TERNA ENERGY SA

TERNA ENERGY GROUP

ANNUAL FINANCIAL STATEMENTS OF THE PARENT AND THE GROUP AS AT DECEMBER 31[ST] 2007 IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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CONSOLIDATED MANAGEMENT REPORT
Of the Societe Anonyme
«TERNA ENERGY A.B.E.T.E.»

To the General Shareholders Meeting

Dear Shareholders,

The year 2007 was a significant and pivotal year for TERNA ENERGY as in November the company listed its shares on Athens Exchange, a development that gives the ability to the company to have access to the necessary funding for its strong growth. TERNA ENERGY holds a leading position in the sector of development and operation of Renewable Energy Sources (RES) in Greece having the largest investment plan of RES under development in Greece. In total, with the listing of its share in Athens Exchange, the Company raised 300.57 mil. euro, funds that are expected to finance the planned investments of the Company in Greece and abroad.

The Energy segment of the company in 2007 continued its operation at an intensive pace: 118 MW are under operation, while additional 44 MW of wind parks and 15 MW of small hydroelectric projects are under advanced development and are expected to become operational within the year. At the same time, a significant number of new projects matures in licensing terms and its construction will begin in the coming period.

TERNA ENERGY ABETE operates today 8 wind parks: four W/P in Evia, with a capacity of 41 MW, which already operate since 2000 (Tsilikoka, Tsouka, Profitis Ilias, Pirgari), two wind parks in Crete (Perdikokorifi, Chonos) having a capacity of 19 MW and two wind parks in Evros (Didimos Lofos, Mitoula) having a capacity of 58 MW. It also constructs a wind park in Aitoloakarnania (Louzes) having a capacity of 24 MW and a wind park in Viotia (Mavrovouni) having a capacity of 19,55 MW.
At the same time the Company and its subsidiaries hold additional Production Licenses having a total power of approximately 523 MW for wind parks throughout Greece with the completion of licensing being at various stages of development, while it has applied to gain licenses for additional capacity of 2,051 MW.

Regarding Small Hydroelectric Projects (SHP), the company constructs two units having a power of 8.5 MW (Dafnozonara-Aitoloakarnania) and 6.6 MW (Eleousa-Prefecture of Thessaloniki) respectively. At the same time the company has acquired licenses for the production of 112 MW, which represent 8 SHP and a larger with a capacity of 60 MW.
The Company has also applied for the new licenses regarding SHP with total capacity of 92,54 MW.

At the same time with the above actions, the company has decided to become active in the sector of Photovoltaic Parks (P/P) and for this reason it has applied to RAE for a total capacity of 20,000 KW . In this attempt it has already succeeded to acquire license for the first P/P having a power of 1050 KW , which construction is expected to be completed within the year, while it awaits the positive decision of RAE for the second P/P having a capacity of 3000 KW .

During the last years the sector of RES records a strong growth worldwide: the expansion of the company in countries outside Greece is a strategic choice for the Management as investment opportunities are recognized in selective countries of S.E. Europe but also in Asia and Middle East.

The Company is at the stage of spotting the appropriate locations by quantifying the wind forces, while at the same time it explores the perspective to establish co-operations with local organizations or to participate in relevant competitions. The attempts of the company to establish its presence abroad are expected to produce positive results in the coming period.

Also, TERNA ENERGY maintains a construction segment: Except from the construction of projects for the Group (wind parks, hydroelectric projects) it undertakes the construction of third party projects having acquired a 6^{th} grade degree. The turnover of the company that is related to construction projects for third parties amounted to 39.1 mil. euro while the backlog of undertaken construction for third parties at 31/12/2007 amounted to 79 mil. euro. The construction segment of the company, further to its profitability and the strengthening of company's financials, has a significant advantage for TERNA ENERGY as it maintains am important know-how in executing RES, strengthening the vertical position of the Energy segment of the company.

The company has adopted the International Financial Reporting Standards (IFRS) since 2005. For 2007 the consolidated turnover of the Group, by IFRS, amounted to 60.2 mil. euro, increased by 44.5%. EBITDA amounted to 25.2 thous. €. Increased by 54.9%. Earnings before tax amounted to 18.8 mil euro, increased by 100%, while net earnings after tax amounted to 14.3 mil euro, increased by 93,2%. Regarding the results of specific segment: The energy segment recorded turnover of 21 mil euro while EBITDA amounted to 14.7 mil. euro increased by 18%. Also, the turnover of the construction segment amounted to 39,1 mil. euro while the operating profit of the segment increased by 173%, amounting to 10,8 mil. euro.
The board of directors of the Company aims to suggest to the General Assembly of the Shareholders of the Company the distribution of dividends totaling 6,013 thous euro, or 0.055 euro per share.

Taken the above into consideration, dear shareholders we suggest to approve the Consolidated Balance Sheet as of 31^{st} of December 2007 and the Income Statement.

The Board of Directors unanimously approves the aforementioned Management Report in order for it to be submitted to the General Assembly of the Shareholders.

Athens, 24 March 2008
THE BOARD OF DIRECTORS

EXPLANATORY REPORT
TO THE ORDINARY GENERAL ASSEMBLY OF THE SHAREHOLDERS
PURSUANT TO ARTICLE 11a para. 1 of Law. 3371/2005

This explanatory report of the Board of Directors, addressed to the Ordinary General Meeting of shareholders of the Company, contains detailed information regarding the items of paragraph 1 of article 11a of Law 3371/2005.

I. Structure of the Company's share capital

On July 20, 2007 the General Assembly of the Shareholders decided the listing of the shares of the Company in the Athens Exchange (Big Cap category) and the capital increase in the amount of 8.200.020 € through the issuance and subscription for cash of 27.333.400 new ordinary shares with nominal value 0,30 € each pursuant to the combined offering comprising of a public offering in Greece including an offering to employees and certain other collaborators and an international offering including qualified investors and institutional buyers.

Following the above mentioned Share Capital increase the company's share capital amounts to thirty two million eight hundred thousand and twenty euros (€32.800.020,00), divided into one hundred nine million three hundred thirty three thousand three hundred and four hundred (109.333.400) common registered shares with voting rights, of a par value of thirty cents (0.30 €) each.
The Company's shares are listed for trading at the Securities Market of the Stock Exchange of Athens (under "Large Cap" classification).
Each share confers all rights provided by the law and its articles, and especially:
• the right to receive dividends from the profits of the Company amounting to at least 6% of the paid-up share capital after the deduction for the ordinary reserve, which is distributed to the shareholders out of the profits of each fiscal year as a first dividend, while the distribution of additional dividends is resolved by the General Meeting. Every shareholder listed in the register of shareholders kept by the Company as aof the date of distribution, is entitled to receive dividends. The dividend of each share is paid to the shareholder within two (2) months from the date of the Ordinary General Meeting that approved the annual financial statements. The manner and place of payment is published at the Daily Official List, as well as at the webpage of the Stock Exchange and the Company. The claim regarding the collection of the dividends is prescribed and the respective amount is transferred to the State upon 5 years from the end of the year, in which said dividends were decided to be distributed by the General Meeting,
• the right to receive the contribution during the liquidation or, respectively, to amortize the capital pertaining to the share, if decided by the General Meeting,
• a first refusal right at each share capital increase of the Company involving payment in cash and the issuance of new shares,
• the right to obtain a copy of the financial statements and the reports of the auditors and the Board of Directors of the Company,
• the right to participate at the General Meeting, wherein each share confers the right to one vote.
The General Meeting of shareholders of the Company retains all its rights throughout the liquidation procedure (pursuant to para. 4 of article 43 of its Articles).
The shareholders are liable only up to the par value of the shares they hold.

II. Restrictions on the transfer of the Company's shares

The transfer of the Company's shares is effected in accordance with the Law and there are no restrictions on their transfer pursuant to the Company's Articles of Incorporation, considering that they are intangible shares listed at the Stock Exchange of Athens.

Exceptionally, as stated in the Offerring Circular issued on October 19, 2007 for the purpose of the initial Public Offering it is stated that the shareholders TERNA SA, George Peristeris, Michael Gourzis and Emmanuel Maragoudakis will not, for a period of 180 days following the commencement of trading of the shares on the Athens Exchange, sell or enter into any agreement to sell any shares without the prior consent of the Coordinator - Lead Manager of the Greek Public Offering and the Coordinator - Bookrunner of the International Public Offering.

III. Significant direct or indirect participations in the sense of law 3556/07

The shareholders who directly held on 31/12/2007 a percentage of 5% or more of the share capital are listed in the following table:

NAME OF SHAREHOLDER	SHARES	PERCENTAGE
TERNA S.A.*	51.815.800	47,392%
George Peristeris	24.550.800	22,455%

*GEK SA holds through its subsidiary company TERNA SA 47,392% of the total voting rights of TERNA ENERGY SA.

IV. Shares conferring special control rights

According to the Articles of Association there are no shares which award special rights of control.

V. Restrictions on voting rights

No restrictions on the voting rights deriving from the Company's shares are provided in its Articles of Incorporation.

VI. Shareholders' agreements in the Company

The Company is not aware of any agreements among its shareholders which might result in restrictions on the transfer of the Company's shares or on the exercise of the voting rights conferred by its shares.

VII. Rules of appointment and replacement of Board members and amendment of Articles

The rules provided in the Company's articles regarding the appointment and replacement of its Board members as well as the amendment of its Articles do not deviate from those provided for in codified law 2190/1920.

VIII. Competency of the Board to issue new shares or purchase owned shares

1a) According to the provisions of article 13 para. 1 (b) and (c) of codified law 2190/1920 and article 6 of the Articles of Incorporation, within the first five years from the establishment of the company the Board of Directors of the Company is entitled to increase the share capital of the Company through the issuance of new shares, by virtue of a decision adopted by a majority of at least two thirds (2/3) of the total number of its members. In such case, the share capital may be increased only up to the amount of the capital which is paid-up on the date of adoption of the decision by the General Meeting. The aforementioned power of the Board of Directors may be renewed by the General Meeting for a period which cannot exceed five years for each renewal, and it shall enter into effect upon the expiration of each five-year period.

1b) According to the provisions of article 13 para. 9 of codified law 2190/1920, by virtue of a decision of the General Meeting a stock option plan may be implemented in favor of members of the Board and the personnel of the Company and its affiliates, in the form of the granting of a call option pursuant to the specific terms of such decision, a summary of which is subject to the publication requirements of article 7b of codified law 2190/1920. The decision of the General Meeting shall especially determine the maximum number of shares that may be issued, which according to the law cannot exceed 1/10 of the existing shares if the beneficiaries exercise their call option, as well as the price and the terms of distribution of the shares to the beneficiaries.

The Board of Directors shall adopt such decisions as to regulate any other relevant detail which is not otherwise determined by the General Meeting, it shall issue the call option certificates and, in December of each year, it shall issue shares to the beneficiaries who exercised their option, respectively increasing the share capital and confirming the payment of the relevant amount.

2) According to the provisions of paragraphs 5-13 of article 16 of codified law 2190/1920, companies listed at the Stock Exchange of Athens may acquire owned shares through the Stock Exchange of Athens upon decision of the General Meeting of their shareholders, up to 10% of the entirety of their shares.

IX. Important agreements which will enter into effect, will be amended or will expire in case of change of control following a public offer

There are no agreements which will come into effect, will be amended or will expire in case of change of control following a public offer.

X. Agreements with members of the Board or personnel of the Company

There are no agreements of the Company with members of its Board of Directors or its personnel, which provide for the payment of compensation especially in case of resignation or release without substantiated reason or in case of termination of their term or employment due to a public offer.

Athens, 24 March 2008
THE BOARD OF DIRECTORS

GROUP TERNA ENERGY

BALANCE SHEET

31st DECEMBER 2007

(All amounts are in thousand euros unless otherwise stated)

	Note	GROUP 31 December 2007	GROUP 31 December 2006	COMPANY 31 December 2007	COMPANY 31 December 2006
ASSETS					
Non-current assets					
Intangible assets	7	1,394	700	603	211
Tangible assets	8	162,018	115,868	71,569	43,844
Investment property	9	923	923	923	923
Participations in subsidiaries		-	-	29,249	26,773
Participations in associates	10	10	13	-	-
Participations in joint-ventures	24	-	-	489	552
Other long-term receivables	12	22,623	7,086	9,995	14
Other investments	11	1	-	1	284
Deferred income tax	27	3,377	1,505	2,966	1,216
Total non-current assets		**190,346**	**126,095**	**115,795**	**73,817**
Current assets					
Inventories	13	1,493	1,687	746	493
Trade receivables	14	18,681	9,820	22,133	11,639
Prepayments and other receivables	14	16,349	9,800	9,542	7,210
Investments available for sale	11	-	383	-	-
Income tax receivables		767	-	566	366
Cash and equivalents	16	295,176	18,689	287,418	12,296
Total current assets		**332,466**	**40,379**	**320,405**	**32,004**
Non-current assets available for sale		-	-	-	-
TOTAL ASSETS		**522,812**	**166,474**	**436,200**	**105,821**
EQUITY AND LIABILITIES					
Equity attributed to the shareholders of the parent					
Share capital	25	32,800	18,561	32,800	18,561
Share premium		281,996	44	282,006	44
Reserves		15,333	15,211	14,248	14,626
Profit carried forward		18,536	10,144	18,828	12,087
Total		**348,665**	**43,960**	**347,882**	**45,318**
Minority interest		496	66	-	-
Total equity		**349,161**	**44,026**	**347,882**	**45,318**

Long-term liabilities					
Long-term loans	17	54,857	57,848	27,692	31,377
Other provisions	19	546	541	17	16
Provision for staff indemnities	18	104	89	104	89
Grants	20	42,630	33,820	11,654	10,181
Deferred income tax	27	266	265	-	-
Total long-term liabilities		**98,403**	**92,563**	**39,467**	**41,663**
Short-term liabilities					
Suppliers	21	12,832	9,489	10,444	7,250
Short-term loans	23	46,966	6,150	27,429	-
Long-term liabilities falling due	17	6,335	1,975	3,044	1,830
Accrued and other short-term liabilities	22	6,899	11,082	6,125	8,928
Income tax payable	27	2,216	1,189	1,809	832
Total short-term liabilities		**75,248**	**29,885**	**48,851**	**18,840**
Liabilities directly related to non-current assets available for sale		-	-	-	-
TOTAL LIABILITIES AND EQUITY		**522,812**	**166,474**	**436,200**	**105,821**

The accompanying notes form an integral part of the consolidated financial statements.

