Biomass Gorno EOOD	under common control
Luxur PV EOOD	under common control
Bul PV EOOD	under common control
Bul Biomass EOOD	under common control
Luxur Biomass OOD	under common control
Smolyan Biomass EOOD	under common control
Titan Power OOD	under common control
Eko El Invest	under common control

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

20. Related party transactions and balances (continued)

Directors

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

The remuneration accrued in favour of the key management personnel for 2017 amounts to EUR 127 thousand (2016: EUR 126 thousand).

20.1 Loans provided to related parties

	31.12.2017 EUR'000	31.12.2016 EUR'000
Heat Biomass EOOD		
- principal	2,688	2,628
- interest	358	253
Karlovo Biomass EOOD		
- principal	10,357	9,884
- interest	1,568	1,164
United Biomass EOOD		
- principal	37	36
- interest	7	5
Nova Zagora Biomass EOOD		
- principal	24	24
- interest	4	3
Tvardica Biomass EOOD		
- principal	20	20
- interest	4	3
Plovdiv Biomass EOOD		
- principal	26	25
- interest	5	4
Tvardica PV EOOD		
- principal	9	9
- interest	1	1
Biomass Distribution		
- principal	5,236	4,951
- interest	561	357
Brila EOOD		
- principal	18	18
- interest	4	3
Syngas Italy S.R.L.		
- principal	3,358	2,889
- interest	317	191
WINTTEC SGPS SA		
- principal	530	91
- interest	89	73
TNL SL		
- principal	729	278
- interest	42	15
TNL SA		
- principal	403	217
- interest	21	5
TNL Word		
- principal	13	13
- interest	2	1
Eqtec Iberia		
- principal	-	860
- interest	4	9
Eqtec Bulgaria		
- principal	1	-

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

20. Related party transactions and balances (continued)

20.1 Loans provided to related parties (continued)

	31.12.2017 EUR'000	31.12.2016 EUR'000
Company employees		
- principal	19	9
Directors		
- principal	-	6
	26,455	24,045

20.2 Other payables to related parties

	31.12.2017 EUR'000	31.12.2016 EUR'000
Jose Oscar Leiva Mendez	44	-
Eqtec plc	60	-
Elektra Holding AD	10	10
Other	10	-
	124	10

20.3 Loans received from related parties

The amount under a loan facility granted by Elektra Holding AD to Ebioss Energy SE as at 31 December 2017 comes to EUR 731 thousand (31 December 2016: EUR 135 thousand). (See also note 16).

20.4 Services received from related parties

	2017 EUR'000	2016 EUR'000
Eqtec Bulgaria EOOD – transportation of equipment	-	3
Eqtec Iberia SL - transportation of equipment	-	7
	-	10

20.5 Services provided to related parties

	2017 EUR'000	2016 EUR'000
Karlovo Biomass EOOD	62	61
Biomass Distribution EOOD	62	62
Heat Biomass EOOD	61	61
Syngas Italy S.r.l.	61	62
	246	246

20.6 Trade receivables from related parties

	31.12.2017 EUR'000	31.12.2016 EUR'000
Syngas Italy S.r.l.	123	61
Biomass Distribution EOOD	43	25
Jose Oscar Leiva Mendez	42	-
Heat Biomass EOOD	19	12
Karlovo Biomass EOOD	12	25
	239	123

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

21. Commitments and contingent liabilities

Ebioss Energy SE, Heat Biomass EOOD and Biomass Distribution EOOD are joint debtors in relation to a Loan contract dated 02.06.2014 between Karlovo Biomass EOOD and United Bulgarian Bank AD as well as under Annex 1 dated 1 September 2016 to the said contract up to the moment of repayment of the whole amount under the loan contract. As at 31 December 2017 (31 December 2016) the outstanding principal to this loan is EUR 4,052 thousand (EUR 4,341 thousand).

22. Events after the reporting period

Update on Syngas Italy Project

The construction of the power plant developed by Syngas Italy SRL was finalized as at 31 March 2015 at which point it started to sell electricity. However, some plant devices needed extraordinary maintenance which led to suspension of its operations. The plant has been put back in operations a few times after that point but due to unexpected technical failure of filter parts production was stopped. After a detailed check, the team of engineers found out that the persisting problem comes from error during the production process of the filter. The necessary repairs are expected to be undertaken in the first half of 2018 in order for the plant to start operations and reach full capacity in the second half of 2018.

