# EBIOSS

## Información Financiera

1er Semestre 2018

En Sofía, a 13 de noviembre 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 6/2018 del Mercado Alternativo Bursátil (MAB) ponemos en conocimiento la siguiente información financiera semestral a 30 de junio de 2018:

## Índice



D. José Óscar Leiva Méndez

Presidente de EBIOSS ENERGY, SE

## • Hitos principales acontecidos hasta la fecha del informe semestral:

❖ La información financiera semestral de la Compañía, que en este período intermedio se publica con carácter abreviado, recoge los ajustes por más de cinco millones de euros derivados de las dotaciones iniciadas en el marco de la reestructuración en el que EBIOSS se haya inmerso.

❖ Desde comienzos del ejercicio 2018 EBIOSS viene experimentando un proceso de reestructuración societaria y financiera. Entre los meses de febrero y agosto, éste estaba estrechamente vinculado a la expectativa de financiación procedente de un relevante inversor institucional, que finalmente en la fecha límite de su desembolso (el 31 de julio de 2018) no acudió al mismo.

❖ A partir de entonces, la reestructuración se ha reorientado y acelerado en la siguiente dirección:

1) Centrar la actividad del grupo sobre los servicios y proyectos de Smart Waste, gasificación de residuos y una nueva línea patrimonialista que está en proceso de diseño.

2) Simplificación de la estructura del grupo del siguiente modo:

    a) Liquidación voluntaria de la sociedad de Syngas Italy.

    b) Puesta en venta de las plantas búlgaras de producción energética y de distribución de biomasa.

    c) El 5 de octubre se elevó a público el acuerdo para realizar una operación corporativa en virtud de la cual Ebioss vendió la participación en la matriz Winttec SGPS, permaneciendo las filiales española, búlgara y griega, junto con la tecnología de Smart Waste.

    d) El pasado 8 de octubre se presentó la comunicación prevista en el artículo 5 Bis de la Ley concursal ante el Juzgado de Barcelona, de las filiales españolas de Winttec World y TNL, S.L.

    e) Se finalizó la reestructuración de personal.

3) Se están llevando a cabo negociaciones para realizar una ampliación de capital no dineraria, que incluirá activos estratégicos para fortalecer el negocio de Smart Waste, con un objetivo mínimo de 10 millones de euros.

4) Se obtuvo financiación de hasta 10 millones de libras en la sociedad participada EQTEC PLC.

5) Avances en la reestructuración de la deuda con los bonistas, cuyo resultado depende de la culminación del proceso de reestructuración financiera de la compañía.

6) Preparación de cambios en el Consejo de Administración una vez realizada la reestructuración con los bonistas y cierre de la mencionada ampliación de capital.

7) Se retomaron las gestiones para comenzar a cotizar en la Bolsa de Londres en los próximos meses.

❖ Finalmente, el pasado día 26 de octubre se publicó un Hecho Relevante sobre la firma de un acuerdo de financiación con GEM Global Yield Fund y GEM Investments America, LLC por el cual GEM se compromete a suscribir acciones de EBIOSS hasta un importe de 5 millones de euros durante los próximos tres años.

❖ La Compañía enfrenta el final del ejercicio con la intención de culminar la reestructuración de su deuda.

❖ Asimismo, plantea acabar de concretar una ampliación de capital relevante que ensanche su actividad y refuerce su balance, a la vez que le dé a la Compañía acceso a recursos financieros líquidos, aportándole Cash Flow operativo positivo.

- **Informe de revisión limitada de los Estados Financieros intermedios individuales y consolidados abreviados de EBIOSS Energy, SE a 30 de junio de 2018.**

**EBIOSS ENERGY SE**

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

# CONTENTS

# DIRECTORS AND OTHER OFFICERS

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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

**Reviewer**

Crowe Bulgaria Audit EOOD
55 6-ti Septemvri Str.
Sofia 1142
Bulgaria

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Six months to 30 June 2018 EUR'000 | Six months to 30 June 2017 EUR'000 |
|---|---|---|---|
| Revenue | 3 | 2,085 | 1,421 |
| Other revenue | | 126 | 61 |
| Work performed by the entity and capitalized | | - | 293 |
| Share of loss of equity accounted investees | | - | (264) |
| Raw materials and consumables used | | (472) | (224) |
| Cost of goods sold | | (959) | (518) |
| Expenses for hired services | | (873) | (1,214) |
| Employee benefit expenses | 4 | (1,539) | (1,591) |
| Depreciation and amortisation | | (309) | (367) |
| Impairment losses and write-offs | 5 | (5,187) | (211) |
| Other expenses | | (602) | (850) |
| **Loss from operating activities** | | (7,730) | (3,464) |
| | | | |
| Finance income | | - | 203 |
| Finance costs | | (1,622) | (1,006) |
| **Net finance costs** | 6 | (1,622) | (803) |
| | | | |
| **Loss before income tax** | | (9,352) | (4,267) |
| | | | |
| Income tax benefit | | 79 | 43 |
| **Loss for the period from continuing operations** | | **(9,273)** | **(4,224)** |
| Profit for the period from discontinued operations | | 23 | - |
| **Loss for the period** | | **(9,250)** | **(4,224)** |
| | | | |
| **Other comprehensive income/(loss)** | | | |
| ***Items that will be reclassified to profit or loss:*** | | | |
| Foreign currency translation differences | | 149 | (263) |
| | | 149 | (263) |
| **Other comprehensive (loss)/income for the period, net of tax** | | 149 | (263) |
| **Total comprehensive loss for the period** | | (9,101) | (4,487) |
| | | | |
| **Loss attributable to:** | | | |
| Owners of the parent | | (8,023) | (3,223) |
| Non-controlling interests | | (1,227) | (1,001) |
| **Loss for the period** | | (9,250) | (4,224) |
| | | | |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the parent | | (7,924) | (3,340) |
| Non-controlling interests | | (1,177) | (1,147) |
| **Total comprehensive loss for the period** | | **(9,101)** | **(4,487)** |
| | | | |
| **Basic loss per share (EUR)** | 12 | **(0.38)** | **(0.16)** |

On 12.11.2018 the Board of Directors of EBIOSS ENERGY SE authorised these condensed interim consolidated financial statements for issue.

ЕБИОС ЕНЕРДЖИ ЕД
София
EBIOSS ENERGY SE
Sofia

Executive Director (Jose Oscar Leiva Mendez):

Preparer (Evelina Vladimirova):

Reviewed according to the review report dated 12.11.2018

ОДИТОРСКО ДРУЖЕСТВО
СОФИЯ
Рег. № 167
КРОУ БЪЛГАРИЯ ОДИТ ЕООД

Crowe Bulgaria Audit EOOD, Audit firm
Georgi Kaloyanov, Managing partner
Registered auditor responsible for the review



The notes on pages 8 to 40 are an integral part of these condensed interim consolidated financial statements.

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | 30 June 2018 EUR'000 | 31 December 2017 EUR'000 Restated |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 7 | 27,720 | 30,187 |
| Intangible assets | 8 | 12,082 | 12,233 |
| Goodwill | 9 | 6,282 | 8,923 |
| Other investments | | 144 | 144 |
| Trade and other receivables | | 30 | 71 |
| Deferred tax assets | | 2,433 | 2,347 |
| **Non-current assets** | | 48,691 | 53,905 |
| Trade and other receivables | | 1,789 | 1,633 |
| Inventory | | 845 | 1,378 |
| Trade and other receivables from related parties | 15 | 571 | 546 |
| Cash and cash equivalents | | 316 | 2,049 |
| | | 3,521 | 5,606 |
| Assets classified as held for sale | 10 | 2,002 | 2,035 |
| **Current assets** | | 5,523 | 7,641 |
| **Total assets** | | 54,214 | 61,546 |
| **Equity** | | | |
| Share capital | 11.1 | 20,918 | 20,918 |
| Share premium | 11.2 | 15,621 | 15,662 |
| Reserve for own shares | 11.3 | (10) | (74) |
| Revaluation surplus | | 149 | 149 |
| Translation reserve | | 58 | (41) |
| Accumulated loss | | (20,389) | (12,366) |
| Equity attributable to owners of the parent | | 16,347 | 24,248 |
| Non-controlling interests | | (2,679) | (1,788) |
| **Total equity** | | 13,668 | 22,460 |
| **Liabilities** | | | |
| Loans and borrowings | 13 | 23,780 | 23,943 |
| Deferred tax liabilities | | 1,117 | 1,117 |
| Provisions | | 151 | 147 |
| Trade and other payables | | - | 139 |
| Finance leases | | - | 14 |
| **Non-current liabilities** | | 25,048 | 25,360 |
| Loans and borrowings | 13 | 7,116 | 4,547 |
| Trade and other payables | | 7,125 | 7,797 |
| Trade and other payables to related parties | 15 | 264 | 288 |
| Finance leases | | 34 | 28 |
| Income tax payable | | - | 19 |
| | | 14,539 | 12,679 |
| Liabilities directly associated with the assets held for sale | 10 | 959 | 1,047 |
| **Current liabilities** | | 15,498 | 13,726 |
| **Total liabilities** | | 40,546 | 39,086 |
| **Total equity and liabilities** | | 54,214 | 61,546 |

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EBIOSS ENERGY SE
Sofia

Preparer (Evelina Vladimirova):

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## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital EUR'000 | Share premium EUR'000 | Reserve for own shares EUR'000 | Revaluation surplus EUR'000 | Translation reserve EUR'000 | Retained earnings EUR'000 | Total attributable to owners of the Parent EUR'000 | Non-controlling interest EUR'000 | Total equity EUR'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018 as previously reported** | 20,918 | 15,662 | (74) | 149 | (41) | (10,735) | 25,879 | 2,337 | 28,216 |
| Impact of correction of errors | - | - | - | - | - | (1,631) | (1,631) | (4,125) | (5,756) |
| **Restated balance at 1 January 2018** | 20,918 | 15,662 | (74) | 149 | (41) | (12,366) | 24,248 | (1,788) | 22,460 |
| **Total comprehensive loss** | | | | | | | | | |
| Loss for the period | - | - | - | - | - | (8,023) | (8,023) | (1,227) | (9,250) |
| Other comprehensive loss | - | - | - | - | 99 | - | 99 | 50 | 149 |
| **Total comprehensive loss** | - | - | - | - | 99 | (8,023) | (7,924) | (1,177) | (9,101) |
| ***Contributions and distributions*** | | | | | | | | | |
| Own shares acquired | - | (510) | (964) | - | - | - | (1,474) | - | (1,474) |
| Own shares sold | - | 469 | 1,028 | - | - | - | 1,497 | - | 1,497 |
| Subsidiary capital increase | - | - | - | - | - | - | - | 286 | 286 |
| ***Total contributions and distributions*** | - | (41) | 64 | - | - | - | 23 | 286 | 309 |
| **Total transactions with owners of the Company** | - | (41) | 64 | - | 99 | (8,023) | (7,901) | (891) | (8,792) |
| **Balance at 30 June 2018** | 20,918 | 15,621 | (10) | 149 | 58 | (20,389) | 16,347 | (2,679) | 13,668 |

