

TERNA ENERGY FINANCE

SINGLE PERSON SOCIETE ANONYME (S.P.S.A.)

124 Kifisias Avenue & 2 Iatridou Street, 115 26 Athens

GENERAL ELECTRONIC COMMERCIAL REGISTRY (GEMI) 140274801000

ANNUAL FINANCIAL REPORT

from 1st January to 31st December 2018

**According to article 4 of L. 3556/2007 and the relevant executive Decisions by the Board of
the Hellenic Capital Market Commission**

CONTENTS

I. STATEMENTS BY MEMBERS OF THE BOARD OF DIRECTORS.....	3
Report on the audit of the financial statements	4
III. ANNUAL MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2018 – 31 DECEMBER 2018	7
CORPORATE GOVERNANCE STATEMENT	15
IV. ANNUAL FINANCIAL STATEMENTS OF THE FISCAL YEAR ENDED ON 31 DECEMBER 2018	23
(1 January - 31 December 2018)	23
V. ESTABLISHMENT & ACTIVITY OF THE COMPANY	28
1. GENERAL INFORMATION FOR THE COMPANY	28
2. BASIS FOR THE PRESENTATION OF THE FINANCIAL STATEMENTS.....	28
3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS BY THE MANAGEMENT	34
4. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES.....	35
5. INFORMATION REGARDING OPERATING SEGMENTS	41
6. OTHER LONG-TERM RECEIVABLES.....	42
7. OTHER SHORT-TERM FINANCIAL ASSETS	42
8. CASH & CASH EQUIVALENTS	42
9. SHARE CAPITAL	43
10. DEBT	43
11. INTEREST INCOME	44
12. INTEREST AND OTHER FINANCIAL EXPENSES	44
13. THIRD PARTY FEES AND EXPENSES.....	44
14. OTHER OPERATING EXPENSES.....	44
15. PERSONNEL FEES AND EXPENSES.....	45
16. INCOME TAX (CURRENT AND DEFERRED) –UNAUDITED TAX YEARS	45
17. EARNINGS PER SHARE	47
18. TRANSACTIONS WITH RELATED PARTIES	47
19. AIM AND POLICIES OF RISK MANAGEMENT.....	48
20. PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES PER CATEGORY.....	50
21. POLICIES AND PROCEDURES FOR CAPITAL MANAGEMENT	51
22. CONTINGENT LIABILITIES.....	52
23. RECONCILIATION OF CHANGE IN FINANCIAL LIABILITIES.....	52
24. CHANGE IN THE PRESENTATION OF RESULTS	53
25. STATEMENT OF FINANCIAL POSITION POST REPORTING DATE EVENTS.....	53
VI. REPORT ON THE ALLOCATION OF THE CAPITAL PROCEEDS.....	54
Report on the Findings from the Conduct of Agreed-upon-Procedures on the "Allocation Report of Raised Capital".....	57

I. STATEMENTS BY MEMBERS OF THE BOARD OF DIRECTORS

(According to article 4 par. 2 of Law 3556/2007)

We:

1. Vasileios Delikaterinis, Chairman of the Board of Directors
2. Aristotelis Spiliotis, Managing Director
3. Dimitra Chatziarseniou, Member of the Board of Directors

The following representatives of the Board of Directors, under our capacity that is presented above, according to the provisions stipulated by law (article 4 of Law 3556/2007), and also as appointed for the specific purpose by the Board of Directors of the Societe Anonyme under the name "TERNA ENERGY FINANCE SINGLE PERSON SOCIETE ANONYME" (henceforth called as the "Company" for brevity reasons), we declare and verify according to the law that to the best of our knowledge:

- A. The annual financial statements of the company TERNA ENERGY FINANCE S.P.S.A. for the period from January 1st 2018 to December 31st 2018, which were prepared in accordance with the accounting standards in effect, provide a true picture of the assets, liabilities, the shareholders' equity and the results of the Company for the year 2018, according to those stated in article 4 of L. 3556/2007, and
- B. The Annual Board of Directors' Report depicts in a true manner the information required according to those stated in paragraph 6 of article 4 of L. 3556/2007.

Athens, 20 March 2019

Chairman of the Board

Managing Director

Member of the Board

Vasileios Delikaterinis

Aristotelis Spiliotis

Dimitra Chatziarseniou

II. INDEPENDENT AUDITOR'S REPORT

To the Shareholders of "TERNA ENERGY FINANCE S.A."

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of the company "TERNA ENERGY FINANCE S.A." (the Company), which comprise the statement of financial position as at December 31, 2018, and the statements of comprehensive income, changes in equity and cash flow for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union complies with the regulatory requirements of Greek Codified Law 2190/1920.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as they have been transposed in Greek Legislation. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. During our audit, we remained independent of the Company, in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as transposed in Greek legislation and the ethical requirements relevant to the audit of the financial statements in Greece. We have fulfilled our responsibilities in accordance with the provisions of the currently enacted law and the requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined that there are no Key Audit Matters to communicate in our report.

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

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

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

The Audit Committee (art. 44 of Law 4449/2017) of the Company is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as they have been transposed in Greek Legislation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

1. Board of Directors' Report

Taking into consideration that management is responsible for the preparation of the Board of Directors' Report which also includes the Corporate Governance Statement, according to the provisions of paragraph 5 of article 2 (part B) of L. 4336/2015, we note the following:

1. The Board of Directors' Report includes the Corporate Governance Statement which provides the information required by Article 43bb of Greek Codified Law 2190/1920.
2. In our opinion the Board of Directors' Report has been prepared in accordance with the applicable legal requirements of articles 43a and of paragraph 1 (cases c' and d') of article 43bb of Greek Codified Law 2190/1920 and its content is consistent with the accompanying financial statements for the year ended 31/12/2018.
3. Based on the knowledge we obtained during our audit about the Company «TERNA ENERGY FINANCE S.A.» and its environment, we have not identified any material inconsistencies in the Board of Directors' Report.

2. Additional Report to the Audit Committee

Our audit opinion on the financial statements is consistent with the additional report to the Audit Committee referred to in article 11 of EU Regulation 537/2014.

3. Non Audit Services

We have not provided to the Company any prohibited non-audit services referred to in article 5 of EU Regulation No 537/2014.

The allowed services provided to the Company, in addition to the statutory audit, during the year ended 31 December 2018 have been disclosed in Note 13 to the accompanying financial statements.

4. Appointment

We were appointed as statutory auditors for the first time by the article of association of the Company, dated October 14, 2016 (article 34). Our appointment has been, since then, uninterrupted renewed by the Annual General Assembly of shareholders of the Company for a total period of two consecutive years.

Athens, 21 March 2019
The Certified Auditor Accountant

Dimitra Pagoni
SOEL Reg. No.: 30821

III. ANNUAL MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2018 – 31 DECEMBER 2018

Annual Report of the Board of Directors of the Single Person Societe Anonyme under the name TERNA ENERGY FINANCE S.P.S.A.

To the Ordinary General Meeting of Shareholders

Dear Shareholders,

According to the provisions of Law 2190/1920 (article 43a par.3 and article 136, par.2), Law 3556/2007 (article 4, par. 2(c), 6, 7 & 8) as well as the article 2 of the decision 7/448/11-10-2007 of the Hellenic Capital Market Commission and the Company's Articles of Association we present and submit the annual management report of the Board of Directors for the closing fiscal year from 01/01/2018 to 31/12/2018. The present report describes in synopsis the financial information of the fiscal year 2018 as well as the most important events that took place (prior and after the reporting date of the financial statements). In addition, there is description of the major risks and uncertainties which the Company may encounter during the year 2019 and presentation of the major transactions that took place between the issuer and its affiliated / related parties.

ESTABLISHMENT & ACTIVITY OF THE COMPANY

The Company was founded on 14.10.2016 under the name "TERNA ENERGY FINANCE SINGLE PERSON SOCIETE ANONYME" and the distinctive title "TERNA ENERGY FINANCE S.P.S.A.". Its legal status is a societe anonyme under Law 2190/1920 and has been constituted in accordance with the laws of the Hellenic Republic.

According to the Company's Articles of Association, which are registered in the general electronic commercial registry shareholding of the Company, its duration is set at one hundred and ten (110) years starting from the date of its legal establishment and ending on the corresponding date of year 2126.

The Company, has as a statutory purpose, the investment and financing of its activities and / or its affiliated companies and businesses, the mediation in the financing of the affiliated and associated with the Issuer companies by third parties and, in general, the raising of funds on behalf of these companies, the provision of services and advice to affiliated companies and businesses regarding the structure of capital and generally their financing, as well as, in general, the performance of any activity, project, service and general action or any other activity which is relevant to the above purposes or generally occurs in the context of achieving all or some of them.

Essentially, this is an amount of capital that is intended to be utilized for the implementation of investments, which TERNA ENERGY SA, the sole shareholder of Terna Energy Finance S.P.S.A., has selected or will have to select (TENERG for abbreviation purposes).

Apart from its investment in the bonds of the intra-group loan issued by TERNA ENERGY SA, the Company does not have any other business, does not operate in any market and has no other assets. It is functionally supported by TERNA ENERGY SA, which has an absolute influence on the Company's decisions, management and operation and exercises control over them.

If TERNA ENERGY SA ceases to assist the Company in terms of administration and operation or is unable to fulfill its contractual obligations to the Company under the terms of the Intra-group Loan, this may result in substantial negative consequences regarding: (a) the ability of Company to meet its obligations, for example, due to insufficient cash flows and revenues, b) the trading price of the Company's Bonds on the Athens Exchange, c) the results, the financial position and the prospects of the Company.

Taking into consideration the above, the main risks and uncertainties in the Company's activities are directly related to those of the TERNA ENERGY GROUP (hereinafter referred to as "the Group"), which, as described in the relevant TENERG management report, are the following:

FINANCIAL DEVELOPMENTS AND PERFORMANCE OF THE FISCAL YEAR 2018

The effort of a final exit of the Greek economy from the long-running crisis continued throughout 2018, resulting in its exit from the third economic adjustment program in August of the same year and the upgrading of the country's credit rating by international rating agencies.

The international recognition and confirmation of the actual interest on behalf of foreign financial and investment houses in the development of the Greek economy led to the successful issuance of a 7-year bond of EUR 3 billion in February 2018. The continuing development course and the adjustment of the Greek economy to the Treaties of fiscal stability over the same period, already since the first quarter of 2019, has yielded fruits, such as the Greek Government's self-standing appeal to international money markets and the successful issuance on March 12th 2019 of a new government 10-year bond of EUR 2.5 billion.

The interest of international investment funds in Greece strengthens the expectations for further preservation of fiscal stability and enforcement of measures to implement the necessary structural reforms that will ensure the sustainability of the economic growth path. In this context of development, investments in Renewable Energy Sources (RES) will play a leading role, with the EU having plans for example with regard to the greater use of wind power via new substitution targets against traditional forms of energy by the end of 2030 and the directive for Member States to set their quantitative targets for the period 2018-2022.

More generally, the RES (renewable energy sources) sector and business activities linked to the strengthening of the green economy and environmental protection contribute effectively to the sustainable development of the global economy, greatly enhance the investment interest and broaden the prospects for further development over the longer run. This framework creates favorable conditions for the continuation of the development of our company and the acquisition of a leading position in all the markets that chooses to activate in.

TERNA ENERGY continues to invest in the RES sector and by the end of 2018 had an installed capacity of 1,011.3 MW in Greece and abroad. The installed-licensed capacity of the Group has reached the milestone of one (1) GW and Management will set the new long-term and short-term investment objectives in relation to its wider business plan.

Particularly:

(a) In the energy sector, the Company exceeded the landmark of one thousand (1,000) MW or one (1) GW of installed capacity as follows:

	TOTAL	GREECE	USA	POLAND	BULGARIA
WIND ENERGY	984.0	558.6	293.4	102.0	30.0
HYDROELECTRICAL	17.8	17.8			
PHOTOVOLTAICS	8.5	8.5			
BIOMASS	1.0	1.0			
total	1,011.3	585.9	293.4	102.0	30.0

b) In the waste management sector, the construction of the relevant facilities in the Region of Epirus was completed in 2018, while their testing operation was completed within the first quarter of 2019. The processing capacity of the plant currently amounts to 105 thousand tons per year.

c) The Company's construction sector continues to provide its services along a descending trend, as it is not expected to contribute significantly to the company's growth momentum in the near future.

For the year ended 31 December 2018, Group Consolidated Sales according to IFRS amounted to € 292.1 million compared to € 276.5 million in 2017, up by 5.6%, mainly due to increased revenues from renewable energy sources. Operating earnings before interest, taxes depreciation and amortization (EBITDA) amounted to € 167.9 million compared to € 147.5 million in the previous year, increased by 13.8%, mainly due to the increased energy capacity of the Group in operation. Earnings before taxes amounted to € 62.4 million, increased by 9.5% compared to € 57.0 million in 2017, whereas net profit after taxes and minority rights stood at € 44.9 million, up by 17.0% (2017: € 37.1 million)

Regarding the results of the sub-segments:

1) The energy sector generated sales revenue of € 216.3 million, increased by 25.0% compared to 2017, while EBITDA amounted to € 156.3 million, an increase of 24.0% over the corresponding period of 2017.