Extra loan funding

With a resolution of the Board of Directors, dated 27 February 2018, granting of consent and provision of mandate to the Executive Director of "Ebioss Energy" SE for conclusion of a loan was approved. In 2018 Ebioss Energy SE has obtained a loan of EUR 2 million and is currently negotiating (subject to an ongoing due diligence process) additional capital contributions of up to EUR 18 million with Black Toro Capital.

There are no other significant events after the reporting period, which have a bearing on the understanding of the separate financial statements.

EBIOSS ENERGY SE

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 2017

The Board of Directors presents their separate report on activities of EBIOSS ENERGY SE (the Company) for the year ended 2017.

Incorporation

Ebioss Energy SE (the" Company") is a joint stock company registered in Sofia, Bulgaria with UIC: 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 EBIOSS ENERGY EOOD. The financial statements as at 31 December 2017 consolidate the individual financial statements of the Company and its subsidiaries together referred to as the "Group" and individually as "Group entities".

On 1 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
Elektra 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 SE

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 2017

Incorporation (continued)

On 12 December 2012 Ebioss Energy OOD was 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.

In 2013 the share capital of the Company was increased from EUR 12,392 thousand to EUR 18,022 thousand. In 2014 the share capital of the Company was increased from EUR 18,022 thousand to EUR 20,918 thousand.

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 23 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 was made according to the official fixed exchange rate of the Bulgarian National Bank, where EUR 1= BGN 1,95583) and the nominal value of the shares was changed into EUR 1 each, according to the requirements of the Regulation. All the other corporate characteristics of the Company remain unchanged.

With resolution dated 30 June 2017, the ordinary General meeting of the Company resolved to delegate explicit powers to the Board of Directors of EBIOSS ENERGY SE to perform capital increase up to 34,000,000 Euro of the registered capital and to waive the pre-emptive rights of the current shareholders to subscribe shares on a pro-rata basis in case such capital increase is accomplished.

As at 31 December 2017 the share capital of Ebioss Energy SE belongs to the following shareholders:

Basic shareholders	Relative share %	Number of shares	Total share capital in EUR'000
Elektra Holding AD	35.11	7,344,017	7,344
Sofia Biomass EOOD	7.53	1,574,998	1,575
SunGroup Bulgaria EOOD	5.22	1,092,306	1,092
Origina Bulgaria OOD	1.85	387,794	388
Antigona Bulgaria EOOD	1.25	260,280	260
Minority shareholders	49.04	10,258,791	10,259
Total:	**100**	**20,918,186**	**20,918**

The main shareholders of Ebioss Energy SE are those who initially subscribed all the shares in the capital, upon the incorporation.

EBIOSS ENERGY SE

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 2017

Principal activities

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

Due to amendments in the Renewable Energy Act (REA) that entered into force in 2015 in Bulgaria the projects have been modified. According to the amended Act on 6 March 2015, the companies may produce electricity with power capacity up to MW 1,5, 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 5 MW become no longer applicable. The feed-in tariff for production of electricity by way of combined cycle and indirect use of biomass of animal manure and agricultural substance for power plants with capacity up to 1,5 MW is fixed to 447,43 BGN/MWh.

On 24 July 2015, further changes in REA entered into legal force regarding the operating conditions related to renewable energy producers, which are applicable to the Company and its subsidiaries in Bulgaria.

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 Group 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 grid signed between – Karlovo Biomass EOOD and Heat Biomass EOOD and EVN Electricity Company, considering the above mentioned legislative amendments, are no longer effective.

As of 31 December 2017, 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 2 MW. The Company will also have 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 October 2018.

- **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 2 MW. The company will also have 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 and producing pallets in October 2018.

- **Plovdiv Biomass EOOD,** registered on 7 January 2011 with UIC 201385444 and with principal activity the development of thermal plant with capacity of 2 MW, 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 acquired in November 2012 a 100% owned subsidiary **Brila EOOD** which has the same principal activity: the development of a 2 MW thermal plant near the town of Plovdiv.

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 2 MW, 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 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 2 MW, 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 acquired in November 2012 a 100% owned 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 2 MW, 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.