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# CONDENSED INTERIM 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 2017** | 20,918 | 15,700 | (179) | 155 | 59 | (3,758) | 32,895 | (379) | 32,516 |
| **Total comprehensive loss** | | | | | | | | | |
| Loss for the period | - | - | - | - | - | (3,223) | (3,223) | (1,001) | (4,224) |
| Other comprehensive loss | - | - | - | - | (117) | - | (117) | (146) | (263) |
| **Total comprehensive loss** | - | - | - | - | (117) | (3,223) | (3,340) | (1,147) | (4,487) |
| **Transactions with owners of the Company** | | | | | | | | | |
| ***Contributions and distributions*** | | | | | | | | | |
| Own shares acquired | - | (403) | (1,036) | - | - | - | (1,439) | - | (1,439) |
| Own shares sold | - | 411 | 703 | - | - | - | 1,114 | - | 1,114 |
| ***Total contributions and distributions*** | - | 8 | (333) | - | - | - | (325) | - | (325) |
| ***Changes in ownership interests*** | | | | | | | | | |
| Acquisition of subsidiaries with non-controlling interests | - | - | - | - | - | - | - | 2,713 | 2,713 |
| Disposal of non-controlling interest (0.97%) without a change in control | - | - | - | - | - | (39) | (39) | 1,181 | 1,142 |
| ***Total changes in ownership interests*** | - | - | - | - | - | (39) | (39) | 3,894 | 3,855 |
| **Total transactions with owners of the Company** | - | 8 | (333) | - | - | (39) | (364) | 3,894 | 3,530 |
| **Balance at 30 June 2017** | 20,918 | 15,708 | (512) | 155 | (58) | (7,020) | 29,191 | 2,368 | 31,559 |

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# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months to 30 June 2018 EUR'000 | Six months to 30 June 2017 EUR'000 |
|---|---|---|
| **Loss before tax** | (9,352) | (4,267) |
| **Adjustments to loss:** | | |
| Depreciation and amortisation | 309 | 367 |
| Interest expense | 1,557 | 954 |
| Other finance costs | 65 | 141 |
| Share of loss of equity accounted investees | - | 264 |
| Interest income | - | (62) |
| Impairment losses and write-offs | 5,187 | 208 |
| Changes in provisions | 4 | 2 |
| Gain from sale of property, plant and equipment | (3) | - |
| **Cash flows from operations before working capital changes** | (2,233) | (2,393) |
| **Change in:** | | |
| Inventories | 316 | (74) |
| Trade and other receivables | (141) | 2,703 |
| Trade and other payables | (1,030) | (2,810) |
| **Other cash flow from operating activities** | | |
| Interest paid | (689) | (866) |
| Other finance costs paid | (36) | (177) |
| Interest received | - | 50 |
| Income tax paid | (19) | (18) |
| Exchange rate differences realized | 134 | - |
| **Net cash flows from operating activities** | (3,698) | (3,585) |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of property, plant and equipment | (88) | (180) |
| Acquisition of intangible assets | - | (335) |
| Proceeds from sale of property, plant and equipment | 3 | - |
| Cash acquired through acquisition of subsidiaries | - | 185 |
| **Net cash flows from investing activities** | (85) | (330) |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of capital, contributed by NCI | - | 1,142 |
| Proceeds from issue of corporate bonds | - | 3,852 |
| Payments related to issue of corporate bonds | - | (274) |
| Repayment of loan from related party | (150) | (252) |
| Proceeds on loan from related party | 11 | 528 |
| Proceeds from sale of own shares | 1,497 | 1,114 |
| Repurchase of own shares | (1,474) | (1,439) |
| Proceeds from bank and other borrowing | 3,769 | 1,917 |
| Repayment of bank and other borrowing | (1,524) | (2,593) |
| Transaction costs related to bank borrowings | (71) | (34) |
| Payment of finance lease liabilities | (8) | (11) |
| **Net cash flows from financing activities** | 2,050 | 3,950 |
| | | |
| **Net increase/ (decrease) in cash and cash equivalents** | (1,733) | 35 |
| Cash and cash equivalents at 1 January | 2,049 | 1,023 |
| **Cash and cash equivalents at 30 June** | 316 | 1,058 |

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Executive Director (Jose Oscar Leiva Mendez): ............

Preparer (Evelina Vladimirova):

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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 30 June 2018 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 30 June 2018 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 | 24.76 | 5,179,017 | 5,179 |
| Sofia Biomass EOOD | 7.53 | 1,574,998 | 1,575 |
| SunGroup Bulgaria EOOD | 4.72 | 986,715 | 987 |
| Origina Bulgaria OOD | 1.85 | 387,794 | 388 |
| Antigona Bulgaria EOOD | 1.25 | 260,280 | 260 |
| **Minority shareholders** | 59.90 | 12,529,382 | 12,529 |
| **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. These shareholders own approximately 40.10% of the share capital of Ebioss Energy SE as at 30 June 2018.

### 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)

#### Principal activities (continued)

At present the Group is restructuring its principal business activities and is preparing in-kind contributions of new lines of business activities for the purpose of diversification – potentially commodities trading, retail sales, waste container, real estate etc. The in-kind contributions of the new business lines of activities is expected to be finalized by January 2019.

As of 30 June 2018/ 31 December 2017, the following subsidiaries of Ebioss Energy SE were consolidated in the interim consolidated financial statements of the Group:

| Subsidiary | Country of incorporation | % ownership 30.06.2018 | % ownership 31.12.2017 |
|---|---|---|---|
| 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% | 100% |
| Eqtec Iberia SL | Spain | 50.06% | 50.25% |
| Energotec Eco AD | Bulgaria | 46.51% | 46.52% |
| 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% |
| Addom SL | Spain | 68% | 68% |
| TNL World EOOD | Bulgaria | 68% | 68% |
| Citytainer Brasil – Soluções Ambientais, Ltda | Brazil | 68% | 68% |
| Citytainer Indústria, Ltda | Brazil | 68% | 68% |
| Eqtec PLC | Ireland | 50.06% | 50.25% |
| Newry Biomass No. 1 Limited | Ireland | 50.06% | 50.25% |
| React Biomass Limited | Ireland | 50.06% | 50.25% |
| Reforce Energy Limited | Ireland | 50.06% | 50.25% |
| Pluckanes Windfarm Limited | Ireland | 50.06% | 50.25% |
| Grass Door Limited | United Kingdom | 50.06% | 50.25% |
| Newry Biomass Limited | Northern Ireland | 25.03% | 25.25% |
| Enfield Biomass Limited | United Kingdom | 50.06% | 50.25% |
| Moneygorm Wind Turbine Limited | Ireland | 50.06% | 50.25% |
| Eqtec No. 1 Limited | Ireland | 50.06% | 50.25% |
| Plymouth Biomass Limited | United Kingdom | 50.06% | 50.25% |
| Clay Cross Biomass Limited | United Kingdom | 45.05% | 45.23% |
| Altilow Wind Turbine Limited | Ireland | 50.06% | 50.25% |

### 2. Accounting policies

#### Basis of preparation

The condensed interim consolidated financial statements were authorised for issue by the Board of Directors on 12 November 2018. The condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

## 2. Accounting policies (continued)

### Basis of preparation (continued)

The condensed interim 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 condensed interim 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.

### Going concern basis of accounting

The condensed interim consolidated financial statements of Ebioss Energy SE as at 30 June 2018 have been prepared on the basis of the going concern concept.

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

At present the Group is restructuring its principal business activities and is preparing in-kind contributions of new lines of business activities for the purpose of diversification – potentially commodities trading, retail sales, waste container production, real estate etc. The in-kind contribution of the new business lines of activities is expected to be finalized by February 2019.

## 2. Accounting policies (continued)

### Going concern basis of accounting (continued)

### Basis for consolidation

The condensed interim consolidated financial statements of Ebioss Energy SE as at 30 June 2018 have been prepared on the basis of the going concern concept. The Group's financial result for the six month period ending 30 June 2018 is a loss amounting to EUR 8,023 thousand, the accumulated loss attributable to the parent as at 30 June 2018 amounts to EUR 20,389 thousand and the current liabilities exceed the current assets with EUR 9,975 thousand. During the first half of 2018 the Group was not able to make due interest and loan repayments amounting to EUR 996 thousand in relation to its unsecured corporate bonds issue. These circumstances indicate the existence of a material uncertainty with regards to the Group's ability to continue as a going concern without continuing support of its shareholders and providers of finance.

At present the Company is restructuring its principal business activities and is preparing in-kind contributions of new lines of business activities for the purpose of diversification – potentially commodities trading, retail sales, waste container production, real estate etc. The in-kind contributions of the new business lines of activities is expected to be finalized by February 2019.

The management is currently negotiating the sale of the power plants of Karlovo Biomass EOOD and Heat Biomass EOOD as well as the pelletizing installation of Biomass Distribution EOOD.

In the beginning of 2018 Ebioss Energy SE, obtained a loan of EUR 2 million.

On the grounds of this SSF agreement Ebioss Energy SE has received from GEM Yield Fund "Advanced funds" for working capital at the amount of EUR 300,000. As consideration for the provision of the "Advanced funds", Elektra Holding AD, as principal shareholder in "Ebioss Energy" SE, has lent to GEM Yield Fund 2,000,000 ordinary shares from the registered capital of EBIOSS ENERGY SE, which are listed for trading on the Spanish Alternative Stock Market (MAB).

Furthermore, in consideration for the Investor (GEM GLOBAL YIELD FUND) entering into this Agreement, Ebioss Energy SE undertakes to issue Warrants to the Investor, giving the right to the latter to subscribe for 5,500,000 newly issued Ordinary Shares from the capital of Ebioss Energy SE. The terms and conditions for issuance of the Warrants are specified in the SSF.

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.

### (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 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 Kingdom is GBP. The functional currency of the parent and rest of the subsidiaries in the Group is BGN. The condensed interim 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**

The Group has initially applied IFRS 15 from 1 January 2018.

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) Sale of goods**

The Group has concluded that it is the principal in its revenue arrangements as it is the primary obligor in these revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

As such, revenue from the sale of goods is recognised when control is transferred to the customer. i.e. when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; in general this is deemed to occur when customers take delivery of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty which are generally recognised at the point of sale.

