TERNA ENERGY FINANCE

SOCIETE ANONYME

ANNUAL FINANCIAL REPORT

For the period

from 1st January to 31st December 2020

In accordance with Article 4, Law 3556/2007 and the relevant Executive Decisions

of the Hellenic Capital Market Commission Board of Directors

124 Kifisias Avenue & 2 Iatridou Street, 115 26 Athens, Greece

GENERAL ELECTRONIC COMMERCIAL REGISTRY (GEMI) 140274801000

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(Amounts in thousand Euro unless stated otherwise)

I. REPRESENTATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS
(in compliance with Article 4, Par. 2 of Law 3556/2007)

The following representatives:

1. Vasileios Delikaterinis, Chairman of the Board of Directors
2. Aristotelis Spiliotis, Managing Director
3. Dimitra Chatziarseniou, The Vice-Chairman 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 appointed for the specific purpose by the Board of Directors of the Societe Anonyme under the name "TERNA ENERGY FINANCE SOCIETE ANONYME" (henceforth called as the "Company" for brevity reasons), we declare and certify to the best of our knowledge that:

(i) The attached annual financial statements of the Company for the annual period from January 1st 2020 to December 31st 2020, prepared according to the applicable accounting standards, present truly and fairly the assets and liabilities, the equity and the financial results of the Company, and

(ii) The attached BoD Report depicts in a true manner the information required according to the provisions of Paragraph 6, Article 4 of Law 3556/2007, i.e. the development, performance and position of the Company, including the description of the main risks and uncertainties that the Company faces.

Athens, 27 April 2021

Chairman of the BoD	Managing Director	Vice-Chairman of the BoD
Vasileios Delikaterinis	Aristotelis Spiliotis	Dimitra Chatziarseniou

II. ANNUAL REPORT OF THE BOARD OF DIRECTORS OF TERNA ENERGY FINANCE SINGLE PERSON SOCIETE ANONYME ON THE FINANCIAL STATEMENTS FOR FISCAL YEAR 2020

To the Regular General Meeting of Shareholders

Dear Shareholders,

The present Annual Report of the Board of Directors, which concerns the FY 2020, was prepared and is in line with the provisions of Law 4548/2018 as well as of the article 4 of Law 3556/2007.

This Report includes financial and non-financial information of the Company for the year ended 31/12/2020 and describes significant events that took place during that period as well as their impact on the Company's course of business and prospects. It also describes the main risks and uncertainties that the Company may face in the coming year. Finally, the significant transactions between the Company and the related parties are presented.

The financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

The Company was founded on 14/10/2016 under the title "TERNA ENERGY FINANCE SOCIETE ANONYME" and the distinctive title "TERNA ENERGY FINANCE S.P.S.A.".

The Company’s operations focus on the following:

- investment and financing the operations of the parent Company and/or its affiliated companies and entities,
- intermediation in financing by third parties of the companies and businesses affiliated with the parent Company,
- provision of services and consultancy to companies and entities affiliated with the parent Company regarding the capital structure and in general their financing, and
- in general terms, undertaking any project, service and any activity or any other action which is relevant to the above scope of the parent Company’s operations or generally is performed in the context of that scope.

The Company is fully supported by TERNA ENERGY S.A., which has a complete influence on the decisions, management and operation of the Company and exercises control over them. Substantially, this is a fund with the objective of implementing selected investments indicated by TERNA ENERGY S.A., sole shareholder of TERNA ENERGY FINANCE S.A. The Company, apart from its investment in the bonds of TERNA ENERGY S.A., has no further business activity, no market activity and no other assets.

In case TERNA ENERGY S.A. ceases to assist the Company at the management and operating level or is unable to fulfill its contractual obligations to the Company under the terms of the Intra-Group Loan, this may have a material adverse effect on: a) Company’s ability to fulfill its obligations mainly due to inadequate cash flows and revenue, b) the trading price of the Company's Bonds on the ATHEX, c) the results, the financial position and the prospects of the Company.

The operating framework, financial developments and risks/ uncertainties, as well as the Company's prospects are described as follows:

A. Financial Developments and Performance of FY 2020

Year 2020 was a reversal of the course that had begun in 2019, according to analysts, national governments, international organizations, but also companies, investors and other figures influencing global economic developments, due to the aggressive outbreak of COVID-19 pandemic and the tragic consequences it has had on almost every society on the planet. The coronavirus has found the majority of national governments, as well as the relevant global health policy planning and implementation bodies, unprepared for such a deadly virus pandemic, resulting in a long delay in taking drastic measures to deal with it whereas lives were lost at a rate that has surpassed the corresponding rate of great war conflicts of the mankind.

In addition to the personal and family hardships faced by those who were infected by the coronavirus, the economic consequences of the pandemic gave a real tragedy to the daily lives of the citizens, who had to adapt violently and in a very short time to the new conditions created by of the killer virus. The effects on the world economy have not been accurately estimated as COVID-19 is still present, mutating into other forms and threatening humanity with the collapse, among other things, of the global economic system.

Just as the political leadership of each country tries by all appropriate means to identify the danger and to defend itself, so the Greek state reacts with the means at its disposal and tries to assess the risk of the deterioration of the state of national economy at a time when the first signs of recovery were evident after the severe economic and debt crisis that has plagued institutions and citizens over the last decade.

The course and prospects of the Greek economy are monitored by the competent authorities and especially by the Bank of Greece, which, on December 15, 2020, submitted to the President of Parliament the Monetary Policy Report, which records the following:

"A. The baseline scenario predicts that the rate of change of GDP will be -10% this year, while in 2021 and 2022 economic activity is expected to recover at a rate of 4.2% and 4.8% respectively, as it is estimated that both domestic and external demand will be significantly strengthened.

B. In the mild scenario, which assumes that measures of social distancing and inhibition of many sectors of economic activity will be lifted faster and the transition period towards normalcy will be relatively short, GDP is estimated to decline by 9% in 2020 and post an increase by 4.8% in 2021 and 5% in 2022.

C. According to the adverse scenario, which assumes that the effects of pandemic will be more severe and the economic recovery will be more difficult, GDP is estimated to decrease by 11% in 2020 and increase by 3.2% and 4.5% in 2021 and 2022 respectively.

D. According to the revised forecast of the Bank of Greece (hereinafter BoG), the primary result of the general government in 2020, according to the methodology of enhanced supervision, is expected to worsen compared to the forecast of June and to form a deficit of 7.3% of GDP, due to the greater reduction of economic activity and additional budgetary interventions. Nevertheless, the BoG estimates that the risks to government debt sustainability remain limited until the early 2030s. Thus, the estimated *increase in the debt-to-GDP ratio and gross financing needs to GDP is not expected to undermine medium-term sustainability provided that fiscal interventions to deal with the pandemic are temporary and the macroeconomic balance is restored soon.*

E. On the front of the "red" loans (NPLs), the BoG predicts, after their decline in 2020 (they amounted to 58.7 billion Euros at the end of September 2020, reduced by 9.8 billion Euros compared to the end of December 2019), a new increase in 2021 due to the pandemic. For this reason, the Bank of Greece has submitted to the government a proposal for the creation of an asset management company, which will take over the management of a significant percentage of NPLs, while at the same time the proposal provides for addressing the issue of deferred tax asset (DTC).

F. In conclusion, the BoG considers that despite the blow suffered by the Greek economy from the second wave of the pandemic, in the medium term its prospects appear improved, due to the positive news regarding the production and distribution of effective coronavirus vaccines, as well as due to available resources from the European Recovery Fund."

The uncertainty and insecurity that the coronavirus has brought to almost the entire planet, regardless of economic and social level, and the upheavals that these characteristics cause in economic performance are obvious. Especially for companies, and even more so for listed companies, uncertainty about the true level of their value can lead to speculative investment trades by opportunistic investment funds in order to overturn the traditional ownership of these companies to their advantage. Such a development will increase the uncertainty, especially of the employees, regarding the future of their work and will create conditions of social aggravation and general suspicion for the accuracy and correctness of their published financial statements. The role of auditing firms and financial market watchdogs will become extremely critical and the investors' community will have to look more closely at the quality and value of a company's results and valuation before deciding to invest accordingly the available capital. This development brings back to the forefront the long-running issue of interest to the investment and academic community of the relationship between the valuation of a company and the quality of its accounting profits.

TERNA ENERGY Group, of which TERNA ENERGY FINANCE SPSA is a member, strongly committed to its development strategy and the realization of its vision, constantly improves and modernizes the structures and operating systems, selects with special care the executives personnel that is needed from the market, trains its staff in modern digital systems and in the obligation to comply with the provisions of the corporate governance system, the other provisions of the Internal Regulations, as well as the rules imposed by the competent bodies of the State for the relations of companies with their members of the Board. Also, reacting quickly and sensitively for the health and safety of its human resources, it took all the necessary measures, set up a special committee to deal with the coronavirus and ensured that ALL employees in GEK TERNA Group, including TERNA ENERGY, take full care of the current situation in terms of the COVID-19 and its mutations. The Committee systematically monitors the development of the pandemic, is immediately informed of any critical factors of its spread and guides the necessary actions to be taken by the Management and each employee throughout the Group in order to minimize the risks of the phenomenon and the impact on the course of the company. At the same time, it has concluded an agreement with a special diagnostic center for the examination of all its human resources with the aim of protecting the personnel until the end of the pandemic and restoring social life to normalcy. Finally, it has shielded the workplaces for those employees who continue to work in their offices by implementing the most stringent measures decided by the competent scientific committee of the Greek State.

This policy and the nature of the activities of the TERNA ENERGY SA Group, have protected the Group from the related risks and have allowed the Management to continue its development course, not directly affected by the spread of the virus. Keeping personnel on standby and limiting their communication with a few external partners, combined with the lack of contact with large groups of customers / consumers give the Company the opportunity to focus on its goals and not be directly and greatly influenced by evolution of the pandemic phenomenon. For these reasons, TERNA ENERGY continues to invest in the generation of energy through Renewable Sources (RES), fully focused on achieving its goal of exceeding 2 GW of installed capacity within the next 5 years.

Basic Financial Figures:

The Company in 2020 realized Interest Income of € 5,366 thousand compared to € 3,152 thousand of the previous year, recording an increase of 70.24%.

The results of the Company recorded a profit of € 824 thousand compared to losses of the previous year amounting to € 892 thousand.

Finally, the liquidity ratio of the Company (Current Assets over Current Liabilities) settled at 3.91.

The above changes are due to the raising of funds amounting to € 150 million during the fiscal year 2019, compared to the old Common Bond Loan (CBL) that was repaid in 2019 and concerned the raising of € 60 million.

Regarding the allocation of the new bond of TERNA ENERGY FINANCE SA amounting to € 150,000 thousand, it has been decided to use the capital proceeds for the period 22/10/2019 to 31/12/2022 as follows:

	Area of investment	Amounts in € thousands
4th quarter 2019		
1	Total repayment of Short-term Bank Loan of the Guarantor (used to repay CBL 2017).	€ 60,000
2	Partial repayment of Short-term Bank Loan of the Guarantor used to repay part of the consideration for acquisition of the wind park “Bearkat I” in Texas, USA	€ 30,632
Period 2019 – 2022		
3	Construction of 14 wind parks in Greece, of a total capacity of 218 MW by the Guarantor or by the Subsidiaries of the Guarantor (either through intra-group loan from the Guarantor to the subsidiaries or through a share capital increase in the Subsidiaries by the Guarantor).	€ 56,000
Total investments		**€ 146,632**
(-)	Estimated CBL issuance expenses	€ 3,368
Total capital proceeds by the Issuer		**€ 150,000**

Until 31.12.2020, from the above capital proceeds, a total of € 120,818 thousand had been allocated whereas the unallocated balance amounted to € 25,814 thousand.

B. Significant events during the FY 2020

- On 20/01/2020, the Extraordinary General Meeting of the Company's shareholders elected Mr. George Kouvaris, as a new independent non-executive member of the Board of Directors, who meets the independence criteria of Law 3016/2002, replacing Mr. Konstantinos Baslis for the rest of his term, that is until 30 June 2022 at the latest.
- The Company's Board of Directors, following its meeting on 07/02/2020, decided on the appointment of Mr. Konstantinos Papadakis, father's name Nikolaos, Economist, as the Company's Internal Auditor, replacing Ms Theodora Fetsi, father's name George.
- On 27/07/2020, the Company announced, based on its contractual obligations arising from the 22.10.2019 Common Bond Loan (CBL) Issuance Program, amounting to one hundred and fifty million Euros (150,000,000 €), that the revaluation of the creditworthiness of the Guarantor company "TERNA ENERGY SA", from the credit rating company ICAP SA placed the former in rating "A". "A" rating indicates a very low credit risk and is attributed to companies that are able to meet their obligations even in adverse economic circumstances and therefore their creditworthiness remains consistently high. Businesses with "A" rating are characterized by very strong financial figures, upward trend in their performance and by their important position in the market.
- **COVID-19 pandemic** - At the end of December 2019, the new coronavirus strain SARS-CoV-2, which causes coronavirus disease (COVID-19), appeared in China. In the following months, coronavirus disease (COVID-19) spread rapidly worldwide and on March 11, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. The COVID-19 pandemic has led to an unprecedented crisis in global health and in the global economy. In Greece, the virus was first detected at the end of February 2020, leading to a national quarantine (For details see Section D. "Risks and Uncertainties").