GROUP TERNA ENERGY

INCOME STATEMENT

31st December 2007

(All amounts are expressed in thousand euro, except the earnings per share)

		GROUP		COMPANY	
		1/1 - 31/12	**1/1 - 31/12**	**1/1 - 31/12**	**1/1 - 31/12**
	Note	**2007**	**2006**	**2007**	**2006**
Net turnover		60,218	41,663	52,330	34,794
Cost of sales	28	(37,451)	(27,582)	(33,348)	(25,495)
Gross profit		**22,767**	**14,081**	**18,982**	**9,299**
Administrative and distribution expenses	28	(2,719)	(1,634)	(2,369)	(1,351)
Research and development expenses		(1,615)	(1,106)	(1,615)	(1,106)
Other income/(expenses)	29	2,135	1,453,	1,415	2,176
Net financial income/(expenses)	30	(1,667)	(3,344)	243	(1,826)
Profit/(loss) from the valuation of associates using the equity method		(2)	(14)	-	-
EARNINGS BEFORE TAX		**18,899**	**9,436**	**16,656**	**7,192**
Income tax	27	(4,559)	(1,965)	4,249	(1,108)
Net earnings from continuing operations		**14,340**	**7,471**	**12,407**	**6,084**
Discontinued operations		**-**	**-**	-	-
Earnings from discontinued operations after income tax		-	-	-	-
NET EARNINGS		**14,340**	**7,471**	**12,407**	**6,084**
Attributed to					
Shareholders of the parent from continuing operations		14,558	7,423	12,407	6,084
Shareholders of the parent from discontinued operations		-	-	-	-
Minority interest of the parent from continuing operations		(218)	48	-	-
Minority interest of the parent from discontinued operations		-	-	**-**	**-**
		14,340	**7,471**	**12,407**	**6,084**
Basic earnings per share (in Euro)	**26**				
From continuing operations attributed to shareholders of the parent		14,558	7,423	12,407	6,084
From discontinued operations attributed to shareholders of the parent		-	-	-	-
Average weighted number of shares		**86,193,618**	**82,000,000**	**86,193,618**	**82,000,000**
Basic		0.169	0.090	0.144	0.074

GROUP TERNA ENERGY

CASH FLOW STATEMENT

31st December 2007

(All amounts are expressed in thousand euro, except the earnings per share)

	GROUP		COMPANY	
	1/1 - 31/12 2007	**1/1 - 31/12 2006**	**1/1 - 31/12 2007**	**1/1 - 31/12 2006**
Cash flow from operating activities				
Earnings before tax	18,899	9,436	16,656	7,192
Adjustments for the agreement of net flows from operating activities				
Depreciation	6,290	4,831	3,040	2,343
Valuation of investment property	-	(50)	-	(50)
Provisions	(98)	423	(101)	423
Interest and related income	(2,482)	(177)	(2,217(	(47)
Interest and other financial expenses	4,149	3,521	1,974	1,873
Results from participations and securities	73	14	73	(1,371)
Results from intangible and tangible fixed assets and investment property	(23)	-	(16)	-
Depreciation of grants	(1,686)	(1,294)	(663)	(594)
Other adjustments	(31)	-	(17)	-
Operating profit before working capital changes	**25,091**	**16,704**	**18,729**	**9,769**
(Increase)/Decrease in:				
Long-term liabilities	-	(11)	-	-
Inventories	194	(316)	(253)	(276)
Trade receivables	(8,720)	2,020	(10,356)	5,656
Prepayments and other short term receivables	2,814	(1,479)	1,649	(2,896)
Increase/(Decrease) in:				
Suppliers	3,344	827	3,194	166
Accruals and other short term liabilities	(5,966)	6,816	(2,693)	7,736
(Increase)/Decrease of other long term receivables and liabilities	(14,879)	(43)	(9,981)	(11)
Income tax payment	(2,144)	(1,325)	(1,751)	(1,584)
Cash flow from operating activities	**(266)**	**23,193**	**(1,462)**	**18,560**
Cash flow from investment activities				
Purchases/Sales of intangible assets	(53,017)	(40,641)	(31,064)	(7,479)
Receipt of grants	822	12,197	-	915
Interest and related income received	509	175	312	47
Purchases/sales of participations and securities	321	-	(2,208)	1662
Share capital increase in participating company	-	-	-	-
Receipt of dividends from investments	9	-	-	-
Investment property	-	-	-	-
Investment increase in associate company	-	(27)	-	-
Receipts/payments for available for sale investments	-	62	-	-
Cash flow for investment activities	**(51,356)**	**(28,234)**	**(32,960)**	**(4,855)**

Cash flows from financial activities				
Receipt from Share capital increase	289,868	-	286,691	-
Net change of long term loans	40,826	24,785	(2,535)	(1,831)
Net change of short term loans	1,307	(12,585)	27,429	-
Loan payment from financial leasing	-	-	-	-
Dividends paid	-	-	-	-
Interest paid	(3,892)	(3,580)	(2,041)	(1,873)
Blocked deposits	-	(337)	-	-
Change of other financial receivables	-	-	-	-
Cash flow for financial activities	**328,109**	**8,283**	**309,544**	**(3,704)**
Net increase/(decrease) in cash	**276,487**	**3,242**	**275,122**	**10,001**
Cash at the beginning of the period	18,689	15,110	12,296	2,295
Cash at the end of the period	**295,176**	**18,352**	**287,418**	**12,296**

The accompanying notes form an integral part of the consolidated financial statements.

TERNA ENERGY SA

STATEMENT OF CHANGES IN EQUITY
31st December 2007

(All amounts are in thousand euros unless otherwise stated)

	Share capital	Share premium	Reserves	Profit carried forward	Total
1st January 2006	18,561	44	8,741	11,842	**39,188**
Valuation of investments available for sale	-	-	5	41	**46**
Net income for the year	-	-	-	6,084	**6,084**
Total net earnings recorded	**18,561**	**44**	**8,746**	**17,967**	**45,318**
Distribution of reserves	-	-	5,880	(5,880)	**-**
31st December 2006	**18,561**	**44**	**14,626**	**12,087**	**45,318**
1st January 2007	**18,561**	**44**	**14,626**	**12,087**	**45,318**
Net income for the year				12,407	**12,407**
Transfer of profits from sales of financial assets available for sale	-	-	(5)	-	**(5)**
Expenses for share capital increase	-	(13,783)	-	-	**(13,783)**
Tax on expenses from share capital increase		3,373	-	-	3,373
Total net earnings recorded		**(10,410)**	**(5)**	**12,407**	**1,992**
Share capital issue	14,239	292,372	-	(6,039)	**300,572**
Distribution of reserves	-	-	(373)	373	**-**
31st December 2007	**32,800**	**282,006**	**14,248**	**18,828**	**347,882**

TERNA ENERGY GROUP

STATEMENT OF CHANGES IN EQUITY

31st December 2007

(All amounts are in thousand euros unless otherwise stated)

	Share capital	Share premium	Reserves	Profit carried forward	Partial total	Minority interest	Total
1st January 2007	**18.561**	**44**	**15.211**	**10.144**	**43.960**	**66**	**44.026**
Expenses for share capital increase	-	(13,793)	-	-	**(13,793)**	-	**(13,793)**
Tax on expenses from share capital increase	-	3,373	-	-	**3,373**	-	**3,373**
Transfer of profits from sales of financial assets available for sale	-	-	(5)	-	**(5)**	-	**(5)**
Net income for the year	-	-	-	14,558	**14,558**	(218)	**14,340**
Total net earnings recorded	**-**	**(10,420)**	**(5)**	**14,558**	**4,133**	**(218)**	**3,915**
Share capital issue	14,239	292,372	-	(6,039)	**300,572**	648	**301,220**
Transfers / other movements	-	-	487	(487)	**-**	-	**-**
Distribution of reserves	-	-	(360)	360	**-**	-	**-**
31st December 2007	**32,800**	**281,996**	**15,333**	**18,536**	**348,665**	**496**	**349,161**

TERNA ENERGY GROUP

STATEMENT OF CHANGES IN EQUITY

31st December 2006

(All amounts are in thousand euros unless otherwise stated)

	Share capital	Share premium	Reserves	Profit carried forward	Partial total	Minority interest	Total
1st January 2006	**18,561**	**44**	**8,979**	**8,907**	**36,491**	**18**	**36,509**
Net result on valuation of investments available for sale	-	-	46	-	**46**	-	**46**
Net income for the year	-	-	-	7,423	**7,423**	48	**7,471**
Total net earnings recorded	**-**	**-**	**46**	**7,423**	**7,469**	**48**	**7,517**
Distribution of reserves	-	-	6,186	(6,186)	**-**	-	**-**
31st December 2006	**18,561**	**44**	**15,211**	**10,144**	**43,960**	**66**	**44,026**

1. ESTABLISHMENT AND ACTIVITIES OF THE COMPANY

The Group of companies Terna Energy SA (hereinafter the «Group» or «TERNA ENERGY») is a Greek group of companies mainly engaged in the energy and construction sector. The Group's activity in the energy sector is related to the construction and exploitation of renewable sources of Wind energy. The Company is also engaged in the research for the operation and construction of projects related to other renewable energy sources (RES).

TERNA ENERGY has a class 6 contractor certificate and its activity in the construction sector relates to the construction of private and public projects as a main contractor or subcontractor or through joint ventures. Based on the Greek legislation in effect, companies who hold a class 6 certificate, undertake public works with an initial contracting price from € 5.25 to €44.00 million or up to €60.00 million through joint ventures and private or self-financed independently budgeted, either as main contractors or as sub-contractors or through joint ventures.

TERNA ENERGY is the continuation of the Technical Constructions Company (ETKA SA), which was established in 1949 (Gov. Gaz. 166/21.06.1949), and which during 1999 absorbed Terna Energy SA. The latter had been established in 1997 (Gov.Gaz.6524/11.09.1997), and is based in Athens, 85 Mesogeion Ave.

The parent company of TERNA ENERGY is the listed on the Athens Exchange company TERNA S.A., whose parent is GEK S.A., also listed on the Athens Exchange.

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

a) Basis for the preparation of the financial statements

The attached consolidated financial statements have been compiled according to the historic cost principle, except investment property, which is valued at fair value. Also, some self-used intangible assets during the transition period to IFRS (1st January 2004) were valued at fair value that used as implied cost in accordance with the provisions of IFRS 1 « First-Time adoption of International Financial Reporting Standards ».

The attached financial statements constitute of the company and group statement and are compiled in accordance with IFRS as these are adopted by European Union. There are no standards adopted before the first date of their adoption.

b) Statutory Financial Statements

Until the 31st of December 2004 TERNA ENERGY SA and its Greek subsidiaries kept their accounting books and compiled financial statements according to the provisions of L. 2190/1920 and the tax legislation in effect. From January 1st, 2005 they are obliged, according to the legislation in effect, to compile their Statutory Financial Statements according to the IFRS that have been adopted by the European Union. The Company and the Greek companies of the Group continue to keep their accounting books in accordance with the provisions of the tax laws, as they have the right to do so. Out-of-books adjustments are then made in order to compile the attached financial statements in accordance with the IFRS.

c) New standards, interpretations and amendments

The accounting principles adopted are the same as those adopted for the period ending on December, 31 2006, except the adoption of new standards that became mandatory from January, 1 2007. Therefore, from January, 1 2007 the Group and the company adopted new standards and amendments as follows:

- *IFRS 7, Financial instruments: Disclosures*. IFRS 7 requires further disclosures regarding financial instruments, with the objective of improving the provided information and specifically it requires the disclosure of qualitative and quantitative information as regards to the risk exposure emerging from financial instruments. The new disclosures are included in the financial statements while the adoption of the standard did not have any effect on results and on equity.

- *Additional adjustment to IAS 1, Presentation of Financial Statements-Equity disclosure:* The relevant adjustment of IAS 1 regards disclosures concerning the amount of a company's capital and the way such is managed. The relevant disclosures are analyzed in Note 35.

- Amendment of IFRS 4 Insurance Contracts. It is not applied in the company and the group and it does not affect the financial statements.

Upon the date of approval of the financial statements, there are new IFRS interpretations and amendments of existing standards that will be mandatory for the years starting on 1st of January 2008 onwards. The assessment of the management of the Group regarding the effect of these new standards is offered below:

- *IFRS 8, Operating segments:* (applied for annual accounting periods beginning on or after January 1st 2009). IFRS 8 replaces IAS 14 *Segment reporting* and adopts an administrative approach as regards to financial information provided by segment. The information provided will be that used by management internally for the evaluation of the return by operating *segments* and the allocation of resources to such *segments*. This information may differ from that presented in the balance sheet and income statements and companies must provide explanations and reconciliation regarding such differences. IFRS 8 is expected to be adopted by the European Union in the near future. The Group is in the process of evaluating the effect of this standard on its financial statements.

- *IAS 23 (amendment)* (applied for annual accounting periods beginning on or after January 1st 2009). Withdrawal of the option to expense borrowing costs related to the acquisition, construction or production of a special asset. The amendment of Standard 23 is expected to be adopted by the European Union in the near future.

- *IAS 1 'Presentation of Financial Statements' (amendment)* (effective date: annual periods beginning on or after 1 January 2009).
The revisions include changes in the titles of some of the financial statements to reflect their function more clearly (for example, the balance sheet is renamed a statement of financial position). The most important changes are:

- at the cases in which an accounting policy is applied retrospectively or accounts are revised or reclassified in the financial statements, for comparability reasons it is necessary to report also the opening Statements of Financial Position for the earliest presented previous periods.
- all income and expenses data (including those recorded directly in Equity) must be reported in <u>one</u> statement (Statement of comprehensive income), or in <u>two</u> statements (a Statement for the current year Results and a Statement of comprehensive income).
- it is not allowed the separate presentation of results that are directly recorded in equity (e.g. profit/loss of fair value). Such changes that do not arise from the shareholders must be presented in the Statement of comprehensive income, the total of which must be transferred to the Statement of changes in Equity.
- the presentation of shareholders transactions when they are acting as owners is not allowed to be presented in the notes. The Statement of changes in Equity must be presented as a separate financial statement.

- new requirements are introduced regarding an analytical presentation of results that are directly recorded in equity.

- *IFRIC 11, IFRS 2 – Group and treasury shares Transactions:* (applied for annual accounting periods beginning on or after March 1st 2007). This Interpretation requires that transactions in which a right on participating titles is granted to an employee be considered for accounting purposes as remuneration defined by the value of the share and is settled with participating titles, even if the company chooses or is obliged to purchase such titles by third parties or the company shareholders provide the granted participating titles. The Interpretation is also extended to the way subsidiaries, in their individual financial statements, account for plans where their employees receive rights on participating titles of the parent company.

- *IFRIC 12, Service Concession Agreements:* (applied for annual accounting periods beginning on or after January 1st 2008). IFRIC 12 handles the way with which the concession managers of a service concession must apply IFRS to account for the liabilities they undertake and the rights provided to them in the service concession agreements. Based on the Interpretation, concession managers must not recognize the relevant infrastructure as tangible fixed assets, but must recognize a financial asset or an intangible asset. IFRIC 12, which is expected to be adopted by the European Union in the near future, does not apply to the Group.

- *IFRIC 13, Customer loyalty programs:* (applied for annual accounting periods beginning on or after January 1st 2008). The interpretation is related to the implementation of those defined by IAS 18 for the recognition of income. IFRIC 13 "Customer loyalty programs" specifies that when companies grant their customers award credits (i.e. points) as part of a sale transaction and customers can cash such credits in the future for free or discounted goods or services, then paragraph 13 of IAS 18 should be applied. This requires that award credits be accounted for as a separate item of the sale transaction and a part of the price received or the receivable recognized to be allocated to award credits. The recognition time of this income item is postponed until the company satisfies its liabilities that are linked to the award credits, either providing such awards directly or transferring the liability to a third party. The application of the standard is not yet adopted by EU and its application is not expected to affect the Group's financial statements.

- *IFRIC 14, The limit on a Defined Benefit Asset, minimum funding requirements and their interaction: (*applied for annual accounting periods beginning on or after January 1st 2008*).* IFRIC 14 addresses three issues, specifically a) when capital refunds or reductions in future contributions should be presented as "available" in the context of paragraph 58 of IAS 19, Employee Benefits, b) how a minimum funding requirement may affect the availability of the reductions in future contributions, and c) when a minimum funding requirement creates an obligation. Furthermore, given that there is a minimum funding requirement, the Interpretation distinguishes between contributions that are necessary to cover an inadequacy for a past service on the base of the minimum contribution and, the future recognition of benefits. IFRIC 14 is expected to be adopted by the European Union in the near future. The company estimates that the application of IFRIC 14 is not expected to affect the financial statements of the Group.

- *IFRS 3, Business Combinations – Amended in 2007 and consequent amendments in IAS 27, 28 and 31 (effective from 1st July 2009):* The amended standard inserts new important amendments in the purchase method in order to reflect business combinations. Among the amendments in the standard is the option to present rights of third parties that have no control (minority interest), in their fair value. Also, the amended standards state that the acquisition of additional percentages in a subsidiary or the sale of part of the shares of a subsidiary must be accounted as a transactions with the shareholders of the company and any difference should be recognized in equity. The amended IFRS 3 is effective for acquisition of companies that will take place after July the 1st 2009, while there is no requirement for business combination that have taken place before the adoption of the certain standard. Therefore, this amendment will not affect the present financial position of the Company.

- *IFRS 2: Share-based payment – Amended in 2008: vesting conditions and cancellations (effective from 1st January 2009):* The amendment of the standard clarifies the that vesting conditions are service conditions and performance conditions only, while other features of a share-based payment that are not vesting conditions should be included in the grant date fair value of the share-based payment at the concession date. This standards is not applied in the Company.