**2. Accounting policies (continued)**

**Revenue recognition (continued)**

**(i) Sale of goods (continued)**

Revenue is reduced for estimated customer returns, rebates and other similar allowances to customers, the measurement of which is determined by contractual arrangements with customers. Sales incentives are recognised in the same period as the related revenue is recorded, and comprise:

- Discounts and rebates - which are sales incentives to customers to encourage them to purchase increased volumes and are related to total volumes purchased and sales growth;
- Marketing services - which include merchandising, slotting and listing fees; and
- Sales support for promotional activities - which include payments to customers, distributors and external agencies.

**(ii) Services**

Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the services in separate transaction.

The Group has adopted IFRS 15 using the cumulative effect method. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under IAS 18 *Revenue*.

The introduction of IFRS 15 did not result in changes to the Group's significant accounting policies, except to update them for new terminology introduced by the new standard for contract costs (previously known as deferred acquisition costs for non-insurance contracts), contract assets (previously known as accrued income from contracts with customers), and contract liabilities (previously known as deferred fee income from contracts with customers).

**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.

## 2. Accounting policies (continued)

### Discontinued operations (continued)

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.

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 acqure and the acquisition date fair value of any previous equity interest in the acqure 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.

**2. Accounting policies (continued)**

**Intangible assets and goodwill (continued)**

*Goodwill (continued)*

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.

*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 |

**2. Accounting policies (continued)**

**Leased assets**

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

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

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**

The Group was required to adopt IFRS 9 *Financial Instruments* from 1 January 2018. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities.

The effect of adopting IFRS 9 on the carrying amounts of financial assets relates solely to the new impairment requirements, as described further below. The requirements of IFRS 9 have been adopted without restating comparative information, but are recognised in the opening balance sheet at 1 January 2018.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model.

ECLs are based on the difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group has not recognized any expected credit losses as at 30 June 2018 in relation to receivables from related parties as the Group did not fully implement IFRS 9 being currently in a process of adoption for the year-end 2018.

## 2. Accounting policies (continued)

### (i) Recognition and initial measurement

IFRS 9 contains three principal classification categories for financial assets; measured at amortised costs, FVOCI or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics. IFRS9 eliminated the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurements of financial liabilities.

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A trade receivable without a significant financial component is initially measured at the transaction price.

### (ii) Classification and subsequent measurement

Financial assets – policy applicable from 1 January 2018

On initial recognition, a financial assets is classified as measured at: amortised cost, FVOCI – debt investments; FVTPL – equity investments.

Financial assets are not reclassified after their initial recognition unless the Company changes its business model for managing financial assets.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

### Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the right to the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers not retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

## 2. Accounting policies (continued)

### Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Company currently has a legally enforceable 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.

### 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

The Group reviews the carrying amount of its non-financial assets (other than inventories and deferred tax asset) on an annual basis as at yea~~r-end~~ to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

### (ii) Non-derivative financial assets

**Policy applicable from 1 January 2018**

*Financial instruments and contract assets*

The Company recognises loss allowances for ECLs on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI; and
- Contract assets.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

The Group assumes that the credit risk of a financial asset has increased significantly if it is more than 180 days past due.

## 2. Accounting policies (continued)

### Impairment of assets (continued)

#### (ii) Non-derivative financial assets (continued)

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full;
- The financial assets is more than 360 days past due.

*Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

### 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.

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

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

### Share capital

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

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

### 3. Revenue

| For the six months ended 30 June | 2018<br>EUR'000 | 2017<br>EUR'000 |
|---|---|---|
| Sales of goods | 1,246 | 725 |
| Rendering of services | 819 | 619 |
| Power generation | 20 | 77 |
| | 2,085 | 1,421 |

### 4. Employee benefit expenses

| For the six months ended 30 June | 2018<br>EUR'000 | 2017<br>EUR'000 |
|---|---|---|
| Wages and salaries | 1,311 | 1,331 |
| Social security contributions | 217 | 238 |
| Accrued expenses for unused paid leave | 5 | 5 |
| Others | 6 | 17 |
| | 1,539 | 1,591 |

### 5. Impairment loss and write-offs

| For the six months ended 30 June | 2018<br>EUR'000 | 2017<br>EUR'000 |
|---|---|---|
| Goodwill impairments | 2,641 | - |
| Assets impairments | 2,328 | - |
| Inventory impairment | 217 | 145 |
| Write-offs | - | 59 |
| Others impairment | 1 | 7 |
| | 5,187 | 211 |

### 6. Finance income and costs

| For the six months ended 30 June | 2018<br>EUR'000 | 2017<br>EUR'000 |
|---|---|---|
| Interest income | - | 62 |
| Net exchange rate differences | - | 141 |
| **Finance income** | **-** | **203** |
| Interest expense | (1,557) | (954) |
| Bank expenses | (29) | (52) |
| Net exchange rate differences | (36) | - |
| **Finance costs** | **(1,622)** | **(1,006)** |
| **Net finance costs recognised in profit or loss** | **(1,622)** | **(803)** |

**7. 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 2017** | 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** |
| Additions | - | - | - | 1 | 1 | - | - | - | 2 |
| Disposals | - | - | - | - | - | (13) | (6) | - | (19) |
| Effect of movements in exchange rates | - | - | - | - | - | - | - | 49 | 49 |
| **At 30 June 2018** | **1,176** | **1,024** | **7,116** | **1,371** | **52** | **18** | **179** | **25,422** | **36,358** |
| | | | | | | | | | |
| **Depreciation and impairment loss** | | | | | | | | | |
| Balance at 1 January 2017 | - | 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 | - | - | - | - | - | - | - | 5,164 | 5,164 |
| Effect of movements in exchange rates | - | - | - | - | - | - | - | (116) | (116) |
| **Restated balance at 31 December 2017** | - | **51** | **57** | **804** | **19** | **8** | **112** | **5,088** | **6,139** |
| Depreciation for the period | - | 21 | - | 115 | 2 | 6 | 14 | - | 158 |
| Disposals | - | - | - | - | - | (13) | (4) | - | (17) |
| Impairment loss | - | - | 2,328 | - | - | - | - | - | 2,328 |
| Effect of movements in exchange rates | - | - | - | - | - | - | - | 30 | 30 |
| **Balance at 30 June 2018** | - | **72** | **2,385** | **919** | **21** | **1** | **122** | **5,118** | **8,638** |
| | | | | | | | | | |
| **Net book value** | | | | | | | | | |
| **At 31 December 2017 - restated** | **1,176** | **973** | **7,059** | **566** | **32** | **23** | **73** | **20,285** | **30,187** |
| **At 30 June 2018** | **1,176** | **952** | **4,731** | **452** | **31** | **17** | **57** | **20,304** | **27,720** |

**7. 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 30 June 2018.

The assets under construction as at 30 June 2018 are attributable to the following projects:

| | **Assets under construction** |
|---|---|
| | **EUR'000** |
| Karlovo Biomass EOOD | 13,648 |
| Eqtec PLC | 4,387 |
| Heat Biomass EOOD | 2,223 |
| Brila EOOD | 15 |
| Plovdiv Biomass EOOD | 14 |
| Tvardica Biomass EOOD | 9 |
| Nova Zagora Biomass EOOD | 8 |
| | 20,304 |

All property, plant and equipment of the subsidiaries Karlovo Biomass EOOD, Heat Biomass EOOD and Biomass Distribution EOOD amounting to EUR 19,732 thousand as at 30 June 2018 are pledged as collateral under loan contract dated 2 June 2014 between subsidiary company Karlovo Biomass EOOD and United Bulgarian Bank.

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.

No valuation reports have been prepared as at 30 June 2018. The valuation reports of the appraiser show 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** |

### 7. 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.

### 8. 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 2017** | 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 |
| Reclassification | - | (256) | 256 | - | - |
| **Balance at 30 June 2018** | 10,302 | 1,469 | 1,167 | 10 | 12,948 |
| | | | | | |
| **Amortisation** | | | | | |
| **Balance at 1 January 2017** | - | 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 |
| Charge for the period | - | 36 | 115 | - | 151 |
| **Balance at 30 June 2018** | - | 372 | 494 | - | 866 |
| | | | | | |
| **Net book value** | | | | | |
| At 1 January 2017 | **10,302** | **860** | **710** | **17** | **11,889** |
| **At 31 December 2017** | **10,302** | **1,389** | **532** | **10** | **12,233** |
| **At 30 June 2018** | **10,302** | **1,097** | **673** | **10** | **12,082** |

Development costs in progress as at 30 June 2018 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** |

### 8. 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. 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 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.

**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.

No valuation reports have been prepared as at 30 June 2018. The report of the appraiser as at 31 December 2017 shows the following amounts for the development costs in progress:

| | 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.

### 9. 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* | Acquisition date | Goodwill recognized at acquisition | Goodwill as at 31 December 2017 | Impairment | Goodwill as at 30 June 2018 |
|---|---|---|---|---|---|
| Heat Biomass EOOD | 30 November 2012 | 1,221 | 1,221 | - | 1,221 |
| Karlovo Biomass EOOD | 30 November 2012 | 825 | 825 | - | 825 |
| Nova Zagora Biomass EOOD | 30 November 2012 | 185 | 185 | - | 185 |
| United Biomass EOOD | 30 November 2012 | 103 | 103 | - | 103 |
| Tvartica Biomass EOOD | 30 November 2012 | 411 | 411 | - | 411 |
| Eqtec Iberia SL | 30 November 2012 | 76 | 76 | - | 76 |
| WINTECH SGPS SA (former TNL SGPS) | 1 August 2014 | 1,915 | 1,863 | (1,863) | - |
| Eqtec plc | 7 February 2017 | 3,461 | 3,461 | - | 3,461 |
| Citytainer Brasil Soluções Ambientais Ltda | 3 May 2017 | 778 | 778 | (778) | - |
| **Total** | | **8,975** | **8,923** | **(2,641)** | **6,282** |

Impairment loss of EUR 2,641 thousand has been recognized in respect of the goodwill that has arisen upon acquisition of the group of Wintech and the subsequent acquisition of its subsidiary – Citytainer Brasil Soluções Ambientais Ltda has been recognized during the first half of 2018.

### 10. Assets classified as held for sale and discontinued operations

As at 30 June 2018, assets classified as held for sale and discontinued operations amount to EUR 2,002 thousand (see Note 10.1 and 10.2).

| | 30.06.2018<br>EUR'000 |
|---|---|
| **Assets classified as held for sale related to:** | |
| Karlovo Biomass EOOD | 725 |
| Pluckanes Windfarm Limited | 1,277 |
| | 2,002 |

### 10.1 Assets classified as held for sale

As at 30 June 2018 and 31 December 2017 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 14).