C. Significant events following the closing FY 2020

• Unprecedented extreme weather conditions in the Texas, USA, in February 2021 and their impact on the TERNA ENERGY Group's activities (CBL Guarantor)

Briefly, we report the unprecedented extreme weather conditions prevailing in February 2021 in the State of Texas, USA (hereinafter referred to as the "Natural Phenomenon") where the Group TERNA ENERGY S.A. operates [through TERNA DEN LLC sub-Group (which includes the subsidiaries in the USA that own and operate TERNA ENERGY sub-Group's 3 Texas Wind Farms - Fluvanna 1, Fluvanna 2/Gopher Greek and Bearkat I – of total capacity 510MW),, and their impact on the Group's operations as described in Note 49 "Events after the reporting period" in the published financial statements for the year ended 31.12.2020. It is regarded as a non-adjusting event according to the provisions of IAS 10 "Events after the Reporting Period" and, therefore, is not recorded in recognition and measurement of assets and liabilities in the annual financial statements of TERNA ENERGY sub-Group and GEK TERNA Group for the year ended 31.12.2020.

General description of the Natural Phenomenon

On 11.02.2021, conditions of cold weather of unprecedented intensity and severity hit most areas of the State of Texas, adversely affecting all three wind farms of TERNA ENERGY sub-Group - Fluvanna 1,

Fluvanna 2/Gopher Greek and Bearkat I of total capacity 510MW (hereinafter "the Wind Farms") as well as a significant number of other Texas power plants (not just renewables but also gas, coal and nuclear power plants).
The effects started to hit the State with severity and a state of emergency was declared in all 254 counties of Texas as early as 12.02.2021. Extremely low temperatures down to -22oC were observed, with alternating pattern of snowfall and icy rain, while the accumulation of ice on the blades of the Wind Farms' wind turbines resulted in their being forced offline due to eccentric load.

Effects of the Natural Phenomenon on Energy Consumption, Energy Infrastructure and Energy Costs

Extremely low temperatures resulted in
(a) a sharp increase in gas and electricity consumption (in the case of electricity, a 20% higher consumption was recorded compared to that projected by the system administrator)
(b) insufficient supply of power generation that could not satisfy the surge in demand. Deep cold widely affected the electromechanical equipment in the energy infrastructure. The electricity transmission and distribution network sustained significant damage. Due to the combination of the aforementioned factors, the electricity generation capacity was significantly affected.
(c) the implementation of controlled/rolling black outs by ERCOT in order to prevent a statewide blackout and limit electric demand to the available (reduced) generation supply. Generation capacity in the Texas system was at 50% of what was declared as available before the commencement of the Natural Phenomenon
(d) combined conditions of increased consumption and reduced production led to a dramatic increase of the price of electricity which increased from a level of $ 20/MWh to $ 9,000/MWh, which is the maximum price (cap) permitted by ERCOT.

Effects of the Natural Phenomenon on TERNA ENERGY sub-Group's operations

Special energy market operation and financial burden on energy producers
Due to the generally strong fluctuations in wholesale electricity prices in Texas, 85% of total electricity generation at ERCOT is allocated through tariff hedging contracts, which, in practice allocate the risk between producers and their counterparties. In particular, the producers assume the obligation and the risk of production according to an agreed profile (which is different per day, per season, or per hour, depending on the producer), while the counterparty assumes the obligation and the risk of purchasing the produced energy according to the agreed energy profile, at a specific price. In case the energy production deviates from the contractual profile, the market price is used. In this case, as the producers could not produce energy for delivery to their counterparties according to the contractual provisions (as happened with TERNA ENERGY sub-Group's Wind Farms), the counterparties purchased such energy from the open market at the prevailing price of $ 9,000/MWh and invoiced to the producers the difference between the energy acquisition price and the respective agreed/contractual price (approximately $ 20/MWh), thus causing huge financial burdens on the producers.
It is noted that all 3 Wind Farms in Texas, returned to full operation between 20 and 23 February 2021.

Financial burden on the Group as a result of the Natural Phenomenon
In the case of TERNA ENERGY sub-Group's three Wind Farms, these conditions generated an energy shortfall of approximately $ 30 million per day and ultimately amounted to $ 179.4 million. In particular, the counterparties Merrill Lynch Commodities, Inc., Morgan Stanley Capital Group Inc. and JPMorgan Chase Bank respectively, (hereinafter referred to as "Hedge Providers"), on the basis of the existing hedge contracts with the Wind Farms, issued Liquidated Damages invoices, covering the period from 13

to 19 February 2021, totally amounting to $ 179,410,942, allocated as follows: Fluvanna 1 $ 32,691,587, Fluvanna 2/Gopher Creek $ 69,656,417 and Bearkat $ 77,062.938.

These invoices were contested in writing by TERNA ENERGY sub-Group as the Management of TERNA ENERGY sub-Group invokes the occurrence of a Force Majeure Event.

TERNA ENERGY sub-Group's Management Actions - Potential effects on the Group's operations and financial position for the year 2021

The previous risk review was performed with the contribution of the best market consultants that put forward no relevant remarks as to the risk of occurrence of a similar event. At the same time, insurance coverage could not cover the event, as no projections were made for such an event in the risk analysis of the insurance companies.

TERNA ENERGY sub-Group's Management reacted quickly, from the first moments of the Natural Phenomenon and took all the necessary actions in order to timely notify the Hedge Providers about the occurrence of a force majeure event. In doing so, the objective of TERNA ENERGY sub-Group's Management was to activate the relevant contractual provisions releasing the 3 Wind Farms from the obligation to deliver energy to the Hedge Providers due to force majeure.

The Hedge Providers did not accept the occurrence of a force majeure event and, in February 2021, proceeded with the issuance of "Liquidated Damages invoices", which cover the period from 13 to 19 February 2021. The total amount of such claims stood at $ 179,410,942.

The Hedge Providers of Fluvanna 1 and Fluvanna 2/Gopher Creek have issued notices of an event of default, whereas the Hedge Provider of Bearkat I has issued a notice of a potential event of default. For the projects Fluvanna 2/Gopher Greek and Bearkat 1, "Standstill Agreements" have been signed with the Hedge Providers (ending on 21/05/21 & 30/04/21 respectively, without excluding the possibility of further extension). As far as Fluvanna 1 project is concerned, the forbearance period has begun, within which the Tax Equity Investor may, if the Tax Equity Investor so wishes, exercise its contractual cure rights by paying the amount of the Morgan Stanley Capital Group Inc. invoice, while at the same time making efforts aimed at signing a similar "Standstill Agreement" if the deadline for exercising the cure rights of the Tax Equity Investor expires without any action taken.

Throughout the period from the beginning of the phenomenon and until the accompanying financial statements approval date, the daily discussions with all the stakeholders (Hedge Providers, Tax Equity Investors, Lender) and their legal advisors continue with increasing intensity in order to minimize the impact on TERNA ENERGY sub-Group. While these discussions are ongoing, TERNA ENERGY sub-Group's Management is considering three potential courses of actions: (a) applying to the competent courts and initiating legal action against the Hedge Providers; (b) finding a mutually acceptable commercial solution to the dispute with the Hedge Providers; and (c) divestment from the US investments (Class B interests). At this time no final decisions have been reached.

In the event that, due to objective circumstances, TERNA ENERGY sub-Group's Management ultimately elects the third of the above courses of actions, namely divestment, then the most unfavorable outcome of such a course of action would be for the sale of the entities of Terna DEN sub-group to be effected for $ 1, to a party that will ultimately decide to cure the alleged events of default under the hedge contracts by paying the amounts of the disputed invoices (it is clarified that the amount of $ 1 is purely nominal and is used solely for the purpose of assessing the impact of the worst case scenario of a divestment on TERNA ENERGY sub-Group's financial position).

As at 31.12.2020, the financial sizes of the sub-Group TERNA DEN LLC stood at total assets of € 565.8 million, i.e. representing 28,7% of the total assets of the Group, while the liabilities amounted to € 466.6 million, i.e. representing 31,5% of the total liabilities of the Group. A potential deconsolidation of the companies constituting TERNA DEN LLC Sub-Group as a result of their sale for $ 1, would lead to the recognition of an accounting loss burdening the consolidated financial results, estimated in the amount of approximately $115 million (i.e. approximately € 97.4 million, depending on the fluctuations of the $/€ exchange rate).

The obligations arising from all projects in the USA have no recourse neither to the parent company of TERNA ENERGY nor to the upper parent company TERNA DEN LLC. Therefore, given a potential loss of the above investments, apart from the accounting loss, no further liquidity or financing issues regarding TERNA ENERGY sub-Group and the parent Company (CBL Guarantor) are expected to arise within the following 12 months, as this event is not expected to have a further impact on future cash flows of TERNA ENERGY sub-Group.
The Group's Management has analytically examined all the above events while assessing their impact on the operations in 2020, given the events and circumstances at the accompanying financial statements approval date. Management estimates that the consequences of the above events may have a significantly adverse impact on the Group's financial position in 2021. However, the Group's Management estimates that these consequences do not generate uncertainty regarding the ability of the Group and the Company to continue as a going concern, i.e. they do not affect the adequacy of the basis for the preparation of the Guarantor's consolidated and separate financial statements based on the going concern principle.

D. Risks and Uncertainties

Based on what has been extensively mentioned in the "Introduction" of the present report, the Company is operatively supported by TERNA ENERGY SA, which fully influences the decisions, the Management and the operation of the Company and exercises control over them. In the event that TERNA ENERGY SA ceases to assist the Company in terms of management and operation or is unable to fulfill its contractual obligations to the Company, under the terms of the Intragroup Loan, this may have substantial negative consequences to the following: a) the ability of the Company to fulfill its obligations, mainly due to insufficient cash flows and revenues, b) the trading price of the Company Bonds on the Athens Exchange, c) the results, the financial position and the prospects of the Company.

Taking into account the above, the main risks and uncertainties in the business activities of the Company are directly related to those of the TERNA ENERGY Group (hereinafter "Group") and for this reason, the report on the Main Risks & Uncertainties of the Company should be combined with section E of the Annual Report of the Board of Directors of the parent company, sole shareholder and Guarantor, TERNA ENERGY SA, with regard to the annual period ending on 31.12.2020, where a detailed reference is made to the risks of TERNA ENERGY SA (hereinafter the "Group"). The consolidated and separate financial statements of TERNA ENERGY SA for the year ended 31.12.2020 have been approved by the Board of Directors of the Company on 27.04.2021 and have been posted on the internet on its website www.terna-energy.com, as well as on ATHEX website.

In synopsis, we present the main risks and uncertainties in the activities of the TERNA ENERGY SA Group, as described in the published financial statements for the year ended 31.12.2020 and which are summarized in the following:

<u>Credit risk</u>

All receivables of the energy sector concern the wider Public sector in the domestic (Greek) market (including DAPEEP and HEDNO) and abroad, while the same applies to the concessions sector as well as to most of the receivables of the construction sector.
The Group traditionally, due to the nature of its operations, is not exposed to significant credit risk in terms

of trade receivables, except for delays in receipts from DAPEEP, which have been significantly reduced by the application of Law 4254/14.

Currency risk

The Group operates, apart from Greece, in Eastern Europe and the United States of America and therefore may be exposed to foreign exchange risk that may arise from the exchange rate of the Euro against the other currencies. To address this risk, the Group's financial management department systematically monitors exchange rate changes and ensures that they do not have a negative impact on its cash position.

Interest rate risk

The Group's policy is to minimize exposure to interest rate risk in terms of long-term financing of its operations. As part of this policy, the long-term loans received by the Group either have a fixed interest rate or are being hedged for almost their entire duration.

Market risk analysis

The Group is not exposed to any risk for its financial assets.