2) The electricity trading sector generated revenues of € 19.7 million, an increase of 44.6% over the year 2017. Operating EBITDA in the sector amounted to € 1.6 million compared to € 1.0 million in the year 2017.

3) The turnover of TERNA ENERGY's construction activity toward third parties amounted to € 14.4 million, posting a decrease of 62.8% compared to 2017. EBITDA of the sector stood at € 5.2 million compared to € 18.5 million in 2017. The backlog of operations to third parties amounted to € 6.9 million at the end of 2018.

4) Finally, the proceeds from the concession sector amounted to € 41.6 million against € 51.1 million in 2017, recording a decrease of 18.7% mainly due to the execution of the construction phase of the concession projects. Operating earnings (EBITDA) amounted to € 4.9 million, compared to € 2.1 million in 2017.

The Group's financial position remains robust, with cash balances of € 166.4 million and debt obligations of € 812.4 million, forming the Company's net debt position (bank liabilities less cash) at the level of € 606.2 million.

It is noted that the Group's cash and cash equivalents as of 31/12/2018 include amounts for repayment of € 3.0 million relating to subsidies previously received but have to be repaid due to the cancellation of the construction or the expiry of the time limits of the decisions for the inclusion of certain Wind Parks.

Within 2018, grants of € 21.6 million were reimbursed.

At the date of the approval of the financial statements, this balance is € 3.0 million and will be reimbursed as soon as the relevant procedures of the competent authority of the Ministry of Development are completed.

PROSPECTIVE RISKS AND UNCERTAINTIES

In 2019 TERNA ENERGY will continue to implement its strategy for constant growth in the Greek and international markets of RES and the green economy in general, while ensuring that, as far as possible, it distributes a satisfactory dividend to its shareholders. The Company's objective is to maintain its leading position in the Greek market and to seek its sustainable development in the foreign markets in order to achieve a satisfactory diversification of the business risk and maintain the return on its capital at satisfactory levels. The prospects for achieving the 2019 targets are particularly positive given that:

a) The construction has been completed and from 17/01/2019 the pilot operation of an 18.4 MW wind park will have started at SERBONIA, Evia

b) There is a preparation phase for commencing the construction of a 30 MW wind park in the location of TARATSA in Viotia within 2019.

c) Towards the end of the third quarter of 2019, 9 wind parks with a capacity of 121 MW are expected to be built in two parallel phases (4 parks in the first and 5 parks in the second phase) in 9 corresponding areas on the island of Evia. Their completion is estimated to be gradual from the last quarter of 2019 until the end of the second quarter of 2020.

(d) In the fourth quarter of 2019, the completion and start-up of the new 158 MW FLUVANNA II is expected in Texas, USA.

e) The trial period of the waste management complex for the waste management of the Region of Epirus is to be completed.

f) There is the prospect of implementation of new RES investments in Greece and the USA, with a total capacity of about 200 MW.

Certainly, despite the above positive outlook, the Management is aware that external factors such as political developments that are the cause of postponement of important decisions, especially in pre-election periods, may adversely affect the business operation of the market and cause delay in the implementation of the Group's investment program in Greece. To address this and mitigate its negative impact on the Group's financial figures, the Management continues to examine the expansion of the Group's operations abroad, continuously monitor developments in the Greek economy, discuss and co-operate with financial representatives and specialized analysts in the international markets and, in direct, continuous and systematic cooperation with the relevant Managing Directors of the Group, designs and implements measures or actions with which to address any identified risk.

As a result of the above approach, the Company maintains a satisfactory capital adequacy, profitability and liquidity during the reporting date of the Annual Consolidated Financial Statements and continues to be fully consistent with its obligations to suppliers, public insurance companies, creditors, etc. At the same time the Company successfully implements its investment plan while also distributing dividends and / or returning capital to its shareholders.

The Group's activities are also subject to other risks and uncertainties, such as market risk (fluctuations in exchange rates, interest rates, market prices, etc.), financial risks (credit risk, liquidity risk, etc.) and wind conditions.

To address financial risks and to limit their negative impact on results, the Group monitors fluctuations in cost and sales variables and uses the appropriate, per case, products such as deposits with banks, commercial debtors and creditors, other accounts receivable and payable, debt securities, long-term and short-term loans.

Major risks and uncertainties in the Group's operations are as follows:

Credit risk

The Group continuously monitors and controls its requirements and incorporates the extracted information into its credit control.

All energy sector receivables relate to the broader domestic Public Sector (including LAGIE and DEDDIE) and overseas, and the same applies to most of the trading receivables of the construction industry.

The Group traditionally, owing to the nature of its operations, is not exposed to significant credit risk from trade receivables except for delays in receipts from LAGIE, which have been significantly reduced by the enforcement of Law 4254/14.

The credit risk for cash and other receivables is relatively low, as the counterparties are banks with a high-quality capital structure, the State or companies of the wider Public Sector or strong business groups. Management also believes that in 2018 the deficit reduction in the energy administration system will continue, as promised by the competent authorities and bodies, thereby limiting the credit risk in terms of energy receivables for both the parent company and the other Greek companies of the Group.

Finally, the Management considers that all the above financial assets for which the necessary impairments have been made are of high credit quality.

Currency risk

The Group operates, apart from Greece, in Eastern Europe and the United States of America and may therefore be exposed to exchange rate risk that may arise from the euro exchange rate against other currencies. This type of risk can only arise from foreign currency trading, from foreign currency investment, as well as from net investment in foreign entities.

To limit their risk, especially in the US where the levels of transactions / commissions are large, the Group utilizes the cash surpluses generated in dollars. During the operational phase, all related costs and revenues are being made in U.S. dollars, therefore excluding any possibility of generation of foreign exchange differences.

To address this risk, the Group's financial management department systematically monitors exchange rate changes and ensures that these do not carry a negative impact on its cash reserves.

As far as the transactions of the Company with foreign companies are concerned, they are usually made with European Groups where the settlement currency is the euro and therefore no exchange rate risk arises.

Interest rate risk

The Group's policy is to minimize exposure to interest rate risk as regards to the long-term financing of its business operations. Under this policy, the long-term loans assumed by the Group either bear a fixed interest rate or are hedged for almost the entire duration. Thus, a part of 39.8% of the Group's long-term borrowings refers to fixed interest rate loans, 23.5% refers to floating-rate loans that have been hedged via derivatives with which future fixed interest payments are exchanged against floating rate receipts, while a part of 36.7% refers floating rate loans on a case-by-case basis, euribor or wibor.

The Group's short-term borrowings are entirely in euro with a floating rate linked to euribor. Short-term loans are mainly collected as a bridge to cover temporary financing needs during the implementation and construction phase of the Group's investments.

These loans are repaid either upon receipt of the relevant government grants or by the assumption of long-term loans with the completion of the construction and the placement into operation of the wind parks. Consequently, the Group is exposed to interest rate risk arising from short-term borrowing and the portion of long-term borrowings that are based on floating interest rates.

Sensitivity analysis with regard to interest rate risk

The table below demonstrates the sensitivity of the Group's results for the year against its short-term borrowing and deposits, based on a change in the interest rate of + 20% -20% (2017: +/- 20% likewise). Interest rate changes are estimated to move on a reasonable basis in relation to the recent market conditions and to date they are stable compared to the previous fiscal year.

Amounts in € thousand	2018		2017	
	20%	(20%)	20%	(20%)
Results after tax - Group	(119)	119	(109)	109
Results after tax - Company	(70)	70	(71)	71

The Group is not exposed to any other interest rate risk.

Market risk analysis

The Group, regarding its financial assets, is not exposed to market risk.

Liquidity risk analysis

The Group's liquidity is judged to be satisfactory, since, in addition to existing cash, the operating wind farms generate continuous, satisfactory cash flows. In 2018, the Net cash flows from operating activities amounted to € 135.3 million compared to € 151.5 million in 2017. The Group manages its liquidity needs through regular cash planning, cautious monitoring of long-term financial liabilities and methodical management of payments made on a daily basis. Liquidity needs are monitored on different time zones, on a daily and weekly basis, as well as on a rolling 30-day period. Liquidity needs regarding the next 6 months and the following year are determined on a monthly basis.

The company keeps cash and deposits to banks in order to meet its liquidity needs for periods of up to 30 days. Funds for medium-term liquidity needs are released from time deposits of the company.

Other risks and uncertainties

The Company remains exposed to the short-term fluctuations of wind and hydrological data, but this does not affect the long-term efficiency of its projects, as for the deployment of its investments precede extensive studies on the long-term behavior of the abovementioned data and factors.

The construction sector of TERNA ENERGY is subject to significant fluctuations in both turnover and profitability of individual construction works, as the construction activity -especially of specialized companies as ours- involves increased volatility, mainly related to the ongoing renewal of the unutilized backlog of construction contracts towards third parties, which are mainly government bodies or entities.

Significant Events following the reporting date of the Statement of Financial Position

There have not been any significant events following the reporting date of the statement of financial position.

PROSPECTS

The prospects of the Company "TERNA ENERGY FINANCE S.P.S.A." for the fiscal year 2019 continue to be favorable, given that the Company expects to generate stable results and also given that there are no plans for additional growth.

DEFINITIONS AND RECONCILIATION OF THE ALTERNATIVE PERFORMANCE MEASURES ("APMs")

When describing the Company's performance, certain indicators are used such as:

"EBIT" is an indicator by which the Company's Management judges the operating performance of a business segment. The item is defined as: Net Interest Income, minus Other operating expenses, minus Third party fees and expenses, plus/minus Other Income / (expenses) apart from the items of Foreign exchange differences concerning payment and valuation, the Other impairments and provisions, and the Write off / Impairments of receivables.

"Net Debt / (Surplus)" is an indicator by which the Company's Management judges the cash position of a business segment at any time. The item is defined as the total of loan and leasing liabilities less cash & cash equivalents.

"EBITDA" is defined as the Operating results (EBIT), as these are presented in the attached financial statements.

The Indicator "Bank Debt to Total Capital Employed". As Capital Employed, is defined the sum of equity and bank borrowing, less the amount of cash & cash equivalents.

The ratio at the end of the years 2018 and 2017 is as follows:

Bank Debt/Total Capital Employed Index	31-Dec-2018	31-Dec-2017
Bank debt	60,172	59,966
Total Equity	283	101
Bank Debt	60,172	59,966
Less: Cash & Deposits	(87)	(78)
Capital	60,368	59,989
Bank Debt/Total Capital Employed	100%	100%

TRANSACTIONS WITH RELATED PARTIES

As related parties in accordance with IAS 24 are defined the subsidiaries, companies with common ownership and / or management with the company, associates of the company, as well as the parent company and the subsidiaries of the parent company, as well as the members of the Board of Directors and the Company's directors. The company acquires goods and services from related parties, while it also supplies goods and services to them.

Transactions and balances for the fiscal year 2018 are the following:

TERNA ENERGY FINANCE S.P.S.A.				
	SALES	PURCHASES	RECEIVABLE	PAYABLE
PARENT COMPANY				
TERNA ENERGY S.A.	2,888,684	-	60,066,272	-

Regarding the above transactions the following clarifications are provided:

Sales of TERNA ENERGY FINANCE SA to TERNA ENERGY SA amounting to € 2,888,684 relate to interest expense. Company receivables amounting to € 60,066,272 from TERNA ENERGY SA relate to bond loans (capital and interest).

EMPLOYMENT OF PERSONNEL

The Company employed one person during the closing fiscal year, whereas during the previous year the Company had no personnel. The Company applies policies in relation to human resources management that are the same with the policies adopted and applied by the Group TERNA ENERGY SA where the Company belongs. The Management of the Company is fully qualified for the enforcement of such policies, such as the policies of diversification and equal opportunities, the respect towards the rights of employees, the freedom to act in the form of labor unions, the hygiene and safety at work, education systems, promotion schemes, etc.

RENSPONSIBILITY FOR THE ENVIRONMENT

The management of the company reviews and closely monitors all environmental issues in order to take precautionary actions and effectively control any pollution as well as environmental effect that may emerge from the company's business activities. The company is fully complied with the environmental regulations and rules.

OTHER DISCLOSURES

The company since its establishment and up until today has not proceeded with any purchase of own (treasury) shares and has no branches.

CORPORATE GOVERNANCE STATEMENT

1. Corporate Governance Code

The company applies to all of its activities and operations, the established rules by the legislative, supervisory and other competent authorities to all its activities and functions, without any exceptions. In addition, it has adopted internal rules and business practices that contribute to the compliance with the principles of transparency, professional ethics and good management of all company resources at every level of operation for the benefit of investors while protecting the Company from anyone intending or / and the ability to put his / her personal interest above the corporate. All the above rules and practices are incorporated in the Corporate Governance Code (CED), which the company has made in line with the provisions of Law 3873/2010.