### 10.2 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 Q4 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.

***Result of discontinued operations***

The combined results of the discontinued operations included in the loss for the period are set out below.

| ***For the period*** | 1.01.2018- 30.06.2018<br>EUR'000 |
|---|---|
| Revenue | 96 |
| Administrative expenses | (56) |
| **Profit from operating activities** | 40 |
| | |
| Finance cost | (17) |
| **Net finance costs** | (17) |
| | |
| **Profit from discontinued operations before income tax** | 23 |
| Income tax | - |
| **Profit from discontinued operations** | 23 |
| | |
| **Profit from discontinued operations attributable to:** | |
| Owners of the parent | 12 |
| Non-controlling interests | 11 |
| **Profit from discontinued operations** | 23 |

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

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

***Cash flows used in discontinued operations***

| *For the period* | 1.01.2018- 30.06.2018<br>EUR'000 |
|---|---|
| **Cash flow from operating activities** | 87 |
| **Cash flow from investing activities** | (1) |
| **Cash flow from financing activities** | (61) |
| **Net increase in cash and cash equivalents** | 25 |
| Cash and cash equivalents at 1 January | 105 |
| **Cash and cash equivalents in the disposal group at 30 June** | 130 |

***Assets and liabilities classified as held for sale:***

| | 30.06.2018<br>EUR'000 | 31.12.2017<br>EUR'000 |
|---|---|---|
| **Assets classified as held for sale:** | | |
| Property, plant and equipment | 1,127 | 1,167 |
| Trade and other receivables | 19 | 38 |
| Cash and cash equivalents | 131 | 105 |
| | 1,277 | 1,310 |
| **Liabilities classified as held for sale:** | | |
| Loans and borrowings | 15 | 987 |
| Trade and other payables | 944 | 60 |
| | 959 | 1,047 |

The disposal group is part of Operating Segment 1 Construction, management and operation of biomass power plants and peletization plants (see Note 15).

## 11. Capital and capital reserves

### *11.1. 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.

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 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 € = 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 30 June 2018 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.

## 11. Capital and capital reserves (continued)

### *11.2. 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.

### *11.3. 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 30 June 2018 the Company held 9,864 own shares with nominal value EUR 1 at total amount of EUR 10 thousand.

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

## 12. Loss per share

### Basic loss per share

The calculation of basic loss per share (LPS) at 30 June 2018 (30 June 2017) is based on the loss attributable to ordinary shareholders of EUR 8,023 thousand (30 June 2017: loss of EUR 3,223 thousand), and a weighted average number of ordinary shares outstanding of 20,887 thousand (30 June 2017: 20,695 thousand), calculated as follows:

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

| *In thousands of EUR* | **30.06.2018** | **30.06.2017** |
|---|---|---|
| Loss for the period | (8,023) | (3,223) |
| **Loss attributable to ordinary shareholders** | (8,023) | (3,223) |

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

| *In thousands of shares* | **30.06.2018** | **30.06.2017** |
|---|---|---|
| Issued ordinary shares at 1 January | 20,918 | 40,912 |
| Reverse share split | - | (19,994) |
| Effect from repurchased own shares | (31) | (223) |
| **Weighted average number of ordinary shares at 30 June** | 20,887 | 20,695 |
| Loss per share (EUR) | (0.38) | (0.16) |

## 13. 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.

| *In thousands of EUR* | *Note* | **30.06.2018** | **31.12.2017** |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Unsecured corporate bonds issues | | 15,788 | 15,786 |
| Bank loans | | 4,759 | 4,540 |
| Other non-current loans and borrowings | | 3,233 | 3,617 |
| | | 23,780 | 23,943 |
| **Current liabilities** | | | |
| Unsecured corporate bonds issues | | 1,200 | 986 |
| Bank loans and overdrafts | | 1,740 | 2,718 |
| Loans payable to related parties | 15 | 681 | 806 |
| Other loans and borrowings | | 3,495 | 37 |
| | | 7,116 | 4,547 |

In February and March of 2018 Ebioss Energy SE, obtained a loan of EUR 2 million with maturity of 12 months at 5% interest.

As at 30 June 2018 the following delays on loan payments have occurred:

- Ebioss Energy SE has delayed the payment of the interest due under three of the corporate bonds emissions. The overdue interest amount comes to EUR 600 thousand.

- Karlovo Biomass EOOD was unsuccessful in following its bank loan repayment scheme to United Bulgarian Bank AD where Ebioss Energy SE is a joint debtor. As at 30 June 2018 the overdue principle comes to EUR 396 thousand together uncovered interest for the period March-June 2018. The Management plans to pay the overdue amounts upon completion of the sales transaction of the plant of Karlovo Biomass in foreseeable future.

### 14. Segment Reporting

As at 30 June 2018 and 31 December 2017 the Group has two reporting segments:

| | **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 six months ended** *In thousands of EUR* | **30.06.2018** | **30.06.2017** | **30.06.2018** | **30.06.2017** | **30.06.2018** | **30.06.2017** |
| Revenues | 552 | 450 | 1,533 | 971 | 2,085 | 1,421 |
| Other income | 118 | - | 8 | 61 | 126 | 61 |
| Share of loss of equity accounted investees | - | - | - | (264) | - | (264) |
| Work performed by the entity and capitalized | - | 204 | - | 89 | - | 293 |
| Raw materials and consumables used | (459) | (200) | (13) | (24) | (472) | (224) |
| Cost of goods sold | (4) | (26) | (955) | (492) | (959) | (518) |
| Expenses for hired services | (622) | (841) | (251) | (373) | (873) | (1,214) |
| Inter segment incomes/(expenses) for hired services | 13 | 14 | (13) | (14) | - | - |
| Employee benefit expenses | (1,070) | (1,073) | (469) | (518) | (1,539) | (1,591) |
| Depreciation and amortisation | (179) | (201) | (130) | (166) | (309) | (367) |
| Impairment loss and write-offs | (2,628) | (204) | (2,559) | (7) | (5,187) | (211) |
| Other expenses | (434) | (744) | (168) | (106) | (602) | (850) |
| **Loss from operating activities** | **(4,713)** | **(2,621)** | **(3,017)** | **(843)** | **(7,730)** | **(3,464)** |
| Finance income | - | 203 | - | - | - | 203 |
| Finance expenses | (1,534) | (815) | (88) | (191) | (1,622) | (1,006) |
| Inter-segment finance income | 53 | 21 | 5 | (21) | 58 | - |
| Inter-segment finance (expense) | (5) | - | (53) | - | (58) | - |
| **Net finance costs** | **(1,486)** | **(591)** | **(136)** | **(212)** | **(1,622)** | **(803)** |
| **Loss before income tax** | **(6,199)** | **(3,212)** | **(3,153)** | **(1,055)** | **(9,352)** | **(4,267)** |
| Income tax (expense)/ benefit | 133 | 258 | (54) | (215) | 79 | 43 |
| **Loss from continuing operations** | **(6,066)** | **(2,954)** | **(3,207)** | **(1,270)** | **(9,273)** | **(4,224)** |
| **Profit from discontinued operations** | **23** | - | - | - | **23** | - |
| **Loss for the period** | **(6,043)** | **(2,954)** | **(3,207)** | **(1,270)** | **(9,250)** | **(4,224)** |
| **Other comprehensive income/ (loss)** | **15** | **(263)** | **134** | - | **149** | **(263)** |
| **Total comprehensive loss** | **(6,028)** | **(3,217)** | **(3,073)** | **(1,270)** | **(9,101)** | **(4,487)** |

### 14. 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* | 30.06.2018 | 31.12.2017 Restated | 30.06.2018 | 31.12.2017 | 30.06.2018 | 31.12.2017 Restated |
| **Total assets for reportable segments** | 51,187 | 56,044 | 3,027 | 5,502 | 54,214 | 61,546 |
| **Total liabilities for reportable segments** | 34,787 | 32,661 | 5,759 | 6,425 | 40,546 | 39,086 |

### 15. 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 |
| Arrizabal Elkartea SL, Portugal | shareholder in the subsidiary TNL SL |
| GG Eco Energy Limited, United Kingdom | Associate of Eqtec plc |

*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 the period 01.01.2018-30.06.2018 is EUR 285 thousand (for the first six months of 2017: EUR 302 thousand).

**Balances with related parties**

| *In thousands of EUR* | Balance outstanding as at | | | |
|---|---|---|---|---|
| | 30.06.2018 | | 31.12.2017 | |
| | Receivables | Payables | Receivables | Payables |
| Arrizabal Elkartea SL | 69 | (87) | 69 | (27) |
| Foad Jaffal | 434 | - | 434 | - |
| Elektra Holding AD | - | (89) | - | (89) |
| Directors | 42 | (88) | 43 | (162) |
| Winttec Greece | 26 | - | - | - |
| Others | - | - | - | (10) |
| | 571 | (264) | 546 | (288) |

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

**Loans due to related parties**

*In thousands of EUR*

| | Balance outstanding as at | |
|---|---|---|
| Payables to: | **30.06.2018** | **31.12.2017** |
| Elektra Holding AD | (681) | (731) |
| Arrizabal Elkartea SL | - | (75) |
| | (681) | (806) |

**Transactions with related parties**

| *In thousands of EUR* | **Description** | **For the period ended 30.06.2018** | **For the period ended 30.06.2017** |
|---|---|---|---|
| Arrizabal Elkartea SL | Trade | - | 25 |
| Arrizabal Elkartea SL | Cost of goods sold | (33) | (150) |
| Arrizabal Elkartea SL | Loans | (75) | (6) |
| Elektra Holding AD – amounts received | Loans | 11 | 541 |
| Elektra Holding AD – amounts repaid | Loans | (75) | (246) |
| Elektra Holding AD – interest accrued | Loans | 14 | 5 |

### 16. Correction of errors

At the end of June 2018, the Board of Directors of Eqtec plc approved the impairments listed below which have not been reflected in Ebioss Energy SE consolidated financial statements for 2017.

**Consolidated statement of financial position**

| *In thousands of EUR* | **Property, plant and equipment** | **Other investments** | **Trade and other receivables** | **Retained earnings / profit or loss** | **NCI** |
|---|---|---|---|---|---|
| Balances at 31 December 2017, as previously reported | 35,185 | 547 | 1,988 | (10,735) | 2,337 |
| Adjustments | (4,998) | (403) | (355) | (1,631) | (4,125) |
| **Restated balances at 31 December 2017** | 30,187 | 144 | 1,633 | (12,366) | (1,788) |

### 16. Correction of errors (continued)

**Statement of profit or loss and other comprehensive income**

| *In thousands of EUR* | **2017** |
|---|---|
| **Decrease in:** | |
| Other expenses – impairment loss | 5,756 |
| **Result for the period** | 5,756 |

The Group's basic loss per share for the financial year 2017, taking into consideration the changes described above would have been (0.42) EUR/per share.