- *IAS 32 Financial Instruments: Presentations and IAS 1 Presentation of Financial Statements – 2008 Amendment:* Puttable instruments and obligations arising on liquidation (effective from 1st of January2009): This amendment sets the classification of puttable financial instruments as well as the terms of some instruments that oblige the issuer to proportionally pay the net assets of the instrument during settlement. The amendment is not currently applied in the Company.

d) Approval of Financial Statements
The attached consolidated financial statements were approved by the Board of Directors of the Parent Company on March, 24 2008, The amended financial statements are approved by the Board of Directors of the Company on the 26th of May 2008 and are awaiting approval by the Annual Shareholders Meeting.

e) Use of estimates
The Group makes estimations, assumptions and judgments in order to choose the best accounting principles related to the future evolution of events and transactions. These estimations, assumptions and judgments are continuously assessed in order to reflect current information and risk and are based on the management's experience related to level/volume of transactions or events.

The main assumptions and judgments that may affect the financial statements in the coming 12 months are as follows:

a) Recognition of income from construction contracts: The Group uses the percentage of completion method to recognize revenue from construction contracts, in accordance with IAS 11. According to this method the construction cost as of each balance sheet date is compared to the budgeted total cost of the project in order to determine the percentage of completion of the project. The cumulated effect of the restatements/reassessments of the total budgeted cost of the projects and the total contractual payment (recognition of work over and above the contract) is recorded in the financial years during which such restatements arise. The total budgeted cost and the total contractual payment of the projects arise from estimation procedures and are reassessed and reviewed at each balance sheet date.

b) Provision for income tax: The provision for income tax according to IAS 12 is calculated with the estimation of taxes to be paid to tax authorities and includes the current income tax for each period and a provision for additional taxes that may occur from tax audits. The final settlement of income tax may differ from the relevant amounts recognized in the financial statements.

c) Provision for environmental rehabilitation: The Group creates a provision against its relevant liabilities for dismantlement of technical equipment of wind parks and environmental rehabilitation, that arise based on the written environmental legislation or by the Group's restrictive practices. The environmental rehabilitation provision reflects the present value (based on an appropriate discount rate), at the balance sheet date of the rehabilitation liability less the estimated recoverable value of material estimated to be dismantled and sold.

3. SUMMARY OF KEY ACCOUNTING PRINCIPLES

The main accounting principles adopted during the compilation of the attached consolidated financial statements are the following:

a) Consolidation Basis: The attached consolidated financial statements comprise the financial statements of TERNA ENERGY ABETE and its subsidiaries. The subsidiary companies in which the Group holds directly or indirectly more than half of the voting rights or has the right to exercise control over their operation have been consolidated. Subsidiaries are consolidated from the date that the Group acquires control over them and cease to be consolidated from the date it no longer has control.

The Group's interests in Joint Ventures, in the cases where they are subject to common control, are consolidated in the consolidated financial statements using the equity consolidation method whereby the Group's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is included in the Group's financial statements.

Intra-group transactions and balances have been cancelled-out in the attached consolidated financial statements. Whenever required the accounting principles of the subsidiaries have been amended in order to ensure consistency with the accounting principles adopted by the Group.

b) Investments in Associates: Includes companies in which the Group exercises significant influence however they are not subsidiaries or joint ventures. The Group's participating interests are recorded using the equity method. According to this method the participating interest in the associate company is carried at acquisition cost plus any change in the percentage of its equity held by the Group, less any provisions for impairment. The consolidated income statement shows the Group's share in the associate's results, while the amounts recorded by the associates directly in their equity, are recognized directly in Group's equity.

c) Investments and other (non-derivative) financial assets: Financial assets that fall under the provisions of IAS 39 and are governed by them are classified according to their nature and characteristics into one of the following four categories:

(i) Investments available for sale
(ii) Receivables and loans
(iii) Financial assets at fair value through the profit or loss
(iv) Investments held to maturity

Initially they are recognized at acquisition cost, which represents the fair value plus, in some cases, the direct transaction and acquisition expenses.
The classification of the above financial assets is made upon their initial recognition and wherever permitted it is reviewed and reassessed on a periodic basis.

(i) Investments available for sale
Financial assets (non-derivative) that cannot be classified in any of the above categories are designated and classified as investment available for sale. After the initial recognition, available for sale investments are valued at fair value with the resulting gains or losses being recognized as a separate item in equity. Upon sale or write-off or impairment of the investment the accumulated gains or losses are included in the profit or loss.

(ii) Receivables and loans
Receivables and loans created by the activities of the Group (and which fall outside the usual credit limits), are valued at net amortized cost using the effective interest rate method. Gains or losses are recorded in the profit or loss when the relevant amounts are written-off or suffer impairment as well as through the amortization process.

(iii) Financial assets at fair value through the profit and loss
This relates to the trading portfolio and comprises investments acquired with a view to liquidate them in the near future. Gains or losses from the valuation of such assets are recorded in the profit or loss.

(iv) Investments held to maturity
Financial assets (non-derivative) with defined flows and defined maturity are classified as held to maturity when the company is willing and able to retain them until their maturity. Investments held indefinitely or for a predetermined period cannot be classified in this category. Held to maturity investments are valued, after the initial recording, at net amortized cost using the effective interest rate method. Gains or losses are recorded in the profit or loss when the relevant amounts are written-off or suffer impairment as well as through the amortization process.

The current value of such investments that are traded in an organized exchange is derived by the exchange value of the investment at the closing date. As regards investments that are not traded in an active market, their fair value is calculated on the basis of relevant valuation techniques. These techniques are based on recent arm's-length investment transactions, with reference to the exchange value of another investment with characteristics similar to the investment valued, discounted cash-flow analysis and investment valuation models.

d) Financial Instruments and Risk Management: Non-derivative financial assets and liabilities in the balance sheet include cash balances, receivables, participations bank loans and other short and long-term liabilities. The Company does not use derivative financial products. The accounting principles for the recognition and measurement of these items are mentioned in the respective accounting principles, which are presented in this Note. Financial instruments are disclosed as receivables, liabilities or equity based on the substance and the contents of the relevant contracts from which they stem. Interest, dividends, gains and losses resulting from the financial instruments that are classified as receivables or liabilities are accounted for as expenses or income respectively. The distribution of dividends to shareholders is accounted for directly through equity. Financial instruments are netted-off when the Company, according to the law, has this legal right and intends to set them off (against each other) on a net basis or to recover the asset and net the liability off at the same time. Financial risk management aims to reduce possible negative consequences. More specifically:

(i) Interest rate risk and exchange rate risk:
The Company's bank loans are denominated in euros and are subject to variable and fixed interest rates. The Company does not use derivative instruments in order to reduce its exposure to interest rate risk. The Management of the Company follows the development of interest rates and exchange rates and takes the necessary measures to reduce the risk.

***(ii) Fair Value*:**
The amounts appearing in the attached Balance Sheets for cash balances, short-term receivables and other short-term liabilities approximate their respective real values due to their short-term nature. The fair value of short-term bank loans does not differ from their accounting value due to the use of variable interest rates.

(iii) Credit Risk Concentration:
A substantial part of trade receivables in general relate to agencies and entities of the Public sector with which there is no credit risk, per se. Regarding receivables from the private sector, the Company policy is to seek business with customers of satisfactory credit standing while the constant aim is to resolve any resulting differences within a amicable settlement context. Moreover the credit risk concentration with respect to receivables from the private sector is limited compared to the total amount of trade receivables due to the great dispersion of the balances.

(iv) Market Risk:

The Group has not entered into contracts in order to hedge the market risk arising from its exposure to fluctuations in the prices of raw materials used in the production process.

(e) Operation and Presentation Currency and Foreign Exchange Conversion:

The euro is the currency of operation and presentation of the Group and its Greek subsidiaries. Transactions in other currencies are converted into euros using the exchange rates in effect at the date of the transaction. At the date of compilation of the financial statements the monetary asset and liability items that are denominated in other currencies are adjusted so as to reflect the current exchange rates.

The profits and losses resulting from the end-of-year valuation of monetary items in foreign currencies are reflected in the attached consolidated income statement. The profits or losses resulting from transactions are also reflected in the consolidated income statement.

The currency of operation of the foreign subsidiaries of the Group is the official currency of the country each subsidiary operates in. Accordingly, at each balance sheet date all the balance sheet accounts of the subsidiaries are converted into euros using the exchange rate in effect at the balance sheet date. Income and expenses are converted using the weighted average rate in effect during the year. The resulting exchange differences from the valuation of foreign subsidiaries as described above are booked directly to equity. Upon sale or disposal of a foreign subsidiary the cumulated exchange differences described above are taken to the profit and loss account.

f) Intangible Assets

Intangible assets consist of rights for use of forestry land, where Wind Parks are installed, and software acquisition costs. The right of use of forestry land, where Wind Parks are installed, includes the related acquisition costs less accumulated amortization and possible impairment. The value of software includes the acquisition cost and all expenses incurred to develop the software in order to bring it to operating condition less accumulated amortization and possible impairment. Significant subsequent expenses are capitalized when such increase the software's capacity after initial specifications.

Amortization on the rights of use for land where Wind Parks are installed is accounted for, using the straight-line method over the duration of the contractual right for the production of energy (approximately 20 years), beginning from the period when each Wind Park starts operating. Amortization of software is accounted for based on the straight line method over 3 years. The amortization of all the aforementioned items is included in the income statement.

g) Income recognition:

Income is recognized to the extent that it is probable that economic benefits will result for the Group and that the relevant amounts can be accurately measured. The following specific recognition criteria must also be met for the recognition of income.

(i) Income from construction activities:

Construction subsidiaries and joint-ventures recognize income from construction contracts in their accounting books based on amounts invoiced to customers, which result from the relevant partial certifications of work completed that are issued by the responsible engineers and correspond to the work completed up to the closing date. For reasons of compliance with the IFRS income from construction activity is accounted for in the attached consolidated financial statements using the percentage-of-completion method in accordance with the provisions of IAS 11 "Construction Contracts".

According to the percentage-of-completion method the construction costs incurred up to the Balance Sheet date are compared to the total estimated cost of the project in order to determine the percentage of the project that has been completed. This percentage is applied to the total revised contract price in order to determine the cumulated income from the project, based on which the invoiced income to date is revised. The cumulated effect of the revisions of the total estimated construction cost and the total contract price are accounted for during the accounting periods in which they arise. In the cases of contracts where it is forecast that the total estimated cost will exceed the total contract price, the entire loss is recognized in the year during which the loss-making events become probable.

Non-invoiced accrued income relates to income recognized on the basis of the method described above that has not yet been invoiced. Non-accrued income comprises amounts invoiced up to the balance sheet date over and above the income calculated using the percentage-of-completion method.

Project execution down-payments represent amounts received by the Group upon signing the relevant contracts and are proportionally netted-off with the partial invoicing. The remaining amount appears as a liability in the attached financial statements.

(ii) Sale of goods:
Revenue from the sale of goods, net of trade discounts, sales incentive discounts and the corresponding VAT, is recognized when the significant risks and benefits from ownership of the goods have been transferred to the buyer.

(iii) Revenue from the sale of Electric Energy:
Revenue from the sale of Electric Energy is accounted for in the year in which it accrues. Revenue from sales of electric energy to DESMHE or any other buyer that have not yet been invoiced is recognized as accrued non-invoiced income in the financial statements.

(iv) Rent Revenue:
Rent revenue is recognized using the straight-line method, according to the terms of the lease.

(v) Dividends:
Dividends are accounted for when the right to receive them has been finalized by the shareholders by virtue of a General Meeting resolution.

(vi) Interest:
Interest income is recognized on an accruals basis.

h)Tangible Fixed Assets:
As previously mentioned, the Group has valued certain land, buildings, machinery and vehicles at fair value on January 1st, 2004 and these fair values have been used as implied cost at the date of transition to IFRS. The resulting surplus was credited to the profits carried forward account. The remaining land, buildings, machinery and vehicles are measured at purchase cost less accumulated depreciation and any provisions for impairment.

Repairs and maintenance are booked as expenses during the year in which they are incurred. Significant improvements are capitalized in the cost of the respective fixed assets provided that they augment the useful economic life, increase the production level or improve the efficiency of the respective fixed assets.

Tangible fixed asset items are eliminated from the balance sheet on disposal or withdrawal or when no further economic benefits are expected from their continued use. Gains or losses resulting from the elimination of an asset from the balance sheet are included in the income statement of the financial year in which the fixed asset in question is eliminated.

Fixed assets under construction include fixed assets that are work in progress and reflect their cost. Fixed assets under construction are not depreciated until the asset is completed and put into operation.

i) Depreciation: Depreciation is calculated according to the straight-line method using rates that approximate the relevant useful economic lives of the respective assets. The useful economic lives per fixed asset category are as follows:

ASSET CATEGORY	YEARS
Buildings and technical installations	8-30
Machinery and Technical Installations	3-20
Vehicles	5-12
Fixtures and Other Equipment	3-12

j)Impairment of the Value of Fixed Assets:
The book values of long-term asset items are reviewed for impairment purposes when facts or changes in circumstances imply that the book value may not be recoverable. When the book value of an asset exceeds its recoverable amount, the respective impairment loss is registered in the income statement. The recoverable amount is defined as the largest value between the net estimated sales price and the acquisition value. The net sales value is the plausible income from the sale of an asset in the context of an arm's-length transaction, in which all parties have full knowledge and willingness, after the deduction of each additional direct sales cost for the asset. The acquisition cost consists of the net present value of future estimated cash flows expected to occur from the continuous use of the asset and from the income expected to arise from its sale at the end of its estimated useful economic life. In order to determine the impairment, the asset items are grouped at the lowest level for which cash flows can be recognized separately.

A reversal of an impairment loss for the value of assets accounted for in previous years, takes place only when there are sufficient indications that such an impairment no longer exists or it has been reduced. In these cases the above reversal is treated as income.
The Management assesses that there is no case of impairment of the Group's fixed assets and thus a calculation of the assets' recoverable amounts has not been made.

k) Investment property:
Investments in property are those held for rent income or capital gain and are valued at their fair value that is based on market value, that is to say the amount the property is likely to be sold at the date of a transaction. The assessment, when necessary, is made by external professional evaluators. Profits or losses that arise from changes in the real value of investments in property are included in the income statement of the period during which they arise. Repairs and maintenance are recorded as expenses in the year in which they are incurred. Material subsequent expenses are capitalized when they augment the useful economic life of the buildings, their productive capacity or reduce their operation cost. Investment properties are eliminated from the accounts upon sale. All gains or losses resulting from the sale of a property are included in the income statement of the year during which it was sold. Investment property under construction are recorded at cost value as tangible assets till their completion and then are transferred to investment property account.

l) Inventories:
Inventories comprise machinery parts and raw and auxiliary materials of Wind Parks. Inventories are valued at the lower of cost and net realizable value. The cost of raw materials, semi-finished and finished products is defined based on the weighted average method.

The cost of finished and semi-finished products includes all the realized expenses in order for them to reach the current point of storing and processing and consists of raw materials, labor costs, general industrial expenses and other costs that directly relate to the purchase of materials. The net realizable value of finished products is their estimated selling price during the Group's normal course of business less the estimated costs for their completion and the estimated necessary costs for their sale. The net realizable value of raw materials is their estimated replacement cost during the normal course of business. A provision for impairment is made if it is deemed necessary.

m) Receivables Accounts: Short-term receivables are accounted for at their nominal value less the provisions for doubtful receivables, while long-term receivables are valued at net amortized cost based on the effective interest rate method. At each balance sheet date all overdue or doubtful receivables are reviewed in order to determine the necessity for a provision for doubtful receivables. The balance of the specific provision for doubtful receivables is appropriately adjusted at each balance sheet date in order to reflect the estimated relevant risks. Each write-off of customer balances is debited to the existing provision for doubtful receivables.

n) Cash and Cash Equivalents:
The Group considers time deposits and other highly liquid investments with an initial maturity less than three months, as cash and cash equivalents.

For the compilation of the cash flow statements, cash and cash equivalents consist of cash, deposits in banks and cash and cash equivalents as defined above, while time deposits that mature in more than three months are excluded.

o)Long-term loan liabilities:
All long-term loan liabilities are initially booked at cost, which is the actual value of the received payment less the issuance expenses related to the loan. After the initial recording, interest-bearing loans are valued at the net book value using the effective interest rate method. The net book value is calculated after taking into account the issuance expenses and the differences between the initial amount and the amount at maturity. Profits and losses are registered in the net profit or loss when the liabilities are written off or impaired and through the amortization procedure. Interest expenses are recognized on an accruals basis.