In this context, and in order to further enforce the ethical and ethical principles, rules and practices that should govern the functions and processes of a modern and socially responsible business, the Management has developed a specific Code of Ethics.

2. Corporate Governance Rules and Practices

The following terms and practices of corporate governance are clearly and precisely defined in the CED:

Board of Directors

Its role, duties and responsibility for the design and implementation of the company's strategy are clearly defined with the main objective of protecting the interests of all of its Shareholders. As the highest governing body of the company, it decides on all corporate affairs, other than those that fall within the competence of the General Assembly. In particular, the responsibilities of the Board of Directors included:

- The long-term strategic and medium-term business planning of the company.
- The adoption and implementation of the general policy based on the suggestions and proposals of the managers.
- The integrity of the accounting and financial statements to be disclosed, including the auditors' report and the existence of processes regarding risk control, financial control and compliance abiding with the applicable law.
- The monitoring and settlement of any conflict of interest issues between directors, members of the Board of Directors and shareholders, including cases of mismanagement of assets or transactions with affiliated parties.
- The report of actions to the company's shareholders.
- The Board of Directors enacts the rules governing the procedures of certain and specific types of transactions, such as mergers, acquisitions and major changes in the company's capital.
- The determination of the remuneration of the members of the Board of Directors and the proposal for approval by the General Meeting of Shareholders, as well as the decision on the remuneration of the company's top executives.

The Ordinary General Meeting of Shareholders of May 11, 2017 elected a five-member Board of Directors to manage the Company for five years, starting from the date of its election (a term which is automatically extended to the Ordinary General Meeting to be convened by 30/6/2022 the latest), composed of the following Members:

1. - Vasileios Delikaterinis of Evangelos, executive Member, Chairman,
2. - Dimitra Chatziarseniou of Nikolaos, non-executive member, Vice-Chairman
3. - Aristotelis Spiliotis of Nikolaos, executive Member, Managing Director
4. - Konstantinos Baslis of Georgios, independent non-executive Member
5. - Angelos Tagmatarchis of Konstantinos, independent non-executive Member

The Board of Directors following the resignation of Mr. Aggelos Tagmatarchis, on 31/7/2018 convened on 2/8/2018 and after an extended discussion among the Members, according to the P.L. 2190/1920 as it was amended and is currently in effect, Law 3016/2002 as it was amended and is currently in effect, as well as article 10, paragraph 3 of the Articles of Association, unanimously approved the election of Mr. Georgios Mergos of Ioannis as independent non-executive member in replacement of Mr. Tagmatarchis for the remaining of his term, meaning up until 30th of June 2022 at the latest.

Following the above replacement, the Board of Directors consists as of today, of the following members:

- | | |
|--|-------------------------------------|
| 1. - Vasileios Delikaterinis of Evangelos, | executive Member, Chairman, |
| 2. - Dimitra Chatziarseniou of Nikolaos, | non-executive member, Vice-Chairman |
| 3. - Aristotelis Spiliotis of Nikolaos, | executive Member, Managing Director |
| 4. - Konstantinos Baslis of Georgios, | independent non-executive Member |
| 5. – Georgios Mergos of Ioannis, | independent non-executive Member |

In the course of their duties and meetings in 2018, the members of the Board of Directors displayed "businessman due diligence", devoting all the time required for effective management of the company and acted with integrity, accountability and honesty, avoiding actions that could jeopardize the company's competitiveness or conflicts of interests. They also kept the confidentiality of the information that they held in a privileged way, and they made sure that all shareholders and interested investors were informed in a timely and concurrent manner of matters that could affect their decision to make any trading in shares in the company.

Chairman of the Board of Directors

The Chairman is the main lever for the implementation of the Corporate Governance Principles in the company, responsible for, inter alia, the effective operation of the Board of Directors and the active participation of all its members in the taking and supervision of the implementation of business decisions and the smooth communication of the company with its shareholders.

Its responsibilities include convening and directing the work of the Board of Directors on the daily agenda items he has composed on the basis of the needs of the company and relevant requests from all the other members of the Board, supervises and controls the personnel of the company, supervises its smooth operation and executes the decisions of the Board of Directors and acts in accordance with its specific mandates and mandates, prepares the Annual Report of the Board of Directors and recommends to the Board of Directors the balance sheet and the report.

The Board of Directors is supported by Committees which have a consultative role, but a particular weight in the decision-making process. These Committees are the following:

Audit Committee

The Audit Committee supports the Board of Directors in fulfilling its duty to ensure: the compliance of the company's instruments and actions with the requirements of the legal - institutional - regulatory framework and the Principles of Corporate Governance that govern the company's operation, the completeness and reliability of the company's accounting, information and administrative systems' and the statements and other reports produced through them, the smooth and efficient operation of all the company's control mechanisms, so that all business risks are identified in a timely manner and dealt with in a cautious and efficient way.

It meets at least four times a year and whenever it deems necessary. It invites the statutory auditor at its meeting at least twice a year to provide clarifications on its actions and observations on the financial statements and the company's overall financial information.

The Audit Committee has the following, sector-by-sector, basic duties:

- It supervises the process of producing the financial statements and other financial reports of the company by testing their credibility and ensuring that the internal audit work is carried out smoothly and provides its support and periodically evaluates the adequacy and reliability of the internal control and risk management mechanisms with the criteria of timely identification of the latter and the quick reaction on addressing them.
- It investigates any transactions of the company with any related to it person and submits relevant reports to the Board of Directors, so as the likelihood of conflicting interests to be examined in a transparent manner and a possible damage or loss to the company to be prevented.
- Also, the Audit Committee receives the Internal Audit Service reports, evaluates their content, suggests to the Board of Directors the Head of the Service, assesses its efficiency and effectiveness, and, on this basis, it recommends the continuation or termination of his duties.
- It monitors the performance of the work of the statutory auditor and assesses whether it complies with the relevant legal and regulatory framework, international standards and best practices. It also investigates and assesses the adequacy of the knowledge, professional consistency, independence and effectiveness of the statutory auditor, and, on this basis, proposes to the BoD the continuation or termination of his/her duties.

The Audit Committee consists of at least three (3) members. The Audit Committee is a committee of the Company's Board of Directors. It consists of non-executive members of the Board of Directors and members elected by the General Assembly of the Company's shareholders. The members of the Audit Committee as a whole have sufficient knowledge in the field in which the Company operates and are mostly independent of the Company, within the meaning of the provisions of Law 3016/2002. It is mandatory that at least one (1) of the three members has sufficient knowledge and experience in accounting and auditing.

The members of the Audit Committee elected by the General Assembly of May 11, 2017 are:

Dimitra Chatziarseniou of Nikolaos - Non-Executive Member

Konstantinos Baslis of Georgios - Independent Non-Executive Member

Angelos Tagmatarchis of Konstantinos- Independent Non-Executive Member

The Board of Directors following the resignation of Mr. Aggelos Tagmatarchis, on 31/7/2018 convened on 2/8/2018 and after an extended discussion among the Members, according to the P.L. 2190/1920 as it was amended and is currently in effect, Law 3016/2002 as it was amended and is currently in effect, as well as article 10, paragraph 3 of the Articles of Association, unanimously approved the election of Mr. Georgios Mergos of Ioannis as member of the Audit Committee in replacement of Mr. Tagmatarchis for the remaining of his term, meaning up until 30th of June 2022 at the latest.

The new composition of the Audit Committee is as follows:

Dimitra Chatziarseniou of Nikolaos - Non-Executive Member

Georgios Mergos of Ioannis - Independent Non-Executive Member

Konstantinos Baslis of Georgios - Independent Non-Executive Member

The Audit Committee met seven (7) times during 2018, it exercised all of its duties and responsibilities, it cooperated with the Internal Audit Service of the company and provided the appropriate instructions for the continuation of audit by subject and priority.

It discussed with the company's internal control officer about his findings and conclusions and confirmed the correctness of the process of preparing its financial statements. It affirmed the latter with the Group's external auditors and examined all the issues they raised on the basis of their knowledge and experience acquired during the performance of their duties.

It collaborated with the auditors on issues of common interest throughout 2017 and thoroughly analyzed their conclusions regarding the correctness and accuracy of the financial statements and the integrity of the information of the Shareholders and the investors in general.

3. Internal Control and Risk Management

The internal control system is defined as the sum of rules and measures applied by the company, which aim at the preventive and restrictive control of operations and procedures at all levels of the company's hierarchy and organizational structure, in order to ensure: the legality and security of management and transactions, the accuracy and reliability of published financial statements and any other financial information and announcement, as well as the effectiveness of the company's operational systems and activities.

The Board employs the internal control system so as to protect the company's assets, estimate the evident risks arising from all of its operations and provide accurate and complete information to shareholders with regards to the actual condition and prospects of the company, as well as the manner in which detected risks are handled.

To implement the above, the Board defines the operational context of the internal control, approves the conduct and evaluation procedures of its results and decides on its composition, adhering to the relevant legal and regulatory framework. It establishes a special internal audit division, which is independent, is not subject to any hierarchy in relation to any other organizational division and is supervised by the company's Audit Committee.

With the contribution of the Audit Committee, it evaluates the adequacy and effectiveness of the special internal audit division and the extent to which its reports are utilized by the Board for the continuous improvement of the company's operation at all levels and the effective management of business risks. Moreover, the Audit Committee maintains direct and regular contact with the external auditors, in order to be systematically informed on the adequacy and reliability regarding the operation of the internal control and risk management systems, as well as the accuracy and reliability of the financial information.

The evaluation and management of risks during 2018 is described in the relevant chapter (III) of the company's Annual Report of the Board of Directors for the same fiscal year.

4. Relations – Communication with Shareholders – Investors

The Board of Directors emphasizes on the importance of the protection of the rights of all Company Shareholders and to the servicing of their rights. Servicing of Company Shareholders is done through oral and written communication. The Shareholders' Service Department shall ensure that the company's equity holders are equally informed of the distribution of the Company's securities, distributions, subscriptions, waivers and conversion transactions, the period of exercise of their rights or any changes in the original time limits.

It also provides information regarding the regular or extraordinary General Assemblies and on their performance.

Moreover, the Shareholders' Service Department has the responsibility of keeping the list of holders of corporate titles (record of bondholders) of the Company in accordance with the applicable legislation. For this purpose, the service is responsible for communicating with the Central Securities Depository.

5. General Meeting of Shareholders

The company adheres to the total relevant terms and provisions stipulated by the effective legal – regulatory framework as regards to the General Meeting of its Shareholders, with particular dedication on reinforcing their ability to smoothly exercise their rights, based on the completeness, accuracy and clarity of the information such receive promptly by the relevant company bodies, through all means available to the company.

Members of the Board of Directors, the company auditors and any other senior company executive, who are considered essential for the provision of detailed information and clarifications on Shareholders' inquiries, are present at the General Meetings.

6. Disclosure of information required by items (c), (d), (f), (h) and (i) of par. 1 article 10 of the directive 2004/25/EC

The required information is already included in another section of the Management Report that refers to the additional information of article 4 par. 7 of Law 3556/2007.

7. Compliance with the provisions of the Code

The Board of Directors has complied with the provisions of the Corporate Governance Code during the fiscal year 2018.

**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS
IN ACCORDANCE WITH ARTICLE 4 OF LAW 3556/2007**

The present Explanatory Report of the Board of Directors is submitted towards the Ordinary General Shareholders' Meeting, according to paragraph 8 article 4 of L. 3556/2007 and has been prepared, according to those stipulated in paragraph 7 of article 4 of the same law.

a) Structure of Share Capital

The share capital of the Company amounts to a total of fifty thousand euros (50,000 €) divided into fifty thousand (50,000) common voting shares of nominal value one euro (1.00 €) each.

All the rights and obligations stated by Law and the Company's Articles of Association emanate from each share.

b) Limitations to the transfer of Company shares

The transfer of Company shares takes place according to Law and there is no limitation to their transfer according to the Articles of Association.

c) Significant direct or indirect participation according to the definition of the provisions of L. 3556/2007

The 100% shareholder of the Company is TERNA ENERGY SA.

d) Shares providing special control rights

According to the Company's Articles of Association there are no shares that provide special control rights.

e) Limitations to voting rights

According to the Company's Articles of Association there are no limitations of voting rights emanating from its shares.

f) Agreements between Company Shareholders

To the Company's knowledge, there are no agreements between its Shareholders, which imply limitation to the transfer of its shares or to the exercise of voting rights emanating from its shares.

g) Rules for appointment and replacement of Board Members and amendments of the Articles of Association

The Company's Articles of Association have been conformed to the provisions of L. N,3604/2007 and their provisions do not differ from those stipulated by C.L. 2190/20, as in effect, both with regards to the appointment and replacement of Board Members and with regards to the amendment of its articles.

h) Authority of the Board of Directors for the issuance of new shares

According to those stipulated by par. 2 article 5 of the Articles of Association, the General Meeting may by means of its decision, assign authority to the Board of Directors to increase by means of its decision, the share capital according to those stipulated by C.L. 2190/20.