Liquidity risk analysis

The liquidity of the Group is considered satisfactory, as, in addition to the existing cash, the operating wind farms generate continuous, satisfactory cash flows.

Special note on the effects of coronavirus COVID-19

TERNA ENERGY Group holds a leading position in the sector of renewable energy sources. With a portfolio of projects of total capacity approximately 2,000 MW (in operation or under construction), it is the largest investor in the Renewable Energy sector in Greece, but also the largest Greek company in the segment internationally, with a significant presence in the USA and Southeast Europe. The Management's position is that the Group operates in the segments that are more defensive during the phases of the business cycle, which investors recognize as "safe haven" that provide stable recurring cash flows even in times of turmoil and uncertainty, such as the existing one. Furthermore, during the Greek financial crisis (i.e. the most difficult and longest financial crisis in Europe), the Group has already proven its ability to grow and strengthen its market position. The public policy measures that have been taken and/or will be taken by the Greek government in order to limit the spread of COVID-19, are not expected to lead to disruption of the Group's operations.

At the end of December 2019, the new coronavirus strain SARS-CoV-2, which causes coronavirus disease (COVID-19), appeared in China. During the following months, coronavirus disease (COVID-19) spread rapidly worldwide and on March 11, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. The COVID-19 pandemic has led to an unprecedented crisis in global health and the economy. In Greece, the virus was first detected in late February 2020, leading to a national quarantine. In the beginning of May, a gradual lifting of quarantine restrictions started, which lasted until June. During the summer, however, the increase in COVID-19 cases in Greece led to the early end of the tourist season and imposition of restrictive measures. Measures of limited reopening of stores were implemented during the festive period of Christmas. Throughout the pandemic, the Group constantly acts based on the instructions and decisions of all the competent institutions, observing the requirements and the action plan adopted by the Greek authorities.

The health crisis caused by coronavirus pandemic (COVID-19) has led the global economy to a period of uncertainty and instability, whose consequences are difficult to assess based on the currently effective data, since the pandemic is still ongoing. The economic impact will depend on the term and intensity of the recession, as well as the prospects for recovery. To address the health and, consequently, economic aspects of the pandemic, governments around the world have already launched ongoing mass vaccination programs to cover the entire population and build the required immune wall, which will lead to a normality. Based on the fact that the pandemic has not yet been fully controlled, in combination with the presence of mutations in the virus altering its transmissibility and effectiveness of vaccines, this risk remains one of the main risks faced by the Group.

Group Organizational Planning

Applying an extremely high sense of responsibility, towards its customers, employees, suppliers, partners and investors, the Group's Management monitors the developments in respect of the coronavirus disease (COVID-19), studying the potential risk factors that could affect the Group's financial position, operations and results.

Following the first announcements and until currently, when conditions are still developing, the Group's Management with the highest priority health and safety of its employees and associates, acted with speed and determination, designed and immediately started implementing a plan of measures and actions, mainly aimed at the following:

- Creating a safe working environment for all the employees in parallel with the adoption of distance working policies, when deemed possible and necessary. The Group has taken a number of precautionary measures, including a large-scale teleworking plan (covering, over this period, over 50% of the staff). In addition, the Group provided communication channels for health consultation and psychological support for all the employees.

- Establishing a special Committee for addressing coronavirus effects and securing that ALL its employees have been provided with absolute protection and care against COVID-19 and its mutations. The Committee systematically monitors the development of the pandemic, is immediately informed about any critical factors of its spread and guides the necessary actions to be taken by the Management and every employee in the entire Group in order to minimize the risks of the phenomenon and their impact on the course of the Company's operations. At the same time, it has signed an agreement with a special diagnostic center on the testing all members of its human resources with the objective to protecting them until the end of the pandemic and restoring social life to normality. Finally, it has shielded the workplaces for those employees working at their offices by imposing the most strict measures decided by the competent scientific committee of the State.

- Securing and utilizing the most modern information technology to limit transportation and minimize travel, implementing teleconferencing (video calls), as well as modern, flexible ways of working depending on the individual or special needs of groups of employees.

- Establishing and adopting extremely strict operating rules at all points of presence and operation of the Group in Greece and abroad, in order to constantly confirm the highest possible level of security for all.

- **Effects arising from the coronavirus pandemic (COVID-19) and their mitigation measures**

The Group has taken all the necessary measures in order to continue the development of its core operations, continuing the exploitation of RES and implementation of its investment plan in the energy segment, strengthening the efforts aimed at stabilizing the Greek economy and improving prospects of employment.

In particular, the Management examined the specific conditions that could have a significant impact on the business activities of the RES operating segment as well as the risks to which it is exposed. Based on current events and conditions regarding the COVID-19 pandemic, such issues are analyzed as follows.

No interruption or other adverse impact on the Group's facilities that are in operation occurred in the RES electricity segment in Greece. Regarding RES facilities under construction, no delays have been caused due to the coronavirus pandemic (COVID-19) until today and the estimated time of completion and commissioning of the projects has not changed. Although the aforementioned effects are expected to be only temporary, there is uncertainty as to their extent and duration. Therefore, currently, their financial impact on the Group cannot be estimated.

In 2020, a one-time extraordinary contribution was imposed on RES electricity generators, put into regular or trial operation prior to December 31, 2015 (Government Gazette 245 / 09.12.2020). The lump sum extraordinary contribution equals 6% of electricity sales for the year 2020. Regarding the Group, the respective extraordinary contribution stood at € 5,252 k and was included in the item "Other income/(expenses)" of the consolidated Statement of Comprehensive Income. The total estimated increase of the Special Account for Renewable Energy Sources (ELAPE) revenues from the aforementioned contribution stood at € 110 million.

Regarding the proceeds of the Group's revenues, no delays were recorded in 2020. The Management states the following: 1) any delay in the collection of the Group's revenues by the Renewable Energy Sources Operator & Guarantees of Origin (DAPEEP) does not currently seem to exceed the production value of six months, as happened in the past. Within the next year, a collection delay of six months will create, albeit temporarily, a cash issue of special attention amounting to € 118 million. This risk is general, applies to all RES producers and does not only concern TERNA ENERGY. The Group's cash liquidity (€ 344 million - cash available € 291 million and restricted deposits € 53 million as at 31/12/2020) allows the Management to manage any potential cash problem with relative ease, without interrupting the pace of implementation of the investment plan. In case the delay exceeds 6-8 months of production, the Management will reschedule its investment plan, business and cash planning so as to meet the increased cash needs and limit the adverse consequences. Controlled deceleration and / or, where appropriate, cancellation of planned investments will be unavoidable if the delay in recovery exceeds reasonable limits and market operating practices. Even so, even in such a case, the Group, due to its size, ability, experience and determined strategy, is ready to fight in order to maintain its leading position in the RES market and to continue its superiority over the competition.

Although estimates regarding the impact of the pandemic on the global and domestic economy vary, the Management estimates that the Group's operations, financial performance, cash flows and financial position will not be significantly affected. In any case, the Management ensures maintenance of the smooth operation - both in the Greek territory and abroad, where the Group operates, applying procedures of ongoing identification and evaluation of all risks that may arise in the near future. The Management plans and implements measures to address any identified risk in order to limit its adverse effects to the minimum possible, in direct, ongoing and systematic collaboration with the Risk Managers and the Group's executives. The Group's organizational efficiency and the ongoing care of the Management to assign its managers by project and specific issue, depending on the required ability and experience, have created a proven capable, flexible and effective mechanism for addressing any possible crisis in any Group's company whenever required. Following this basic principle, the Management as well as the aforementioned mechanism immediately react in order to address the epidemic crisis with prudence, calm and strategic perspective.

The impact of COVID-19 is not expected to be significant to the Group and the Company. The Management has estimated that there is no significant uncertainty regarding the Company's and its subsidiaries' ability to continue as a going concern.

E. Prospects and Outlook

The Company is a monetary capital, which is intended for the implementation of selected investments indicated by TERNA ENERGY SA (exclusive shareholder and Guarantor of the Bond Loan). As the Company has no other business activity, apart from its investment in the bonds of the Intragroup Loan issued by TERNA ENERGY SA, is not active in any market and has no other assets.

Taking into account the above, the prospects of the Company should be read in conjunction with section D of the Annual Report of the Board of Directors of the parent company, sole shareholder and Guarantor, TERNA ENERGY SA of the annual period ending 31/12/2020, where a detailed reference is made to the prospects of the TERNA ENERGY SA (hereinafter "Group"). The consolidated and separate financial statements of TERNA ENERGY SA for the year ended 31.12.2020 have been approved by the Board of Directors of the company on 27.04.2021 and have been posted on the internet on its website www.terna-energy.com, as well as on the Athens Exchange website).

Prospects of TERNA ENERGY Group

With a view towards the balanced development of the economy, the environment but also the society, TERNA ENERGY takes the lead in the production and storage of clean energy and constantly seeks and implements efficient solutions to create a sustainable social model. However, the real challenge, according to the Company, is to deal with the effects of climate change, which requires the immediate mobilization of all parties involved.

Sustainable development, according to the management of TERNA ENERGY, does not mean without the transition to the era of clean energy and the circular economy. In these areas, after all, TERNA ENERGY Group has been a pioneer for more than twenty years. Currently, the company has launched new investments in Greece in a portfolio of modern projects, which exceeds 1.7 billion Euros. Specifically, it promotes the development of new wind farms with a total budget of over 700 million Euros in various parts of the country, two important energy storage systems with pumped storage in Crete and Amfilochia, with a total budget of about 800 million Euros, as well as integrated waste management projects with the relevant unit for the Region of Epirus already in operation and the projects for the integrated waste management of the Peloponnese Region to follow.

Domestic energy sources in the energy system of the country are crucial for the growth prospects of Greece, emphasizes the President of the company, Mr. George Peristeris, as they are accompanied by a positive impact on local communities, the Greek economy and stimulating employment. At the same time, they reduce the cost of electricity for households and businesses, contribute to the national effort for a faster shift to RES and protect the environment.

In this context, TERNA ENERGY Group is reaffirmed for its strategic decision to invest dynamically in the field of renewable energy sources, having on 31.12.2020 in operation 606MW in Greece, 648.1MW in the USA, 102MW in Poland and 30MW in Bulgaria, thus significantly contributing to the fight against environmental pollution, while creating satisfactory capital gains for the benefit of its shareholders.

The transition to clean energy cannot proceed without large investments in RES, energy storage using proven technologies of increased domestic added value such as pumping, but also in electrical interconnections. These three categories are a single and complementary whole, which is estimated to exceed € 8 billion in investment over the next five years, adding to GDP about 1.5% additional growth over the period and creating the basis for Greece to become, in the 2030s, a net exporter of energy for the first time in its modern history. In this context, TERNA ENERGY promotes new investments in RES projects and storage projects, which are expected to create about 2,000 new jobs. Especially for energy storage, Mr. Peristeris has stated that the Company can offer through the technology of pumping and storage a very significant added value to the GDP of Greece, since the country is one of the most privileged in Europe, in terms of topography, for the development of such sources of energy.

The prospects of TERNA ENERGY Group for the year 2021 are positive, given that despite the difficult period that the world economy and Greece are going through, the Group managed to improve its financial performance, demonstrating that it is a safe investment selection.

F. Alternative Performance Measurement Indicators ("APMI")

In the context of applying the Guidelines “Alternative Performance Measures” of the European Securities and Markets Authority (ESMA/2015/1415el) which are applied from 3rd of July 2016 in the Alternative Performance Measures Indicators (APMI)

The Company uses Alternative Performance Measurement Indicators ("APMI") in decision-making regarding its financial and operational planning, as well as for the evaluation and publication of its performance. These APMIs serve to better understand the financial and operational results of the Company and its financial position. Alternative indicators should always be considered in conjunction with the financial results prepared in accordance with IFRS and in no way replace them.

When describing the Company's performance, the following indicators are used:

“Net debt / (Surplus)” is a ratio by which the Company’s Management assesses each time the respective cash position. The ratio is defined as total long-term loan liabilities, short-term loan liabilities, long-term liabilities carried forward, less cash and cash equivalents.

“Loan Liabilities to Total Capital Employed” is a ratio with the Management assesses the Company’s financial leverage. As “**Loan Liabilities”** are defined Short Term Loans, Long - Term Loans and Long-term liabilities carried forward. The **Total Capital Employed** is defined as the sum of the total equity plus the Net debt / (surplus).

“Gross Profit Margin” is an indicator by which the Company's management evaluates its profitability and is defined as the percentage of net income / (expenses) from interest to interest income.

EBIT (Earnings before Interest & Taxes) - Operating Profit before interest and taxes: is an indicator by which the Company's Management assesses its operating performance. The figure is defined as: Profit / (loss) of the year less income tax.