It is noted that the interest on loans taken for the construction of fixed assets and inventories that requires time for their completion will increase the value of these assets from 1.1.2008 hereafter based on amended IAS 23. The capitalization of interest will be interrupted when the asset will be ready for its intended use.

p)Provisions for Staff Retirement Indemnities:
According to the provisions of L2112/20, the Group reimburses its retiring or dismissed employees, and the amount of the relevant indemnities depends on the years of service, the level of wages and the reason for exit from employment (dismissal or retirement). The liabilities for staff retirement indemnities are calculated using the discounted value of future benefits that have accrued at the end of the year, based on the recognition of the employees' benefit rights during the duration of their expected working years. The above liabilities are calculated based on the financial and actuarial assumptions and are defined using the projected unit method of actuarial valuation. Net retirement costs for the period are included in the attached income statement and consist of the present value of benefits that have accrued during the year, the interest on the benefits' liability, the cost of prior service, the actuarial profit or loss and any other additional retirement costs. The prior service costs are recognized on a straight line basis over the average period during which access to the program's benefits is earned. The liabilities for retirement benefits are not financed. As at the 1st of January 2004 (transition date to IFRS and compilation of initial Balance Sheet) the Group, applying the exemptions provided for by IFRS 1 for the first-time application of the IFRS, recognized the total actuarial losses

that had accumulated as of the 1st of January 2004. During the compilation of subsequent financial statements TERNA, applying the general provisions of IAS 19, followed the "margin" method for the recognition of accumulated actuarial losses/profits. Actuarial profits and losses are registered as income or expenses when the accumulated actuarial profit or losses for each program separately exceed 10% of the largest value between the liability of the defined benefit and the actual value of the program's assets. These profits or losses are systematically recorded during the expected average remaining working life of employees participating in the programs.

q) Government Pension Plans: The staff of the Group is mainly covered by the main Government Social Security Fund for the private sector (IKA) and which provides pension and medical-pharmaceutical benefits. Each employee is required to contribute part of his/her monthly salary to the fund, while part of the total contribution is covered by the Group. At the time of retirement, the pension fund is responsible for the payment of retirement benefits to the employees. Consequently, the Group has no legal or constructive obligation for the payment of future benefits according to this plan.

r) Income Tax (Current and Deferred):
Current and deferred taxes are calculated based on the financial statements of each of the companies included in the consolidated financial statements, according to the tax regulation effective in Greece or other tax frameworks under which the foreign subsidiaries operate. Income tax is calculated based on the earnings of each company as such are reformed on the companies' tax reports, on additional income taxes emerging from the Tax Authorities' tax audits and on deferred income taxes based on the enacted tax rates.

Deferred income tax is calculated using the liability method on all temporary differences between the tax base and the book value of assets and liabilities on the balance sheet date. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax receivables are recognized for all the exempt temporary differences and transferable tax losses, to the extent that it is likely that there will be available taxable earnings, which will be set against the exempt temporary differences and the transferable unused tax losses.

The deferred tax assets are estimated on each balance sheet date and are reduced to the degree that it is not considered likely that there will be adequate taxable earnings against which part or the total of receivables from deferred income taxes may be used.

Deferred tax assets and liabilities are calculated according to the tax rates that are expected to be in effect during the financial year when the asset will be realized or the liability will be settled, and are based on the tax rates (and tax regulations) that are effective or enacted on the balance sheet date.

Income tax that relates to items, which have been directly recognized in equity, is directly recorded in equity and not in the consolidated income statement.

s) Finance and Operating Leases:
Finance leases, which essentially transfer to the Group all the risks and returns related to the leased fixed asset, are capitalized during the inception of the lease based on the leased asset's fair value or, if it is lower, on the present value of the minimal leases. Payments for finance leases are allocated between the financial expenses and the reduction of the financing liability, in order to achieve a fixed interest rate on the remaining portion of the liability. The financial expenses are debited directly to the results. Capitalized leased fixed assets are depreciated based on the estimated useful life of the asset.

Leases where the lessor maintains all the risks and returns related to ownership of the fixed asset, are recorded as operating leases. The payments of operating leases are recognized as an expense in the income statement on a constant basis for the duration of the lease.

t) Government Grants:

Government grants relating to subsidies of tangible fixed assets, are recognized when there is reasonable certainty that the grant will be received and all relevant terms will be met. These government grants are recorded in a deferred income account and are transferred to the income statement in equal annual installments based on the expected useful life of the asset that was subsidized, as a reduction to the relevant depreciation expense. When the grant relates to an expense it is recognized as income during the period deemed necessary to match the grant on a systematic basis with the expenses it is meant to reimburse.

u) Provisions, Contingent Liabilities and Contingent Receivables:

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is possible that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed on each balance sheet date and are adjusted in order to reflect the present value of expenses that are deemed necessary for the settlement of the liability. If the effect of the time value of money is significant, then provisions are calculated by discounting the expected future cash flows with a pre-tax rate, which reflects the market's current estimations for the time value of money, and wherever considered necessary, the risks related specifically to the obligation. Contingent liabilities are not recognized in the consolidated financial statements but are disclosed, unless the probability of an outflow of economic benefits is small. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of financial benefits is likely.

***v) Provision for wind park dismantlement and rehabilitation of environment*:**

The Group forms provisions for the dismantlement of power generators from wind parks and the rehabilitations of environment. These provisions reflect the present value, at balance sheet date, of the estimated cost, reduced by the estimated residual value of recoverable materials. The provisions are re-examined at the date of compilation of each balance sheet in order to reflect the present value of the expense that is expected to be cashed for the settlement of liability for dismantlement and rehabilitation.

The relevant provision is recorded increasingly of the cost value of wind power generators and is depreciated based on the straight line during a 20 year period in which the contract for the production of energy lasts. The depreciation-expense of the capitalized expenses for dismantlement and rehabilitation is included in the income statements together with the depreciations of wind parks. Any changes of estimations regarding the estimated cost or the discount rate are added or deducted respectively from the cost of the asset. The discounting effect of estimated cost is recorded in income statements as interest expense.

w)Earnings per Share:

Basic earnings per share (EPS) are calculated by dividing net earnings with the average weighted number of common shares that are outstanding during each year, with the exception of the average common shares acquired by the Group as own-shares.

Diluted earnings per share are calculated by dividing the net earnings attributable to the shareholders of the parent (after deducting the interest on convertible shares, after taxes) with the weighted average number of shares that are outstanding during the year (adjusted for the effect of the diluted convertible shares).

z) Information by business activity

A business activity sector is a recognizable part of the group that produces products or services (business sector) or offers products or services in a specific economic environment (geographical sector) which differs in risk and rewards compared to other sectors. The primary sector of information is presented for business sectors while the secondary sector of information is presented for geographical sectors.

The business sectors refer to activities of construction, electricity production from renewable and thermal energy sources, real estate, industrial production and concessions. The geographical sectors refer to construction and real estate activities taken place in Greece and Cyprus, Balkans and Middle East. Regarding income and assets, these are presented based on the location of the customer and the asset respectively.

The main assumption for the presentation of assets and liabilities as well as income and expenses which are not directly attributed to a specific sector are their attribution in sectors based on criteria followed with consistency.

The transactions between business sectors are taking place with the same way as those with third parties.

4. ERROR CORRECTION OF PREVIOUS PUBLICATIONS

During the compilation of financial statements some errors and omissions were noticed for the periods 31 December 2006 and 2005, as emerged during the audit for the listing of company's shares in Athens Exchange. The Management decided to correct these mistakes retrospectively and therefore to restate the financial statements for 31 December 2006 and 2005 in accordance with IAS 8 «Accounting Principles, Changes in Accounting Estimations and Errors». The adjustments made and reported below refer to:

i) Provision for the dismantlement of technical equipment of Wind Parks and rehabilitation of environment. In 2006 the Group, based on its policy, periodically examines the procedures and assumptions of its estimates restating the relevant accounts of provisions according to a new study that took place regarding the liabilities arising from the dismantlement and rehabilitation based on new data regarding the estimation of their residual value. Therefore, the reduces net book value of the technical equipment of Wind Parks will be depreciated in accordance with the residual useful life of the relevant assets.

ii) In 2006 the Group, based on its policy to periodically review the main accounting estimations and assumptions during the compilations of its financial statements and due to the change legal framework that set the period of conventional operating period for Wind Parks to twenty years, at least, amended the depreciation period of Wind Parks and the relevant grants (Substations/Connection Networks, Technical Installations of Wind Parks) from 14 or 15 years (depreciation period emerged in accordance with the conventional plan and the application of depreciation coefficient of P.D. 299/2003) to 20 years. This re-estimation of useful life of the technical equipment of wind parks made in 2006 and will be valid since then based on IAS 16. Therefore, the grants for Wind Parks will be depreciated in accordance with the residual useful life of the relevant assets.

iii) During the procedure of measuring percentage of completion for construction works and the preparation of the accompanying consolidated financial statements, some numerical and other errors were detected, which as a result affecting the revenue or construction cost (income statement accounts) and the respective unbilled deferred revenue and expenses (balance sheet accounts). At the consolidated financial statements of 31.12.2006 there is made a correction (reduction) of trade receivables and consequently profits carried forward for the amount of 2,403 thous euro that refer to year 2004 resulting from joint ventures for the execution of technical projects.

iv) Re-introduction to the balance sheet of building license and other expenses of first installation that in the initially financial statements of 2006 were recorded in income statement.

v) The Company did not initially made provisions for additional (in addition and not on-top) income tax that finally emerged in 2007 for the tax year of 2006.

vi) In previous years the Company did not evaluate and record in the income statements the change in fair value of investment property according to the chosen accounting method. During the compilation of the attached restated financial statements the Company attributed the change in fair value of investment property, as emerged from a valuation made by independent evaluators on March, 19 2007, proportionally to years 2000 till 2006.

vii) The interest for the construction period that were initially recorded in construction cost of tangible assets were transferred to expenses.

viii) The record of difference from discounting to present value of receivables and grants as well as the relevant non-accrued income was reversed.

ix) In the fiscal year 2004, the Group recorded a tax-exempt reserve based on L.2601/98 amounting to € 5,000 approximately, interpreting the relevant provisions of the Law as regards to the time period for creating the relevant reserve. The tax audit conducted in 2006 did not recognize the ability to create the aforementioned tax-exempt reserve for 2004 and an additional tax was imposed amounting to € 1,750 for the latter period, while the recognition of the relevant tax-exempt reserve was recognized for tax purposes and registered by the Company in fiscal year 2005. Therefore, the imposed tax amount of € 1,750, which was imposed with the tax audit of 2006, was considered as a correction of the income tax for 2004.
From the aforementioned tax amount, 1,663 thous euro is already corrected in the financial statements for the years 2005 and 2006.

x) It was consolidated in year 2005 the foreign subsidiary GP ENERGY S.A. of the Group TERNA ENERGY ABETE.

xi) The deferred tax for the years 2004 - 2006 were amended due to corrections emerged from the issues mentioned above in paragraphs (i) - (iii) and (vii-x).

xii) In the balance sheet and income statement accounts for the year 2006 some reclassifications made for better presentation. These reclassifications did not have any impact on the results.

The effect of these corrections and reclassifications in the balances of 31.12.2005 and 31.12.2006 is as follows:

GROUP TERNA ENERGY
BALANCE SHEET AT 31/12/2006
(All amounts are in thousand euros unless otherwise stated)

	Comment	IFRS (through cons. F.S. TERNA) 31/12/2006	Reclassifications 31/12/2006	Corrections 31/12/2006	IFRS 31/12/2006
ASSETS					
Non-current assets					
Intangible assets	**(x)**	618	56	26	700
Tangible assets	**(i), (ii)**	109,169	5,990	709	115,868
Investment property		923	0	0	923
Participation in subsidiaries		0	0	0	0
Participations in associates		12	1	0	13
Participation in joint-ventures		1	(1)	0	0
Other investments		282	(282)		0
Other long-term receivables		18	7,068	0	7,086
Deferred income tax		1,493	204	(192)	1,505
Total non-current assets		**112,516**	**13,036**	**543**	**126,095**
Current assets					
Inventories		1,237	450	0	1,687
Trade receivables	**(iii), (ix)**	12,287	(6,654)	4,187	9,820
Prepayments and other receivables		21,602	(11,802)	0	9,800
Income tax receivables	**(iv)**	584	(584)	0	0
Other short-term financial assets		0	383	0	383
Cash and equivalents		18,789	(100)	0	18,689
Total current assets		**54,499**	**(18,307)**	**4,187**	**40,379**
Non-current assets available for sale		0	0	0	0
TOTAL ASSETS		**167,015**	**(5,271)**	**4,730**	**166,474**
EQUITY AND LIABILITIES					
Share capital		18,561	0	0	18,561
Share premium		44	0	0	44
Reserves		9,250	5,895	66	15,211
Data recorded directly in equity related to non-current assets		0	0	0	0
Profit/(loss) carried forward	**(i) – (viii)**	17,066	(5,947)	(975)	10,144
		44,921	(52)	(909)	43,960
Minority interest		69	(3)	0	66
Total equity		**44,990**	**(55)**	**(909)**	**44,026**
Long-term liabilities					
Long-term loans		57,848	0	0	57,848
Loans from financial leasing		0	0	0	0
Provision for staff indemnities		31	0	58	89
Other provisions	**(i)**	1,485	(302)	(642)	541
Grants	**(ii), (ix)**	30,354	2,303	1,163	33,820
Other long-term liabilities		3	(3)	0	0

Deferred income tax	**(vi)**	*0*	*218*	*47*	265
Total long-term liabilities		**89,721**	**2,216**	**626**	**92,563**
Short-term liabilities					
Suppliers		*9,489*	*0*	*0*	9,489
Short-term loans		*6,150*	*0*	*0*	6,150
Long-term liabilities falling due		*1,975*	*0*	*0*	1,975
Accrued and other short-term liabilities		*13,641*	*(7,379)*	*4,820*	11,082
Income tax payable	**(iv), (v)**	*1,049*	*(53)*	*193*	1,189
Total short-term liabilities		**32,304**	**(7,432)**	**5,013**	**29,885**
Liabilities directly related to non-current assets available for sale		*0*	*0*	*0*	0
TOTAL LIABILITIES AND EQUITY		**167,015**	**(5,271)**	**4,730**	**166,474**

The effect of corrections and reclassifications in the income statements for 2006 is as follows:

GROUP TERNA ENERGY
INCOME STATEMENT
FOR THE PERIOD ENDED ON 31/12/2006
(All amounts are expressed in thousand euro, except the data for shares)

	Note	IFRS (through cons. F.S. TERNA) **1/1 - 31/12/06**	Reclassifications **1/1 - 31/12/06**	Corrections **1/1 - 31/12/06**	**IFRS** **1/1 - 31/12/06**
Net turnover	**(ii), (iii), (x)**	*40,587*	*0*	*1,076*	41,663
Cost of sales	**(ii)**	*(27,154)*	*(1,677)*	*1,249*	(27,582)
Gross profit		**13,433**	**(1,677)**	**2,325**	**14,081**
Administrative and distribution expenses		*(1,472)*	*(101)*	*(61)*	(1,634)
Research and development expenses		*(1,106)*	*0*	*0*	(1,106)
Other income(expenses)	**(ii), (vii)**	*518*	*1,833*	*(898)*	1,453
Net financial income/(expenses)	**(viii)**	*(2,769)*	*(55)*	*(520)*	(3,344)
Profit/(less) from the valuation of associates and other investments			*0*	*0*	0
Participation income and other investments			*0*	*0*	0
Profit/(less) from the valuation of associates using the equity method		*(14)*	*0*	*0*	(14)
Profit/(Loss) before tax		**8,590**	**0**	**846**	**9,436**
Income tax	**(iv) - (vi)**	*(1,532)*	*0*	*(433)*	(1,965)
Net profit/(loss) for the period		7,058	0	413	7,471

(All amounts are presented in thousand Euro unless stated otherwise)

5. GROUP STRUCTURE

The participations in subsidiaries, associates and joint ventures at 31.12.2007 are as follows:

A) Subsidiaries of TERNA ENERGY SA

i) Subsidiaries, with the legal form of a Societe Anonyme or Limited Liability Company:

Company Name	Establishment	Participation Percentage 31/12/2007	31/12/2006	Activity
1. Iweco Chonos Lasithi Crete SA	11.04.2000	100%	100%	Production of El. Energy from Renewable energy sources (RES)
2. Energiaki Servounio SA	01.02.2001	100%	100%	Production of El. Energy from RES
3. Terna Energy Evros SA	01.02.2001	100%	100%	Production of El. Energy from RES
4. PPC Renewable – Terna Energy SA	20.06.2000	51%	51%	Production of El. Energy from RES
5. Gp Energy LTD	26.09.2005	100%	100%	Trading of Electric Energy
6. AIOLIKI PANORAMATOS SA	01.02.2001	100%	100%	Production of El. Energy from RES
7. EOL TECHNICS CONSULT SRL	03.04.2007	60%	-	Production of El. Energy from RES

ii) Subsidiaries with the form of a General Partnership (G.P.).