According to the provisions of article 13 par. 13 of C.L. 2190/20, as in effect, the Board of Directors may increase the share capital by issuing new shares in the context of implementing the approved by the General Meeting Stock Option Plan, for the acquisition of Company shares by the beneficiaries.

i) Important agreements put into effect, amended or terminated in case of change in control following a tender offer

There are no agreements which are put into effect, amended or terminated in case of change in the Company's control following a tender offer.

j) Agreements with the Members of the Board of Directors

There are no agreements of the Company with Members of its Board of Directors, which include the payment of indemnity, specifically in case of resignation or termination without reasonable cause or termination of term or employment due to a tender offer.

Athens, 20 March 2019
The Chairman of the BoD

Vasileios Delikaterinis

**IV. ANNUAL FINANCIAL STATEMENTS OF THE FISCAL YEAR ENDED ON 31 DECEMBER 2018
(1 January - 31 December 2018)**

**According to the International Financial Reporting Standards,
as they have been adopted by the European Union**

The accompanying Financial Statements were approved by the Board of Directors of TERNA ENERGY FINANCE S.P.S.A. on March 20th, of 2019 and have been published by being posted on the internet at the website www.ternaenergy-finance.gr, as well as the Athens Exchange website.

TERNA ENERGY FINANCE S.P.S.A.**STATEMENT OF FINANCIAL POSITION***(All amounts are expressed in € thous., unless stated otherwise)*

	Note	31/12/2018	31/12/2017
ASSETS			
Long-term assets			
Other long-term receivables	6	58,745	58,745
Total Long-term assets		58,745	58,745
Current assets			
Prepayments and other receivables	16	425	-
Other short-term financial assets	7	1,322	1,265
Cash and cash equivalents	8	87	78
Total current assets		1,834	1,343
TOTAL ASSETS		60,579	60,088
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	-	(1)	-
Retained earnings	-	234	51
Total equity		283	101
Long-term liabilities			
Long-term loans	10	59,139	58,920
Provision for personnel indemnity	-	5	-
Deferred tax liabilities	16	114	21
Total long-term liabilities		59,258	58,941
Short-term liabilities			
Long-term liabilities payable in the next fiscal year	10	1,033	1,046
Accrued and other short-term liabilities	-	5	-
Total short-term liabilities		1,038	1,046
TOTAL LIABILITIES AND EQUITY		60,579	60,088

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

Notes:

The Company did not proceed with the restatement of the comparative items of 2017 during the adoption of IFRS 9 and IFRS 15 since no effect has arisen from their adoption (Note 2.6.1).

TERNA ENERGY FINANCE S.P.S.A.**STATEMENT OF INCOME**

(All amounts are expressed in € thous., unless stated otherwise)

		1/1	1/1
	Note	31/12/2018	31/12/2017
Income from interest	11	2,889	1,266
Interest and other financial expenses	12	(2,562)	(1,146)
Net interest income		327	120
Other operating expenses	14	(7)	(45)
Personnel fees and expenses	15	(17)	-
Third party fees and expenses	13	(24)	(2)
Operating Results		279	73
Results before taxes		279	73
Income tax	16	(93)	(21)
Results after taxes		186	52
Other comprehensive income:			
Amounts not to be reclassified in the results of subsequent fiscal years			
Actuarial results from defined benefit plans	-	(5)	-
Income tax on the other comprehensive income for the period	16	1	-
Other comprehensive income for the year after taxes		(4)	-
Total income for the year after taxes		182	52

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

Notes:

The Company did not proceed with the restatement of the comparative items of 2017 during the adoption of IFRS 9 and IFRS 15 since no effect has arisen from their adoption (Note 2.6.1).

TERNA ENERGY FINANCE S.P.S.A.**CASH FLOW STATEMENT***(All amounts are expressed in € thous., unless stated otherwise)*

	31/12/2018	31/12/2017
Cash flows from operating activities		
Profit before tax	278	73
<i>Adjustments for the reconciliation of the net flows from operating activities</i>		
Interest and similar income	(2,889)	(1,266)
Interest and other financial expenses	2,562	1,146
Operating profit before changes in working capital	(49)	(48)
(Increase) / Decrease to:		
Proceeds from loans granted	-	58,822
Loan Grants	-	(58,745)
Net change in granted loans	-	-
(Increase) / Decrease to:		
Accrued and other short-term liabilities	6	-
Interest and related income receivable	2,833	-
Interest payable	(2,356)	(1)
Income tax payments	(425)	-
Net cash inflows from operating activities	9	29
Cash flows from investing activities:	-	-
Cash flows from financing activities	-	-
Net increase in cash	9	29
Cash balance at the beginning of the period	78	49
Cash balance at end of the period	87	78

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

TERNA ENERGY FINANCE S.P.S.A.
STATEMENT OF CHANGES IN EQUITY
31st December 2018

(All amounts are expressed in € thous., unless stated otherwise)

	Share capital	Regular Reserve	Reserves	Retained Earnings	Total
01/01/2017	50	-	-	(1)	49
Results for the period	-	-	-	52	52
31/12/2017	50	-	-	51	101
01/01/2018	50	-	-	51	101
Results for the period	-	-	-	186	186
Other comprehensive income for the period	-	-	(4)	-	(4)
Formation of reserves	-	3	-	(3)	-
31/12/2018	50	3	(4)	234	283

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

V. ESTABLISHMENT & ACTIVITY OF THE COMPANY

1. GENERAL INFORMATION FOR THE COMPANY

"TERNA ENERGY FINANCE S.P.S.A." (henceforth "The Company") was incorporated by the No. 19.634 / 14.10.2016 Notarial Act, according to the provisions of Law 2190/1920 and was registered in the General Electronic Commercial Registry (GEMI) of the Athens Chamber of Commerce and Industry on 14/10/2016 with GEMI number 140274801000. It has its headquarters in Athens, 124 Kifisias Str. & 2 Iatridou Str., and its duration is set for 110 years.

TERNA ENERGY SA participates in the Company with 100%. The main activities of the Company comprise the investment and financing of the Company and / or its affiliated companies and business' activities, the intermediation in financing by third parties of the companies and businesses affiliated with the Company and generally the raising of capital from the above entities, the provision of services and advices to companies and businesses affiliated with the Company regarding the capital structure and in general their financing and, generally, the execution of any work, project, service and in general of any activity or any other action which is relevant to the above purposes of the Company or generally is performed in the context of achieving all or some of the above purposes. The attached Financial Statements of the 31st December 2018 were approved by the Board of Directors on 21/03/2019 and are subject to the final approval of the General Meeting of the shareholders. They are available to the investor community at the Company's offices (Athens, Greece, 124 Kifisias Avenue and 2 Iatridou Street) and website.

The accompanying financial statements of the Company are consolidated with the full consolidation method in the financial statements of TERNA ENERGY SA, which is located in Greece and whose participation in the Company on 31/12/2018 amounted to 100% (31/12/2017: 100%).

2. BASIS FOR THE PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis for the Preparation of the financial statements

The attached financial statements of the Company as of 31st December 2018 that refer to the annual period from 1st January to 31st December 2018 are in accordance with the International Financial Reporting Standards (IFRS) that have been issued from the International Accounting Standards Board (IASB), as well as with their Interpretations that have been issued by the International Financial Reporting Interpretations Committee (IFRIC) and have been adopted by the European Union up to 31st December 2018. The Company applies all the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and their Interpretations that apply to its operations. The relevant accounting policies, a synopsis of which is presented in following Note 4, have been consistently applied in all the presented periods.

Going Concern

The Company's management estimates that the Company possesses sufficient resources, which ensure their operation as "Going Concern" in the foreseeable future.

2.2 Basis of Measurement

The attached financial statements as of 31st December 2018 have been prepared on the basis of the historic cost.

2.3 Currency of Presentation

The currency of presentation is the Euro (which is the currency of the country where the head offices of the Company are located in) and all amounts are expressed in Euro thousand, unless stated otherwise.

2.5 Use of Estimates

The preparation of the Financial Statements according to the IFRS requires the use of estimates and the exercise of judgment during the adoption of the accounting principles of the Company. Judgments, assumptions and estimates of the Management affect the amount at which certain assets and liabilities are being valued, the amount which is being recognized during the year regarding certain income and expenses, as well as the presented estimates regarding contingent liabilities.

The assumptions and estimates are being evaluated on constant basis and according to the historical evidence and other factors, including the expectations over the outcome of future events, in a rational manner and under the existing conditions. These estimates and assumptions concern the future and consequently the actual results are likely to differ from the accounting estimates.

The areas which require the greatest degree of judgment as well as areas whose estimates and assumptions exert significant influence on the Financial Statements are presented in Note 3 of the Financial Statements.

2.6 New standards, amendments of standards and interpretations

The accounting policies that were applied for the preparation of the financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2017, except for the adoption of amendments of certain standards, the adoption of which was made compulsory in the European Union for the fiscal years beginning on the 1st January 2018 (see Notes 2.6.1 and 2.6.2).

2.6.1. New Standards, Interpretations, Revisions and Amendments to existing Standards that are effective and have been adopted by the European Union

The following new Standards, Interpretations and amendments of IFRSs have been issued by the International Accounting Standards Board (IASB), are adopted by the European Union, and their application is mandatory from or after 01/01/2018.

IFRS 9 “Financial Instruments” (effective for annual periods starting on or after 01/01/2018)

In July 2014, the IASB issued the final version of IFRS 9. The package of improvements introduced by the final version of the Standard includes a logical model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially-reformed approach to hedge accounting.

The Company examined the effect arising from the new standard on the Financial Statements and any potential effect was deemed as negligible since the sole financial receivables of the Company derive from the parent company TERNA ENERGY SA. However, the Company incurred no effect during the first adoption of IFRS 9, and as a result no amendment is needed in the item “Results carried forward” (retained earnings).

IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods starting on or after 01/01/2018)

In May 2014, the IASB issued a new Standard, IFRS 15. The Standard fully converges with the requirements for the recognition of revenue in both IFRS and US GAAP. The key principles on which the Standard is based are consistent with much of current practice. The new Standard is expected to improve financial reporting by providing a more robust framework for addressing issues as they arise, increasing comparability across industries and capital markets, providing enhanced disclosures and clarifying accounting for contract costs. The new Standard will supersede IAS 11 “Construction Contracts”, IAS 18 “Revenue” and several revenue related Interpretations. The new standard has no effect on the Company’s Financial Statements as the total revenues of the Company consist of the net interest income which was not affected by the adoption of IFRS 15.

Clarification to IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods starting on or after 01/01/2018)

In April 2016, the IASB published clarifications to IFRS 15. The amendments to IFRS 15 do not change the underlying principles of the Standard, but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation in a contract, how to determine whether a company is a principal or an agent and how to determine whether the revenue from granting a license should be recognized at a point in time or over time. The new standard has no effect on the Company’s Financial Statements as the total revenues of the Company consist of the net interest income which was not affected by the adoption of IFRS 15.

Amendment to IFRS 2: “Classification and Measurement of Share-based Payment Transactions” (effective for annual periods starting on or after 01/01/2018)

In June 2016, the IASB published narrow scope amendment to IFRS 2. The objective of this amendment is to clarify how to account for certain types of share-based payment transactions. More specifically, the amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligation, as well as, a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments have no effect on the Company’s Financial Statements.

Amendments to IFRS 4: “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” (effective for annual periods starting on or after 01/01/2018)

In September 2016, the IASB published amendments to IFRS 4. The objective of the amendments is to address the temporary accounting consequences of the different effective dates of IFRS 9 Financial Instruments and the forthcoming insurance contracts Standard.

The amendments to existing requirements of IFRS 4 permit entities whose predominant activities are connected with insurance to defer the application of IFRS 9 until 2021 (the “temporary exemption”) and also permit all issuers of insurance contracts to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued (the “overlay approach”). The amendments have no effect on the Company’s Financial Statements.

Annual Improvements to IFRSs – 2014-2016 Cycle (effective for annual periods starting on or after 01/01/2018)

In December 2016, the IASB issued Annual Improvements to IFRSs – 2014-2016 Cycle, a collection of amendments to IFRSs, in response to several issues addressed during the 2014-2016 cycle. The issues included in this cycle and are effective for annual periods starting on or after 01/01/2018 are the following: IFRS 1: Deletion of short-term exemptions for first-time adopters, IAS 28: Measuring an associate or joint venture at fair value. The amendments have no effect on the Company’s Financial Statements.

Amendments to IAS 40: “Transfers of Investment Property” (effective for annual periods starting on or after 01/01/2018)

In December 2016, the IASB published narrow-scope amendments to IAS 40. The objective of the amendments is to reinforce the principle for transfers into, or out of, investment property in IAS 40, to specify that (a) a transfer into, or out of investment property should be made only when there has been a change in use of the property, and (b) such a change in use would involve the assessment of whether the property qualifies as an investment property. That change in use should be supported by evidence. The amendments have no effect on the Company’s Financial Statements.