### 17. 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 30 June 2018 (31 December 2017) the outstanding principal to this loan is EUR 3,955 thousand (EUR 4,052 thousand) out of which the payment of principle amounting to EUR 396 thousands was due prior to the reporting date and is currently in delay.

The Group has no other commitments or contingent liabilities as at 30 June 2018 and 31 December 2017.

### 18. Events after the reporting period end

With a resolution of the Board of Directors, dated 14 September 2018 initiation of voluntary liquidation of the subsidiary company SYNGAS ITALY SRL was approved.

With a resolution of the Board of Directors, dated 14 September 2018 sale of all corporate shares owned by Ebioss Energy SE in the company Waste Intelligent Technologies SGPS, representing 68% of the registered capital to Mr. Nuno Antonio De Silva Lopes for the for a price of EUR 1 and against additional consideration, equal to EUR 500,000 was approved. The consideration is formed as follows:

a) EBIOSS Energy SE buys 46,988 shares equivalent to 80% of TNL EQUIPAMENTOS AMBIENTAIS SL from WINTTEC SGPS for the selling price equal to EUR 250,000

b) EBIOSS Energy SE buys 1,970 shares equivalent to 100% of WINTTEC WORLD SL for the selling price equal to EUR 197,000.

c) EBIOSS Energy SE buys 900 shares equivalent to 100% of TNL WORLD EOOD for the selling price equal to EUR 1,000.

d) EBIOSS Energy SE buys 100% of the capital of WINTTEC GREECE IKE for the selling price equal to EUR 52,000.

The sale was officially performed on 5 October 2018 with the cancelation of the pledge, which has been imposed over the shares of WINTTEC in relation to the receivables of BTC 12 SARL amounting to 1 million Euro. The pledge in favour of BTC 12 SARL was transferred over TNL EQUIPAMENTOS AMBIENTAIS SL and WINTTEC WORLD SL.

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

On 25 October 2018 was signed Share Subscription Facility agreement (hereinafter referred to as "SSF") by and between:

1. EBIOSS ENERGY SE as issuer
2. GEM GLOBAL YIELD FUND as investor
3. GEM INVESTMENTS AMERICA, LLC as intermediary
4. ELEKTRA HOLDING AD as share lender

On the grounds of this SSF agreement Ebioss Energy SE has received from GEM Yield Fund "Advanced funds" for working capital at the amount of EUR 300,000. As consideration for the provision of the "Advanced funds", Elektra Holding AD, as principal shareholder in "Ebioss Energy" SE, has lent to GEM Yield Fund 2,000,000 ordinary shares from the registered capital of EBIOSS ENERGY SE, which are listed for trading on the Spanisg Alternative Stock Market (MAB).

Furthermore, in consideration for the Investor (GEM GLOBAL YIELD FUND) entering into this Agreement, Ebioss Energy SE undertakes to issue Warrants to the Investor, giving the right to the latter to subscribe for 5,500,000 newly issued Ordinary Shares from the capital of Ebioss Energy SE. The terms and conditions for issuance of the Warrants are specified in the SSF.

In the second half of 2018 due to issue of new shares in EQTEC PLC the participation of Ebioss Energy SE decreased to 41,13%.

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# INDEPENDENT PRACTICIONER'S REVIEW REPORT

To the shareholders of Ebioss Energy SE
Address: 1404, Sofia
3 Bulgaria Blvd., fl.11-12

## Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Ebioss Energy SE as at June 30, 2018, which comprise the condensed interim consolidated statements of financial position as at 30 June 2018 and the related condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the period then ended and accompanying notes to the condensed interim consolidated financial statements.

## Management's Responsibility for the Financial Statements

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

## Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying condensed interim consolidated financial statements of Ebioss Energy SE. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the condensed interim consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with International Financial Reporting Standards, as adopted by EU. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed interim consolidated financial statements.

## Material Uncertainty Related to the Going Concern

We draw attention to the disclosures in note 2 "Accounting policies", section "Going concern basis of accounting" in the condensed interim consolidated financial statements, which indicates that the management believes that current and future planned activities of the Group, as well as funds secured, will enable the Group to continue its operations and settle its obligations in the ordinary course of business without sale of assets and change of its operating activities. It shall be noted that if the Group does not receive the secured funds and does not reorganise its business operations in the projected manner, this may lead to the occurrence of a material uncertainty with regards to the Group's ability to continue as a going concern without continuing support of its shareholders and providers of finance. Our conclusion is not modified in respect of this matter.

## Basis for qualified conclusion

As presented in note 2 "Accounting policies", section "Changes in accounting policy" Management is in the process of implementation of the requirements of IFRS 9 Financial Instruments and correspondingly has not made all required disclosures in the condensed interim consolidated financial statements as at 30 June 2018 and has not recognised expected credit loss for trade receivables and receivables from related parties with total carrying amount as at 30 June 2018 of EUR 2 390 thousand. Consequently, we were not able to conclude whether the carrying amount of those receivables from related parties corresponds to the requirements of IFRS 9 Financial Instruments.

As presented in the condensed interim consolidated financial statements as at 30 June 2018 Ebioss energy SE has property, plant and equipment with carrying amount of EUR 27 720 thousand, intangible assets with carrying amount of EUR 12 082 thousand and Goodwill with carrying amount of EUR 6 282 thousand. During the period the Group has recognized impairment loss for assets of two subsidiaries in relation to specific circumstances that led to the decrease in their recoverable amount. For the other items of property, plant and equipment, intangible assets and Goodwill, we were not able to conclude on the reliability of the assumptions used at determining the recoverable amount as the review of for indications of impairment is performed on annual basis. Consequently, we were not able to conclude whether the recoverable amount of those assets exceeds their carrying amount.

The Group has not eliminated unrealised intra-group profit amounting to EUR 2 658 thousand for prior periods which has led to overstatement of Property, plant and equipment by EUR 2 658 thousand as of 30 June 2018. If the unrealised intra-group profit was properly eliminated the accumulated loss would be increased by EUR 2 658 thousand and the shareholders' equity would be decreased by EUR 2 658 thousand.

## Qualified conclusion

Based on our review, except for the effects of the matters described in the Basis for Qualified Conclusion paragraphs, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of Ebioss Energy SE as at 30 June 2018 do not present fairly, in all material respects the financial position of Ebioss Energy SE as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by EU.

Crowe Bulgaria Audit Ltd.

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Georgi Kaloyanov, Managing partner
Registered auditor, responsible for the review

12 November 2018
Sofia

**EBIOSS ENERGY SE**

CONDENSED INTERIM SEPARATE
FINANCIAL STATEMENTS
For the six months ended 30 June 2018

## EBIOSS ENERGY SE

CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS
For the six months ended 30 June 2018

**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.
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Sofia 1404

**Legal Consultant**

Angel Panayotov
49 Bulgaria Blvd.
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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

**Reviewer**

Crowe Bulgaria Audit EOOD
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Sofia 1142
Bulgaria

# CONDENSED INTERIM SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June

| | Note | 2018 EUR'000 | 2017 EUR'000 |
|---|---|---|---|
| Revenue from services | 3 | 123 | 123 |
| Depreciation and amortization | 9,10 | (13) | (12) |
| Expenses for hired services | 4 | (94) | (205) |
| Employee benefit expenses | 5 | (291) | (293) |
| Other expenses and impairments | 6 | (6,944) | (585) |
| **Result from operating activities** | | (7,219) | (972) |
| Finance income | 7 | 488 | 553 |
| Finance cost | 7 | (705) | (562) |
| **Net finance expense** | | (217) | (9) |
| **Loss before income tax** | | (7,436) | (981) |
| Income tax benefit | 15 | 60 | 75 |
| **Loss for the period** | | **(7,376)** | **(906)** |
| **Total comprehensive loss for the period** | | **(7,376)** | **(906)** |
| **Basic loss per share (in EUR)** | 13 | **(0.35)** | **(0.04)** |

On 12.11.2018 the Board of Directors of EBIOSS ENERGY SE authorised these condensed interim separate financial statements for issue.

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София
EBIOSS ENERGY SE
Sofia

Executive Director:
Jose Oscar Leiva-Mendez

Prepared by:
Evelina Vladimirova

Reviewed according to review report dated 12.11.2018

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КРОУ БЪЛГАРИЯ ОДИТ ЕООД

Crowe Bulgaria Audit EOOD., Audit firm
Georgi Kaloyanov, Managing partner
Registered auditor responsible for the review



The notes set out on pages 6 – 26 are an integral part of these condensed interim separate financial statements.

# CONDENSED INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION

| ASSETS | Note | 30 June 2018 EUR'000 | 31 December 2017 EUR'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | 8 | 21,528 | 24,105 |
| Loans provided to related parties | 16.1 | 19,594 | 18,432 |
| Deferred tax asset | 15 | 366 | 306 |
| Property, plant and equipment | 9 | 61 | 73 |
| Intangible assets | 10 | 2 | 2 |
| **Total non-current assets** | | **41,551** | **42,918** |
| **Current assets** | | | |
| Loans provided to related parties | 16.1 | 4,738 | 8,023 |
| Trade and other receivables | | 374 | 380 |
| Trade receivables from related parties | 16.5 | 215 | 239 |
| Cash and cash equivalents | 11 | 5 | 37 |
| **Total current assets** | | **5,332** | **8,679** |
| **Total assets** | | **46,883** | **51,597** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 12.1 | 20,918 | 20,918 |
| Share premium | | 15,621 | 15,662 |
| Reserve for own shares | 12.2 | (10) | (74) |
| Accumulated loss | | (10,719) | (3,343) |
| **Total equity** | | **25,810** | **33,163** |
| **Non-current liabilities** | | | |
| Loans and borrowings | 14 | 16,023 | 15,855 |
| **Total non-current liabilities** | | **16,023** | **15,855** |
| **Current liabilities** | | | |
| Loans and borrowings | 14 | 4,144 | 1,993 |
| Trade and other payables | | 763 | 462 |
| Trade and other payables to related parties | 16.2 | 143 | 124 |
| **Total current liabilities** | | **5,050** | **2,579** |
| **Total liabilities** | | **21,073** | **18,434** |
| **Total equity and liabilities** | | **46,883** | **51,597** |