Company Name	Establishment	Participation Percentage 31/12/2007	31/12/2006	Activity
1. TERNA Energy SA & SIA Aioliki Rachoulas Dervenochorion GP	01.02.2001	100%	100%	Production of El. Energy from RES
2. TERNA Energy SA & SIA Aioliki Polykastrou GP	01.02.2001	100%	100%	Production of El. Energy from RES
3. TERNA Energy SA & SIA Energeiaki Dervenochorion GP	01.02.2001	100%	100%	Production of El. Energy from RES
4. TERNA Energy SA & SIA Energeiaki Velanidion Lakonia GP	01.02.2001	100%	100%	Production of El. Energy from RES
5. TERNA Energy SA & SIA Energeiaki Dystion Evia GP	01.02.2001	100%	100%	Production of El. Energy from RES
6. TERNA Energy SA & SIA Aioliki Pastra Attica GP	01.02.2001	100%	100%	Production of El. Energy from RES

(All amounts are presented in thousand Euro unless stated otherwise)

		Participation Percentage		
Company Name	**Establishment**	**31/12/2007**	**31/12/2006**	**Activity**
7. TERNA Energy SA & SIA Aioliki Malea Lakonia GP	01.02.2001	100%	100%	Production of El. Energy from RES
8. TERNA Energy SA & SIA Energeiaki Ferron Evrou GP	01.02.2001	100%	100%	Production of El. Energy from RES
9. TERNA Energy SA & SIA Aioliki Derveni Traianoupoli GP	01.02.2001	100%	100%	Production of El. Energy from RES
10. TERNA Energy SA & SIA Aioliki Karystias Evia GP	01.02.2001	100%	100%	Production of El. Energy from RES
11. TERNA Energy SA & SIA Energeiaki Ari Sappon GP	01.02.2001	100%	100%	Production of El. Energy from RES
12. TERNA Energy SA & SIA Energeiaki Peloponnese GP	01.02.2001	100%	100%	Production of El. Energy from RES
13. TERNA Energy SA & SIA Aioliki Eastern Greece GP	01.02.2001	100%	100%	Production of El. Energy from RES
14. TERNA Energy SA & SIA Aioliki Marmariou Evia GP	01.02.2001	100%	100%	Production of El. Energy from RES
15. TERNA Energy SA & SIA Energeiaki Petrion Evia GP	01.02.2001	100%	100%	Production of El. Energy from RES
16. TERNA Energy SA & SIA Aioliki Rokani Dervenochorion GP	01.02.2001	100%	100%	Production of El. Energy from RES
17. TEPNA Energy SA & SIA Energeiaki Styron Evia GP	01.02.2001	100%	100%	Production of El. Energy from RES
18. TERNA Energy SA & SIA Energeiaki Neapoleos Lakonias GP	01.02.2001	100%	100%	Production of El. Energy from RES
19. TERNA Energy SA & SIA Energeiaki Kafireos Evia GP	01.02.2001	100%	100%	Production of El. Energy from RES
20. TERNA Energy SA & SIA Aioliki Provata Traianoupoleos	01.02.2001	100%	100%	Production of El. Energy from RES

All the aforementioned General Partnerships have been established by the Group with the objective to attain a license for the production of electricity from renewable energy sources and if their construction goes through will be absorbed by TERNA ENERGY ABETE. Till today these companies do not have any activity and therefore tax interest.

(All amounts are presented in thousand Euro unless stated otherwise)

B) Joint Ventures of TERNA ENERGY ABETE proportionately consolidated

i) Joint Ventures

	Name	Participation Percentage 2007 and 2006 %	Unadited tax years
1.	J/V TRAM POLITICAL ENGINEERING WORKS, Greece	36	1
2.	J/V ENVAGELISMOU, PROJECT C', Greece	50	5
3.	J/V TERNA ENERGY - TSAMPR. DRAMAS HOSPITAL, Greece	40	5
4.	J/V EPL DRAMAS, Greece	24	5
5.	J/V TERNA ENERGY - OLYMPIOS ATE, Greece	50	2
6.	J/V K. MANIOTIS - TERNA - TERNA ENERGY, Greece	37.50	5
7.	J/V/ EMBEDOS - PANTECHNIKI - TERNA ENERGY, Greece	50.10	1
8.	J/V THEMELI - TERNA ENERGY - TERNA SA IMPREGILO SPA, Greece	40	2
9.	J/V EKTER - TERNA - ATHONIKI, Greece	31	1
10.	J/V/ KL. ROUTSIS - TERNA ENERGY ABETE, Greece	50	1
11.	J/V TERNA ENERGY ABETE & Co	70	5

ii) General Partnerships and Limited Partnerships

Company Name	Establishment	Participation Percentage 31/12/2007	Participation Percentage 31/12/2006	Activity
1.TERNA Energy SA – M.E.L. Macedonian Paper Company SA & Sia Co-production GP	12.02.2001	50%	50%	Construction/ Operation of co-production unit of electricity for serving of needs of MEL
2. TERNA Energy SA & Sia LP	24.05.2000	70%	70%	Completion of construction works of section Kakavia – Kalpaki
3. TERNA Energy SA & Sia Energeiaki Xhirovouniou GP	14.02.2001	70%	70%	Production of El. Energy from RES

The above companies No. 1 and No. 3 are currently inactive. The company No. 2 had essentially completed the aforementioned project from 2003.

All the aforementioned companies and joint ventures have been established in Greece, except for GP Energy LTD, which has been established in Bulgaria and EOL Technicis Consult SRL established on Romania.

C) Associates of TERNA ENERGY ABETE

Name	Country	Participations percentage % 2007	Participations percentage % 2006	Consolidation method	Unaudited tax years
Renewable Energy Center Kykladon SA *	Greece	45	45	Equity method	2

* Participation through IVECO CHONOS LASITHI CRETE SA.

6. SEGMENT REPORTING

The Group presents information by segment for the following business activities (primary information):

- ***Energy segment :*** such includes the Group's activity in the energy ***segment*** that concerns the construction and operation of Wind Parks. Moreover, activities are included for the research in operation and construction of projects for other renewable energy sources (RES).

- ***Construction segment:*** such includes the Group's activities in the undertaking and implementation of technical public and private works as a contractor or sub-contractor.

The Group is active in one geographic segment (Greece) and thus does not report information by geographic segments.

The income, expenses and results per segment include the transactions between ***segment***, which are subsequently written-off during consolidation. Intra- segment sales, presented in the following tables, refer to the construction of Wind Parks by the parent Terna Energy for the Group's subsidiaries and thus are written-off during consolidation. All business activities apply the Group's accounting principles. The information by business activity is as follows:

(All amounts are presented in thousand Euro unless stated otherwise

***Segment* 31.12.2007**	**Construction**	**Electricity from renewable energy sources**	**Non-allocated**	**Consolidation Write-offs**	**Consolidated totals**
Income from customers					
Sales of products	-	21,082	-		**21,082**
Income from construction activities	39,136	-	-		**39,136**
Total income from customers	**39,136**	**21,082**	**-**		**60,218**
Inter- segment income	3,964	-	-	(3,964)	0
Total income	**43,100**	**21,082**	-		**60,218**
Segment results	**10,802**	**10,195**	**6**	**(436)**	**20,567**
Earnings before tax from discontinued operations					**0**
Operating results					**20,567**
Net financial results					**(1,666)**
Results from associates		(2)			**(2)**
Income tax					**(4,559)**
Net earnings					**14,340**
Assets of ***Segments***	24,511	208,380	302,294	(12,381)	**522,804**
Investments in associates		10			**10**
Total assets	**24,511**	**208,390**	**302,294**	**(12,381)**	**522,814**
***Segment* liabilities**	**12**	**59,544**	**111,697**	**(10,258)**	**160,995**
Capital expenses for the year	221	70,584	38	(1,819)	**60,024**
Depreciation	95	6,227	-	(32)	**6,290**
Earnings before tax, interest and depreciation (EBIDTA)	**10,462**	**14,752**	**6**		**25,220**

(All amounts are presented in thousand Euro unless stated otherwise

Segment **31.12.2006**	**Construction**	**Electricity from renewable energy sources**	**Non-allocated**	**Consolidation Write-offs**	**Consolidated totals**
Income from customers					
Sales of products		17,349	-	-	**17,349**
Income from construction activities	24,314	-	-	-	**24,314**
Total income from customers	**24,314**	**17,349**	**-**		**41,663**
Inter- segment income	4,858	-	-	(4,858)	-
Total income	**29,172**	**17,349**	-		**41,663**
Sector results	**3,970**	**9,101**	**(62)**	**(215)**	**12,794**
Earnings before tax from discontinued operations					**0**
Operating results					**12,794**
Net financial results					**(3,344)**
Results from associates		(14)			**(14)**
Income tax					**(1,965)**
Net earnings					**7,471**
Assets of ***Segments***	5,873	137,494	23,107		**166,474**
Investments in associates					
Total assets	**5,873**	**137,494**	**23,107**		**166/474**
***Segment* liabilities**	**12,949**	**98,544**	**10,955**		**122,448**
Capital expenses for the year	0	41,805	-	-	**41,805**
Depreciation	(134)	(4,697)	-	-	**(4,831)**
Earnings before tax, interest and depreciation (EBIDTA)	**4,104**	**12,504**	**(62)**		**16,546**

(All amounts are presented in thousand Euro unless stated otherwise

7. INTANGIBLE FIXED ASSETS

The intangible fixed assets and their change for the periods 1 January till 31 December 2007 and 2006 as reported in the attached financial statements are analyzed as follows:

GROUP

	Software	**Concessions and Rights**	**Total**
<u>Acquisition Value</u>			
As at January 1st 2006	82	-	82
Additions	5	687	692
December 31st 2006	**87**	**687**	**774**
December 31st 2006	**87**	**687**	**774**
Additions	6	746	752
Reductions	(52)	-	(52)
December 31st 2007	**41**	**1.433**	**1.474**
<u>Accumulated Amortization</u>			
As at January 1st 2006	48	-	48
Amortization for the period	19	7	26
December 31st 2006	**67**	**7**	**74**
December 31st 2006	**67**	**7**	**74**
Amortization for the period	13	45	58
Reductions for the period	(52)	-	(52)
December 31st 2007	**28**	**52**	**80**
<u>Net Book Value</u>			
December 31st 2006	**20**	**680**	**700**
December 31st 2007	**13**	**1.381**	**1,394**

(All amounts are presented in thousand Euro unless stated otherwise)

COMPANY

	Software	Concessions and Rights	Total
Acquisition Value			
As at January 1st 2006	**82**	**0**	**82**
Additions	5	191	196
December 31st 2006	**87**	**191**	**278**
December 31st 2006	**87**	**191**	**278**
Additions	5	419	424
Reductions	(52)	-	(52)
December 31st 2007	**40**	**610**	**650**
Accumulated Amortization			
As at January 1st 2006	**48**	**-**	**48**
Amortization for the period	19	-	19
December 31st 2006	**67**	**-**	**67**
December 31st 2006	**67**	**-**	**67**
Amortization for the period	12	20	32
Reductions for the period	(52)	-	(52)
December 31st 2007	**27**	**20**	**47**
Net Book Value			
December 31st 2006	**20**	**191**	**211**
December 31st 2007	**13**	**590**	**603**

Concessions and rights include the acquisition cost for licenses regarding the right for use of forestry land, where Wind Parks are installed. During the period January the 1st till December the 31st 2007 the Group acquired new licenses regarding the right to operate in forests amounting to € 746 (€ 425 for the period 1 January till 31 December 2006).

8. TANGIBLE FIXED ASSETS

The tangible fixed assets and their change for the periods 1 January till 31 December 2006 and 2007 is analyzed as follows:

(All amounts are presented in thousand Euro unless stated otherwise)

GROUP

	Land - Plots	Buildings and Facilities	Technological and Mechanical equipment	Transpo-rtation means	Furniture and other equipment	Assets under construction	Total
Acquisition cost							
January 1st 2006	**524**	**8,655**	**66,743**	**434**	**593**	**23,520**	**100,469**
Additions	95	4,672	23,935	78	326	11,908	**41,014**
Reductions	-	-	(123)	(38)	-	-	**(161)**
Transfers from Assets under construction	-	6,392	15,920	-	-	(22,312)	**-**
Provision for environmental rehabilitation	-	-	(354)	-	-	-	(354)
December 31st 2006	**619**	**19,719**	**106,121**	**474**	**919**	**13,116**	**140,968**
December 31st 2006	**619**	**19,719**	**106,121**	**474**	**919**	**13,116**	**140,968**
Additions	73	2,089	5,597	183	714	51,426	60,082
Reductions	-	(127)	(152)	(32)	(31)	(7,500)	(7,842)
Transfers from Assets under construction	-	-	89	-	-	-	89
Provision for environmental rehabilitation	-	-	-	-	-	-	-
December 31st 2007	**692**	**21,681**	**111,655**	**625**	**1,602**	**57,042**	**193,297**
Accumulated depreciation							
January 1st 2006	**-**	**1,682**	**18,060**	**360**	**442**	**-**	**20,544**
Depreciation for the period	-	740	3,859	25	181	-	4,805
Reductions	-	-	(211)	(37)	-	-	(248)
December 31st 2006	**-**	**2,422**	**21,708**	**348**	**623**	**-**	**25,101**
December 31st 2006	**-**	**2,422**	**21,708**	**348**	**623**	**-**	**25,101**
Depreciation for the period	-	961	4,727	47	495	-	6,230
Reductions	-	(7)	(7)	(33)	(5)	-	(52)
Correction of provision for environmental rehabilitation	-	-	-	-	-	-	-
December 31st 2007	**-**	**3,376**	**26,428**	**362**	**1,113**	**-**	**31,279**
Net Book Value							
December 31st 2006	**619**	**17,297**	**84,414**	**126**	**296**	**13,115**	**115,867**
December 31st 2007	**692**	**18,305**	**85,227**	**263**	**489**	**57,042**	**162,018**

(All amounts are presented in thousand Euro unless stated otherwise)

COMPANY

	Land - Plots	Buildings and Facilities	Technological and Mechanical equipment	Transportation means	Furniture and other equipment	Assets under construction	Total
Acquisition cost							
January 1st 2006	**448**	**4,332**	**41,590**	**434**	**551**	**11,274**	**58,629**
Additions	95		39	78	325	7,083	7,620
Reductions			-123	-38		-	-161
Transfers from Assets under construction		1,081	11,576			-12,917	-260
Provision for environmental rehabilitation			-360				-360
December 31st 2006	**543**	**5,413**	**52,722**	**474**	**876**	**5,440**	**65,468**
December 31st 2006	**543**	**5,413**	**52,722**	**474**	**876**	**5,440**	**65,468**
Additions	33	36	199	183	713	29,514	30,678
Reductions				-33	-30		-63
Transfers from Assets under construction			77			-	77
Provision for environmental rehabilitation							
December 31st 2007	**576**	**5,449**	**52,998**	**624**	**1,559**	**34,954**	**96,160**
Accumulated depreciation							
January 1st 2006	**0**	**1,527**	**17,158**	**359**	**415**	**0**	**19,459**
Additions		224	1,901	25	174		2,324
Reductions			-123	-37	-		-160
December 31st 2006	**0**	**1,751**	**18,936**	**347**	**589**	**0**	**21,623**
December 31st 2006	**0**	**1,751**	**18,936**	**347**	**589**	**0**	**21,623**
Additions		247	2,221	47	491		3,006
Reductions				-33	-5		-38
December 31st 2007	**0**	**1,998**	**21,157**	**361**	**1,075**	**0**	**24,591**
Net book value							
December 31st 2006	**543**	**3,662**	**33,786**	**127**	**287**	**5,440**	**43,845**
December 31st 2007	**576**	**3,451**	**31,841**	**263**	**484**	**34,954**	**71,569**

In years 2007 and 2006, wind-generators for wind parks of a net book value of € 17,538 which are included in above as "Technological and Mechanical Equipment", have been collateralized towards banks as security for loans (Note 21).