EBITDA (Earnings before Interest Taxes Depreciation & Amortization): It is an indicator by which the management evaluates the operational performance of the Company. The ratio adds to the operating profit before taxes and interest (EBIT), the total depreciation/ amortization of tangible and intangible fixed assets and deducts the corresponding amortization of the fixed asset grants, if any.

The following table presents the Alternative Performance Measurement Indicators, which were measured in accordance with the Annual Financial Statements for the fiscal years 2020 and 2019:

Amounts in € thousand	**2020**	**2019**
Long-term loan liabilities (Note 10)	146,756	146,252
Long-term liabilities carried forward (Note 10)	758	758
Loan Liabilities (a)	**147,514**	**147,010**
Cash and cash equivalents (Note 8) (b)	**1,116**	**526**
Net debt/(surplus) (a) - (b) = (c)	**146,398**	**146,484**
Total equity (Note 9) (d)	2,048	1,434
Total Employed Capital (c) + (d) = (e)	**148,446**	**147,918**
Loan Liabilities (a)/Total Employed Capital (e)	**99.37%**	**99.39%**
Interest income (Note 13) (f)	5,366	3,152
Interest and other financial expenses (Note 14) (g)	(4,470)	(3,630)
Net (expenses)/income from interest (f) - (g) = (h)	**896**	**(478)**
Gross profit margin (h)/(f)	**16.70%**	**(15.16)%**
Net (losses)/profit for the period (i)	631	(649)
Income Tax (Note 18) (j)	(193)	243
EBIT (i)-(j)	**824**	**(892)**
EBITDA (i)-(j)	**824**	**(892)**

G. Transactions with Related Parties

The Company’s transactions with related parties pursuant to the provisions of the IAS 24 have been conducted under normal market conditions. In 2020, the amounts of sales and acquisition as well as the balances of the Company’s assets and liabilities as of 31/12/2020, arising from transactions with related parties are presented in note 20 of the financial statements.

(Amounts in thousand Euro unless stated otherwise)

Transactions and balances for the FY 2020 are as follows:

	31.12.2020			
	Purchase / Expenses	**Sales / Income**	**Receivables**	**Liabilities**
TERNA ENERGY S.A.	0	5,366	147,688	0
Total	**0**	**5,366**	**147,688**	**0**

The following clarifications are given on the above transactions:

- Interest Income of TERNA ENERGY FINANCE S.P.S.A. from TERNA ENERGY SA of € 5,366,746 relates to the 2019 Intra-group Loans.
- The Company's receivables from TERNA ENERGY SA amounting to € 147,688,153 relate to the 2019 Intra-group Loan (capital and interest).

No benefits were given to management executives during 2020.

Athens, 27 April 2021

The Chairman of the BoD	The Managing Director	The Chief Accountant
Vasileios Delikaterinis	Aristotelis Spiliotis	Artan Tzanari
ID No. AI 036060	ID No AK 127469	ID No AM 587311
		License Reg. No 064937 A’ Class

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, 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 (CGC or CED in Greek pronunciation), 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 appropriate principles, rules and practices that should govern the functions and processes of a modern and socially responsible business, the Management applies the Code of Ethics of the parent company TERNA ENERGY SA.

2. Corporate Governance Rules and Practices

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

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 Meeting. 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

On 10/05/2019, the Regular General Meeting of the Company’s shareholders approved the replacement of the member of the BoD, Mr. Aggelos Tagmatarchis by Mr. Georgios Mergos of Ioannis as independent non-executive member, in compliance with the effective provisions of Law 3016/2002.

On 20/01/2020, the Extraordinary General Meeting of the Company's shareholders elected Mr. George Kouvaris, as a new independent non-executive member of the Board of Directors, who fulfils the independence criteria of Law 3016/2002, replacing Mr. Konstantinos Baslis for the remainder of his term of office, that is until 30 June 2022 at the latest.

Therefore, the current composition of the board of Directors is as follows:

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. - George Kouvaris of Theologos, independent non-executive Member
5. - Georgios Mergos of Ioannis Angelos, independent non-executive Member

In the course of their duties and meetings in 2020, 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 represents the basic instrument for applying Corporate Governance Principles in the Company, with responsibility, among others, for the efficient operation of the Board of Directors and the active participation of all its members in making and reviewing the application of business decisions, as well as for the smooth communication between the Company and its shareholders.

The Chairman's 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 carry an advisory role, but which also carry a heavy weight in the decision making process of the Board. The Committees are as follows:

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. It consists of non-executive members of the Board of Directors and members elected by the General Meeting 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 Extraordinary General Meeting of May 10, 2019 are:

- Nikolaos Kalamaras, - Chairman of the Committee, non-member of the BoD – Expert in accounting and auditing
- Dimitra Chatziarseniou – non-Executive member
- Georgios Mergos – independent non-Executive member

The Audit Committee met six (6) times during 2020, 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 2019 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 evaluation and management of risks during 2020 is described in the relevant chapter “D. Risks and Uncertainties” 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.

On 6th May 2019, the Company announced that Mr. Giorgos Koufios had undertaken the position of the person-in-charge of Bondholders and Corporate Announcement Service Officer, replacing Mrs. Katerina Mavidou.

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 2020.

**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 one million eight hundred and fifty thousand Euros (1,850,000 €) divided into one million eight hundred and fifty thousand (1,850,000) common registered voting shares, with a nominal value of 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 Law 3604/2007 and their provisions do not differ from those stipulated by Law 4548/2018, 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

In accordance with the provisions of article 5 par. 2 of the Articles of Association, the General Meeting may by its decision give the Board of Directors the authority to increase its share capital in accordance with Law 4548/2018, as amended and effective.

In accordance with the provisions of article 113 of Law 4548/2018, as amended and effective, as applicable, the Board of Directors may increase the share capital by issuing new shares in the context of implementation of a stock option plan approved by the General Meeting for the acquisition of Company shares by the beneficiaries.

i) Significant 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.

III. INDEPENDENT AUDITOR'S REPORT

To the Shareholders of "TERNA ENERGY FINANCE SOCIETE ANONYME"

Report on Financial Statements

Opinion

We have audited the accompanying financial statements of "TERNA ENERGY FINANCE SOCIETE ANONYME" ("the Company"), which comprise the statement of financial position as at December 31, 2020, statements of other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards that have been adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) incorporated into the 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. We are independent of the Company within the entire course of our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) incorporated into the Greek Legislation and ethical requirements relevant to the audit of financial statements in Greece and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of mater– Event after the reporting date

We draw your attention to Note 26 "Events after the reporting date of the Statement of Financial Position" of the financial statements, which describes the unprecedented extreme weather conditions on February of 2021 in Texas USA and their effects in the operations of TERNA ENERGY Group (Guarantor of the Company's Bond). Our opinion is not qualified in respect of this matter.

Key Audit Matters

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

In our conclusion, there are no Key Audit Matters that should be disclosed in our Report.

Other information

Management is responsible for the other information. The other information is included in the Board of Director's Report, the reference to which is made in the "Report on Other Legal and Regulatory

Requirements” section of our Report and Representations of the Members of the Board of Directors, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our audit, we conclude that there is a material misstatement therein, we are required to report that matter. No such issue has arisen.

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 that have been adopted 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 the management’s intention is to proceed with liquidating the Company or discontinuing its operations or unless the management has no other realistic option but to proceed with those actions.

The Company’s Audit Committee (Article 44, Law 4449/2017) 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 an aggregate, 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, incorporated into the 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 affect the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, incorporated into the 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 and the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 communicate with them all the 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:

a) The Board of Directors' Report includes the Corporate Governance Statement that provides the data and information defined under article 152, Law 4548/2018.

b) In our opinion, the Board of Directors' Report has been prepared in compliance with the effective legal requirements of Article 150 and Paragraph 1 (cases c' and d'), Article 152, Law 4548/2018 and its content corresponds to the financial statements for the year ended as at 31/12/2020.

c) Based on the knowledge we acquired during our audit, we have not identified any material misstatements in the Board of Directors' Report in relation to the Company "TERNA ENERGY FINANCE SOCIETE ANONYME" and its environment.

2. Additional Report to the Audit Committee

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

3. Provision of 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.

Authorized non-audit services provided by us to the Company and its subsidiaries during the year ended as at December 31, 2020 are disclosed in Note 15 to the accompanying financial statements.

4. Auditor's Appointment

We were first appointed the Company's Chartered Accountants following as of 14/10/2016 Company's Articles of Association (Article 34). Our appointment has been renewed by the decision of the annual general meeting of shareholders for a total uninterrupted period of 5 years.

Athens, 27 April 2021
The Certified Auditor Accountant

Dimitra Pagoni
SOEL Reg. No 30821

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

TERNA ENERGY FINANCE SINGLE PERSON SOCIETE ANONYME

IV. ANNUAL FINANCIAL STATEMENTS FOR FY ENDED AS AT DECEMBER 31st, 2020

(1 January – 31 December 2020)

According to the International Financial Reporting Standards (IFRS)

as adopted by the European Union.

The attached annual Financial Statements were approved by the Board of Directors of TERNA ENERGY FINANCE S.P.S.A. (SINGLE PERSON SOCIETE ANONYME) as of 27 April 2021 and have been published on the Company's website _ www.ternaenergy-finance.gr , as well as on the Athens Stock Exchange's website.

(Amounts in thousand Euro unless stated otherwise)

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31st 2020

	Note	31.12.2020	31.12.2019
ASSETS			
Long-term assets			
Other long-term receivables	6	146,632	146,632
Deferred tax assets	18	0	129
Total Long-term assets		**146,632**	**146,761**
Current assets			
Other short-term receivables	7	1,094	997
Receivables from Income Tax	18	796	521
Cash and cash equivalents	8	1,116	526
Total current assets		**3,006**	**2,044**
TOTAL ASSETS		**149,638**	**148,805**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	9	1,850	50
Reserves		12	8
Retained earnings / losses		186	(424)
Shareholders deposits	9	0	1,800
Total equity		**2,048**	**1,434**
Long-term liabilities			
Long-term loans	10	146,756	146,252
Provision for personnel indemnity	11	0	6
Deferred tax liabilities	18	65	0
Total long-term liabilities		**146,821**	**146,258**
Short-term liabilities			
Suppliers	12	0	333
Long-term liabilities payable in the next fiscal year	10	758	758
Accrued and other short-term liabilities		11	22
Total short-term liabilities		**769**	**1,113**
Total liabilities		**147,590**	**147,371**
TOTAL LIABILITIES AND EQUITY		**149,638**	**148,805**

The accompanying notes form an integral part of these annual financial statements.

(Amounts in thousand Euro unless stated otherwise)

STATEMENT OF COMPREHENSIVE INCOME FOR FY 2020

	Note	01.01 - 31.12.2020	01.01 - 31.12.2019
Income from interest	13	5,366	3,152
Interest and other financial expenses	14	(4,470)	(3,630)
Net interest income / (expenses)		**896**	**(478)**
Third party fees and expenses	15	(26)	(305)
Other operating expenses	16	(3)	(79)
Personnel fees and Expenses	17	(43)	(30)
Operating Results		**824**	**(892)**
Earnings / (losses) before income tax	18	**824**	**(892)**
Income tax		(193)	243
Net profit / (loss) for the year		**631**	**(649)**
Other comprehensive income			
Items not subsequently reclassified in the Income Statement			
Actuarial profit from defined benefit plans	11	5	0
Corresponding income tax		(1)	0
Total items not subsequently reclassified in the Income Statement		**4**	**0**
Other total income for the year (after tax)		**4**	**0**
Total comprehensive income / (loss) for the year		**635**	**(649)**

The accompanying notes form an integral part of these annual financial statements.

(Amounts in thousand Euro unless stated otherwise)

STATEMENT OF CASH FLOWS FOR FY 2020

	Note	01.01 - 31.12.2020	01.01 - 31.12.2019
Cash flow from operating activities			
Earnings / (losses) before income tax		824	(892)
Adjustments for reconciliation of net flows from operating activities			
Provisions	11	(1)	1
Interest income	13	(5,366)	(3,152)
Interest and other financial expenses	14	4,470	3,630
Operating losses before changes in working capital		**(73)**	**(413)**
(Increase)/Decrease in:			
Prepayments and other short term receivables		(38)	0
Granted loans (Intragroup loan 2019)	6	0	(146,632)
Collections from granted loans (Intragroup loan 2017)	6	0	58,745
Interest and related income received		5,308	3,476
Increase/(Decrease) in:			
Suppliers		(333)	333
Accruals and other short-term liabilities		(13)	16
Deposits for long-term loans (CBL 2019)	10	0	146,146
Payments for long term-loans (CBL 2017)	10	0	(60,000)
Interest Paid		(3,966)	(2,936)
Income tax payments		(275)	(96)
Net Cash inflows / (outflows) from operating activities		**610**	**(1,361)**
Cash flows from investing activities:			
Cash flows from financing activities			
Shareholders deposits for share capital increase and related expenses	9	(20)	1,800
Net cash (outflows) / inflows from financing activities		**(20)**	**1,800**
Net increase in cash		**590**	**439**
Cash balance at the beginning of the period	8	526	87
Cash balance at the end of the period	8	**1,116**	**526**

The accompanying notes form an integral part of these annual financial statements.