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods starting on or after 01/01/2018)

In December 2016, the IASB issued a new Interpretation, IFRIC 22. IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. The amendments have no effect on the Company’s Financial Statements.

2.6.2. New Standards, Interpretations, Revisions and Amendments to existing Standards that have not been applied yet or have not been adopted by the European Union

The following new Standards, Interpretations and amendments of IFRSs have been issued by the International Accounting Standards Board (IASB), but their application has not started yet or they have not been adopted by the European Union.

IFRS 16 “Leases” (effective for annual periods starting on or after 01/01/2019)

In January 2016, the IASB issued a new Standard, IFRS 16. The objective of the project was to develop a new Leases Standard that sets out the principles that both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’), apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, a lessee is required to recognize assets and liabilities arising from a lease. The Company will examine the impact of the above on its Financial Statements, though it is not expected to have any. The above have been adopted by the European Union with effective date of 01/01/2019.

Amendments to IFRS 9: “Prepayment Features with Negative Compensation” (effective for annual periods starting on or after 01/01/2019)

In October 2017, the IASB published narrow-scope amendments to IFRS 9. Under the existing requirements of IFRS 9, an entity would have measured a financial asset with negative compensation at fair value through profit or loss as the “negative compensation” feature would have been viewed as introducing potential cash flows that were not solely payments of principal and interest. Under the amendments, companies are allowed to measure particular prepayable financial assets with so-called negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met. The Company will examine the impact of the above on its Financial Statements, though it is not expected to have any. The above have been adopted by the European Union with effective date of 01/01/2019.

IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods starting on or after 01/01/2019)

In June 2017, the IASB issued a new Interpretation, IFRIC 23. IAS 12 “Income Taxes” specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Company will examine the impact of the above on its Financial Statements. The above have been adopted by the European Union with effective date of 01/01/2019.

Amendments to IAS 28: “Long-term Interests in Associates and Joint Ventures” (effective for annual periods starting on or after 01/01/2019)

In October 2017, the IASB published narrow-scope amendments to IAS 28. The objective of the amendments is to clarify that companies account for long-term interests in an associate or joint venture – to which the equity method is not applied – using IFRS 9. The Company will examine the impact of the above on its Financial Statements, though it is not expected to have any. The above have not been adopted by the European Union.

Annual Improvements to IFRSs – 2015-2017 Cycle (effective for annual periods starting on or after 01/01/2019)

In December 2017, the IASB issued Annual Improvements to IFRSs – 2015-2017 Cycle, a collection of amendments to IFRSs, in response to several issues addressed during the 2015-2017 cycle. The issues included in this cycle are the following: IFRS 3 - IFRS 11: Previously held interest in a joint operation, IAS 12: Income tax consequences of payments on financial instruments classified as equity, IAS 23: Borrowing costs eligible for capitalization. The amendments are effective for annual periods beginning on or after 1 January 2019. The Company will examine the impact of the above on its Financial Statements. The above have not been adopted by the European Union.

Amendments to IAS 19: “Plan Amendment, Curtailment or Settlement” (effective for annual periods starting on or after 01/01/2019)

In February 2018, the IASB published narrow-scope amendments to IAS 19, under which an entity is required to use updated assumptions to determine current service cost and net interest for the remainder of the reporting period after an amendment, curtailment or settlement to a plan. The objective of the amendments is to enhance the understanding of the financial statements and provide useful information to the users.

The Company will examine the impact of the above on its Financial Statements, though it is not expected to have any. The above have not been adopted by the European Union.

Revision of the Conceptual Framework for Financial Reporting (effective for annual periods starting on or after 01/01/2020)

In March 2018, the IASB issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework), the objective of which was to incorporate some important issues that were not covered, as well as update and clarify some guidance that was unclear or out of date. The revised Conceptual Framework includes a new chapter on measurement, which analyzes the concept on measurement, including factors to be considered when selecting a measurement basis, concepts on presentation and disclosure, and guidance on derecognition of assets and liabilities from financial statements. In addition, the revised Conceptual Framework includes improved definitions of an asset and a liability, guidance supporting these definitions, update of recognition criteria for assets and liabilities, as well as clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Company will examine the impact of the above on its Financial Statements. The above have not been adopted by the European Union.

Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods starting on or after 01/01/2020)

In March 2018, the IASB issued Amendments to References to the Conceptual Framework, following its revision. Some Standards include explicit references to previous versions of the Conceptual Framework. The objective of these amendments is to update those references so that they refer to the revised Conceptual Framework and to support transition to the revised Conceptual Framework. The Company will examine the impact of the above on its Financial Statements. The above have not been adopted by the European Union.

Amendments to IFRS 3: “Definition of a Business” (effective for annual periods starting on or after 01/01/2020)

In October 2018, the IASB issued narrow-scope amendments to IFRS 3 to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance. The Company will examine the impact of the above on its Financial Statements, though it is not expected to have any. The above have not been adopted by the European Union.

Amendments to IAS 1 and IAS 8: “Definition of Material” (effective for annual periods starting on or after 01/01/2020)

In October 2018, the IASB issued amendments to its definition of material to make it easier for companies to make materiality judgments. The definition of material helps companies decide whether information should be included in their financial statements. The updated definition amends IAS 1 and IAS 8. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. The Company will examine the impact of the above on its Financial Statements, though it is not expected to have any. The above have not been adopted by the European Union.

IFRS 17 “Insurance Contracts” (effective for annual periods starting on or after 01/01/2021)

In May 2017, the IASB issued a new Standard, IFRS 17, which replaces an interim Standard, IFRS 4. The aim of the project was to provide a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. A single principle-based standard would enhance comparability of financial reporting among entities, jurisdictions and capital markets. IFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. The Company will examine the impact of the above on its Financial Statements, though it is not expected to have any. The above have not been adopted by the European Union.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS BY THE MANAGEMENT

The preparation of the Financial Statements according to the International Financial Reporting Standards (IFRS) requests from the Management certain judgments, estimates and assumptions which affect the assets and liabilities, the disclosures in relation to contingent assets and liabilities, as well as the income and expenses during the presented periods.

Specifically, certain amounts that are included or affect the financial statements, as well as the relevant disclosures are estimated by requiring assumptions related to the values or conditions which cannot be possibly known with certainty during the preparation of the Financial Statements and therefore the actual results may deviate from the estimated ones. An accounting estimate is considered as an important one when it is important for the financial position and the results of the Group, and when it requires the most difficult, subjective or complicated judgments on behalf of the Management. The estimates and judgments of the Group are based on past experience and other factors, including the expectations over future events which may be deemed as rational under certain circumstances, but they are being constantly reviewed and reassessed according to all available information.

The basic estimates and evaluation judgments which refer to data, the evolution of which could affect the items of the financial statements over the next 12 months are as following:

3.1 Significant Judgments by the Management

The basic judgments of the Management during the adoption of the accounting policies of the Group and the Company, which have the most significant effect on the financial statements (apart from those analyzed in Note 3.2), are presented below.

Recognition of Deferred Tax Receivables

The extent to which the deferred tax assets are being recognized in relation to the unutilized tax losses is based on a judgment concerning the degree to which there will be sufficient taxable earnings that can be offset against these tax losses. For the determination of the level of the deferred tax asset that can be recognized, important judgments on behalf of the Management are required which in turn are based on the future taxable earnings in combination with the future tax strategies that will be applied, as well as the uncertainties that characterize the tax framework where the Company operates (more information is available in Note 16).

3.2 Uncertainty of Judgments and Assumptions

Certain amounts that are included or affect the Financial Statements and the relevant disclosures are being estimated by requiring assumptions in relation to values or conditions which cannot be possibly known with certainty during the time of the preparation of the Financial Statements. An accounting estimate is considered as an important one when it is important for the financial position and the results of the Company, and when it requires the most difficult, subjective or complicated judgments on behalf of the Management. The Company assesses such judgments on continuous basis by utilizing past results and experience, meetings with experts, trends and other methods that can be deemed rational under certain conditions, as well as the projections demonstrating how the above can evolve and change in the future.

Provision for Income Tax

The provision for the income tax according to IAS 12 is calculated via the estimate of taxes that are to be paid to the tax authorities and includes the current income tax for each fiscal year. The final settlement of the income tax might deviate from the respective amounts that have been recorded in the financial statements (more information is provided in Note 16).

Contingent Liabilities and Receivables

The existence of contingent liabilities and receivables requires from the management the ongoing performance of assumptions and evaluation judgments regarding future events and their likelihood to occur or not, as well as of the potential impact that such events may have on the Company's business activity. The determination of contingent liabilities and receivables is a complicated process that includes judgments regarding future events, legislation, regulation, etc. Changes in the judgments or interpretations may lead to an increase or reduction of the Company's contingent liabilities in the future. When additional information becomes available, the Company's Management reviews the respective events that may lead to a revision of its judgments. According to both the Company and its Legal Counselor, there are no under litigation or arbitration differences of judicial or arbitration bodies that relate to the Company. (See Note 22).

4. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The main accounting policies adopted in the preparation of the accompanying consolidated and separate financial statements are as follows:

4.1 Operating Segments

The Company's Board of Directors is the principal business decision maker and audits the internal financial reporting reports in order to assess the performance of the Company and make decisions about the allocation of resources. The management has determined the operation segment based on these internal reports.

As operation segment of TERNA ENERGY FINANCE SA is defined the segment in which the Company operates and on which the Company's internal information system is based (see in detail Note 5).

4.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, sight deposits, time deposits, overdraft bank accounts, and other highly liquid investments that are directly convertible into specific cash amounts that are subject to a non-significant risk of change in value. For the preparation of cash flow statements, cash is made up of cash and bank deposits as well as cash as defined above (see Note 8).

4.3 Financial instruments

4.3.1 Recognition and cease of recognition

Financial instruments of assets and financial liabilities are recognized in the statement of financial position when and only when the Company becomes counterparty to the financial instrument.

The Company ceases to recognize a financial asset when and only when the contractual rights to the cash flow of the financial asset expire or when the financial asset is transferred and in substance are transferred substantially all the risks and rewards associated with the specific financial asset. A financial liability is derecognized from the Statement of Financial Position when, and only when, it is repaid - that is, when the commitment set out in the contract is fulfilled, cancelled or expires.

4.3.2 Classification and initial recognition of assets' financial items

Financial items of assets are initially measured at fair value by adding the relevant transaction cost except in the case of financial assets that are measured at fair value through the income statement.

Financial items of assets other than those that constitute defined and effective hedging instruments are classified into the following categories:

- financial assets at amortized cost,
- financial assets at fair value through income statement, and
- financial assets at fair value through other comprehensive income.

The Company, during the periods presented, has not classified financial assets in the category "financial assets at fair value through income statement", nor in the category "financial assets at fair value through other comprehensive income".

The classification of each financial asset is determined by: the Company's business model for the management of the financial assets and the characteristics of their contractual cash flows.

4.3.3 Subsequent measurement of financial assets

Financial assets at amortized cost

A financial asset is measured at amortized cost when the following conditions are met: the asset management business model is held for the purpose of collecting contractual cash flows, the contractual cash flows of the financial asset consist exclusively of capital repayment and interest on the outstanding balance ("SPPI" criterion).

After initial recognition, these financial assets are measured at amortized cost using the effective interest rate method. In cases where the discount effect is not significant, the discount is omitted.

The measurement category at amortized cost includes non-derivative financial assets such as loans and receivables with fixed or pre-determined payments that are not traded on an active market, as well as cash and cash equivalents, and other receivables.

The Company does not hold on 31.12.2018 financial assets that are classified in the other categories set out in IFRS 9.

4.3.4 Impairment of financial assets

The adoption of IFRS 9 led to a change in the accounting treatment of impairment losses for financial assets, as it replaced the treatment of IAS 39 for recognition of realized losses by recognizing the expected credit losses. Impairment is defined in IFRS 9 as an Expected Credit Loss (ECL), which is the difference between the contractual cash flows attributable to the holder of a particular financial asset and the cash flows expected to be recovered, i.e. cash deficit arising from default events, discounted approximately to the original effective interest rate of the asset.

The Company recognizes impairment provisions for expected credit losses for all financial assets other than those measured at fair value through income statement. The objective of the impairment requirements of IFRS 9 is to recognize the expected credit losses over the life of a financial instrument whose credit risk has increased after initial recognition, regardless of whether the assessment is made at a collective or individual level, using all the information that can be gathered based on both historical and present data, as well as data relating to reasonable future estimates.

For the application of the above approach a distinction is made between:

- financial assets whose credit risk has not significantly deteriorated since initial recognition or which have a low credit risk at the reporting date (Stage 1), and
- financial assets whose credit risk has deteriorated significantly since initial recognition and which do not have low credit risk (Stage 2).

Stage 3 refers to financial assets for which there is objective evidence of impairment at the reporting date.

For financial assets included in Stage 1, expected credit losses are recognized for the period of the following 12 months, while for those included in Stage 2 or Stage 3, expected credit losses are recognized over the life of the asset.