(All amounts are presented in thousand Euro unless stated otherwise)

In 2006 the Group, in the context of its practice to periodically re-evaluate the significant accounting estimations and assumptions used during the preparation of the financial statements and due to the change in the legislation, which defined the period for contractual operation of wind parks to at least twenty years, amended the depreciation period of Wind Parks and the respective grants (Sub-stations / Interconnection Networks, Technical Facilities of Wind Parks) from 14 or 15 years (depreciation period that arises from the previously existing contractual framework and from the implementation of the depreciation rate according to P.D. 299/2003) to 20 years. This re-evaluation of the useful economic life of technical equipment of Wind Parks, took place in 2006 and is in effect from 2006 and onwards, based on IAS 16. The effect of this change is that depreciations of Wind Parks appear reduced by €1,917 and the respective depreciations of grants appear reduced by €735 and thus the results of 2006 appear increased by € 1,182 compared to the results that would have occurred had the amendment not taken place.

The categories "Land-Plots", "Buildings and facilities" and "Technological and mechanical equipment", include a net book value of € 6,060, and € 6,710, as at December 31st 2007, and 2006, respectively, which concerns Installations of Distribution Networks constructed by the Company and, as stipulated by the agreements with PPC, are transferred to PPC with no charge, during the commencement of operations of each wind park. Due to legal and procedural difficulties, until today no transfer has taken place. However, following their transfer, such installations will continue to serve the purpose of their construction, namely the sale of the produced electric energy to PPC and DESMIE, and they will remain at the exclusive use by the Company. Therefore, the net book cost during the transfer date will continue to be depreciated, as previously, until the completion of the 20year depreciation period of wind parks.

9. INVESTMENT PROPERTY

Investment property as at December 31st 2007, in the attached financial statements, is analyzed as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
Balance January 1st	**923**	**873**	**923**	**873**
Corrections and reclassifications	-	-	-	-
Restated balance January 1st	**923**	**873**	**923**	**873**
Adjustments to fair value	-	50	-	50
Balance 31.12	**923**	**923**	**923**	**923**

For the determination of fair value at December 31, 2006 and before the Group used the estimations made by the Body of Certified Valuation Professionals at 1.12.1999 (€599) and 19.03.2007 (€ 923) and attributed the resulted surplus (€324) to years 2000 – 2006, in order that the book values will not materially differ from their fair value at each balance sheet date. Profits from the valuation of investment property are included in the income statement of 2006. The Group did not make new estimation at December, 31 2007 as it believes that the values have not been significantly altered.

The Group received rent from its investment property amounting to €69 and €65 in years 2007 and 2006 respectively (Note. 29).

(All amounts are presented in thousand Euro unless stated otherwise)

10. PARTICIPATIONS IN ASSOCIATES

The participation in associates included in consolidated financial statements of TERNA ENERGY and which are consolidated under the Equity Method are analyzed below:

		Participation Percentage			
Name	**Country**	**2007**	**2006**	**Activity**	**Establishment**
Renewable Energy Center Kykladon SA	Greece	45%	45%	Production of Electricity from Renewable Energy Sources	2005

The Group acquired at June, 8 2006 2,700 shares of the newly established company Renewable Energy Center Kykladon SA, for €10 each, representing the 45% of the associates' share capital. During the acquisition no goodwill emerged. At December, 31 2007 and 2006 the losses of €2 and €14 respectively from this participation were included in the consolidated income statements. The following table presents summary financial data of the associate.

	31December 2007	31December 2006
Total non-current assets	25	35
Total short-term assets	23	12
Total Assets	**48**	**47**
Total long-term liabilities	-	-
Total short-term liabilities	25	21
Total liabilities	**25**	**21**
Total income	-	-
Total expenses	5	32
Profit (loss) after tax	**(5)**	**(32)**

11. OTHER INVESTMENTS

The investments available for sale at December, 31 2007 and 2006 that are included in the attached consolidated financial statements are analyzed as follows:

	31 December	
	2007	**2006**
Shares:		
SCIENS International Societe Anonyme of Investments and Participations	-	283
Greek Association of Investments in Renewable Energy Sources	1	
Bonds:		
Banks bonds	-	100
Total	**1**	**383**

The Group during the year sold the shares of SCIENS. The result from this sale (€87) recognized by (€5) in Fair Value Reserve in Equity (reversal) and the remaining (€82) in income statement.

The Group during the year participated in Greek Association of Investments in Renewable Energy Sources, with the amount of €1.

12. OTHER LONG TERM RECEIVABLES

The Group in 2007 recognized receivables from grants amounting to €10,499. These grants refer to investments in Wind Park of a) Terna Energy Evros SA, b) Terna Energy SA and c) PPC Renewable-Terna Energy SA which are expected to be received after the completion of the relevant investments. These amounts are included in the account Grants and are amortized for the part that refers to completed and operating wind generators. (see also note 20).

Also, the Other Long-term Receivables of the Group at December, 31 2007 include guarantees of € 10,019 million of which € 9,968 refers to guarantees to foreign companies for achieving production priority for future co-operation.

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
Receivables from grants	12,604	7,068	-	-
Other	10,019	18	9,995	14
Total	**22,623**	**7,086**	**9,995**	**14**

13. INVENTORIES

The inventories at December, 31 2007 and 2006 in the attached financial statements are analyzed as follows:

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
Products	69	-	69	-
Raw and auxiliary materials	3	-	-	-
Replacement parts for fixed assets	1,421	1,237	677	493
Prepayment for inventory purchase	-	450	-	-
Total inventories	**1,493**	**1,687**	**746**	**493**

An December, 31 2007 and 2006 there was no need to form a provision for obsolete or slow-moving inventories.

The cost of inventory recognized in «cost of sales» is € 6,291 and €6,684, for the years ended at December, 31 2007 and 2006.

14. TRADE RECEIVABLES AND PREPAYMENTS AND OTHER RECEIVABLES

The trade receivables at December, 31 2007 in the attached financial statements are analyzed as follows:

(All amounts are presented in thousand Euro unless stated otherwise)

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
Customers of construction sector	6,044	2,581	1,584	7,812
Customers of energy sector (PPC, DESMHE and other)	8,628	5,945	15,978	2,484
Construction contracts for projects under development	4,132	1,556	4,694	1,605
Trade receivables – Doubtful and in litigation	88	88	88	88
Cheques receivable in delay	-	-	-	-
Cheques receivable	-	-	-	-
Less: Provisions for doubtful receivables	(211)	(350)	(211)	(350)
	18,681	**9,820**	**22,133**	**11,639**

During 2006 the Group made a provision of € 350 against the results for the year for certain receivables of the construction sector that presented a delay to be received. In current period the Group recovered part of this provision amounting to € 139, due to an arrangement for part of the receivables.
The aforementioned trade receivables include the receivables from Wind Energy customers amounting to 370 euro (4,108 euro at December, 31 2006) which are pledged to banks for securing loans for the construction of Wind Parks.
The prepayments and other receivables at December, 31 2007 included in the attached financial statements are analyzed as follows:

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
Prepayments to suppliers	724	561	1,896	3,840
Accounts of prepayments and credit	966	1,196	867	1,077
Deferred expenses	741	684	523	389
Accrued income for the year	1,906	-	1,906	-
Other receivable of Groups' joint ventures	255	1,435	1,746	1,488
VAT claims	4,805	4,299	-	-
Receivables from grants related to Wind Parks	5,439	1,479	2,136	-
Other receivables – Sundry debtors	1,573	146	528	416
Blocked deposit accounts	-	-	-	-
Less: Provisions for doubtful receivables	(60)	-	(60)	-
	16,349	**9,800**	**9,542**	**7,210**

The Group recognized at December, 31 2007 a receivable from grant amounting to 5,439 euro. The grants refer to investment in Wind Parks which are expected to be received after the completion of the relevant investments within the year.

15. CONSTRUCTION CONTRACTS FOR TECHNICAL PROJECTS

The technical projects under construction by the Group as at 31.12.2007 of the attached financial statements are analyzed as follows:

(All amounts are presented in thousand Euro unless stated otherwise)

	GROUP		COMPANY	
Cumulatively from the commencement of the projects	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
Cumulative cost	52,082	21,141	56,971	17,416
Cumulative profit	15,034	3,862	15,011	3,609
Cumulative loss	(76)	-	(24)	-
Prepayments	792	830	792	-
Withheld amounts from customers	420	642	420	-
Invoiced receivables	66,560	28,207	70,919	24,183
Receivables from customers	4,132	1,556	4,694	1,605
Liabilities to customers	(3,652)	(4,760)	(3,652)	(4,671)
Net receivable from customers	480	(3,204)	1,042	(3,066)

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31st 2007 and 2006, in the attached financial statements, are analyzed as follows:

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
Cash	60	61	1	1
Sight and time deposits	295,116	18,291	287,417	12,295
Total	**295,176**	**18,352**	**287,418**	**12,296**
Blocked deposits that for cash flow statements purposes are not included in cash	-	337	-	337
Total	**295,176**	**18,689**	**287,418**	**12,296**

Sight and time deposits of the Group per currency are as follows:

	31 December	
	2007	**2006**
Euro	9,831	8,991
JPY	285,285	9,300
	295,116	18,291

Time deposits have a duration of 3-6 months and their interest fluctuates between 4.8%-5% and 1.8%-2.1% for 2007 and 2006 respectively.

17. LONG-TERM LOANS

The long-term loans in the accompanying financial statements mainly cover the development needs of Wind Parks in the Group's energy sector and are analyzed as follows:

(All amounts are presented in thousand Euro unless stated otherwise)

		31 December 2007	31 December 2006
A	European Investment Bank Loan – Terna Energy	30,046	30,000
B	Bond Loan € 16,000- Energeiaki Evrou	16,000	12,015
C	Bond Loan € 12,000- Energeiaki Servounio	12,000	12,000
D	Bond Loan € 2,600- IWECO Chonos	2,456	2,600
E	Long-term Emporiki € 5,048- Terna Energy	-	1,346
F	Long-term Piraeus € 2,817- Terna Energy	-	1,174
G	Long-term Alpha € 4,470- Terna Energy	690	688
	Total	**61,192**	**59,823**
	minus: Long-term debt payable in the next period	(6,335)	(1,975)
	Long-term loans	**54,857**	**57,848**

All the group's loans have been contracted in Euro. For security against all the group's loans, Wind generators of Wind Parks are collateralized and insurance contracts, receivables from electric energy sale contracts with DESMIE or PPC are pledged to the banks. In the context of this form of financing, the Group's companies hold a series of blocked bank accounts, aiming at serving the aforementioned liabilities connected to the receivables.
During the third quarter of 2007 the group received the remaining part of loan B, euro 3,985.

Loan F paid in full in January 2007.
Loan E is included in short-term liabilities.

The Group's average weighted interest rate for the period 1.1-31.12.2007 and for 2006 was approximately 4.29% and 4.85% respectively.

The total interest of the aforementioned loans for periods ending on December 31st 2007 and December 31st 2006 is € 2,595 and € 2,629 respectively.

In the results of the period ended on 31 December 2007 and 2006, there are recorded banking expenses that refer to loans and taken letters of guarantee totaling € 566 and € 256 respectively.

18. PROVISION FOR STAFF RETIREMENT INDEMNITIES

According to Greek labor law, each employee is entitled to a lump-sum indemnity in case of dismissal or retirement. The amount of the indemnity depends on the length of service with the company and the employee's wages the day he/she is dismissed or retires. Employees that resign or are justifiably dismissed are not entitled to such an indemnity. The indemnity payable in case of retirement in Greece is equal to 40% of the indemnity calculated in case of dismissal. According to the practices in the countries where the subsidiaries of the Group are operating in, staff indemnity programs are usually not funded.

The liabilities for staff indemnity liabilities were determined through an actuarial study. The following tables present an analysis of the net expenditure for the relevant provisions recorded in the results for the financial year ended on the 31st of December 31, 2007 and the movement of the relevant provision accounts for staff indemnities presented in the attached consolidated Balance Sheet for the year ended on December 31st 2007.

The provision for staff indemnities recognized in the consolidated Income Statement for the financial year is as follows:

(All amounts are presented in thousand Euro unless stated otherwise)

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
Present value of liabilities	121	122	121	122
Non recorded actuarial losses	(17)	(33)	(17)	(33)
Recognized liability	**104**	**89**	**104**	**89**

The expense for staff indemnity recognized in the income statement in the cost of sales account and is analyzed as follows:

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
Current cost of service	29	28	29	28
Financial cost	4	2	4	2
Recognition of actuarial profit/loss	2	1	2	1
Additional payments	0	42	0	42
	35	**73**	**35**	**73**

The movement of the relevant provision account in the consolidated Balance Sheet is as follows:

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
Balance at beginning	**89**	**58**	**89**	**58**
Corrections and reclassifications	-	-	-	-
Restated opening balance	**89**	**58**	**89**	**58**
Provision recognized in income statement	35	73	35	73
Payment of grants	(20)	(42)	(20)	(42)
Balance at the end	**104**	**89**	**104**	**89**

The main assumptions for financial years 2007 and 2006 are as follows:

Discount rate	4.1%
Average annual rate of inflation	2%
Average annual long-term increase of GDP	3%
Mortality: Greek mortality table 1990	
Future wage increases	2.9%
Movement of salaried workers (departure under their own will)	3%
Movement of day-waged workers (departure under their own will)	2%
Movement of salaried workers (laid-off)	12%
Movement of day-waged workers (laid-off)	25%

19. OTHER PROVISIONS

The relevant provisions for the years 2007 and 2006 are as follows:

	GROUP		COMPANY	
	Provision for environmental rehabilitation	**Other provisions**	**Provision for environmental rehabilitation**	**Other provisions**
Balance at 1.1.2006	**759**	**135**	**299**	**-**
Corrections and reclassifications	-	-	-	-
Restated balance at 1.1.2006	**759**	**135**	**299**	**-**
Provision recognized in income statement	262	-	(283)	-
Provision recognized in fixed assets	(615)	-	-	-
Used provisions	-	-	-	-
Balance at 31.12.2006	**406**	**135**	**16**	**-**

(All amounts are presented in thousand Euro unless stated otherwise)

	GROUP		COMPANY	
	Provision for environmental rehabilitation	**Other provisions**	**Provision for environmental rehabilitation**	**Other provisions**
Balance at 1.1.2007	**406**	**135**	**16**	**-**
Corrections and reclassifications	-	-	-	-
Restated balance at 1.1.2007	**406**	**135**	**16**	**-**
Provision recognized in income statement	5	-	1	-
Provision recognized in fixed assets	-	-	-	-
Used provisions	-	-	-	-
Balance at 31.12.2007	**411**	**135**	**17**	**-**

The companies of the energy sector of the group are obliged to proceed to environmental rehabilitation where they install production units for electricity, after the completion of the license period that lasts for 20 years according to the licenses granting by state. The aforementioned provision of 411 euro (406 at 31.12.2006) reflects the required expenses for the removal of equipment and formation of the area in which the equipment was installed, using the available technology and materials.

20. GRANTS

Grants at December 31st 2007 and December 31st 2006in the accompanying financial statements, are analyzed as follows:

	GROUP	COMPANY
Balance as at January 1st 2006	**14,370**	**9,860**
Additions	20,744	805
Amortization of grants	(1,294)	(484)
Balance as at December 31st 2006	**33,820**	**10,181**
Balance as at December 31st 2006	**33,820**	**10,181**
Additions	10,499	2,137
Amortization of grants	(1,689)	(664)
Balance as at December 31st 2007	**42,630**	**11,654**

Grants relate to government grants for the development of Wind Parks and are amortized according to the depreciation rate of fixed assets granted, in the income statement they refer to.

The amount of additions for the period 1/1-31/12/2007 € 10,499 includes grants that have not yet been collected amounting to € 9,739 which are included in "Other long-term receivables" by € 5,536 and by € 4,203 included in ''Prepayments and other receivables''. Such grants were recognized based on the Group's Management's certainty that all the requirements for the collection of the grants are met regularly and that eventually the amounts will be received with the completion of the relevant investments. The aforementioned non-received grants are amortized in income only by the portion that corresponds to fully completed and operating wind generators of wind parks.