Ebioss Energy also has the ownership of **Biomass Distribution EOOD,** registered on 12 November 2012 with UIC 201336098 and with principal activity: to provide the necessary raw materials and biomass sources to the biomass power plants of the subsidiaries of Ebioss Energy SE in Bulgaria.

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

In 2013 Ebioss Energy SE 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 in accordance with IFRS. The newly incorporated company Energotec Eco AD plans to rent out a factory near the village of Kaloianovec and manufacture part of the main equipment for the biomass power plants. On the same date another entity from the Group Eqtec Iberia SL, acquired 35 shares with nominal value of BGN 100 (EUR 51.12), representing 7% of the registered capital of the company Energotec Eco AD. As at 31 December 2017 the Group has effective holding of 46.52% in Energotec Eco AD.

On 3 April 2014 according to an agreement for transfer of shares, Ebioss Energy SE 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 of 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. As of 31 March 2015, the plant of Syngas Italy in Toscana Region of 1 MW has been put into operation and started to sell electricity.

On 1 August 2014, according to the Agreement for acquisition of quotas from the capital and subsequent capital increase, Ebioss Energy SE 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

Principal activities (continued)

EUR 7,550,000. The Company's shares were acquired by Ebioss Energy SE for the amount of EUR 1,550 thousand. The main activity of the company is equity management of other companies. On 4 August 2014 additional 1,62% from the share capital of TNL SGPS LDA were acquired by Ebioss Energy SE, for the amount of EUR 50,000, 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 specialized 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 SE to TNL SGPS into supplementary capital. On 14 October 2016 TNL SGPS LDA was transformed into a public liability company and renamed to Waste Intelligent Technologies (WINTTEC). Subsequently EUR 395 thousand of the supplementary capital granted by Ebioss Energy SE was converted into registered capital of WINTTEC SGPS SA. Thus, the participation in the capital of WINTTEC SGPS SA was increased to 68%.

On 10 April 2014 with decision of the General meeting of EBIOSS ENERGY SE the nominal value of the shares of the Company was changed from EUR 2.56 to EUR 0.51. The numbers of the members of the Board of Directors was increased from 3 to 4 and Meriden Group SAU, Company registered in the Principality of Andorra with tax number (NRT) – A – 706620-E was appointed as a new member of the Board of Directors of the Company. The General meeting also took decision to delegate and issue an explicit statutory mandate of the Board of Directors of EBIOSS ENERGY SE 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 up to a total amount of EUR 20,452 thousand.

By decision of the extraordinary general meeting of Ebioss Energy SE dated 13 February 2015, a resolution was approved for the 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 BGN 60,000,000 (in words: sixty million Bulgarian 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 June 2015 the ordinary annual general meeting of Ebioss Energy SE 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 BGN 20,000,000 (in words: twenty million Bulgarian 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) 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 February 2015. On the grounds of art. 194, para. 4 of the Bulgarian Commercial Act, in conjunction with art. 215, para. 1 and art. 196, para. 3 of 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 SE

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 2017

Principal activities (continued)

On 7 February 2017 Ebioss Energy SE acquired 51% of 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. The shares of the company REACT Plc were quoted for trading on the London AIM stock market and its head office is domiciled in Ireland. As a result of the acquisition and the admission of Ebioss 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). Subsequently two conversions of the loan (principal and interest) granted by Ebioss Energy SE to Eqtec Plc into equity took place in February and March 2017. At the same time additional placement of new shares was done by Eqtec plc which together with the loan conversion resulted in decrease of the shares owned by Ebioss Energy SE from 51% to 50.03%.

In May 2017 Wintec SGPS SA, Portugal acquired the remaining 50% of the shares of Citytainer Brasil Soluções Ambientais Ltda (Citytainer Brasil), a Company based in S. Paulo (Brazil) for BRL 1 (EUR 0.30) thus increasing its participation in the share capital of Citytainer Brasil from 50% to 100% and obtaining control over it and its subsidiary, Citytainer Industria Ltda.