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# CONDENSED INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY

| | Share capital EUR'000 | Share premium EUR'000 | Reserve for own shares EUR'000 | Accumulated loss EUR'000 | Total EUR'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2018** | **20,918** | **15,662** | **(74)** | **(3,343)** | **33,163** |
| **Total comprehensive loss** | | | | | |
| Loss for the period | - | - | - | (7,376) | **(7,376)** |
| **Total comprehensive loss** | - | - | - | (7,376) | **(7,376)** |
| **Transactions with owners of the Company** | | | | | |
| Own shares acquired | - | (510) | (964) | - | **(1,474)** |
| Own shares sold | - | 469 | 1,028 | - | **1,497** |
| **Total transactions with owners of the Company** | - | (41) | 64 | - | **23** |
| **Balance at 30 June 2018** | **20,918** | **15,621** | **(10)** | **(10,719)** | **25,810** |
| | | | | | |
| **Balance at 1 January 2017** | **20,918** | **15,700** | **(179)** | **(1,762)** | **34,677** |
| **Total comprehensive loss** | | | | | |
| Loss for the period | - | - | - | (906) | **(906)** |
| **Total comprehensive loss** | - | - | - | (906) | **(906)** |
| **Transactions with owners of the Company** | | | | | |
| Own shares acquired | - | (403) | (1,036) | - | **(1,439)** |
| Own shares sold | - | 411 | 703 | - | **1,114** |
| **Total transactions with owners of the Company** | - | 8 | (333) | - | **(325)** |
| **Balance at 30 June 2017** | **20,918** | **15,708** | **(512)** | **(2,668)** | **33,446** |

On 12.11.2018 the Board of Directors of EBIOSS ENERGY SE authorised these condensed interim separate financial statements for issue.

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The notes set out on pages 6 – 26 are an integral part of these condensed interim separate financial statements.

# CONDENSED INTERIM SEPARATE STATEMENT OF CASH FLOWS

For the six months ended 30 June

| | Note | Six months to 30 June 2018 EUR'000 | Six months to 30 June 2017 EUR'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss for the period before tax | | **(7,436)** | **(981)** |
| Adjustment for: | | | |
| Depreciation expense | | 13 | 12 |
| Impairments | | 6,780 | - |
| Interest expense | | 687 | 540 |
| Interest income | | (488) | (526) |
| Loans remitted | | - | 59 |
| Other financial expenses | | 11 | 22 |
| Net exchange rate (gains)/losses | | 7 | (27) |
| | | (426) | (901) |
| Changes in working capital: | | | |
| Trade and other payables | | 320 | 4 |
| Trade and other receivables | | (383) | 7 |
| Deferred expenses | | (11) | 81 |
| **Cash used in operating activities** | | (500) | (809) |
| Interest received | | - | 50 |
| Interest paid | | (428) | (547) |
| Other financial expenses paid | | (11) | (22) |
| Exchange rates gains realized | | (1) | (7) |
| **Net cash used in operating activities** | | **(940)** | **(1,335)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Loans provided to related parties | | (1,196) | (2,561) |
| Repaid loans from related parties | | 26 | 122 |
| **Net cash used in investing activities** | | **(1,170)** | **(2,439)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of corporate bonds | | - | 3,852 |
| Payments related to issue of corporate bonds | | - | (274) |
| Proceeds from loans from related parties | | 389 | 528 |
| Repayment of loans from related parties | | (304) | (246) |
| Proceeds from loans from third parties | | 2,003 | - |
| Proceeds from bank loans | | 142 | 300 |
| Repayment of bank loans | | (169) | (18) |
| Proceeds from sale of own shares | | 1,497 | 1,114 |
| Repurchase of own shares | | (1,474) | (1,439) |
| Payment of finance lease liabilities | | (6) | (9) |
| **Net cash from financing activities** | | **2,078** | **3,808** |
| **Net change in cash and cash equivalents** | | (32) | 34 |
| Cash and cash equivalents at 1 January | | 37 | 203 |
| **Cash and cash equivalents at 30 June** | 11 | **5** | **237** |

On 12.11.2018 the Board of Directors of EBIOSS ENERGY SE authorised these condensed interim separate financial statements for issue.

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The notes set out on pages 6 – 26 are an integral part of these condensed interim separate financial statements.

# NOTES TO THE CONDENSED INTERIM 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 CONDENSED INTERIM 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.

**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.

**2. Accounting policies**

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

**Basis of preparation**

These condensed interim separate financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

**Basis of measurement**

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

These financial statements are condensed interim separate financial statements of the Company.

The Company also prepared condensed interim consolidated financial statements in accordance with IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements can be obtained from Ebioss Energy SE at their office in Sofia, 58 Bulgaria Blvd.

Users of these condensed interim separate financial statements of the parent company should read them together with the condensed interim consolidated financial statements of the Company and its subsidiaries as at and for the period ended 30 June 2018 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 condensed interim separate financial statements in conformity with IAS 34 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.

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

**2. Accounting policies (continued)**

**Going concern basis of accounting**

The condensed interim separate financial statements of Ebioss Energy SE as at 30 June 2018 have been prepared on the basis of the going concern concept. The Company's financial result for the 6-month period ending 30 June 2018 is a loss amounting to EUR 7 376 thousand mainly due to recognition of impairment of investments in subsidiaries - Syngas Italy S.R.L. and Winttec SGPS SA, as well as impairment of all receivables from Syngas Italy S.R.L. The accumulated loss as at 30 June 2018 amounts to EUR 10 719 thousand. During the first half of 2018 the Company was not able to make due interest payments amounting to EUR 600 thousand in relation to its unsecured corporate bonds issue. These circumstances indicate the existence of a material uncertainty with regards to the Company's ability to continue as a going concern without continuing support of its shareholders and providers of finance. 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 and has taken the below listed actions to improve the financial position and performance of the Company.

At present the Company is restructuring its principal business activities and is preparing in-kind contributions of new lines of business activities for the purpose of diversification – potentially commodities trading, retail sales, waste container production, real estate etc. The in-kind contributions of the new business lines of activities is expected to be finalized by February 2019.

The management is currently negotiating the sale of the power plants of Karlovo Biomass EOOD and Heat Biomass EOOD as well as the pelletizing installation of Biomass Distribution EOOD.

In the beginning of 2018 Ebioss Energy SE, obtained a loan of EUR 2 million.

On the grounds of this SSF agreement Ebioss Energy SE has received from GEM Yield Fund "Advanced funds" for working capital at the amount of EUR 300,000. As consideration for the provision of the "Advanced funds", Elektra Holding AD, as principal shareholder in "Ebioss Energy" SE, has lent to GEM Yield Fund 2,000,000 ordinary shares from the registered capital of EBIOSS ENERGY SE, which are listed for trading on the Spanish Alternative Stock Market (MAB).

Furthermore, in consideration for the Investor (GEM GLOBAL YIELD FUND) entering into this Agreement, Ebioss Energy SE undertakes to issue Warrants to the Investor, giving the right to the latter to subscribe for 5,500,000 newly issued Ordinary Shares from the capital of Ebioss Energy SE. The terms and conditions for issuance of the Warrants are specified in the SSF.

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.

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

**2. Accounting policies (continued)**

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.

**Changes in significant accounting policies**

The Company has initially applied IFRS 15 and IFRS 9 from 1 January 2018. The Company is in the process of implementation of IFRS 9 and has not calculated expected credit loss for its receivables from related parties amounting to EUR 24 332 thousand presented in note 16.1 and trade and other receivables amounting to EUR 589 thousand. A number of other new standards are also effective from 1 January 2018. The other new standards do not have a material effect on the Company's financial statements.

**Foreign currency translation**

**(i) Functional and presentation currency**

Items included in the Company's condensed interim 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.

**Revenue recognition**

The Company has initially applied IFRS 15 from 1 January 2018.

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**

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

**(ii) Rendering of services**

The Company is involved in rendering services, mainly to other related parties.

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

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

**2. Accounting policies (continued)**

**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 are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

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

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

**2. Accounting policies (continued)**

**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 CONDENSED INTERIM 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 subsidiaries are stated at cost less impairment, which is recognised as an expense in the period in which the impairment is identified.

### Financial instruments

#### (i) Recognition and initial measurement

Trade receivables are initially recognised when they originate. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A trade receivable without a significant financial component is initially measured at the transaction price,

#### (ii) Classification and subsequent measurement

<u>Financial assets – policy applicable from 1 January 2018</u>

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI – debt investments; FVTPL – equity investments.

Financial assets are not reclassified after their initial recognition unless the Company changes its business model for managing financial assets.

<u>Financial liabilities – Classification, subsequent measurement and gains and losses</u>

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

### Derecognition of financial assets and liabilities

<u>Financial assets</u>

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the right to the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers not retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

## 2. Accounting policies (continued)

**Derecognition of financial assets and liabilities (continued)**

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Company currently has a legally enforceable 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.

**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.

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

**Provisions**

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

**Impairment**

**(i) Non-financial assets**

The Company reviews the carrying amount of its non-financial assets (other than inventories and deferred tax asset) on an annual basis as at year-end to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

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

**Policy applicable from 1 January 2018**

*Financial instruments and contract assets*

The Company recognises loss allowances for ECLs on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI; and
- Contract assets.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

**2. Accounting policies (continued)**

**Impairment (continued)**

**(ii) Non-derivative financial assets (continued)**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

The Company assumes that the credit risk of a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full;
- The financial assets is more than 360 days past due.

*Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

**Leases**

**(i) Determining whether an arrangement contains a lease**

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

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

**(ii) Leased assets**

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

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

**(iii) Lease payments**

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

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

**Share capital**

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

**Non-current liabilities**

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

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

### 3. Revenue from services

| For the six months ended 30 June | 2018<br>EUR'000 | 2017<br>EUR'000 |
|---|---|---|
| Revenue from services | 123 | 123 |
| | 123 | 123 |

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 16.4).