(All amounts are presented in thousand Euro unless stated otherwise)

21. SUPPLIERS

The suppliers at December, 31 2007 and 2006, in the attached financial statements are analyzed as follows:

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
Domestic suppliers	5,695	4,730	4,411	4,146
Foreign suppliers	2,857	329	2,857	329
Suppliers of investment property	-	-	-	-
Sub-contractors	555	1,949	557	1,162
Withheld guarantees of suppliers	55	165	49	0
Withheld guarantees of sub-contractors	355	453	312	729
Free agents	89	153	78	153
Suppliers of fixed assets	3,223	1,710	2,177	731
Post-dated cheques	3	-	3	0
	12,832	**9,489**	**10,444**	**7,250**

22. ACCRUED AND OTHER LIABILITIES

The accrued and other short-term liabilities at December 31st 2007 and December 31st 2006, in the accompanying consolidated financial statements, are analyzed as follows:

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
Customer Prepayments	794	830	793	830
Liabilities of proportionately consolidated companies of participating interest towards third parties	31	124	-	-
Deferred income of construction contracts	10	1,186	169	283
Social Security Funds	3,652	4,760	3,652	6,638
VAT Liabilities	227	246	212	229
Other withheld taxes	175	1,989	175	1
BoD Remuneration	486	603	377	277
Sundry Creditors	120	210	120	210
Customer Prepayments	646	445	566	305
Unearned Income -accrued expenses	758	689	61	85
	6,899	**11,082**	**6,125**	**8,928**

23. SHORT-TERM LOANS

The total amount of the Group's short-term loans refers to current bank accounts having a duration between one and three months and are renewed depending on the needs. The amounts withdrawn are mainly used to cover the short term liquidity needs for the construction of wind parks. During the period 1 January-31 December 2007 additional amounts of 40,816 euros were taken.

The weighted average interest rate for the aforementioned loans is approximately 4.8% for 2007 and 2006.
The total interest on the aforementioned loans for the periods ending on December 31st 2007 and December 31st 2006 is € 983 and € 636 respectively.

(All amounts are presented in thousand Euro unless stated otherwise)

24. JOINT VENTURES AND COMMON CONTROLLED COMPANIES

The Group participates through its parent Terna Energy in joint ventures with other construction companies aiming to undertake and execute private and public technical projects. Also, the Group participates in common controlled companies which have activities related to construction or energy. The joint ventures and common controlled companies are analyzed in Note 4. The Group for the years ended at 31, December 2006, 2005 and 2004, participated in ten joint ventures for the construction of various projects as shown in Note 5.B.

The participation of the Group in Total Assets, Liabilities, Income and Expenses of the joint ventures that are consolidated in the financial statements is as follows:

	31-Dec	
	2007	**2006**
Total long-term assets	43	20
Total short-term assets	2,897	5,900
Total assets	2,940	5,920
Total long-term liabilities	135	449
Total short-term liabilities	291	1499
Total liabilities	1,948	1,948
Total income	4,565	4,749
Total expenses	-3,785	-3,637
Earnings after tax	780	1,112

The proportionate participation of the Group in the cash of the consolidated joint ventures is €1,256 and €921, at 31 December 2007, and 2006 and is included in the aforementioned short-term assets account.

25. SHARE CAPITAL

On May 30th 2007, the extraordinary general assembly of the shareholders of Terna Energy decided to reduce the nominal value per share from 3 to 0.30 euro, by replacing each existing share with ten new shares. Moreover, it decided on a share capital increase by € 6,039,300 with capitalization of taxed profit from previous periods. In this context, 20,131,000 new shares were issued.

Therefore, the Parent Company's Share Capital amounts to € 24,600,000, divided into 82,000,000 common registered voting shares with a nominal value of 0.30 Euro (thirty cents) each.

The company at November 2007 increased its share capital by issuing 27,333,400 new shares paid in cash and listed its total shares in Athens Exchange in the «LARGE CAPITALIZATION» market segment/ The trading of the shares stared at November, 14 2007.

All share capital is fully paid.

26. EARNINGS PER SHARE

The basic earnings per share were calculated by dividing the net earnings attributed to shareholders of the parent with the average weighted number of shares in circulation as these were adjusted following the share capital increase at 30/5/2007 from 6,186,900 to 82,000,000 shares as follows:

(All amounts are presented in thousand Euro unless stated otherwise)

	GROUP		COMPANY	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Net earnings attributed to shareholders of the parent	**14,558**	**7,423**	**12,407**	**6,084**
Average weighted number of shares	86,193,618	82,000,000	86,193,618	82,000,000
Basic and diluted earnings per share (amounts in euro)	**0.169**	**0.090**	**0.144**	**0.074**

27. INCOME TAX

According to Greek tax legislation the Company is subject to a nominal tax rate of 29% for 2006 and 25% from 2007 and onwards. The effective tax rate differs from the nominal. The calculation of the effective tax rate is affected by several factors, the most important of which are the non-exemption of specific expenses, differences from the use of depreciation rates that emerge between the fixed asset's useful life and the use of rates stipulated by PD 299/2003 and the capability of companies to create tax-exempt discounts and tax-exempt reserves.

Income tax in the accompanying consolidated financial statements is analyzed as follows:

(a) Current Tax

	GROUP		COMPANY	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Current income tax				
Current tax	2,907	1,949	2,525	1,515
Tax of previous years	50	468	-	468
	2,957	2,417	2,525	1,983
Expense of deferred tax	1,602	(452)	1,724	(875)
Total	**4,559**	**1,965**	**4,249**	**1,108**

	GROUP		COMPANY	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Earnings before taxes consolidated	**18,899**	**9,436**	**16,655**	**7,192**
Nominal tax rate	25%	29%	25%	29%
Income tax based on nominal tax rate	**(4,725)**	**(2,736)**	**(4,163)**	**(2,086)**
Eliminations of joint ventures' taxed profit	89	(396)	-	-
Eliminations of intra-group profit	(189)	33	-	-
Non-taxed income:				
- Tax-exempt discount of L 3299/2004	-	1,473	-	1,451
- Other non-taxed income	18	-	92	-
Non-exempt expenses				
- Additional taxes	(56)	(382)	(3)	(446)
- Provisions for Additional income Tax	16	(175)	-	-
- BoD Remuneration and profit distribution	-	(35)	-	-
- Exempt tax differences of previous years recognized in the current period	336	157	-	-
- Effect of Implied method of taxation on deferred tax	133	325	-	234
- Other permanent tax Differences - non-exempt expenses	(181)	(29)	(175)	(14)
- Effect of change in Tax Rate	-	(200)	-	(247)
Tax expense	**(4,559)**	**(1,965)**	**(4,249)**	**(1,108)**
Effective tax rate	24%	20%	25%	15%

The income tax statement is submitted on an annual basis but the profits or losses declared remain provisional until the tax authorities audit the taxpayer's books and records and issue a final audit report.

In this case it is possible that the tax authorities may impose additional taxes and surcharges. For this reason, and based on new information that emerged from tax audits of previous periods, which were conducted during the preparation of the accompanying consolidated financial statements, relevant provisions have been recognized for possible additional taxes and surcharges that may be imposed, amounting to €150 in the accompanying financial statements for 2006 and 2007. The provisions are included in the account «Income tax payable».

The tax losses, to the extent that such are accepted by the tax authorities, may offset future profit for a period of five years from the year such emerged.

The parent company, TERNA ENERGY SA is tax-audited up to the fiscal year 2005 included. During the preparation date of the accompanying financial statements, the non-audited tax years (including fiscal year 2007) of the Group's companies are as follows:

Subsidiary	Unaudited tax years (including the year 2007)
Societe Anonyme	
1. IWECO CHONOS LASITHI CRETE SA	2
2. ENERGIAKI SERVOUNIO SA	2
3. TERNA ENERGY EVROS SA	1
4. PPC RENEWABLE- TERNA ENERGY SA	2
5. AIOLIKI PANORAMATOS DERVENOCHORION SA	1
6. GP ENERGY	1
7. EOL TECHNICS CONSULT SRL	1
Joint Ventures	
1. J/V TRAM POLITICAL ENGINEERING WORKS, Greece	1
2. J/V ENVAGELISMOU, PROJECT C', Greece	5
3 .J/V TERNA ENERGY - TSAMPR. DRAMAS HOSPITAL, Greece	5
4 .J/V EPL DRAMAS, Greece	5
5. J/V TERNA ENERGY - OLYMPIOS ATE, Greece	2
6. J/V K. MANIOTIS - TERNA - TERNA ENERGY, Greece	5
7. J/V/ EMBEDOS - PANTECHNIKI - TERNA ENERGY, Greece	1
8. J/V THEMELI - TERNA ENERGY - TERNA SA IMPREGILO SPA, Greece	2
9. J/V EKTER - TERNA - ATHONIKI, Greece	1
10.J/V/ KL. ROUTSIS - TERNA ENERGY ABETE, Greece	1

(All amounts are presented in thousand Euro unless stated otherwise)

General and Limited Partnerships

1. TERNA ENERGY ABETE - M.E.L. MAKEDONIKI ETAIRIA HARTOU & SIA, J/V, Greece	1
2. TERNA ENERGY A.B.E.T.E. & SIA AIOLIKI RAHOULAS DERVENOHORION, Greece	1
3. TERNA ENERGY ABETE & SIA AIOLIKI POLYKASTROU, Greece	1
4. TERNA ENERGY ABETE & SIA AIOLIKI PROVATA TRAIANOUPOLEOS, Greece	1
5. TERNA ENERGY ABETE & SIA ENERGIAKI DERVENOHORION, Greece	1
6. TERNA ENERGY ABETE & SIA ENERGIAKI VELANIDION LAKONIAS, Greece	1
7. TERNA ENERGY ABETE & SIA ENERGIAKI DISTION EVIAS, Greece	1
8. TERNA ENERGY ABETE & SIA AIOLIKI PASTRA ATTIKIS, Greece	1
9. TERNA ENERGY ABETE & SIA AIOLIKI MALEA LAKONIAS, Greece	1
10.TERNA ENERGY ABETE & SIA ENERGIAKI FERRON EVROU, Greece	1
11.TERNA ENERGY ABETE & SIA AIOLIKI DERVENI TRAIANOUPOLEOS, Greece	1
12.TERNA ENERGY ABETE & SIA AIOLIKI KARYSTIAS EVIAS, Greece	1
13.TERNA ENERGY ABETE & SIA ENERGIAKI ARI SAPPON, Greece	1
14.TERNA ENERGY ABETE & SIA ENERGIAKI PELOPONNISOU, Greece	1
15.TERNA ENERGY ABETE & SIA AIOLIKI ANATOLIKIS ELLADOS, Greece	1
16.TERNA ENERGY ABETE & SIA AIOLIKI MARMARIOU EVIAS, Greece	1
17.TERNA ENERGY ABETE & SIA ENERGIAKI PETRION EVIAS, Greece	1
18.TERNA ENERGY ABETE & SIA AIOLIKI ROKANI DERVENOHORION, Greece	1
19.TERNA ENERGY ABETE & SIA ENERGIAKI STIRON EVIAS, Greece	1
20.TERNA ENERGY ABETE & SIA ENERGIAKI NEAPOLEOS LAKONIAS, Greece	1
21.TERNA ENERGY ABETE & SIA ENERGIAKI XSIROVOUNIOU, Greece	1
22.TERNA ENERGY ABETE & SIA ENERGIAKI KAFIREOS EVIAS, Greece	1
23.TERNA ENERGY ABETE & Co	5

(b) Deferred tax

Deferred income tax is calculated on all the temporary tax differences between the book value and the tax basis of the assets and liabilities.
The Group maintains tax-exempt reserves and reserves taxed with specific way amounting to € 13,844, which in case of distribution or capitalization will be taxed under the current tax rate. In the future the Group does not plan to distribute or capitalize this reserve and this is why it does not estimate a deferred tax.

The deferred income tax is calculated using the expected tax rate of the Company at the time in which the tax receivable/liability matures.

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
Net deferred tax receivable				
Balance at beginning	1,240	788	1,216	341
Debit / (Credit) in consolidated /Company Income statements	(,1602)	452	(1,724)	875
Deferred income tax recorded in equity	3,474	-	3,474	-
Balance at the end	**3,112**	**1,240**	**2,966**	**1,216**

(All amounts are presented in thousand Euro unless stated otherwise)

The deferred tax receivables and liabilities of 2006 and 2007 are analyzed as follows:

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
Deferred income liability				
- Tangible assets	(1,187)	(449)	(632)	(237)
- Intangible assets	-	-	-	-
- Depreciation differences	-	-	-	-
- Receivables of construction projects	(476)	(360)	(1,650)	(452)
- Investment Property	(81)	(81)	(81)	(81)
- Cost of construction projects	(1,174)	(88)	-	-
- Grants	-	-	-	-
- Provision for doubtful receivables	-	-	-	-
-Provision for dismantlement	-	-	-	-
- Other	(11)	(123)	-	-
Total of deferred tax liability	**(2,929)**	**(1,101)**	**(2,363)**	**(770)**
Total Deferred Tax liability				
	-	99	-	-
Deferred Tax Receivable	15	732	(567)	256
- Tangible Fixed Assets	26	22	25	22
- Intangible Fixed Assets	880	1,225	913	1203
- Provision for staff indemnities	67	88	68	88
- Liabilities of construction projects	-	31	0	0
- Provision for doubtful receivables	1,225	-	1,162	277
- From discount of customer balances (DESMIE)	0	53	0	20
- Tax loss	25	-	0	0
- Expense for share capital increase	3,474	-	3,474	0
- Grants	329	91	240	120
- Other	-	-	14	0
Total Deferred Tax Receivable	**6,041**	**2,341**	**5,329**	**1,986**
	3,112	**1,240**	**2,966**	**1,216**
Deferred Tax Receivable	**3,377**	**1,505**	**2,966**	**1,216**
Deferred Tax liability	**(265)**	**(265)**	**0**	**0**

The net charge in the results in the consolidated income statement of 2006 and 2007 regarding deferred tax is analyzed as follows:

(All amounts are presented in thousand Euro unless stated otherwise)

	GROUP		COMPANY	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
- Tangible Fixed Assets	(837)	(381)	(395)	(169)
- Receivables of construction projects	(116)	191	(1,198)	(89)
- Investment Property	-	(12)	-	(13)
- Cost of construction projects	(1,086)	(88)	-	-
- Grants	-	22	-	-
- Provision for dismantlement	-	(123)	-	-
- Tangible Fixed Assets	-	96	-	-
- Intangible Fixed Assets	(717)	(150)	(823)	(189)
- Provision for staff indemnities	4	8	3	8
- Liabilities of construction projects	(345)	1,203	(290)	1,190
- Provision for doubtful receivables	(21)	88	(20)	88
- From discount of customer balances (DESMIE)	(31)	31	-	(39)
- Cost of construction projects	1,225	(463)	886	-
- Other provisions	(53)	(61)	(20)	(54)
- Grants	238	91	120	142
- Other	137	-	13	-
	(1,602)	**452**	**(1,724)**	**875**

28. COST OF SALES AND DISTRIBUTION AND ADMINISTRATION EXPENSES

The cost of sales and management and administration expenses at 31st December 2007 and 2006, in the attached financial statements is analyzed as follows:

COST OF SALES	**GROUP**		**COMPANY**	
	2007	**2006**	**2007**	**2006**
Employee remuneration and expenses	3,162	2,748	3,359	2,930
Fees of consultants	419	152	278	7,973
Remuneration and expenses of third parties (engineers)	1,372	1,831	1,544	185
Materials and expenses of constructions	11,670	7,027	12,420	7,805
Leases	1,222	658	1,222	665
Repairs, Maintenance	1,547	1,488	714	508
Sub-contractors	8,692	7,781	7,638	363
Depreciation	6,093	4,680	2,887	2293
Third party benefits	116	98	116	90
Contributions to OTA	0	425	358	228
Transportation expenses	664	164	693	158
Insurance premiums	377	451	308	192
Other	2,117	79	1,811	2,105
Total Cost of Sales	37,451	27,582	**33,348**	**25,495**