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(Amounts in Euro thousand unless stated otherwise)

STATEMENT OF CHANGES IN EQUITY FOR FY 2020

	Share Capital	Share Premium	Reserves	Retained earnings	Shareholders deposits	Total
1st January 2019	**50**	**0**	**(1)**	**233**	**0**	**282**
Net losses for the year	0	0	0	(649)	0	**(649)**
Other comprehensive income						
Total comprehensive losses for the year	**0**	**0**	**0**	**(649)**	**0**	**(649)**
Issue of share capital and other shareholders' contributions	0	0	0	0	1,800	**1,800**
Formation of reserves	0	0	9	(9)	0	**0**
Transactions with Shareholders	**0**	**0**	**9**	**(9)**	**1,800**	**1,800**
31st December 2019	**50**	**0**	**8**	**(425)**	**1,800**	**1,433**
1st January 2020	**50**	**0**	**8**	**(425)**	**1,800**	**1,433**
Net profit for the year	0	0	0	631	0	**631**
Other comprehensive income						
Actuarial profit from defined benefit plans (Note 11)	0	0	4	0	0	**4**
Other comprehensive income (after taxes)	**0**	**0**	**4**	**0**	**0**	**4**
Total comprehensive income for the year	**0**	**0**	**4**	**631**	**0**	**635**
Issue of share capital and other shareholders' contributions (Note 9)	1,800	0	0	(20)	(1,800)	**(20)**
Transactions with Shareholders	**1,800**	**0**	**0**	**(20)**	**(1,800)**	**(20)**
31st December 2020	**1,850**	**0**	**12**	**186**	**0**	**2,048**

The accompanying notes form an integral part of these annual financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION ABOUT THE COMPANY

"TERNA ENERGY FINANCE S.P.S.A." (henceforth "The Company") was incorporated following No. 19.634/ 14.10.2016 Notary 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, under GEMI number 140274801000. It has its headquarters in Athens, 124 Kifisias Str. & 2 Iatridou Str., and its term is set for 110 years.

The Company's operations focus on the following:

- investment and financing the operations of the Company and/or its affiliated companies and entities,
- intermediation in financing by third parties of the companies and businesses affiliated with the Company,
- provision of services and consultancy to companies and entities affiliated with the Company regarding the capital structure and in general their financing, and
- in general terms, undertaking any project, service and any activity or any other action which is relevant to the above scope of the Company's operations or generally is performed in the context of that scope.

The Company is operationally supported by its sole shareholder TERNA ENERGY INDUSTRIAL COMMERCIAL TECHNICAL SOCIETE ANONYME (hereinafter referred to as "TERNA ENERGY S.A."), which controls decision making, operations and management of the Company to the utmost extent.

The main activities of the Company comprise investment and financing of the Company and/or its affiliated companies and entities, intermediation in financing by third parties of the companies and entities affiliated with the Company and, generally, raising of capital from the above entities, provision of services and consultancy to companies and entities affiliated with the Company regarding the capital structure and in general their financing, and, generally, undertaking any project, service and any activity or any other action which is relevant to the above scope of the Company's operations or generally is performed in the context of that scope.

The accompanying Financial Statements as of December 31st 2020 were approved by the Board of Directors on 27/04/2021 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 the Company's website.

The accompanying financial statements of the Company are consolidated under full consolidation method in the financial statements of TERNA ENERGY S.A., which is located in Greece, listed at ATHEX, and whose participating interest in the Company on 31/12/2020 amounted to 100% (31/12/2019: 100%).

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis for Financial Statements Presentation

The Company's accompanying Financial Statements as of 31/12/2020 covering the financial year starting on January 1st until December 31st 2020, have been prepared according to the International Financial Reporting Standards (IFRS), which were published by the International Accounting Standards Board (IASB) and according to their interpretations, which have been published by the International Financial Reporting Interpretations Committee (IFRIC) and have been adopted by the European Union until December 31st, 2020.

The Company applies all the International Accounting Standards, International Financial Reporting Standards and their Interpretations, which apply to its operations. The relevant accounting policies, a summary of which is presented below in Note 4, have been applied consistently in all periods.

Going concern

The Company is operationally supported by TERNA ENERGY S.A., which controls decision making, operations and management of the Company to the utmost extent. The Company's management estimates that the Company holds sufficient resources, which ensure its operations as a "Going Concern" in the foreseeable future.

The decision of the Management to use the going concern principle is based on the estimates related to potential effects of both – outbreak and spread of COVID-19 and the extreme weather conditions adversely affecting the Staten of Texas, the USA, in February 2021. These factors have been taken into account by the Management for the framework of preparation of the financial statements for the year ended 31/12/2020.

In particular, the following significant events were taken into consideration under assessing the adequacy of the preparation of the financial statements on the going concern principle accounting basis:

- **Coronavirus pandemic (COVID-19)**

The health crisis caused by coronavirus pandemic (COVID-19) has led the global economy to a period of uncertainty and instability, the consequences of which are difficult to assess based on the currently effective data, since the pandemic is still ongoing. The economic impact will depend on the term and intensity of the recession as well as the prospects for recovery. To address the health and, consequently, the economic aspects of the pandemic, governments around the world have already launched ongoing mass vaccination programs, so that the programs should cover the entire population and build up the required "wall" of immunity against Covid-19, which will lead to return to regularity.

The impact of COVID-19 is not expected to be significant for TERNA ENERGY SA Group and the Company. The Management has estimated that there is no issue of material uncertainty regarding the Company's ability to continue as a going concern (analytical description is presented in Note 3).

- **Unprecedented extreme weather conditions in Texas, the USA, in February 2021 and the impact on the Group's operations - Post reporting date event**

Note 26 analytically describes the unprecedented extreme weather conditions prevailing in February 2021 in Texas, the USA (hereinafter referred to as the "Natural Phenomenon") and their direct impact on the operations of TERNA ENERGY USA HOLDING CORP ("TERNA USA") subgroup and, in particular, on the operations of TERNA DEN LLC Sub-Group (which includes the USA

subsidiaries, owning and operating 3 Wind Farms of the Group in Texas - Fluvanna 1, Fluvanna 2/Gopher Greek and Bearkat I - total capacity 520MW). This event is regarded as a non-adjusting event in accordance with the requirements of IAS 10 "Events after the Reporting Date" and, therefore, is not presented in recognition and measurement of assets and liabilities in the annual financial statements of the Group and the Company for the year ended 31.12.2020.
The Management has analytically examined all the above events while assessing their impact on the operations in 2020, given the events and circumstances at the accompanying financial statements approval date. The Management estimates that due to all the aformenetioned events, there is substantial uncertainty casting significant doubts regarding the ability of TERNA DEN LLC sub-Group to continue as a going concern. Furthermore, the consequences of the above events may have a significantly adverse impact on the Group's operations and financial position in 2021. However, the Management estimates that these consequences do not generate uncertainty regarding the Group's and the Company's ability to continue as a going concern, i.e. they do not affect the adequacy of the basis for the preparation of the consolidated and separate financial statements based on the going concern principle (analytical information is provided in Note 3).

2.2 Basis of measurement
The accompanying financial statements as of December 31st 2020 have been prepared according to the principle of historical cost.

2.3 Presentation currency
The presentation currency is Euro (the currency of the Company's domicile) and all the amounts are presented in thousand Euro unless otherwise mentioned.

2.4 Comparability
Comparative figures recorded in the Financial Statements have not been restated.

2.5 Use of estimates
The preparation of the financial statements according to IFRS requires the use of estimates and judgments on the application of the Company's accounting policies. Opinions, assumptions and Management estimates affect the valuation of several asset and liability items, the amounts recognized during the financial year regarding specific income and expenses as well as the presented estimates on contingent liabilities.
The assumptions and estimates are assessed on a continuous basis according to historic experience and other factors, including expectations on future event outcomes that are considered as reasonable given the current conditions. The estimates and assumptions relate to the future and, consequently, the actual results may deviate from the accounting calculations.

The areas requiring the highest degree of judgment as well as the factors mostly affecting the Financial Statements are presented in Note 3 to the Financial Statements.

2.6 New Standards, Interpretations and Amendments to Standards
The accounting principles applied for the preparation of the financial statements are the same as those applied for the preparation of the annual financial statements of the Company for FY ended as at 31 December 2019, apart from the adoption of several new accounting standards, whose application was mandatory in the European Union for FYs beginning as at January 1st, 2020 (see Note 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 to 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 01/01/2020.

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 de-recognition 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 amendments have no effect on the separate Financial Statements.

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 amendments have no effect on the separate Financial Statements.

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 amendments have no effect on the separate Financial Statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform" (effective for annual periods starting on or after 01/01/2020)

In September 2019, the IASB issued amendments to some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the Interest Rate Benchmark reform. The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest – rate benchmarks such as interbank offered rates (IBORs). It requires companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments have no effect on the separate Financial Statements.

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 amendments have no effect on the separate Financial Statements.

Amendments to IFRS 16 "Leases" Related to Covid-19 Lease Concessions (effective for annual periods beginning on or after 01/06/2020)

In May 2020, the IASB issued amendments to IFRS 16 which allow for tenants not to assess whether a Covid-19 lease is classified as a lease amendment. More specifically, the amendments clarify that in the event that certain conditions are met, tenants are not required to assess whether specific leases related to Covid-19 constitute lease amendments. On the contrary, tenants applying this practice will, on the other hand, adopt an accounting treatment for such leases as non-leasing amendments. The above applies to lease concessions related to Covid-19, which reduce lease payments due on or before June 30, 2021. The amendments have no effect on the corporate Financial Statements.

2.6.2. **New Standards, Interpretations, revisions and amendments to existing Standards which have not entered into force or have been approved 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.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: "Interest Rate Benchmark Reform - Phase II" (effective for annual periods beginning on or after 01/01/2021)

In August 2020, the IASB has finalized its response to the ongoing reform of IBOR and other interest benchmarks by issuing a package of amendments to IFRS Standards. The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. More specifically, the amendments relate to how a company will account for changes in the contractual cash flows of financial instruments, how it will account for a change in its hedging relationships as a result of the reform, as well as relevant information required to be disclosed. The Company will consider the impact of all the above on its Financial Statements, though it is not expected to have any. The above have been adopted by the European Union with a date of entry into force on 01/01/2021.

Amendments to IFRS 16 "Leases": Covid-19 – Related Rent Concessions beyond 30 June 2021 (effective for annual periods starting on or after 01/04/2021)

In March 2021, the IASB issued amendments to the practical expedient of IFRS 16, that extend the application period by one year to cover Covid-19-related rent concessions that reduce only lease payments due on or before 30 June 2022. 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 IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and "Annual Improvements 2018 - 2020" (effective for annual periods beginning on or after on 01/01/2022)

In May 2020, the IASB issued a package of amendments which includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. More specifically

- **Amendments to IFRS 3 Business Combinations** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16 Property, Plant and Equipment** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** specify which costs a company includes when assessing whether a contract will be loss-making.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The Company will consider the impact of all 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 "Classification of Liabilities as Current or Non-current" (effective for annual periods starting on or after 01/01/2023)

In January 2020, the IASB issued amendments to IAS 1 that affect requirements for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments include: (a) specifying that an entity's right to defer settlement must exist at the end of the reporting period; (b) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (c) clarifying how lending conditions affect classification; and (d) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. Furthermore, in July 2020, the IASB issued an amendment to defer by one year the effective date of the initially issued amendment to IAS 1, in response to the Covid-19 pandemic. The Company will examine the impact of the above on its Financial Statements although it is not expected to have any. The above have not been adopted by the European Union.