### 4. Expenses for hired services

| For the six months ended 30 June | 2018<br>EUR'000 | 2017<br>EUR'000 |
|---|---|---|
| Consultancy fees | 39 | 61 |
| Office rent | 23 | 23 |
| Audit services | 15 | 18 |
| Advertising and exhibits | - | 37 |
| Equipment dismantling | - | 36 |
| Other | 17 | 30 |
| | 94 | 205 |

### 5. Employee benefit expenses

| For the six months ended 30 June | 2018<br>EUR'000 | 2017<br>EUR'000 |
|---|---|---|
| Wages and salaries | 266 | 268 |
| Social security contributions | 25 | 25 |
| | 291 | 293 |

### 6. Other expenses and impairmentsь

| For the six months ended 30 June | 2018<br>EUR'000 | 2017<br>EUR'000 |
|---|---|---|
| Impairment of loans and receivables | 3,932 | - |
| Impairment of investments in subsidiaries | 2,848 | - |
| Stock exchange and investors related expenses | 84 | 301 |
| Vehicles related | 11 | 26 |
| Loans remitted | - | 59 |
| Other expenses | 69 | 199 |
| | 6,944 | 585 |

### 7. Finance income and costs

| For the six months ended 30 June | 2018<br>EUR'000 | 2017<br>EUR'000 |
|---|---|---|
| Interest income | 488 | 526 |
| Net FX gains | - | 27 |
| | 488 | 553 |
| Interest expense | (687) | (540) |
| Net FX loss | (7) | - |
| Bank expenses | (11) | (22) |
| **Finance costs** | (705) | (562) |
| **Net finance expense recognized in profit or loss** | (217) | (9) |

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

## 8. Investment in subsidiaries

| | 30.06.2018 EUR'000 | 31.12.2017 EUR'000 |
|---|---|---|
| Balance at 1 January | 24,105 | 16,316 |
| New investments – further share acquisition in Eqtec plc | 271 | 9,467 |
| Impairment of the investment in Syngas Italy SRL | (650) | - |
| Impairment of the investment in Winttec SGPS SA | (2,198) | - |
| Disposal of investments (Eqtec Iberia SL) | - | (1,678) |
| **Balance at the end of the period** | 21,528 | 24,105 |

The investment in subsidiaries as at 30 June 2018 and 31 December 2017 are presented below:

| Subsidiary | Country of incorporation | % ownership 30.06.2018 | Investment amount in EUR'000 30.06.2018 | % ownership 31.12.2017 | Investment amount in EUR '000 31.12.2017 |
|---|---|---|---|---|---|
| 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 |
| Energotec-Eco AD | Bulgaria | 43% | 10 | 43% | 10 |
| Biomass Distribution EOOD | Bulgaria | 100% | 1 | 100% | 1 |
| Syngas Italy S.R.L. | Italy | 100% | - | 100% | 650 |
| WINTTEC SGPS SA (former TNL SGPS) | Portugal | 68% | 500 | 68% | 2,698 |
| Eqtec Plc (former React Energy) | Ireland | 50.06% | 8,020 | 50.25% | 7,749 |
| Eqtec Bulgaria EOOD | Bulgaria | 100% | 605 | 100% | 605 |
| **Total investment** | | | **21,528** | | **24,105** |

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 30 June 2018 the principal to be repaid by Karlovo Biomass OOD to United Bulgarian Bank AD amounts to EUR 3,955 thousand out of which the payment of principle amounting to EUR 396 thousand was due prior to the reporting date. The Management plans to pay the overdue principle upon completion of the sales transaction of the plant in the foreseeable future.

The operation of Karlovo Biomass EOOD and Heat Biomass EOOD power plants has not been initiated in October 2018 and the management is currently negotiating the sale of both power plants as well as the pelletizing installation of Biomass Distribution EOOD.

## 9. Property, plant and equipment

| | Computers and equipment EUR'000 | Vehicles EUR'000 | Total EUR'000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2017 | 15 | 124 | 139 |
| Additions | 4 | - | 4 |
| **Balance at 31 December 2017** | 19 | 124 | 143 |
| | | | |
| **Balance at 1 January 2018** | 19 | 124 | 143 |
| Additions | 1 | - | 1 |
| **Balance at 30 June 2018** | 20 | 124 | 144 |

## NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

**9. Property, plant and equipment (continued)**

| | Computers and equipment EUR'000 | Vehicles EUR'000 | Total EUR'000 |
|---|---|---|---|
| **Depreciation** | | | |
| Balance at 1 January 2017 | 11 | 35 | 46 |
| Charge for the year | 3 | 21 | 24 |
| **Balance at 31 December 2017** | 14 | 56 | 70 |
| Charge for the period | 2 | 11 | 13 |
| **Balance at 30 June 2018** | 16 | 67 | 83 |
| **Carrying amounts** | | | |
| At 1 January 2017 | 4 | 89 | 93 |
| At 31 December 2017 | 5 | 68 | 73 |
| **At 30 June 2018** | 4 | 57 | 61 |

**10. Intangible assets**

| | Software EUR'000 |
|---|---|
| **Cost** | |
| Balance at 1 January 2017 | 6 |
| **Balance at 31 December 2017** | 6 |
| **Balance at 30 June 2018** | 6 |
| **Amortisation** | |
| Balance at 1 January 2017 | 3 |
| Charge for the year | 1 |
| **Balance at 31 December 2017** | 4 |
| **Balance at 30 June 2018** | 4 |
| **Carrying amounts** | |
| At 1 January 2017 | 3 |
| At 31 December 2017 | 2 |
| **At 30 June 2018** | 2 |

**11. Cash and cash equivalents**

| | 30.06.2018 EUR'000 | 31.12.2017 EUR'000 |
|---|---|---|
| Cash at bank | 5 | 27 |
| Cash in hand | - | 10 |
| **Cash and cash equivalents** | **5** | **37** |

| Cash and cash equivalents are denominated in following currencies: | 30.06.2018 EUR'000 | 31.12.2017 EUR'000 |
|---|---|---|
| EUR | 5 | 37 |
| | **5** | **37** |

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

## 12. Capital and capital reserves

### *12.1. 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.

### *12.2. 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 30 June 2018 the Company held 9,864 own shares with nominal value EUR 1 at total amount of EUR 10 thousand.

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

## 13. Loss per share

**Basic loss per share**

The calculation of basic loss per share at 30 June 2018 was based on the loss attributable to ordinary shareholders of EUR 596 thousand (30 June 2017: loss of EUR 906 thousand), and a weighted average number of ordinary shares outstanding of 20,887 thousand (30 June 2017: 20,695 thousand), calculated as follows:

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

| *In thousands of EUR* | **30.06.2018** | **30.06.2017** |
|---|---|---|
| Loss for the period | (7,376) | (906) |
| **Loss attributable to ordinary shareholders** | (7,376) | (906) |

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

| *In thousands of shares* | **30.06.2018** | **30.06.2017** |
|---|---|---|
| Issued ordinary shares at 1 January | 20,918 | 40,912 |
| Reverse share split | - | (19,994) |
| Effect from repurchased own shares | (31) | (223) |
| **Weighted average number of ordinary shares at 30 June** | 20,887 | 20,695 |
| Loss per share (EUR) | (0.35) | (0.04) |

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

## 14. 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.

| *In thousands of EUR* | Note | 30.06.2018 | 31.12.2017 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Unsecured corporate bonds issues | | 15,788 | 15,786 |
| Bank loans | | 235 | 55 |
| Finance lease liabilities | | - | 14 |
| | | **16,023** | **15,855** |
| **Current liabilities** | | | |
| Unsecured corporate bonds issues | | 1,200 | 986 |
| Loans payable to related parties | 16.3 | 836 | 731 |
| Bank loans and overdrafts | | 5 | 216 |
| Finance lease liabilities | | 33 | 23 |
| Loans payable to third parties | | 2,070 | 37 |
| | | **4,144** | **1,993** |

*Corporate bonds issue*

| *In thousands of EUR* | |
|---|---|
| **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/ 1 January 2018** | **16,772** |
| Accrued interest | 626 |
| Paid interest | (416) |
| Revaluation of GBP bonds | 6 |
| **Carrying amount of liability at 30 June 2018** | **16,988** |

In February and March of 2018 Ebioss Energy SE, obtained a loan of EUR 2 million with maturity of 12 months at 5% interest.

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.

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.

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

**14. Loans and borrowings (continued)**

*Corporate bonds issue (continued)*

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.

The interest payments for emissions 1, 3 and 4 are due respectively on 20 April 2018, 2 June 2018 and 18 June 2018 have not been paid during the first half of 2018. The overdue amount comes to EUR 600 thousand.

**15. Taxation**

| **Income tax recognised in profit or loss** | | |
|---|---|---|
| For the six months ended 30 June | **2018 EUR'000** | **2017 EUR'000** |
| Deferred tax benefit | 60 | 75 |
| **Income tax benefit for the period** | 60 | 75 |

| **Reconciliation of the effective income tax rate:** | **2017 EUR'000** | **2016 EUR'000** |
|---|---|---|
| Loss for the period | (7,376) | (906) |
| Total income tax benefit | 60 | 75 |
| **Loss excluding income tax** | (7,436) | (981) |
| Income tax benefit at the statutory income tax rate of 10% | 744 | 98 |
| Non-deductible expenses | (6) | (23) |
| Unrecognised deferred tax asset on impairment | (678) | - |
| **Income tax benefit** | 60 | 86 |
| **Effective tax rate** | 1% | 11% |

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 CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

## 15. Taxation (continued)

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 30.06.2018 EUR'000 | 31.12.2017 EUR'000 | 30.06.2018 EUR'000 | 31.12.2017 EUR'000 | 30.06.2018 EUR'000 | 31.12.2017 EUR'000 |
| Tax loss carry-forwards | 359 | 299 | - | - | 359 | 299 |
| Other temporary differences | 7 | 7 | - | - | 7 | 7 |
| **Tax assets** | 366 | 306 | - | - | 366 | 306 |

### Movement in deferred tax balances

| *In thousands of EUR* | Balance 1 January 2017 | Recognized in profit or loss | Balance 31 December 2017 | Recognized in profit or loss | Balance 30 June 2018 |
|---|---|---|---|---|---|
| Tax loss carry-forwards | 166 | 133 | 299 | 60 | 359 |
| Other temporary differences | - | 7 | 7 | - | 7 |
| | 166 | 140 | 306 | 60 | 366 |

## 16. 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, 50.06% 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) |

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

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

| | |
|---|---|
| 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 |
| Epsion resorts EAD (former 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 |

*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 the first six months of 2018 amounts to EUR 62 thousand (first six months of 2017: EUR 62 thousand).