(All amounts are presented in thousand Euro unless stated otherwise)

ADMINISTRATION EXPENSES	GROUP		COMPANY	
	2007	2006	2007	2006
Employee remuneration and expenses	570	494	570	355
Fees of consultants	462	454	448	296
Remuneration and expenses of third parties (engineers)	136	73	136	193
Insurance premiums	1	32	1	1
Leases	37	6	27	0
Subscriptions	121	120	118	111
Depreciation	77	52	57	30
Travel and promotion expenses	73	115	63	27
Third party benefits (DEKO)	24	17	17	12
Other	1,218	271	932	326
Total Management Expenses	2,719	1634	2369	1351

RESEARCH EXPENSES GROUP	GROUP		COMPANY	
	2007	2006	2007	2006
Employee remuneration	45	-	45	16
Remuneration of engineers	776	591	776	675
Fees of consultants	323	155	323	155
Depreciation	94	99	94	98
Travel expenses	65	0	65	36
Scientific/Lab experiments	176	61	176	72
Third party benefits	13	11	13	12
Other expenses	123	189	123	42
Total administrative expenses	1615	1106	1615	1,106

29. OTHER INCOME/(EXPENSES)

The other income/(expenses) at December 31st 2007 in the attached financial statements is analyzed as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
Grant depreciation (Note 20)	1,687	1,294	663	594
Income from the valuation of investment property (Note 9)	-	50	-	50
Income from leasing of machinery	32	26	32	26
Income from leasing of property (Note 9)	69	65	69	65
Income from J/V	-	-	361	1,361
Other income	352	20	292	82
Total Other Income	2,140	1,455	1,417	2,178
Other Tax	(5)	(2)	(2)	(2)
Other expenses	(5)	(2)	(2)	(2)
Total	2,135	1,453	1,415	2,176

(All amounts are presented in thousand Euro unless stated otherwise)

30. FINANCIAL INCOME / (EXPENSES)

The financial income/(expenses) at 31st of 2007, in the attached financial statements is as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
Interest of Long-term Loans (note 17)	(2,595)	(2,629)	(1,203)	(1,344)
Interest of Short-term Loans (note 23)	(983)	(636)	(353)	(19)
Bank expenses and other expenses	(572)	(256)	(418)	(510)
Financial (Expenses)	(4,150)	(3,521)	(1,974)	(1,873)
	2,357	95	2,215	47
Interest from sight and time deposits	-	5	-	-
Interest from bank bonds	127	77	2	-
Other Financial income	2,484	177	2,217	47
Financial results	(1,667)	(3,344)	243	(1,826)

31. EMPLOYEE REMUNERATION AND EXPENSES

Employee remuneration and the average number of employees at December 31st 2007 is as follows:

	GROUP		COMPANY	
	1.1-31.12.2007	1.1-31.12.2006	1.1-31.12.2007	1.1-31.12.2006
Day-wage Remuneration	689	758	681	749
Remuneration of regular staff	2,123	1,563	2,290	1,552
Employer social security contributions	943	846	963	863
Employee indemnities	35	73	36	31
Other	1	2	3	42
Total expenses	**3,791**	**3,242**	**3,973**	3,237
Average number of employees				
Day-wage workers	52	50	52	50
Regular staff	144	137	142	136

32. TRANSACTION WITH RELATED PARTIES

The transactions and balances of the Group with related parties for the years 2007 and 2006 are analyzed as follows:

2007	GROUP				COMPANY			
Related party	**Sales**	**Purchases**	**Debit balance**	**Credit balance**	**Sales**	**Purchases**	**Debit balance**	**Credit balance**
Subsidiaries	-	-	-	-	4,168	-	10,225	-
Associates	-	-	-	-	-	-	-	-
Joint ventures	-	-	-	-	1,841	-	2,735	406
Parent	-	13,435	1,209	2,284	-	7,439	829	8,300
Other related parties	105	5,844	2,035	1,301	105	4,982	1,409	1,121
Management	-	-	-	120	-	-	-	120

(All amounts are presented in thousand Euro unless stated otherwise)

2006	**GROUP**				**COMPANY**			
Related party	**Sales**	**Purchases**	**Debit balance**	**Credit balance**	**Sales**	**Purchases**	**Debit balance**	**Credit balance**
Subsidiaries	-	-	-	-	5,292	-	6,050	-
Associates	-	-	-	-	-	-	-	-
Joint ventures	-	-	-	-	1,700	-	1,676	1,128
Parent	52	3,551	1,720	,1629	52	945	1,103	841
Other related parties	26	2,440	2,012	656	26	2,079	1,726	637
Management	-	-	-	-	-	-	-	-

Remuneration of the Board of Directors and the Management of the Company: The BoD and Management remuneration at 31st of December 2007 and 2006 are as follows:

	GROUP		**COMPANY**	
	31.12.2007	**31.12.2006**	**31.12.2007**	**31.12.2006**
BoD remuneration	-	120	-	120
Remuneration of management included in the executive members of BoD	179	179	179	179
	179	**299**	**179**	**299**

33. AIM AND POLICIES OF RISK MANAGEMENT

The group is exposed in many financial risks as market risk (volatility in exchange rates, interest rates market prices etc.), credit risk and liquidity risk. The risk management plan aims to eliminate the negative effect of these risks on financial results of the group as these effects are the results of the uncertainty in financial markets and the changes in costs and sales. The group uses financial derivatives to hedge its exposure in certain risk categories.

The risk management policy is undertaken by the treasury of the Group and the procedure is as follows:

- Evaluation of risks related to Group's activities and operations,
- Plan of the methodology and choice of the necessary financial products for the reduction of risk
- Execution/application, in accordance with the approved procedure by the management, of the risk management plan.

The financial means of the Group are mainly deposits in banks, overdraft facility by banks, short-term financial products of high liquidity traded in the money market, trade debtors and creditors, loans to and from subsidiaries, associates and joint ventures, shares, dividends payable and liabilities arising from leasing.

33.1 FOREIGN EXCHANGE RISK

The group is active mainly in Greece and therefore it may be exposed in exchange rate risk arising from the volatility of euro against other currencies.

This type of risk may be emerged from trade transactions in foreign currency, from investments of financial assets in foreign currency as well as direct investments abroad.

For the management of this type of risk or the treasury of the group assures that the cash management of the Group is hedged from currency risk.

Regarding the transaction of the company with foreign companies these are made with European companies having euro as settlement currency.

(All amounts are presented in thousand Euro unless stated otherwise)

The Group holds investments in foreign economic units, which assets though are not exposed in currency risk since their currency is pegged to euro.

33.2 INTEREST RATE RISK SENSITIVITY

The Group's policy is to eliminate its exposure in interest rate risk regarding its long-term financing. Long-term financing is usually made with floating interest rates. At the 31st of December 2007 the Group is exposed in interest rate risk relayed to its bank loans which have floating rate. (For more information see note 17) As in the previous year, the other financial assets and liabilities have fixed rates.
The following table reports the sensitivity of the results as well as equity in a normal change of interest rate (long-term and short-term) of +10% –10% (2006: +/-10% also). The changes in interest rates are estimated to be normal in relation to current market conditions.

	2007		2006	
Amounts in thous. €				
	+10%	-10%	+10%	-10%
Earnings after tax	(91.5)	(91.5)	(91.5)	(91.5)
Equity	(91.5)	(91.5)	(91.5)	(91.5)

The Group does not manage the risk from these changes.
The Group is not exposed in other interest rate risk or changes in prices of securities which are traded in the secondary market.

33.3 CREDIT RISK ANALYSIS

The credit risk exposure of the Group is limited to financial assets which at the balance sheet date are as follows:

Amounts in thous €	**2007**	**2006**
Categories of financial assets		
Investments held till maturity	0	0
Financial assets available for sale	1	383
Financial derivatives	0	0
Cash and equivalents	295,176	18,689
Trade and other receivables	18,681	9,820
Total	**313,858**	**28,892**

The Terna Energy Group continuously monitors its receivables, either separately or per group and encompasses any differences in its credit risk. In cases that deemed necessary external reports related to current or potential customers are used. The Group's policy is to co-operate only with trustworthy customers.
The management of the Group assumes that the aforementioned financial assets fro which necessary impairment is calculated are of high credit quality, included those in debt. (see Note 14 for further information regarding the impairment of assets or financial assets in debt).
None of the Group's financial assets is secured with mortgage or other type of credit insurance.
For trade and other receivable the Group is not exposed in significant credit risk. The credit risk for receivables ready to be liquidated as well as other short-term financial assets (cash equivalents) is estimated to be minimal, given that the dealers are reliable banks having a high grade capital structure.

(All amounts are presented in thousand Euro unless stated otherwise)

33.4 ANALYSIS OF LIQUIDITY RISK

The Terna Energy Group manages its liquidity needs by closely monitoring its long-term financial liabilities and the daily payments. The liquidity needs are monitored in different time-zones daily and weekly as well as in a rolling 30 days period. The liquidity needs fro the coming 6 months and the coming year are estimated on a monthly basis.
The company maintains cash and deposits in banks in order to cover its liquidity needs for periods up to 30 days. The capital for long-term liquidity needs are not bonded to time-deposits of the company.
The maturity of financial liabilities at the 31st of December 2007 for the Terna Group is analyzed as follows:

	2007		
Amounts in thous. €	**Short-term**	**Long-term**	
	0 till 12 months	**1 till 5 years**	**Later than 5 years**
Long-term loans	8,211	47,839	13,721
Liability for financial leasing	0	0	0
Short-term loans	46,966	0	0
Trade liabilities	12,832	0	0
Other short-term liabilities	9,115	0	0
Total	**77,124**	**47,839**	**13,721**

The respective maturity of financial liabilities as at 31st of December 2006 is as follows:

	2006		
Amounts in thous. €	**Short-term**	**Long-term**	
	0 till 12 months 1 till 5 years	**0 till 12 months**	**1 till 5 years**
Long-term loans	5,562	27,409	26,852
Liability for financial leasing	0	0	0
Short-term loans	6,150	0	0
Trade liabilities	9,488	0	0
Other short-term liabilities	12,271	0	0
Total	**33,471**	**27,409**	**26,852**

The aforementioned conventional maturities reflect the gross cash flows which may differ from the accounting values of liabilities at the balance sheet date.

34. PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES PER CATEGORY

The financial assets and liabilities at the balance sheet dates are classified as follows:

Amounts in thous €	**2007**	**2006**
Non- current assets		
Financial assets available for sale	1	283
Investments held to maturity	0	100
Total	**1**	**383**
Current assets		
Derivative financial assets		
Financial assets for trade purposes	0	0
(presented in income statement)	0	0
Trade and other receivables		
Loans and receivables	35,797	19,617
Cash and equivalents	295,176	18,689
Total	**330,973**	**38,306**

(All amounts are presented in thousand Euro unless stated otherwise)

Amounts in thous. €	**2007**	**2006**
Long-term liabilities		
Loans		
Financial liabilities in fair value in income statement	0	0
Financial liabilities at net-book cost	98,403	92,562
Total	**98,403**	**92,562**
Short-term liabilities		
Loans		
Financial liabilities in fair value in income statement	0	0
Financial liabilities at net-book cost	53,301	8,125
Financial derivatives	0	0
Financial assets for trade purposes (presented in income statement)	0	0
Trade and other receivables		
Financial liabilities at net-book cost	21,947	21,759
Total	**75,248**	**29,884**

See notes 3c, 3d for further explanations as of how the category of financial means affects their valuation.

35. POLICIES AND PROCEDURES FOR CAPITAL MANAGEMENT

The aims of Terna Energy Group regarding the management of its equity is as follows:

- To ensure the ability of the Group to continue its activity (going-concern) and
- To secure a satisfactory return to its shareholders by pricing products and services according to their level of risk.

The Group monitors its capital in the base of equity plus subordinated loans, less cash and cash equivalents as appeared in the balance sheet. The capital for the years 2007 and 2006 is as follows:

Amounts in thous €	**2007**	**2006**
Debt with interest	108,158	65,973
Less :		
Cash	(295,176)	(18,689)
Other short-term financial assets	-	(384)
Net debt	(187,018)	46,900
Convertible preferred shares	-	-
Total equity	349,161	44,026
Less :		
Net not realized profits carried forward and reserves	(12)	82
Total capital	349,149	44,108
Leverage ratio	(54%)	106%

The aim of the Group regarding the management of capital is to adjust the leverage ratio (as shows above) to 50% in the future. In the current table the ratio is negative (under leveraged) a fact attributed to the significant Share Capital increase of Terna Energy in November, as well as the significant increase of the Group's debt by 63% (from 66 mil € to 108 mil €) compared to the previous year.

36. EXISTING COLLATERAL ASSETS

There are no prenotations on the property.

(All amounts are presented in thousand Euro unless stated otherwise)

37. CONTINGENT LIABILITIES

During the execution of their projects the Group may face contingent legal claims by third parties. According to the Management, as well as the legal counselor of the Group there are no cases under litigation or arbitration except from the following:

Contingent liabilities

a. Several claims for cancellation of the planned installation of the Wind Park by the subsidiary “Terna Energy AIOLIKI PANORAMATOS DERVENOCHORION GP”, are pending before the Council of State. Until the finalization of the case during January 2008 the Council of State has order a pause on the building works for 17 out of 40 wind mills.

Obligations

b. The Group, in the context of development the operating Wind Parks as well as installing new renewable energy sources, whose completion is expected during 2008 and 2009, has signed agreements for supply of fixed equipment, amounting to approximately € 162 million.

38. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

CERTIFICATE

It is ascertained that the attached financial statements are those approved by the Board of Directors of the Company on the 24th of March, 2008, amended on the 26th of May 2008 and have been published by being posted on the internet at the website www.terna-energy.gr . It is noted that the summary financial figures that have been published in the press aim at providing the reader with certain general financial information but do not provide a full picture of the financial position and the results of the Group, in accordance with the International Financial Reporting Standards (IFRS). In the summary information published in the press some figures have been aggregated.

The amended financial statements are approved by the Board of Directors of the Company on the 26th of May 2008.

The Chairman of the BoD	The Vice President and Managing Director
Perdikaris Georgios	**Maragoudakis Emmanouel**
The Chief Financial Officer	The Head of Accounting
Dimopoulos Konstantinos	**Manaveris Nikolaos**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of « TERNA ENERGY A.B.E.T.E.»

Report on the Financial Statements

We have audited the accompanying financial statements of "TERNA ENERGY A.B.E.T.E." ("the Company") as well as the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise (for both the Company and the Group), the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards that have been adopted by the European Union. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the abovementioned individual and consolidation financial statements present fairly, in all material respects, the financial position of the Company and that of the Group as of December 31, 2007, and the financial performance and the cash flows of the Company and those of the Group for the year then ended in accordance with International Financial Reporting Standards that have been adopted by the European Union.

Without qualifying our opinion we draw attention to the fact that this audit report is issued for the second time following the restatement of the consolidated balance sheet as at 31.12.2007 by the Company's Board of Directors (BoD Meeting of 26.5.2008). The aforementioned restatement pertains to the correction of wrong journal entry made in the individual and consolidated financial statements of the Company in relation to advance payment to supplier amounting to 16.784 thousand Euro which was recorded in the account of assets «Tangible Fixed Assets» while it should have been recorded as a repayment of the supplier and, therefore, equally decreased the account of liabilities "Suppliers". The aforementioned individual and consolidated Balance Sheet of the Company as at 31 December 2007 as compared to the Balance Sheet for which we issued our auditor's report dated 27 March 2008 (that is effective as far as other items are concerned) comprises only the aforementioned adjustment. This adjustment has no impact on the Income Statement and the Equity of the Company and the Group and brings about only equal changes in the aforementioned accounts of the Balance Sheet, the corresponding items of the Cash Flows and Explanatory Notes.

Report on Other Legal and Regulatory Requirements

The Board of Directors Report comprises the information prescribed by Articles 43 a, par. 3 and 107, par. 3 of the Law 2190/1920, as well as Article 11 a of the Law 3371/2005 and is consistent with the abovementioned financial statements.

Athens, 27 May, 2008

The Certified Public Accountants Auditors

George N. Deligannis
SOEL Reg. No 15791

Yiannis Leos
SOEL Reg. No 24881

GrantThornton

44, Vas. Konstantinou Str.

116 35 Athens
SOEL Reg. No 127