The expected credit losses are based on the difference between the contractual cash flows and the cash flows that the Company expects to receive. The difference is discounted using an estimate of the initial effective interest rate of the financial asset.

Impairment of financial assets under the requirements of IAS 39 (comparative financial year 2017)

In the previous financial year, the impairment of financial assets was reviewed in the light of the requirements of IAS 39. In accordance with the requirements of this Standard, financial assets subject to impairment testing (if relevant indication exist) are items of assets valued at cost or based on equity method (participations in subsidiaries and associates), assets valued at amortized cost (long-term receivables) and available-for-sale investments. In the case of financial instruments at fair value (debt, equity and available-for-sale), the decrease in fair value of the item recognized in other comprehensive income and cumulatively in equity is transferred to the profit or loss for the period. The amount of the impairment loss is equal to the difference between the acquisition cost of the asset and its fair value. Subsequent reversal of an impairment loss on an equity instrument may not be carried out through the results. On the other hand, if at a later date the fair value of a debt instrument increases and is related to objective events that occurred after the provision was formed, the reversal of the impairment provision is recognized through the results. The recoverable amount of investments in subsidiaries and associates is determined in the same way as for non-financial assets. The recoverable / collectible value of other financial assets for the purpose of carrying out the related impairment testing is generally determined on the basis of the present value of the estimated future cash flows discounted either based on the original discount rate of the asset or group of assets, or based on current return on a similar financial asset. The resulting impairment losses are recognized in the results of the period.

4.3.5 Classification and measurement of financial liabilities

As the accounting requirements for financial liabilities remained broadly similar to those set in IAS 39, the Company's accounting policies regarding financial liabilities were not affected by the adoption of IFRS 9. The Group's financial liabilities include mainly borrowing liabilities.

Financial liabilities are initially recognized at cost, which is the fair value of the consideration received except issuance cost related to debt. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method). Financial liabilities are classified as short-term liabilities unless the Company has the unconditional right to transfer the settlement of the financial liability at least 12 months after the date of the Financial Statements.

Loan commitments

The Company's borrowings are initially recognized at cost, which reflects the fair value of the receivable amounts less the relevant direct contractual costs where they are significant. After initial recognition, interest bearing loans are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account issuing costs and the difference between the initial and the maturity amount. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired through the amortization process.

Loan liabilities with early repayment right

In the case of bond loans issued by the Company, which are entitled to early repayment, the management assesses whether this right is closely related to the bond loan. The Right is characterized as closely related when (a) its exercise price resembles the unamortized cost of the bond at each date on which the right can be exercised; or (b) the exercise price of the right compensates the lender with a similar amount with the present value of the unpaid interest on the residual maturity of the bond loan. When the right is described as closely related to the bond loan, it is recognized in combination with the bond as a compound loan combined debt instrument, which is measured at amortized cost based on the effective interest rate. In particular, the aforementioned composite instrument is initially recognized at fair value plus any direct transaction costs. For the determination of the effective interest rate, the expected cash flows and the estimated duration of the instrument shall be determined taking into account the early repayment right, where:

- If it is initially estimated that the right will be exercised, then the estimated cash flows will include capital and interest payments, until the exercise date, and the exercise price of the right, or
- If the right is not expected to be exercised then the estimated cash flows will include capital and interest payments over the entire contractual period.

In the next year, the assessment of the probability of exercising the right may change. This will affect the expected cash flows and the estimated useful life of the financial instrument. The change from these amendments is calculated by discounting the revised flows based on the initial effective interest rate and any effect that occurs in the net book value is recognized in the results of the relevant reporting period.

The Company's early repayment right was rated by the management as closely related to the bond issued by the Company. Based on the principles of IFRS 9, the right has been recognized in conjunction with the bond as a composite financial instrument / liability measured at amortized cost based on the effective interest rate. The management of the company has assumed that the right will not be exercised and therefore the flows of the liability are consistent with the flows of the loan for the whole contractual period (see Note 10).

4.3.6 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is shown in the Statement of Financial Position only if there is the present legal right to offset the recognized amounts and intends to clear them on a net basis or to call for the asset and settle the liability at the same time.

4.4 Benefits to employees

Short-term benefits: Short-term employee benefits (other than termination benefits) in cash and in kind are recognized as an expense when they accrue. Any unpaid amount is recognized as a liability, whereas if the amount already paid exceeds the amount of benefits, the company recognizes the excess amount as an asset (prepaid expense) only to the extent that the prepayment will lead to a reduction in future payments or to a return.

Post-employment benefits: Post-employment benefits include lump-sum retirement indemnities, pensions and other benefits paid to employees after termination of employment in exchange for their service. The Company's liabilities for retirement benefits concern both defined contribution plans and defined benefit plans. The accrued cost of defined contribution plans is recognized as an expense in the period that it relates. Retirement plans adopted by the Company are partly funded by payments to insurance companies or state social insurance institutions.

(a) Defined contribution scheme

Defined contribution schemes refer to the payment of contributions to Insurance Companies, so that no legal obligation arises for the Company if the Agent is unable to pay the benefit to the policyholder. The employer's obligation is limited to the payment of employer's contributions to the Institutions. The contribution payable by the Company to a defined contribution plan is recognized as a liability after deduction of the consideration paid while accrued contributions are recognized as an expense in the income statement.

(b) Defined benefits scheme (Unfunded)

Pursuant to L.2112 / 20 and 4093/2012, the Company pays to the employees, compensation for dismissal or leave due to retirement. The amount of compensation paid depends on years of service, the amount of remuneration and the way in which the employee leaves the service (dismissal or retirement). The entitlement to participate in these programs is usually based on the employee's years of service until retirement.

The liability recognized in the Statement of Financial Position for defined benefit plans is the present value of the defined benefit obligation less the fair value of the scheme's assets (reserve from payments to the insurance company) and the changes arising from any actuarial profit or loss and past service cost. The commitment of the defined benefit is calculated annually by an independent actuary using the projected unit credit method. In order to discount the year 2018, the selected interest rate follows the trend of the European Bond with a 20-year maturity date of December 31, 2018, which is considered as consistent with the principles of IAS 19, ie it is based on bonds corresponding to the currency and the estimated duration in relation to benefits to employees, as well as appropriate for long-term projections.

A defined benefit plan determines specific obligations for payable benefits based on various parameters such as age, years of service and salary. Provisions for the period are included in the related personnel costs in the accompanied Income Statement and it is consisted of current and past service cost, related finance costs, actuarial gains or losses and any possible additional charges.

With respect to unrecognized actuarial gains or losses, the revised IAS 19 is applied, which includes a number of amendments to the defined benefit plan accounting, including:

- i) the recognition of actuarial gains / losses in other comprehensive income and their final exclusion from the income statement;
- ii) the non-recognition plus the expected return on scheme's investments in the income statement but the recognition of the relevant interest on the net obligation / (receivable) of the benefit calculated at the discount rate used for the measurement of the defined benefit obligation,
- iii) the recognition of past service cost in the income statement for the year prior to the date of the change in the scheme or when it is recognized the relevant restructuring or termination,
- iv) other changes include new disclosures, such as quantitative sensitivity analysis.

4.5 Provisions, Contingent liabilities and receivable

Provisions are recognized when the Company has present legal or implied liabilities as a result of past events, it is probable that they will be cleared through outflows of resources and a reliable estimate of the amount of the liability can be made. Provisions are reviewed at each reporting date of the financial statements and are adjusted to reflect the present value of the expense that is expected to be required to settle the liability. When the effect of the time value of money is significant, the amount of the provision is the present value of the expenses that are expected to be required to settle the liability.

If it is no longer probable that an outflow of resources will be required to settle a liability for which a provision has already been formed, then it is reversed.

In cases where the outflow of financial resources as a result of the present commitments is considered unlikely or the amount of the provision cannot be estimated reliably, no liability is recognized in the financial statements. Contingent liabilities are not recognized in the financial statements but are disclosed unless the probability of an outflow of resources embodying economic benefits is minimal. Possible inflows from financial benefits to the Company that do not yet meet the criteria of an asset are considered as contingent assets and are disclosed when the inflow of economic benefits is probable.

4.6 Income tax

The burden of the financial year with income taxes consists of current taxes, deferred taxes and tax differences from previous years.

Current income tax

Current tax is calculated on the basis of the Tax Statement of Financial Position, in accordance with the tax laws in force in Greece. Current tax expense includes income tax resulting from the Company's profits as restated in its tax returns and provisions for additional taxes and is calculated in accordance with statutory or substantively enacted tax rates.

Deferred Income Taxation

Deferred taxes are taxes or tax relief that are related to the financial burdens or benefits accruing in the year but have already been accounted for or will be accounted by the tax authorities in different financial years.

Deferred income tax is determined using the liability method that results from the temporary differences between the carrying amount and the tax base of the assets and liabilities. Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, when the transaction took place, did not affect either the accounting or tax profit or loss.

Deferred income tax is calculated using the liability method in all temporary differences at the date of the financial statements between the tax base and the carrying amount of assets and liabilities. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are measured at each reporting date and are reduced to the extent that it is unlikely that there will be sufficient taxable profits against which part or all of the deferred income tax assets may be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be in force for the year in which the asset is incurred or the liability will be settled and are based on the tax rates (and tax laws) that are in effect or effectively in force at the date of reporting of the financial statements. In the event that the time of temporary differences reversal cannot be clearly identified, the tax rate applicable on the next day of the statement of financial position is used.

Income tax related to items that are recognized in other comprehensive income is also recognized in other comprehensive income.

4.7 Share capital, reserves and dividends' distribution

Common registered shares are recorded as equity. Costs that are directly attributable to a component of equity are deducted from this equity. Otherwise, this amount is recognized as an expense in the period that it relates to.

Where the Company purchases part of the share capital of the Company (treasury shares), the amount paid, including any expense, net of tax, is presented as deducted from equity until the shares are cancelled or sold. The number of treasury shares held by the Company does not reduce the number of shares in circulation but it affects the number of shares included in the calculation of earnings per share.

In particular, the reserves are divided into:

Actuarial profit or loss reserve: The actuarial gain or loss reserve is used to account for actuarial gains or losses arising from the actuarial determination of defined benefit obligations and there are recognized in other comprehensive income as described in Note 4.4 above.

Dividends distributed to the Company's shareholders are recognized in the financial statements as a liability in the period in which the distribution proposal of the Management is approved by the Annual General Meeting of the Shareholders. Also, at the same time, the financial statements reflect the effect of the approved by the General Meeting distribution of profits and the possible formation of reserves.

5. INFORMATION REGARDING OPERATING SEGMENTS

An operating sector is a component of an economic entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses that concern transactions with other components of the same economic entity) and,

b) whose operating results are regularly reviewed by the chief operating decision maker of the entity to make decisions about resources to be allocated to the segment and assess of its performance. The term “chief operating decision maker” defines the function of the Group that is responsible for the allocation of resources and the assessment of the economic entity’s operating segments. For the application of IFRS 8, this function is assigned to the Managing Director (Chief Executive Officer). The economic entity presents separately the information on each operating segment that fulfils certain criteria of characteristics and exceeds certain quantitative limits.

The above information is presented in the accompanying consolidated statements of financial position, comprehensive income and cash flows according to the IFRS, whereas previously recorded operating segments –as presented in the financial statements of the previous financial year- require no modifications.

The Group recognizes the following operating segments that must be reported, whereas no other segments exist that could be incorporated in the “other segments” category.

More specifically, the only sector in which the company operates is the Investment and Finance sector in Greece and therefore the total amounts of the Statement of Financial Position and the Statement of Comprehensive Income relate exclusively to the Company's activity in this field.

6. OTHER LONG-TERM RECEIVABLES

The advances of other long-term receivables of the Company are analyzed as follows:

Amounts in € thous.	31-Dec-2018	31-Dec-2017
Loans to the companies of the Group	58,745	58,745
Total	58,745	58,745

The Company participated in a Bond Loan issuance of the Parent company TERNA ENERGY SA, which carries an interest rate of 4.85%, was issued in 2017 and has a 5-year term.

7. OTHER SHORT-TERM FINANCIAL ASSETS

Other short-term financial assets of the Company are analyzed as follows:

Amounts in € thousand	31-Dec-2018	31-Dec-2017
Loans to the companies of the Group (Short-term part)	1,321	1,265
Total	1,321	1,265

8. CASH & CASH EQUIVALENTS

Cash & cash equivalents in the accompanying financial statements are analyzed as follows:

Amounts in € thousand	31-Dec-2018	31-Dec-2017
Sight deposits €	87	78
Total	87	78

9. SHARE CAPITAL

"TERNA ENERGY FINANCE S.P.S.A." was incorporated by the No. 19.634 / 14.10.2016 Notarial Act, according to the provisions of Law 2190/1920 and was registered in the General Electronic Commercial Registry (GEMI) of the Athens Chamber of Commerce and Industry on 14/10/2016 with GEMI number 140274801000. TERNA ENERGY SA participates with a 100% equity stake in the Company.