**16.1 Loans provided to related parties**

| | **30.06.2018 EUR'000** | **31.12.2017 EUR'000** |
|---|---|---|
| Heat Biomass EOOD | | |
| - principal | 2,694 | 2,688 |
| - interest | 412 | 358 |
| Karlovo Biomass EOOD | | |
| - principal | 10,502 | 10,357 |
| - interest | 1,775 | 1,568 |
| United Biomass EOOD | | |
| - principal | 41 | 37 |
| - interest | 7 | 7 |
| Nova Zagora Biomass EOOD | | |
| - principal | 25 | 24 |
| - interest | 5 | 4 |
| Tvardica Biomass EOOD | | |
| - principal | 21 | 20 |
| - interest | 4 | 4 |
| Plovdiv Biomass EOOD | | |
| - principal | 26 | 26 |
| - interest | 5 | 5 |
| Tvardica PV EOOD | | |
| - principal | 10 | 9 |
| - interest | 2 | 1 |
| Biomass Distribution | | |
| - principal | 5,307 | 5,236 |
| - interest | 665 | 561 |
| Brila EOOD | | |
| - principal | 18 | 18 |
| - interest | 4 | 4 |

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

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

**16.1 Loans provided to related parties (continued)**

| | | |
|---|---|---|
| Syngas Italy S.R.L. | | |
| - principal | 3,395 | 3,358 |
| - interest | 383 | 317 |
| - impairment | (3,778) | - |
| WINTTEC SGPS SA | | |
| - principal | 551 | 530 |
| - interest | 102 | 89 |
| TNL SL | | |
| - principal | 1,039 | 729 |
| - interest | 65 | 42 |
| TNL SA | | |
| - principal | 895 | 403 |
| - interest | 37 | 21 |
| TNL Word | | |
| - principal | 15 | 13 |
| - interest | 2 | 2 |
| Eqtec Iberia | | |
| - principal | - | - |
| - interest | 4 | 4 |
| Eqtec Bulgaria | | |
| - principal | 56 | 1 |
| - interest | 1 | - |
| Winttec Greece IKE | | |
| - principal | 25 | - |
| - interest | 1 | - |
| Company employees | | |
| - principal | 15 | 19 |
| - interest | 1 | - |
| | 24,332 | 26,455 |

The Company has not recognized any expected credit losses as at 30 June 2018 in relation to receivables from related parties as the Company did not fully implement IFRS 9 being currently in a process of adoption for the year-end 2018.

**16.2 Other payables to related parties**

| | 30.06.2018 EUR'000 | 31.12.2017 EUR'000 |
|---|---|---|
| Jose Oscar Leiva Mendez | 73 | 44 |
| Eqtec plc | 60 | 60 |
| Elektra Holding AD | 10 | 10 |
| Other | - | 10 |
| | 143 | 124 |

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

**16.3 Loans received from related parties**

The amount under a loan facility granted by Elektra Holding AD to Ebioss Energy SE as at 30 June 2018 comes to EUR 680 thousand (31 December 2017: EUR 731 thousand).

The amount under a loan facility granted by Wintec World SL to Ebioss Energy SE as at 30 June 2018 comes to EUR 155 thousand (31 December 2017: EUR 0).

**16.4 Services provided to related parties**

| For the six months ended 30 June | **2018**<br>**EUR'000** | **2017**<br>**EUR'000** |
|---|---|---|
| Karlovo Biomass EOOD | 31 | 31 |
| Biomass Distribution EOOD | 31 | 30 |
| Heat Biomass EOOD | 30 | 31 |
| Syngas Italy S.r.l. | 31 | 31 |
| | 123 | 123 |

**16.5 Trade receivables from related parties**

| | **30.06.2018**<br>**EUR'000** | **31.12.2017**<br>**EUR'000** |
|---|---|---|
| Biomass Distribution EOOD | 80 | 43 |
| Jose Oscar Leiva Mendez | 42 | 42 |
| Heat Biomass EOOD | 55 | 19 |
| Karlovo Biomass EOOD | 38 | 12 |
| Syngas Italy S.r.l. | - | 123 |
| | 215 | 239 |

Receivable from Syngas Italy SRL amounting EUR 154 thousand has been impairment during the first six months of 2018 following the management decision to initiate a liquidation procedure of the subsidiary. (See Note 17).

**17. 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 30 June 2018 (31 December 2017) the outstanding principal to this loan is EUR 3,955 thousand (EUR 4,052 thousand) out of which the payment of principle amounting to EUR 396 thousand was due prior to the reporting date.

**18. Events after the reporting period**

With a resolution of the Board of Directors, dated 14 September 2018 initiation of voluntary liquidation of the subsidiary company SYNGAS ITALY SRL was approved.

With a resolution of the Board of Directors, dated 14 September 2018 sale of all corporate shares owned by Ebioss Energy SE in the company Waste Intelligent Technologies SGPS, representing 68% of the registered capital to Mr. Nuno Antonio De Silva Lopes for the for a price of EUR 1 and against additional consideration, equal to EUR 500,000 was approved. The consideration is formed as follows:

a) EBIOSS Energy SE buys 46,988 shares equivalent to 80% of TNL EQUIPAMENTOS AMBIENTAIS SL from WINTTEC SGPS for the selling price equal to EUR 250,000

b) EBIOSS Energy SE buys 1,970 shares equivalent to 100% of WINTTEC WORLD SL for the selling price equal to EUR 197,000.

# NOTES TO THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

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

c) EBIOSS Energy SE buys 900 shares equivalent to 100% of TNL WORLD EOOD for the selling price equal to EUR 1,000.

d) EBIOSS Energy SE buys 100% of the capital of WINTTEC GREECE IKE for the selling price equal to EUR 52,000.

The sale was officially performed on 5 October 2018 with the cancelation of the pledge, which has been imposed over the shares of WINTTEC in relation to the receivables of BTC 12 SARL amounting to 1 million Euro. The pledge in favour of BTC 12 SARL was transferred over TNL EQUIPAMENTOS AMBIENTAIS SL and WINTTEC WORLD SL.

On 25 October 2018 was signed Share Subscription Facility agreement (hereinafter referred to as "SSF") by and between:

1. EBIOSS ENERGY SE as issuer
2. GEM GLOBAL YIELD FUND as investor
3. GEM INVESTMENTS AMERICA, LLC as intermediary
4. ELEKTRA HOLDING AD as share lender

On the grounds of this SSF agreement Ebioss Energy SE has received from GEM Yield Fund "Advanced funds" for working capital at the amount of EUR 300,000. As consideration for the provision of the "Advanced funds", Elektra Holding AD, as principal shareholder in "Ebioss Energy" SE, has lent to GEM Yield Fund 2,000,000 ordinary shares from the registered capital of EBIOSS ENERGY SE, which are listed for trading on the Spanish Alternative Stock Market (MAB).

Furthermore, in consideration for the Investor (GEM GLOBAL YIELD FUND) entering into this Agreement, Ebioss Energy SE undertakes to issue Warrants to the Investor, giving the right to the latter to subscribe for 5,500,000 newly issued Ordinary Shares from the capital of Ebioss Energy SE. The terms and conditions for issuance of the Warrants are specified in the SSF.

In the second half of 2018 due to issue of new shares in EQTEC PLC the participation of Ebioss Energy SE decreased to 41,13%.

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## INDEPENDENT PRACTICIONER'S REVIEW REPORT

To the shareholders of Ebioss Energy SE
Address: 1404, Sofia
3 Bulgaria Blvd., fl.11-12

### Introduction

We have reviewed the accompanying condensed interim separate financial statements of Ebioss Energy SE as at June 30, 2018, which comprise the condensed interim separate statements of financial position as at 30 June 2018 and the related condensed interim separate statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the period then ended and accompanying notes to the condensed interim separate financial statements.

### Management's Responsibility for the Financial Statements

Management of Ebioss Energy SE is responsible for the preparation and fair presentation of those condensed interim separate financial statements in accordance with International Financial Reporting Standards, as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying condensed interim separate financial statements of Ebioss Energy SE. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the condensed interim separate financial statements, taken as a whole, are not prepared in all material respects in accordance with International Financial Reporting Standards, as adopted by EU. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed interim separate financial statements.

Crowe

**Material Uncertainty Related to the Going Concern**

We draw attention to the disclosures in note 2 "Accounting policies", section "Going concern basis of accounting" in the condensed interim separate financial statements, which indicates that the management believes that current and future planned activities of the Company, as well as 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. It shall be noted that if the Company does not receive the secured funds and does not reorganise its business operations in the projected manner, this may lead to the occurrence of a material uncertainty with regards to the Company's ability to continue as a going concern without continuing support of its shareholders and providers of finance. Our conclusion is not modified in respect of this matter.

**Basis for qualified conclusion**

As presented in note 2 "Accounting policies", section "Changes in accounting policy" Management is in the process of implementation of the requirements of IFRS 9 Financial Instruments and correspondingly has not made all required disclosures in the condensed interim separate financial statements as at 30 June 2018 and has not recognised expected credit loss for receivables from related parties with carrying amount as at 30 June 2018 of EUR 24 332 thousand disclosed in note 15.1 to the condensed interim separate financial statements. Consequently, we were not able to conclude whether the carrying amount of those receivables from related parties corresponds to the requirements of IFRS 9 Financial Instruments.

As presented in note 8 "Investment in subsidiaries" to the condensed interim separate financial statements as at 30 June 2018 Ebioss energy SE has investments in subsidiaries with carrying amount of EUR 21 528 thousand. During the period the Company has recognized impairment loss for two subsidiaries – Syngas Italy S.R.L. by EUR 650 thousand and Winttec SGPS SA by EUR 2 198 thousand in relation to specific circumstances that led to the decrease in their recoverable amount. For the other investments in subsidiaries, we were not able to conclude on the reliability of the assumptions used at determining the recoverable amount based on the provided valuation reports as at 31 December 2017 and internal analysis of the management. Consequently, we were not able to conclude whether the recoverable amount of those investments in subsidiaries exceed their carrying amount of EUR 21 028 thousand.

**Qualified conclusion**

Based on our review, except for the effects of the matters described in the Basis for Qualified Conclusion paragraphs, nothing has come to our attention that causes us to believe that the accompanying condensed interim separate financial statements of Ebioss Energy SE as at 30 June 2018 do not present fairly, in all material respects the financial position of Ebioss Energy SE as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by EU.

**Other Matters**

We have reported separately on 12 November 2018 on the condensed interim consolidated financial statements of Ebioss Energy SE and its subsidiaries for the period ended 30 June 2018. The conclusion in that report is qualified in relation to the full implementation of the requirements of IFRS 9 Financial Instruments, with regard to inclusion of unrealised intra-group profit of EUR 2 658 thousand in the carrying amount of Property, plant and equipment and possible overstatement of total carrying amount of Property, plant and equipment, Intangible assets and Goodwill in relation to performance of review for indications of impairment at year-end.

Crowe Bulgaria Audit Ltd.

Georgi Kaloyanov, Managing partner
Registered auditor, responsible for the review

ОДИТОРСКО ДРУЖЕСТВО
СОФИЯ
Рег. № 167
КРОУ БЪЛГАРИЯ ОДИТ ЕООД

12 November 2018
Sofia