Amendments to IAS 1 "Presentation of Financial Statements" (effective for annual periods starting on or after 01/01/2023)

In February 2021, the IASB issued narrow-scope amendments that pertain to accounting policy disclosures. The objective of these amendments is to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. More specifically, companies are required to disclose their material accounting policy information rather than their significant accounting policies. 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 8 "Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates" (effective for annual periods starting on or after 01/01/2023)
In February 2021, the IASB issued narrow-scope amendments that they clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. 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 MANAGEMENT ASSESSMENTS

Preparation of Financial Statements in accordance with the International Financial Reporting Standards (IFRS) requires the Management to make judgments, estimates and assumptions which affect assets and liabilities, contingent receivables and liabilities disclosures as well as revenue and expenses during the presented periods.

In particular, amounts included in or affecting the financial statements, as well as the related disclosures, are estimated through making assumptions about values or conditions that cannot be known with certainty at the time of preparation of the financial statements and therefore actual results may differ from what has been estimated. An accounting estimate is considered significant when it is material to the financial position and income statement of the Company and requires the most difficult, subjective or complex judgments of the Management. Estimates and judgments of the Management are based on past experience and other factors, including expectations for future events that judged to be reasonable in the circumstances. Estimates and judgments are continually reassessed on the basis of all the available data and information.

Key estimates and evaluations referring to data whose development could affect the financial statements items in the upcoming 12 months are the following:

Recognition of Deferred Tax Assets
The extent to which deferred tax assets are recognized for unused tax losses is based on the judgment regarding the extent to which it is probable that sufficient taxable profits will be offset with these tax losses. In order to determine the amount of a deferred tax asset for recognition, significant judgments and estimates are required from the Company's Management, based on future tax profits combined with future tax strategies to be pursued as well as the uncertainties within the tax framework for the Company's operations (for further information please refer to Note 18).

Provision for income tax
The provision for income tax based on IAS 12 is calculated by estimating the taxes to be paid to tax authorities and includes the current income tax for every financial year. The final settlement of the income tax might deviate from the respective amounts that have been recognized in the financial statements (further information is provided in Note 18).

4. SUMMARY OF KEY ACCOUNTING PRINCIPLES

The key accounting policies adopted under the preparation of the accompanying 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 analytically Note 5).

4.2 Cash and cash equivalents

Cash and cash equivalents include sight deposits 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.

4.3 Financial instruments

4.3.1 Recognition and derecognition

Financial assets and financial liabilities are recognized in the Statement of Financial Position when and only when the Company becomes a party to the financial instrument.

The Company ceases to recognize a financial asset when and only when the contractual rights to the cash flows of the financial asset expire or when the financial asset is transferred and the substance substantially transfers all the risks and benefits 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, canceled or expires.

4.3.2 Classification and initial recognition of financial assets

Financial assets are initially measured at fair value by adding the relevant transaction cost except in the case of financial assets measured at fair value through profit or loss.

Financial assets, except those defined as effective hedging instruments, are classified into the following categories:

- Financial assets at amortized cost,
- Financial assets at fair value through profit & loss, 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 profit & loss ", nor in the category "financial assets at fair value through other comprehensive income".

The classification of every 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:

I. financial asset management business model includes holding the asset for the purposes of collecting contractual cash flows,
II. contractual cash flows of the financial asset consist exclusively of repayment of capital and interest on the outstanding balance ("SPPI" criterion).

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

The amortized cost measured category 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, trade and other receivables.

The Company does not hold on 31.12.2020 financial assets that are classified in the other categories set out in IFRS 9.

4.3.4 Impairment of financial assets

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 at the initial effective interest rate of the asset.

The Company recognizes provisions for impairment for expected credit losses for all financial assets except those measured at fair value through profit or loss.

The objective of the IFRS 9 impairment provisions is to recognize the expected credit losses over the life of a financial instrument whose credit risk has increased since initial recognition, regardless of whether the assessment is made at a collective or individual level, using all the information that can be collected on the basis of both historical and present data, as well as data relating to reasonable future estimates of the financial position of customers and the economic environment.

To facilitate implementation of this approach, a distinction is made between:

- financial assets whose credit risk has not deteriorated significantly since initial recognition or which have a low credit risk at the reporting date (Stage 1),
- financial assets whose credit risk has deteriorated significantly since initial recognition and which have no 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.

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 Company's financial liabilities include mainly loan liabilities. Financial liabilities are initially recognized at cost, which is the fair value of the consideration received outside borrowing costs. 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 for at least 12 months after the Financial Statements reporting date.

(i) Loan liabilities

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

(ii) Trade and other liabilities

Balance from suppliers and other liabilities is initially recognized at their fair value and subsequently measured at amortized cost using the effective interest method.

Trade and other short-term liabilities are not interest-bearing accounts and are usually settled on the basis of the agreed credits.

4.3.6 Offsetting 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 require the asset and settle the liability simultaneously.

4.4 Employee benefits

Short-term benefits: Short-term employee benefits (except for termination of employment benefits) in cash and in kind are recognized as an expense when considered accrued. Any unpaid amount is recognized as a liability, whereas in case the amount already paid exceeds the benefits' amount, the entity identifies the excess as an asset (prepaid expense) only to the extent that the prepayment shall lead to a future payments' reduction or refund.

Retirement Benefits: Benefits following termination of employment include lump-sum severance grants, pensions and other benefits paid to employees after termination of employment in exchange for their service. The Company's liabilities for retirement benefits cover both defined contribution plans and defined benefit plans. The defined contribution plan's accrued cost is recognized as an expense in the financial year where it relates. Pension plans adopted by the Company are partly financed through payments to insurance companies or state social security funds.

(a) Defined Contribution Plan
Defined contribution plans pertain to contribution payment to Social Security Organizations and therefore, the Company does not have any legal obligation in case the Fund is incapable of paying a pension to the insured person. The employer's obligation is limited to paying the employer's contributions to the Funds. The payable contribution by the Company in a defined contribution plan is identified as a liability after the deduction of the paid contribution, while accrued contributions are recognized as expenses in the income statement.

(b) Defined Benefit Plan (non-funded)
Under Laws 2112/20 and 4093/2012, the Company must pay compensation upon retirement or termination to its employees. The amount of compensation paid depends on the years of service, the level of wages and the way of leaving service (dismissal or retirement). The entitlement to participate in these plans is usually based on years of service of the employee until retirement.

The liability recognized in the Statement of financial Position for defined benefit plans is the present value of the liability for the defined benefit less the plan assets' fair value (reserve from payments to an insurance company), the changes deriving from any actuarial profit or loss and the service cost. The defined benefit commitment is calculated on an annual basis by an independent actuary through the use of the projected unit credit method.

Regarding FY 2020, the selected rate follows the tendency of the European Bond with a 10-year maturity dated December 31st 2020, which is regarded as consistent with the provisions of IAS 19, i.e. is based on bonds corresponding to the currency and the estimated term relative to employee benefits as well as appropriate for long-term provisions.

A defined benefit plan establishes, based on various parameters, such as age, years of service and salary, the specific obligations for payable benefits. Provisions for the period are included in the relative staff costs in the accompanying Income Statement and comprise of the current and past service cost, the relative financial cost, the actuarial gains or losses and any possible additional charges. Regarding unrecognized actuarial gains or losses, the revised IAS 19 is applied, which includes a number of changes to accounting for defined benefit plans, including:

i) recognition of actuarial gains / losses in other comprehensive income and their permanent exclusion from the Income Statement,
ii) non-recognition of the expected returns on the plan investment in the Income Statement but recognition of the relative interest on net liability / (asset) of the benefits calculated based on the discount rate used to measure the defined benefit obligation,
iii) recognition of past service cost in the Income Statement at the earliest between the plan modification date or when the relative restructuring or terminal provision are recognized,
iv) other changes include new disclosures, such as quantitative sensitivity analysis.

4.5 Provisions, Contingent Assets and Liabilities
Provisions are recognized when the Company has present legal or imputed liabilities as a result of past events; their settlement is possible through resources' outflow and the exact liability amount can be reliably estimated. The provisions are reviewed on the date of the Financial Statements and are adjusted accordingly to reflect the present value of the expense expected for the settlement of the liability. Restructuring provisions are identified only if there is a detailed restructuring plan and if Management has informed the affected parties on the plan's key points. When the effect of the time value of money is significant, the provision is calculated as the present value of the expenses expected to be incurred in order to settle this liability.

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

In cases where the outflow due to current commitments is considered improbable or the provision amount cannot be reliably estimated, no liability is recognized in the financial statements. Potential inflows from economic benefits for the Company which do not meet the criteria of an asset are considered a contingent asset and are disclosed when the inflow of the economic benefits is probable.

4.6 Income Tax

Income taxes charges for the year include current taxes, deferred taxes and tax differences from previous years.

Current Tax

The current and taxes are calculated based on the Financial Statements of each of the companies included in the consolidated Financial Statements, according to the tax regulation effective in Greece or other tax frameworks under which the foreign subsidiaries operate. The expenses for current Income tax is calculated based on the earnings of each company as such are reformed on the companies' tax reports and provisions for additional income taxes and is calculated in accordance with statutory or substantially institutionalized tax rates.

Deferred Income Tax

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 accounted for by the tax authorities in different uses. 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 the tax profit or loss.

Deferred income taxes are measured 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 obligations 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 temporary reversal of temporary differences 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 distribution of dividends

Common registered share are recorded as equity. Costs, directly attributable to a component of equity net of tax effect, are monitored as a deduction to the Balance of Retained Earnings in equity. Otherwise, this amount is recognized as an expense in the period in question.

Shareholders' contributions for which there is an irrevocable capitalization obligation and the entity's obligation to issue shares or other equity instruments to the contributors within 12 (twelve) months from the date of each contribution, are recognized at their nominal amount in equity, in a special item "Shareholder Deposits". If these conditions are not met, the relevant amounts are classified as liabilities.

In cases when the Company or its subsidiaries acquire part of the Company's share capital (treasury shares), the amount paid, including any expense, net of tax, is deducted from equity until the shares are derecognized or sold.

The number of treasury shares held by the Company does not reduce the number of shares in circulation but affects the number of shares included in the calculation of earnings per share

In particular, the reserves are divided into:

Statutory reserves

In compliance with the Greek Commercial Law, companies shall transfer at least 5% of their annual net profits to a statutory reserve until such reserve equals 1/3 of the paid-up share capital. This reserve cannot be distributed during the Company's operations.

Actuarial profit or loss reserves: Actuarial gains/(Losses) from defined benefit pension plans, derived from (a) empirical adjustments (the result of differences between previous actuarial assumptions and those that ultimately occurred) and (b) changes in actuarial assumptions.

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 disposal of the results approved by the General Meeting and the possible formation of reserves.

5. SEGMENT REPORTING

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 Company 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). An entity presents separately the information on each operating segment that meets 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.

(Amounts in Euro thousand unless stated otherwise)

The Company recognizes only one operating reporting segment while there are no less significant segments that would be consolidated into the category of other segments. In particular, 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 Company's other long-term receivables as at 31/12/2020 and 31/12/2019, are analyzed as follows:

	31.12.2020	31.12.2019
Receivables form Intra-group Loan 2019	146,632	146,632
Total	**146,632**	**146,632**

Interest income from Intra-group Loan 2019 for the fiscal year 2020 amounted to € 5,366 k (see Note 13) and is included in the "Interest Income" item of the Statement of Comprehensive Income of year 2020.

Intragroup Loan 2019

The Company ("Issuer") following the decision of 10/10/2019 by which the content of its Prospectus was approved by the Capital Markets Commission, received an amount of € 146,632 thousand, i.e. an amount of € 150,000 thousand that was raised in cash by the CBL coverage, minus the amount of € 3,368 thousand which concerns issue costs, as they have been incorporated without any deviation in the Prospectus. The funds raised were disbursed, as provided in the Prospectus, from the Issuer to Terna Energy (Guarantor) through an intragroup loan.

Specifically, on 21.10.2019, Terna Energy issued a bond loan ("Intragroup Loan 2019"), in accordance with the provisions of Law 4548/2018 and the provisions of Law 3156/2003 that remain in force, which is governed by Intragroup Loan Program and which was covered by the Issuer in the amount of € 146,632 thousand. In this way, the amount of net capital proceeds was transferred to the Guarantor within 2019, in order for the latter to use it for its investment program as analyzed in 4.1.2 "Reasons for Issuing the CBL and Utilization of Funds" of the Prospectus dated October 10, 2019.

The annual interest rate was set equal to that of the CBL 2019 rate (see Note 10), plus a 1% margin on the outstanding nominal capital per bond security, starting from the date of bond issuance, i.e. 3.6%.

The maturity of the Intra-group Loan 2019 was set 5 working days prior to the maturity of CBL 2019. As at 31/12/2020, the long-term component of the aforementioned receivable stood at € 146.632 k.