On 2 September 2017, the general meeting of shareholders of Eqtec Iberia SL approved capital increase of EUR 121,938 issuing 20,323 new shares of EUR 6 of nominal value each, being the total capital of the company EUR 333,342, through the conversion of loans given by Ebioss Energy SE. This capital increase has been fully subscribed by Ebioss Energy SE with share premium of EUR 990,835. As a result Ebioss Energy increased its participation in Eqtec Iberia SL to 67%.

On 13 October 2017 Ebioss Energy SE acquired 100% of the registered capital of Eqtec Bulgaria EOOD, thus becoming the new sole owner of all the issued shares. The vendor under this transaction was Eqtec Iberia S.L. and the price of the shares under the signed share-transfer agreement was EUR 605 thousand. This amount was offset against the loan payable by EQTEC Iberia S.L. to Ebioss Energy SE.

On 28 December 2017 Ebioss Energy SE transferred its entire holding in Eqtec Iberia SL to Eqtec plc in exchange of 583,705,171 consideration shares from the capital of Eqtec plc.

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 1 January – 31 December 2017 the financial result of the Company is net loss in the amount of EUR 1 581 thousand and the net equity is a positive value amounting to EUR 33 163 thousand. As of 31 December 2017 the earnings per share are a negative value of EUR 0,076.

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

The Company management periodically reviews its gearing and liquidity ratios which are indicators of financial stability.

Gearing ratio (total liabilities / total equity)

31.12.2017	31.12.2016
0,59	0,38

Liquidity ratio (current assets / current liabilities)

31.12.2017	31.12.2016
3,37	18,26

4. Events after the reporting period

Update on Syngas Italy Project

The construction of the power plant developed by Syngas Italy SRL was finalized as at 31 March 2015 at which point it started to sell electricity. However, some plant devices needed extraordinary maintenance which led to suspension of its operations. The plant has been put back in operations a few times after that point but due to unexpected technical failure of filter parts production was stopped. After a detailed check, the team of engineers found out that the persisting problem comes from error during the production process of the filter. The necessary repairs are expected to be undertaken in the first half of 2018 in order for the plant to start operations and reach full capacity in the second half of 2018.

Extra loan funding

With a resolution of the Board of Directors, dated 27 February 2018, granting of consent and provision of mandate to the Executive Director of "Ebioss Energy" SE for conclusion of a loan was approved. In 2018 Ebioss Energy SE has obtained a loan of EUR 2 million and is currently negotiating (subject to an ongoing due diligence process) additional capital contributions of up to EUR 18 million with Black Toro Capital.

There are no other significant events after the reporting period, which have a bearing on the understanding of the 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.

6. Activities in the field of research and development

The company was not involved in research and development activities for the period 1 January – 31 December 2017 and in 2016.

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

As of 31.12.2017 the Company own 74 008 own shares (2016: 349,947 own shares). As of 31 December 2017 own shares acquired by the Company represent 0,35% from share capital (2016: 0,85% from share capital).

8. Existence of branches of the Company

The Company does not have branches in 2017 and 2016.

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.

SEPARATE REPORT ON ACTIVITIES FOR THE YEAR ENDED 2017

9. Company`s financial risk management objectives and policies (continued)

(a) Credit risk

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

(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.

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 GOVERNACE 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.

2. System of internal control and management of risks (continued)

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.

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 2017 the major shareholders in the Company are: Elektra Holding AD – 35,11%; Sofia Biomass EOOD - 7,53% and Sungroup Bulgaria EOOD – 5,22%.

- **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 EUR 50 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.

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 2017.

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 2017 Managing Directors are Jose Oscar Leiva Mendez and Luis Sanchez Angrill.

By order of the Board of Directors,

ЕБИОС ЕНЕРДЖИ ЕД
София
EBIOSS ENERGY SE
Sofia

Jose Oscar Leiva Mendez
Executive Director

Sofia, 30 April 2018

• Informe sobre estructura y sistema de control interno.

EBIOSS Energy, SE ha revisado su estructura organizativa y sistema de control interno, y tras considerarlos apropiados, no ha realizado ningún cambio en los mismos, por lo que sigue vigente la información reportada al Mercado al respecto recogida dentro de la información financiera anual de 2016.

A continuación, se aporta una copia del informe emitido en 2016 relativo 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 previsiones.

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 transmitirlas 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, CIFRADOC, redes sociales u otras incluyendo la web de EBIOSS Energy.