The share capital of the Company amounts to € 50,000 divided into 50,000 common voting shares of nominal value one euro (€ 1.00) each. The share capital is fully paid up.

10. DEBT

The borrowings of the Company are analyzed as follows:

Amounts in € thousand	31-Dec-2018	31-Dec-2017
Long-term loans		
Bank debt	59,139	58,920
Total	59,139	58,920
Long-term liabilities payable in the following fiscal year		
Short-term installments of bond loans	1,033	1,046
Total	1,033	1,046
Total debt	60,172	59,966

On July 19, 2017, the Public Offering related to the issuance of a Common Bond Loan and the listing of the Company's bonds for trading in the category of Fixed Income of the Organized Market of the Athens Exchange were completed. In total 60,000 common bearer bonds were issued with a nominal value of € 1,000 each (the Bonds) resulting in capital proceeds amounting to € 60,000 thousand. The total eligible demand from the investors who participated in the Public Offering amounted to € 154,400 thousand. The final yield of the Bonds was set at 3.85%, and the issue price settled at € 1,000 each, i.e. 100% of the nominal value. Under the terms of the loan, a call option is available from 2019. If the prepayment date is in the period commencing on the second (2nd) anniversary of the Issue Date (inclusive) and expires on third (3rd) anniversary date of the Issue Date (not included), the prepayment is made at 101%. In any other case, the prepayment is made at 100%.

The loan of the Company relates to the financing of the investment plan of TERNA ENERGY SA Group in Greece and the USA.

In order to secure the loan, the Company has been granted a corporate guarantee by the parent company "TERNA ENERGY INDUSTRIAL COMMERCIAL TECHNICAL SOCIETE ANONYME".

The repayment period of the above loan is analyzed in Note 19.

11. INTEREST INCOME

The Company's turnover for the year ended on 31/12/2018 relate to the interest income from the Bond Loan granted to the parent company. It is included in the item "Other long-term receivables/assets" (see Note 6&7).

12. INTEREST AND OTHER FINANCIAL EXPENSES

Interest expense and other financial expenses are analyzed as follows:

Amounts in € thous.	1-Jan 31-Dec-2018	1-Jan 31-Dec-2017
Interest on bond loans	2,561	1,145
Various bank expenses	1	1
Total	2,562	1,146

13. THIRD PARTY FEES AND EXPENSES

The Company's third party fees and expenses are analyzed as follows:

Amounts in € thous.	1-Jan 31-Dec-2018	1-Jan 31-Dec-2017
Auditors' fees and expenses	6	2
Fees and expenses of other third parties	18	-
Total	24	2

For the year ended on 31st December 2018, the expenses of the year that are being analyzed in the item "Auditors' fees and expenses" include fees of ordinary auditors amounting to € 2 thousand concerning eligible auditing procedures (except for the services related to the mandatory audit and the tax compliance report).

The corresponding fees of the eligible auditing procedures that have been provided to the parent company are being disclosed in the financial statements of Terna Energy SA of the year 2018.

14. OTHER OPERATING EXPENSES

The Company's other operating expenses are analyzed as follows:

Amounts in € thous.	1-Jan 31-Dec-2018	1-Jan 31-Dec-2017
Other taxes and duties	6	9
Other expenses	1	36
Total	7	45

15. PERSONNEL FEES AND EXPENSES

Personnel fees and expenses of the Company are analyzed as follows:

Amounts in € thous.	1-Jan 31-Dec-2018	1-Jan 31-Dec-2017
Salaries and related benefits to employees	14	-
Contributions for Pension	3	-
Total	17	-

16. INCOME TAX (CURRENT AND DEFERRED) –UNAUDITED TAX YEARS

The income tax rate for legal entities in Greece had been set at 29% for both the fiscal year 2018 and the fiscal year 2017. According to the article 23 of Law 4579/2018, the tax rate will be gradually declining by 1% per annum as following:

- 28% for the year 2019
- 27% for the year 2020
- 26% for the year 2021
- 25% for the year 2022 and so forth

From the re-measurement of the assets and liabilities from deferred taxation, due to the gradual decrease of the tax rate in the following years, a deferred income tax (expense) of € 13 thousand emerged.

The income tax is analyzed as follows:

Income Tax	1-Jan 31-Dec-2018	1-Jan 31-Dec-2017
Deferred tax for the period [expense]	16	367
Deferred tax for the period [effect due to change in tax rate]	13	-
Recognition of tax loss [expense/(income)]	65	(346)
Total	94	21

The actual final tax rate differs from the nominal tax rate. There are a number of factors influencing the effective tax rate, where the most notably of which are the non-tax deduction of certain expenses and the ability of companies to make tax-free deductions and tax-free reserves.

Amounts in € thous.	31/12/2018	31/12/2017
Profit before taxes	279	73
Nominal tax rate	29%	29%

Income tax expense based on the effective nominal tax rate	(81)	(21)
<i>Adjustments for:</i>		
Other permanent tax differences – non-deductable expenses	1	-
Effect due to change in tax rate	(13)	-
Effective tax expense	(93)	(21)
Effective tax rate	<u>33.30%</u>	<u>29.00%</u>

The deferred tax assets that arise from unutilized tax losses that can be offset against future fiscal years are being recognized only if it is likely to be offset against future taxable earnings. The Company has recognized a deferred tax asset as the Management deems that there is probability for offsetting tax losses with future tax earnings.

Deferred income taxes are calculated on all temporary tax differences between the book value and the tax value of the assets and liabilities. Deferred income taxes are calculated using the Company's effective tax rate at the maturity date of the tax asset / liability.

Deferred tax assets and liabilities for the years 2018 and 2017 are analyzed as follows:

Deferred taxation	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	Asset/ (Liability)	Asset/ (Liability)	Income / (expense)	Income / (expense)
Transitory accounts	(370)	(367)	(3)	(367)
Deferred tax loss	255	346	(91)	346
Provisions	1	-	1	-
Balance	(114)	(21)	(93)	(21)
<i>Deferred tax through results</i>			(81)	(21)
<i>Deferred tax through results (change in tax rate)</i>			(13)	-
<i>Deferred tax through other comprehensive income</i>			1	-
			(93)	(21)

The income tax statement is filed on a yearly basis but the profits or losses declared remain temporary until the tax authorities check the taxpayer's books and records and the final audit report is issued. In this case, additional taxes and surcharges may be imposed by the tax authorities. The unaudited tax years of the Company concern three years.

The Company makes an annual estimate of the contingent liabilities that are expected to arise from the past years' tax audit, making relevant provisions when deemed necessary. In this case, additional taxes and surcharges may be imposed by the tax authorities. The Management has not recognized provisions for unaudited periods and considers that any tax amounts that may arise will have no material impact on the Company's equity, results and cash flows.

Tax Compliance Report:

The Company has been tax audited under Article 65A (1) of Law 4171/04 for the year 2017, for which the Ministry of Finance is finalizing the relevant tax audit. For the year 2018, the Company has been subject to the tax audit of the Certified Auditors Accountants provided for by the provisions of Article 65A paragraph 1 of Law 4171/20. The audit has commenced and the relevant tax certificate is due to be issued after the publication of the financial statements for the year 2018. Such control is not expected to result in a significant difference in the tax liability already integrated in the Financial Statements. According to the recent legislation, the audit and issuance of the Tax Compliance Report is valid for the years 2016 and henceforth on a voluntary basis.

17. EARNINGS PER SHARE

Basic earnings per share were calculated by dividing the net earnings attributable to the Company's shareholders by the weighted average number of shares as follows:

	31-Dec-2018	31-Dec-2017
Net profits attributable to the Company's owners	186	52
Weighted average number of shares	50,000	50,000
Earnings per share ('000€)	0.00372	0.00104

No diluted earnings per share apply for the fiscal years 2018 and 2017.

18. TRANSACTIONS WITH RELATED PARTIES

"TERNA ENERGY INDUSTRIAL COMMERCIAL TECHNICAL SOCIETE ANONYME" is the main and sole shareholder of the Company owning 100.00% of the Company's share capital for the year ended on December 31, 2018.

Transactions and balances with related parties for the year 2018 are presented in the following table. As it has been presented in the Notes 6, 7 and 11, the above sales / income of the Company mainly concern interest from the Bond Loan that was granted to the parent company TERNA ENERGY SA. Receivables also relate to the above Bond Loan.

31-Dec-2018				
	Purchases/Expenses	Sales/Income	Assets	Liabilities
Parent	-	2,889	60,066	-
Total	-	2,889	60,066	-

31-Dec-2017				
	Purchases/Expenses	Sales/Income	Assets	Liabilities
Parent	29	1,266	60,011	-
Total	29	1,266	60,011	-

19. AIM AND POLICIES OF RISK MANAGEMENT

The Company is exposed to multiple financial risks such as credit risk and liquidity risk. The risk management plan aims to eliminate the negative effect of these risks on financial results of the Company as these effects are the results of the uncertainty in financial markets and the changes in costs and sales. The Company does not make use of derivative financial instruments to hedge its exposure to particular risk categories.

The risk management policy is undertaken by the Treasury Department of the Group. The procedure followed is described below:

- (i) Evaluation of risks related to Company's activities and operations,
- (ii) Planning of the methodology and choice of the necessary financial products for the reduction of risk and
- (iii) Execution/application, in accordance with the approved procedure by the management, of the risk management plan.

The financial means of the Company are mainly composed of deposits in banks, receivables related to bond loans granted to the parent company and liabilities from undertaken bond loans.

16.1 FOREIGN EXCHANGE RISK

The Company is not exposed to currency risk as its total transactions are in euro.

16.2 SENSITIVITY ANALYSIS OF INTEREST RATE RISK

The Company's policy is to minimize its exposure to interest rate risk with regards to its long-term financing. The debt is in Euro and under fixed interest rates. Therefore, the Company is not exposed to a risk of interest rate fluctuations

The Company is not exposed to other interest rate risk, or changes in the prices of securities whose price is traded on a financial market.

16.3 ANALYSIS OF CREDIT RISK

Credit risk is the risk when the counterparty in a financial instrument will cause damage to the other party by failing to pay the relevant obligation. The Company's exposure to credit risk is limited to the financial assets that at the balance sheet date are analyzed as follows:

Credit Risk	31-Dec-2018	31-Dec-2017
<u>Non-current assets:</u>		
Loans and receivables - Other long-term receivables	58,745	58,745
	58,745	58,745
<u>Current assets:</u>		
Loans granted to Group's Companies (Short-term part)	1.321	1.265
Cash & cash equivalents	87	78
	1.408	1.343
Total	60.153	60.088

The Company continuously controls its receivables, either separately or by segment and incorporates the resulting information in its credit control. When appropriate, external reports or analyses of existing or potential customers are used. The policy of the Company is to cooperate only with trusted customers and affiliated companies.

The Company's management considers that all of the abovementioned financial assets are of high credit quality.

None of the Company's financial assets has been secured by mortgage or other form of tangible security.

Credit risk for liquid receivables and other short-term financial assets (cash equivalents) is considered negligible, given that the traders are trusted banks of a high-quality capital structure, the State or companies of the wider Public Sector or affiliated / related companies.

The amounts representing the maximum exposure to this risk at the end of the current and the comparative period are the current value of those funds in the respective periods. The Company's maximum credit risk is the occurrence of the counterparty's probability of default. In particular, the Company's claims amounting to € 60,066 thousand relate to a loan granted to the parent company TERNA ENERGY SA.

TERNA ENERGY SA received a BB credit rating from ICAP Group SA, according to which a "BB rating indicates very low credit risk and is attributable to firms that may be affected but to a very small extent by adverse economic circumstances and therefore their creditworthiness remains relatively stable. BB rated businesses are characterized by their satisfactory financial results, steady course and competitive position in the market".

There are no arrears on financial receivables on December, 31st 2018.

16.4 ANALYSIS OF LIQUIDITY RISK

The Company manages its liquidity needs by carefully monitoring the debts of long-term financial liabilities as well as payments made daily. Liquidity needs are monitored in different time zones, on a daily and weekly basis, as well as in a rolling 30-day period. Liquidity needs for the next 6 months and the following year are determined on a monthly basis.

The Company keeps cash and bank deposits in order to meet liquidity needs for periods of up to 30 days. Funds for medium-term liquidity needs are released from Company deposits.

The maturity of the Company's financial liabilities at 31 December 2018 and 31 December 2017 respectively is analyzed as follows:

Liquidity risk – maturity of financial liabilities	31-Dec-2018		
	Short-term	Long-term	
	0 to 12 months	1 to 5 years	>5 years
Long-term debt	1,033	59,139	-
Other liabilities	5	-	-
Total	1,038	59,139	-

Liquidity risk – maturity of financial liabilities	31-Dec-2017		
	Short-term	Long-term	
	0 to 12 months	1 to 5 years	>5 years
Long-term debt	1,046	58,920	-
Total	1,046	58,920	-

The above contractual maturity dates reflect gross cash flows, which may differ from the book values of liabilities at the balance sheet date.

20. PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES PER CATEGORY

The financial assets as well as the financial liabilities at the end of the reporting period may be categorized as follows:

Financial Assets	31-Dec-2018	31-Dec-2017
Non-current assets:		
Loans and receivables – Other long-term receivables	58,745	58,745
	58,745	58,745
Current Assets:		
Loans granted to Group's Companies (Short-term part)	1,321	1,265
Cash & cash equivalents	87	78
	1,408	1,343
Total	60,153	60,088

Financial liabilities	31-Dec-2018	31-Dec-2017
<u>Long-term liabilities:</u>		
Liabilities measured at amortized cost – Long-term loans	59,139	58,920
	59,139	58,920
<u>Short-term liabilities:</u>		
Liabilities measured at amortized cost – Long-term liabilities payable in the next period	1,033	1,046
Liabilities measured at amortized cost – Accrued and other short-term liabilities	5	-
	1,038	1,046
Total	60,177	59,966

See note 4.3 for a more detailed description on how the category of financial instruments affects their subsequent valuation.

21. POLICIES AND PROCEDURES FOR CAPITAL MANAGEMENT

The aims of the Company regarding the management of its capital are as follows:

- (i) to ensure the ability of the Company to continue its activity (going concern),
- (ii) to secure a satisfactory return for its shareholders by pricing products and services according to their level of risk and
- (iii) to fulfill its contractual obligations regarding specific debt agreements.

The Company defines the level of capital in proportion to the risk of its activities, it monitors the developments of the economic environment and their effect on the risk characteristics, and it manages the capital structure (relation of debt to capital) with the adjustment of the amount and maturity of debt, the issue of new shares or the return of capital to shareholders, with the adjustment of the dividend and the sale of individual or a group of assets.

The ratio at the end of the years 2018 and 2017 has as follows:

Bank Debt / Total Capital Employed	31-Dec-2018	31-Dec-2017
Debt	60,172	59,966
Total equity	283	101
Long-term debt	60,172	59,966
Minus: Cash and deposits	(87)	(78)
Capital	60,368	59,989
Bank Debt / Total Capital Employed	100%	100%

The Company's objective with regards to capital management is to adjust and maintain the financial leverage ratio (as defined above) to at least 50%. This objective is expected to be achieved through the Company's productive operation, which will lead to an increase in equity from future profits, resulting in the adjustment of the financial leverage ratio to the levels required by the Company's management.

22. CONTINGENT LIABILITIES

In the context of the operations' execution, the Company may be faced with possible legal claims by third parties. According to both the Management and the Legal Counsel of the Company, there are no litigation or arbitration disputes between the judicial or arbitration bodies concerning the Company.

23. RECONCILIATION OF CHANGE IN FINANCIAL LIABILITIES

The reconciliation of change in liabilities from financial activities for the Company during the fiscal years 2018 and 2017 is presented below:

Amounts in € thous.	Long-term loans	Long-term liabilities payable in the following fiscal year	Total
1 January 2018	58,920	1,046	59,966
Cash flows:			
- Repayments		-2,355	-2,355
- Receipts			
Non-cash movements:			
- Other changes	219	2,342	2,561
31 December 2018	59,139	1,033	60,173

Amounts in € thous.	Long-term loans	Long-term liabilities payable in the following fiscal year	Total
1 January 2017	-	-	-
Cash flows:			
- Repayments			
- Receipts	58,822		58,822
Non-cash movements:			
- Other changes	99	1,046	1,145
31 December 2017	58,920	1,046	59,966

24. CHANGE IN THE PRESENTATION OF RESULTS

With the objective toward a more efficient comprehension of the Company's results from the users of financial statements, the Management of the Company approved an amendment of the presentation of the statement of total income. The comparative table with the respective changes is presented below:

COMPARATIVE TABLE OF CHANGES IN THE PRESENTATION OF THE STATEMENT OF TOTAL INCOME

(Amounts in € thous.)

NEW PRESENTATION	OLD PRESENTATION	1/1 - 31/12/2017
Interest Income	Net Sales	1,266
Interest and other financial expenses	Cost of Sales	(1,146)
Net Interest Income	Gross Profit	120
Other operating expenses	Administration and Distribution Expenses	(45)
Third party fees and expenses	Administration and Distribution Expenses	(2)
Operating Results	Operating Results	73

25. STATEMENT OF FINANCIAL POSITION POST REPORTING DATE EVENTS

There have not been any significant events following the reporting date of the statement of financial position.

Athens, 20 March 2019

The Chairman of the BoD

The Managing Director

The Chief Accountant

Vasileios Delikaterinis

Aristotelis Spiliotis

Artan Tzanari

VI. REPORT ON THE ALLOCATION OF THE CAPITAL PROCEEDS

**TERNA ENERGY FINANCE S.P.S.A.
GEMI NO. 140274801000**

Report on the Allocation of the Capital Proceeds through Issuance of a Common Bond Loan for the period 21.07.2017 to 31.12.2018

In accordance with the provisions of paragraph 4.1.2 of the Athens Stock Exchange Regulation (hereinafter referred to as ATHEX), decision no. 25 / 17.07.2008 of the Board of Directors of the ATHEX and no. Decision 8/754 / 14.04.2016 of the Board of Directors of the Hellenic Capital Market Commission, it is hereby announced that from the issue of a Common Bond Loan of euro sixty million (€ 60,000 thousand) with the issuance of sixty thousand common bonds with a corporate guarantee of nominal value € 1,000 each, which was conducted in accordance with the decision as of 27.06.2017 of the Board of Directors of TERNA ENERGY FINANCE SINGLE PERSON SOCIETE ANONYME (hereinafter the "Company") and by the 12.07.2017 decision for the approval of the Prospectus' content by the HCMC, euro sixty million (€ 60,000 thous.) were raised in total. The issue costs, amounting to € 1,255,400, were fully covered by the proceeds of the Common Bond Loan.

The issue of the Common Bond Loan was fully covered and the certification of the payment of the raised funds was made by the Company's Board of Directors on 21.07.2017. Furthermore, the issued forty million common bearer bonds were admitted to trading on the regulated market of fixed income securities of the Athens Exchange on 24.07.2017.

In the following table, there are presented the specific per category of use / investment intended amounts in EUR '000s, the timetable for the implementation of the planned investments and the allocation of the raised funds up to 31.12.2018:

TERNA ENERGY FINANCE S.P.S.A.
NOTES ON THE ANNUAL FINANCIAL STATEMENTS
OF 31st DECEMBER 2018
(Amounts are in € thousand, unless stated otherwise)

TABLE OF ALLOCATION OF CAPITAL RAISED						
(Amounts in € thous.)						
	Amount Raised	Areas of Allocation of Capital Raised according to the Prospectus' Objectives	Allocation of Capital Raised according to the Prospectus' Objectives	Total Allocated Amount during the period 21/07/2017 until 31/12/2017	Total Allocated Amount during the period 01/01/2018 until 31/12/2018	Balance for utilization as of 31/12/2018
		Within the 2-year period (2017-2018) Amount of €40,000 will be used for the:				
Total Capital Raised	60.000	(i) Construction of two (2) wind farms in the Central and Western Macedonia Regions	40.000	21.537	-	-
		(ii) Construction of one (1) wind farm in the in the State of Texas, USA		-	18.463	
		Amount of €18.744,6 will be utilized for the:				
		(i) Project "Installation of Urban Solid Waste Processing Plant of Epirus Region" within the 3-year period (2017-2019) and	18.745	6.039	-	12.706
(ii) Project "Integrated Waste Management of the Peloponnese Region through PPP" within the 2-year period (2017-2018) *	-	-				
Expenses of Common Bond Issuance (CBI)	(1.265)					
Total	58.735	Total	58.745	27.576	18.463	12.706

* As presented in the table of allocation of capital raised, the amount € 12,705.6 thousand has not been yet allocated under the provisions of paragraph 4.1.1 of the prospectus dated 12th July 2017. The fact that this amount has not been allocated is not due to the Company's fault but instead it is due to delays resulting from the signing of the Partnership Agreement on 14/06/2018 and is expected to be settled directly by the Region of Peloponnese with the completion of all legal procedures to allow for the compulsory expropriation of property in order for the company "ENVIRONMENTAL PELOPONNESE MAE" to be able to legally settle in the areas under expropriation.

Athens, 20 March 2019

The Chairman of the BoD

The Managing Director

The Chief Accountant

Vasileios Delikaterinis

Aristotelis Spiliotis

Artan Tzanari

Report on the Findings from the Conduct of Agreed-upon-Procedures on the "Allocation Report of Raised Capital"

To the Board of Directors of "TERNA ENERGY SINGLE PERSON FINANCE SOCIETE ANONYME"

Pursuant to the assignments we received from the Board of Directors of TERNA ENERGY SINGLE PERSON FINANCE SA (the "Company"), we conducted the following agreed-upon-procedures within the framework of the provisions of the Athens Stock Exchange regulatory framework and the relevant legislative framework of the Capital Market Commission regarding the Report on the Allocation of the Capital Proceeds of the Company regarding the issue of a Common Bond Loan, which was conducted by the 27.06.2017 decision of the Board of Directors of the Company. The Management of the Company is responsible for the preparation of the aforementioned Report in accordance with the applicable regulations of the Athens Stock Exchange and the Hellenic Capital Market Commission and according to the Prospectus of 12 July 2017. We conducted this work in accordance with the International Standard on Related Services 4400, which applies to "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information". Our responsibility is to perform the following agreed-upon-procedures and to disclose our findings to you.

Procedures

1. We examined the consistency of the Table of Raised Funds per Investment Sector included in the Report with the data recorded in the Prospectus issued by the Company on July 12, 2017.
2. We compared the total of the amounts referred to as "Allocation of raised funds (after deduction of the issuance expenses)" in the Table, with the corresponding amount recognized in the basic accounting records of the Company and the Parent Company TERNA ENERGY SA, as coverage of the Bond Loan issued by the Parent Company, based on the information in the Prospectus of July 12, 2017 in paragraph 4.1.1.
3. We compared the amounts referred to as allocated amount in the Table, with the corresponding amounts recognized in the basic accounting records of Parent Company TERNA ENERGY SA and related investments of its subsidiaries up to 31 December 2018.
4. We examined whether the raised funds from the Common Bond Loan have been disbursed by the parent company TERNA ENERGY SA until 31 December 2018 according to their intended uses, based on the information in the Prospectus of July 12, 2017 in paragraph 4.1.1, by examining through sampling the documents that support the relevant accounting records.
5. We examined whether the raised funds from the Common Bond Loan have been disbursed by the aforementioned related investments of subsidiaries until 31 December 2018 according to their intended uses and within the timetables, based on the information in the Prospectus of July 12, 2017 in paragraph 4.1.1, by examining sampling the documents that support the relevant accounting records.

Findings

We have ascertained the following from the performance of the aforementioned procedures:

1. The content of the Report complies with the Prospectus, issued by the Company on July 12, 2017.

2. It has arisen from the basic accounting records of the Company and Parent Company TERNA ENERGY SA results that the total of the amounts referred to as the "Allocation of Raised Funds (after deduction of the issuance expenses)" in the attached Report were invested by the Company in the Parent Company, through intra-group borrowings, based on the disclosure in the Prospectus of July 12, 2017 in paragraph 4.1.1.
3. The amounts per utilization category that are referred as raised capital in the Table derive from the basic accounting data of Parent Company TERNA ENERGY SA and related investments of its subsidiaries up to 31 December 2018.
4. By examining the relevant supporting documents on sampling basis, we have verified that the proceeds from the issue of the common bond loan have been allocated in accordance with their intended uses, based on the information in the prospectus of July 12, 2017 in paragraph 4.1.1.
5. By examining the relevant supporting documents and the accounting entries of the related investments of its subsidiaries we have verified as follows:
 - The total amount of €46.039 k was disbursed until 31/12/2018 based on the information in the Prospectus of July 12, 2017 in paragraph 4.1.1. and
 - The amount of €12.705,6 k was not disbursed until 31/12/2018 based on the information in the Prospectus of July 12, 2017 in paragraph 4.1.1. As at December 31, 2018, the aforementioned amount is included in cash available of the subsidiary company "PERIVALLONTIIKI PELOPONNISOUS MAE".

Given that the performed procedure do not constitute an audit or a review in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance beyond what is mentioned above.

If we had conducted additional procedures, or if we had conducted an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that we would have disclosed to you.

Use Restriction

This report is addressed exclusively to the Company's Board of Directors, in the context of meeting its obligations under the current Regulatory Framework of the Athens Stock Exchange. Therefore, this report may not be used for any other purpose, as it is limited to the items listed above and is not extended to the financial statements prepared by the Company for FY ended on December 31st 2018 for which we have issued a separate Independent Auditor's Report dated on March 21st 2019.

Athens, 21 March 2019

The Certified Auditor Accountant

Dimitra Pagoni

SOEL Reg. No 30821



Chartered Accountants Management Consultants
56, Zefirou str., 175 64 Palaio Faliro, Greece
Registry Number SOEL 127