7. OTHER SHORT-TERM FINANCIAL ASSETS

The Company's other short-term financial assets comprise essentially the short-term component of the Intra-group Loan 2019 between TERNA ENERGY S.A. and the Company (see Note 6).

(Amounts in Euro thousand unless stated otherwise)

Prepayments and other financial receivables

	31.12.2020	31.12.2019
Short-term component of Intra-group Loan 2019	1,056	997
Other Financial Receivables	25	0
Total	**1,081**	**997**

Prepayments and other non-financial receivables

	31.12.2020	31.12.2019
Prepaid expenses and other transitory asset accounts	14	0
Total	**14**	**0**

8. CASH AND CASH EQUIVALENTS

Cash & cash equivalents as at 31/12/2020 and 31/12/2019 are analyzed as follows:

	31.12.2020	31.12.2019
Sight deposits	1,116	526
Total	**1,116**	**526**

9. SHARE CAPITAL

The share capital of the Company amounts to € 1,850,000 divided into 1,850,000 common voting shares of nominal value one euro (€ 1.00) each. The share capital is fully paid up.

On 30/12/2019, the Extraordinary General Meeting of the Company's Shareholders decided to increase the Share Capital of the Company by € 1.800 k through the issuance of 1.800.000 new nominal shares of nominal value of 1,00 Euro each.

GEMI verified the total payment of € 1.800 k on 24/01/2020, when the share capital of the Company was increased, consisting of 1.800.000 common nominal voting shares of nominal value 1 euro each.

Following the above increase of the Share Capital, related expenses of € 20 thousand were paid within the fiscal year 2020.

10. BORROWINGS

As at 31/12/2020 and 31/12/2019, the Company's loans are analyzed as follows:

(Amounts in Euro thousand unless stated otherwise)

	31.12.2020	31.12.2019
Long-term loans		
Opening balance	**146,252**	**59,139**
New loan	0	146,146
Interest in the income statement	504	871
Transfer between long and short-term part of liabilities	0	(59,903)
Closing balance	**146,756**	**146,253**

	31.12.2020	31.12.2019
Long-term liabilities carried forward		
Opening balance	**758**	**1,033**
Repayment of loans	0	(60,000)
Interest in the income statement	3,966	2,757
Interest paid	(3,966)	(2,936)
Transfer between long and short-term part of liabilities	0	59,903
Closing balance	**758**	**757**
Total borrowing	**147,514**	**147,010**

Common Bond Loan € 150 MILLION (CBL 2019)

In compliance with the Finance Prospectus as of 10/10/2019 and as of 10/10/2019 Bond Loan Issue Plan up to € 150 million and pursuant to the Agreement for Appointment of a Bondholders' Representative (the "CBL Plan"), between TERNA ENERGY FINANCE S.A. (the Issuer), TERNA ENERGY S.A. (the Guarantor) and ATHEXCSD S.A. (Bondholders' Representative), provisions are made for the issue of a CBL with a term of seven (7) years and amounting to one hundred and fifty million Euro (€ 150.000 k), divided into up to 150.000 intangible, common anonymous bonds with a nominal value of € 1.000 each.

On 22/10/2019, the Board of Directors of TERNA ENERGY S.P.S.A. announced that the proceeds of the Public Offer amounted to € 150 million, listing the Company's bonds for trading in the ATHEX Regulated Market Securities Category. In particular, 150.000 common, bearer bonds of the Company with a nominal value of €1.000 each (the Bonds) have been allocated and as a result capital of an amount of €150 m. has been raised. The final yield of the Bonds was set at 2,60%, the Bond rate at 2,60% and the Loan Disposal Price at € 1.000 each, i.e. 100% of its nominal value. The final registration of the bonds in the Beneficiary Accounts of the Intangible Securities System was completed on 22.10.2019.

To secure the Company's loan, corporate guarantee was provided by the parent TERNA ENERGY S.A. (the Guarantor).

Under the terms of the Common Bond Loan Issue Plan of up to € 150.000.000 and the Bondholders' Representative Appointment Agreement dated 10/10/2019, the raised funds of € 150.000 k will be invested by the Issuer to the Guarantor through the Intra-group Loan. On 21/10/2019, the Guarantor issued a bond loan under Law 3156/2003, within the frame of the Intragroup Loan Scheme, which was covered by the Issuer for an amount of € 146.632 k. This way, the respective amount of the CBL was transferred to the Guarantor, thus lending the equal amount of the capital proceeds to the Guarantor, so that the latter could use it in respect of its investment plan as analyzed in section 4.1.2. of the Prospectus as of October 10th, 2019.

As at 31/12/2020, the outstanding amount of CBL 2019 stands at € 147.514 k.

The Company and the Guarantor have the obligation to observe specific financial ratios related to the Common Bond Loan. As at 31 December 2020, the Company and the Guarantor fully met the required limits of the financial ratios, in accordance with the requirements of the loan agreement.

On 22/07/2019, the Company following its announcement from 07/06/2019, proceeded to prepay the total of the nominal value of the bonds that it had issued and made available through a public offer, pursuant to the 12/07/2017 CBL Issuance Program up to € 60,000 thousand and to the Agreement for Appointment of a Bondholders' Representative (the "CBL Plan"), according to the provisions of the term 4 of the above Plan ("Prepayment"). In the context of the prepayment and according to the provisions of the CBL Plan, the following amounts were paid on Monday, 22 July, 2019:

a) The total nominal value of bonds, namely €1.000 per bond security,
b) The accrued interest up to 22nd July 2019, with the gross amount of interest due for the 4th Compounding Period (21/1/2019-22/7/2019) amounting to € 1.167,8, and
c) An additional amount of prepayment equal with 1% of the nominal value of bonds that are being repaid, standing at € 600, namely a gross amount of €10 per bond security.

Following the aforementioned, the Company's obligations to Bondholders arising from CBK 2017 were fully settled.

Interest expenses from CBL for 2020 stood at € 4,470 k (see Note 14) and are included in the item "Interest and other financial expenses" of the Statement of Comprehensive Income".

11 PROVISION FOR EMPLOYEE COMPENSATION

According to Greek labor law, every employee is entitled to a lump-sum compensation in case of dismissal or retirement. The amount of the compensation depends on the length of service with the company and the employee's wages the day he/she is dismissed or retires. Employees that resign or are justifiably dismissed are not entitled to such compensation. The compensation payable in case of retirement in Greece is equal to 40% of the compensation calculated in case of dismissal.

The estimates in respect of staff compensation liabilities were defined through actuarial study. The following tables present an analysis of the net expenditure for the relevant provision recorded in the Company's Statement of Comprehensive Income as of 2020 and the changes in the relevant provision accounts for employee compensation presented in the accompanying Statement of Financial Position for the year ended on 31/12/2020.

(Amounts in Euro thousand unless stated otherwise)

Expenses in respect of employee compensation recognized in the Statement of Comprehensive Income, are analyzed as follows:

	01.01 - 31.12.2020	01.01 - 31.12.2019
Current service cost	(1)	1
Actuarial profit	(5)	0
	(6)	**1**

The actuarial study, conducted for the year 2020, revealed actuarial gain of € 5.0 k (2019: loss of € 0.3 k) that burdened the other comprehensive income for the year.

Changes in the relevant provision in the Statement of Financial Position are recorded as follows:

	31.12.2020	31.12.2019
Opening balance	**6**	**5**
Provision recognized in the income statement	(1)	1
Provision recognized in other comprehensive income	(5)	0
Closing balance	**0**	**6**

Key actuarial assumptions for FY 2020 are as follows:

	2020	2019
Discount interest	0.60%	1.00%
Future salary increases	1.25%	1.25%
Inflation	1.50%	1.50%
Volatility of salaried/day-waged workers (voluntary withdrawal)	1%	1%
Mortality	EVK 2000	EAE2012P

The following table presents sensitivity analysis of provision for employee compensation:

Change in discount rate +0.5%	(1)
Change in discount rate -0.5%	1
Change in salaries +0.25%	1
Change in salaries -0.25%	(1)

12. SUPPLIERS

	31.12.2020	31.12.2019
Suppliers	0	333
Total	**0**	**333**

The item “Suppliers’ during 2019 includes the Company’s liability to TERNA ENERGY S.A. standing at € 319 k, which relates to the transfer of advertising expenses incurred by TERNA ENERGY S.A. on behalf of the Company in the context of the CBL issue. This particular liability was repaid within the year 2020.

(Amounts in Euro thousand unless stated otherwise)

13. INTEREST INCOME

The Company's income in 2020 relates to interest income from the Intra-Group Loan 2019 of € 5,366 k (2019: € 3,152 k of which an income of € 587 k related to the additional prepayment amount of 1% of the nominal value of the bond securities of the Intra-group Loan 2017 which was prepaid on 17 July 2019 (see analytically Note 6).

14. INTEREST AND OTHER FINANCIAL EXPENSES

Interest expense and other financial expenses of the Company for the years 2020 and 2019 are analyzed as follows:

	01.01 - 31.12.2020	01.01 - 31.12.2019
Long-term loans interest and expenses	(4,469)	(3,628)
Banks commission and similar expenses	(1)	(2)
Interest and other financial expenses	**(4,470)**	**(3,630)**

The interest and related expenses of long-term loans of the Company for the year 2020 amounting to € 4,469 thousand relate to interest expenses from the Common Bond Loan (see in detail Note 10).
The amount of € 3,628 thousand of the previous year includes an expense of € 600 thousand which concerned the additional prepayment amount of 1% of the nominal value of the bonds of CBL 2017 that were prepaid during the year 2019.

15. THIRD PARTIES FEES AND EXPENSES

The Company’s third party fees and expenses in 2020 and 2019 are analyzed as follows:

	01.01 - 31.12.2020	01.01 - 31.12.2019
Fees and expenses of other third parties	12	17
Subscriptions and contributions	4	20
Promotion and advertising Costs	0	257
Auditors’ Fees	10	11
Total	**26**	**305**

For the year ended on 31st December 2020, the item “Auditors’ fees and expenses” include fees of statutory auditors amounting to € 4.5 k (2019: € 7 k), concerning non-prohibited non-audit services (except for the services related to the statutory audit and the tax compliance report).

(Amounts in Euro thousand unless stated otherwise)

The corresponding fees for the authorized non-audit services provided to the parent company are disclosed in Note 37 of the Financial Statements of TERNA ENERGY SA for the year 2020, which are posted on the internet at www.ternaenergy.com as well as on the website of the Athens Exchange, Greece.

16. OTHER OPERATING INCOME - EXPENSES

The Company's other operating income and expenses for the years 2020 and 2019 are analyzed as follows:

	01.01 - 31.12.2020	01.01 - 31.12.2019
Other taxes and duties	10	75
Other expenses	2	4
Other income	(9)	0
Total	**3**	**79**

17. PERSONNEL FEES AND EXPENSES

Personnel fees and expenses of the Company in 2020 and 2019 are analyzed as follows:

	01.01 - 31.12.2020	01.01 - 31.12.2019
Salaries and similar employee benefits	35	24
Contributions for Pension	9	6
Provision for employee compensation	(1)	1
Total	**43**	**31**

18. INCOME TAX

Under Law 4646/2019, income tax rate for legal entities in Greece has decreased to 24% as from 2019 onwards.

In the Statement of Comprehensive Income, the income tax is analyzed as follows:

	01.01 - 31.12.2020	01.01 - 31.12.2019
Deferred Tax Income / (Expense)	(193)	243
Total	**(193)**	**243**

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 exempted deductions and tax exempted reserves.

(Amounts in Euro thousand unless stated otherwise)

	01.01 - 31.12.2020	01.01 - 31.12.2019
Profit / (Loss) before income taxes	**824**	**(892)**
Nominal tax rate	24%	24%
Income tax expense based on the effective nominal tax rate	**(198)**	**214**
Adjustments for:		
Effect due to change in tax rate	0	30
Fixed tax differences (results not included in the tax calculation)	5	(1)
Effective tax expense	**(193)**	**243**
Effective tax rate	**23,42%**	**27,24%**

Deferred income tax is calculated on all the 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 2020 and 2019 are analyzed as follows:

	31.12.2020	31.12.2019	01.01 - 31.12.2020	01.01 - 31.12.2019
	Receivable/ (Liability)	**Receivable/ (Liability))**	**Income / (expense)**	**Income / (expense)**
Transitory accounts	(253)	(239)	(14)	131
Deferred tax loss	188	367	(178)	112
Provisions	0	1	(1)	0
Total	**(65)**	**129**	**(193)**	**243**
Deferred tax through results			(193)	212
Deferred tax through results (change in tax rate)			0	30
Deferred tax through other comprehensive income			0	1
			(193)	**243**

The income tax return is submitted on an annual basis, but the declared profits or losses remain temporary until the tax authorities audit the taxpayer's books and records and the final audit report is issued.

The Company makes an annual assessment of any liabilities that are expected to arise from the audit of previous years, making relevant provisions where necessary.

The Company has not made any provisions for unaudited fiscal years as the Management considers that any tax amounts that may arise will not have a material effect on the Company's equity, results and cash flows. The unaudited fiscal years are from 2016 to 2020.

The Company has been subject for the years from 2017 to 2020 to the optional tax audit of the Chartered Accountants, as detailed in Note 24.

(Amounts in Euro thousand unless stated otherwise)

Tax Losses, to the extent recognized by the tax authorities, can be used to offset taxable profits for the five subsequent years following the fiscal year in which they were incurred. Deferred tax assets arising from unused tax losses for offsetting in future years are recognized only if they are likely to be offset with future tax profits. The Company has recognized a deferred tax asset of € 193 k, since the Management considers that it is possible to offset tax losses with future tax profits.

19. EARNINGS PER SHARE

Basic earnings per share for the annual period 01/01/2020 – 31/12/2020 were calculated by dividing the net earnings attributed to shareholders of the parent company by the weighted average number of outstanding shares as follows:

	31.12.2020	31.12.2019
Net (losses)/profits	630,720	(648,535)
Weighted average number of shares	1,694,658	50,000
(Losses)/Earnings per share (in Euro)	0,3722	(12,9707)

There are no diluted earnings per share for years 2020 and 2019.

20. 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, 2020.

Transactions and balances with related parties for the year 2020 are presented in the following table. As it has been presented in the Notes 6, 7 and 14, 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.

	31.12.2020			
	Purchases/Expenses	**Sales/Income**	**Assets**	**Liabilities**
TERNA ENERGY SA	0	5,366	147,688	0
Total	**0**	**5,366**	**147,688**	**0**

	31.12.2019			
	Purchases/Expenses	**Sales/Income**	**Assets**	**Liabilities**
TERNA ENERGY SA	0	3,152	147,628	319
Total	**0**	**3,152**	**147,628**	**319**

(Amounts in Euro thousand unless stated otherwise)

21. RISK MANAGEMENT POLICIES AND PROCEDURES

The Company is exposed to multiple financial risks such as credit risk and liquidity risk. The Company does not make use of derivative financial instruments to hedge its exposure to particular risk categories.

The procedure followed is described below as follows:

(i) Evaluating the risks related to the Company's activities and operations,
(ii) Scheduling methodology and selecting the necessary financial products for the reduction of risk and
(iii) Implementing risk management procedures in accordance with the approved risk management procedures.

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

21.1 Foreign exchange risk

The operating currency of the Company is the Euro. The Company is not exposed to currency risk as its total transactions are in Euro.

21.2 Interest rate risk

The Company's policy is to minimize its exposure to interest rate related cash flow risk with regards to its long-term financing. The Company's debt concerns the CBL 2019 (see Note 10), i.e. it is in Euro and the interest rate is fixed. Therefore, the Company is not exposed to any risk of interest rate fluctuations.

21.3 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 Statement of Financial Position date, analyzed as follows:

	31.12.2020	31.12.2019
Non-current assets:		
Loans and receivables - Other long-term receivables	146,632	146,632
	146,632	**146,632**
Current assets:		
Loans and receivables – Other short-term receivables	1,080	997
Cash & cash equivalents	1,116	526
	2,196	**1,523**
Total	**148,828**	**148,155**

(Amounts in Euro thousand unless stated otherwise)

The Company Management estimates that all the aforementioned 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.

As stated above, the Company's key risk relates to the risks of its parent company TERNA ENERGY S.A. The amounts representing the maximum exposure to this risk at the end of the current and comparative periods are the present value of those items in the respective periods. The Company's maximum credit risk is the advent of the counterparty's default. In particular, the Company's receivables of € 147.688 k relate to the Intra- group Loan granted to the parent company TERNA ENERGY S.A., so that latter could proceed with its investment plan, in accordance with the provisions of CBL 2019 (see Note 10).

On 27/07/2020, the Company announced that the reassessment of the creditworthiness of the Guarantor Company "TERNA ENERGY SA", by the company ICAP SA ranked it in grade A. Rating A indicates a very low credit risk and is attributable to companies that are able to settle their obligations even in adverse economic conditions and therefore their credit rating remains consistently high. A-rated companies are characterized by their significant financial sizes, upward course of development and market position.

As at 31st December 2020, there are no postdated financial receivables regarding the Company.

21.4 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. In essence, the Company's basic liquidity needs pertain to the repayment CBL 2019 interest (see Note 10), primarily covered by the interest inflows arising from CBL 2019 (see Note 6).

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 time deposits of the Company.

Maturity of the Company’s financial liabilities as 31 December 2020 and 31 December 2019 is analyzed as follows:

	31.12.2020		
	Short-term	**Long-term**	
	0 to 12 months	**1 to 5 years**	**>5 years**
Long-term loans	758	146,756	0
Accrued and other short-term liabilities	11	0	0
Total	**769**	**146,756**	**0**

(Amounts in Euro thousand unless stated otherwise)

	31.12.2019		
	Short-term	Long-term	
	0 to 12 months	1 to 5 years	>5 years
Long-term loans	758	0	146,252
Suppliers	333	0	0
Accrued and other short-term liabilities	22	0	0
Total	**1,113**	**0**	**146,252**

The aforementioned contractual maturity dates reflect gross cash flows, which may differ from the book values of liabilities as at the financial statements reporting date.

21.5 Summary Report of Risks of TERNA ENERGY SA (sole shareholder and guarantor of CBL 2019)

The Company is operatively supported by its parent company TERNA ENERGY SA, which fully influences the decisions, management and operation of the Company and exercises control over them.

As at 31/12/2020, the Company, apart from its investment in the issued bonds of the Intragroup Loan 2019, has no other business activity, is not active in any market and has no other assets and therefore, the ability of the Issuer to fulfill its contractual obligations from the CBL, depends on the ability of the Guarantor to fulfill its contractual obligations to the Issuer, based on the loan agreement between them, under the terms of the Intragroup Loan 2019.

Taking into account the above, the main risks and uncertainties in the business activities of the Company are directly related to those of the TERNA ENERGY Group (hereinafter "Group") and for this reason, the report on the Main Risks & Uncertainties of the Company should be combined with section E of the Annual Report of the Board of Directors of the parent company, sole shareholder and Guarantor, TERNA ENERGY SA, with regard to the annual period ending on 31.12.2020, where a detailed reference is made to the risks of TERNA ENERGY SA (hereinafter the "Group"). The consolidated and separate financial statements of TERNA ENERGY SA for the year ended 31.12.2020 have been approved by the Board of Directors of the Company on 27.04.2020 and have been posted on the internet on its website www.terna-energy.com, as well as on ATHEX website.

In synopsis, we present the main risks and uncertainties in the activities of the TERNA ENERGY SA Group, as described in the published financial statements for the year ended 31.12.2020 and which are summarized in the following:

Credit risk

All receivables of the energy sector concern the wider Public sector in the domestic (Greek) market (including DAPEEP and HEDNO) and abroad, while the same applies to the concessions sector as well as to most of the receivables of the construction sector.
The Group traditionally, due to the nature of its operations, is not exposed to significant credit risk in

terms of trade receivables, except for delays in receipts from DAPEEP, which have been significantly reduced by the application of Law 4254/14.

Currency risk

The Group operates, in addition to Greece, in Eastern Europe and the United States of America and therefore may be exposed to foreign exchange risk that may arise from the exchange rate of the Euro against the other currencies. To address this risk, the Group's financial management department systematically monitors exchange rate changes and ensures that they do not have a negative impact on its cash position.

Interest rate risk

The Group's policy is to minimize exposure to interest rate risk in terms of long-term financing of its operations. As part of this policy, the long-term loans received by the Group either have a fixed interest rate or are being hedged for almost their entire duration.

Market risk analysis

The Group is not exposed to any risk for its financial assets.

Liquidity risk analysis

The liquidity of the Group is considered satisfactory, as, in addition to the existing cash, the operating wind farms generate continuous, satisfactory cash flows.

Special note on the effects of coronavirus COVID-19

TERNA ENERGY Group holds a leading position in the sector of renewable energy sources. With a portfolio of projects of total capacity approximately 2,000 MW (in operation or under construction), it is the largest investor in the Renewable Energy sector in Greece, but also the largest Greek company in the segment internationally, with a significant presence in the USA and Southeast Europe. The Management's position is that the Group operates in the segments that are more defensive during the phases of the business cycle, which investors recognize as "safe haven" that provide stable recurring cash flows even in times of turmoil and uncertainty, such as the existing one. Furthermore, during the Greek financial crisis (i.e. the most difficult and longest financial crisis in Europe), the Group has already proven its ability to grow and strengthen its market position. The public policy measures that have been taken and/or will be taken by the Greek government in order to limit the spread of COVID-19, are not expected to lead to disruption of the Group's operations.

At the end of December 2019, the new coronavirus strain SARS-CoV-2, which causes coronavirus disease (COVID-19), appeared in China. During the following months, coronavirus disease (COVID-19) spread rapidly worldwide and on March 11, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. The COVID-19 pandemic has led to an unprecedented crisis in global health and the economy. In Greece, the virus was first detected in late February 2020, leading to a national quarantine. In the beginning of May, a gradual lifting of quarantine restrictions started, which lasted until June. During the summer, however, the increase in COVID-19 cases in Greece led to the early end of the tourist season and imposition of restrictive measures. Measures of limited reopening of stores were implemented during the festive period of Christmas. Throughout the pandemic, the Group constantly acts based on the instructions and decisions of all the competent institutions, observing the requirements and the action plan adopted by the Greek authorities.

The health crisis caused by coronavirus pandemic (COVID-19) has led the global economy to a period of uncertainty and instability, whose consequences are difficult to assess based on the currently effective data, since the pandemic is still ongoing. The economic impact will depend on the term and intensity of the recession, as well as the prospects for recovery. To address the health and, consequently, economic aspects of the pandemic, governments around the world have already launched ongoing mass vaccination programs to cover the entire population and build the required immune wall, which will lead to a normality. Based on the fact that the pandemic has not yet been fully controlled, in combination with the presence of mutations in the virus altering its transmissibility and effectiveness of vaccines, this risk remains one of the main risks faced by the Group.

Group Organizational Planning

Applying an extremely high sense of responsibility, towards its customers, employees, suppliers, partners and investors, the Group's Management monitors the developments in respect of the coronavirus disease (COVID-19), studying the potential risk factors that could affect the Group's financial position, operations and results.

Following the first announcements and until currently, when conditions are still developing, the Group's Management with the highest priority health and safety of its employees and associates, acted with speed and determination, designed and immediately started implementing a plan of measures and actions, mainly aimed at the following:

- Creating a safe working environment for all the employees in parallel with the adoption of distance working policies, when deemed possible and necessary. The Group has taken a number of precautionary measures, including a large-scale teleworking plan (covering, over this period, over 50% of the staff). In addition, the Group provided communication channels for health consultation and psychological support for all the employees.

- Establishing a special Committee for addressing coronavirus effects and securing that ALL its employees have been provided with absolute protection and care against COVID-19 and its mutations. The Committee systematically monitors the development of the pandemic, is immediately informed about any critical factors of its spread and guides the necessary actions to be taken by the Management and every employee in the entire Group in order to minimize the risks of the phenomenon and their impact on the course of the Company's operations. At the same time, it has signed an agreement with a special diagnostic center on the testing all members of its human resources with the objective to protecting them until the end of the pandemic and restoring social life to normality. Finally, it has shielded the workplaces for those employees working at their offices by imposing the most strict measures decided by the competent scientific committee of the State.

- Securing and utilizing the most modern information technology to limit transportation and minimize travel, implementing teleconferencing (video calls), as well as modern, flexible ways of working depending on the individual or special needs of groups of employees.

- Establishing and adopting extremely strict operating rules at all points of presence and operation of the Group in Greece and abroad, in order to constantly confirm the highest possible level of security for all.

- **Effects arising from the coronavirus pandemic (COVID-19) and their mitigation measures**

The Group has taken all the necessary measures in order to continue the development of its core operations, continuing the exploitation of RES and implementation of its investment plan in the energy segment, strengthening the efforts aimed at stabilizing the Greek economy and improving prospects of employment.

In particular, the Management examined the specific conditions that could have a significant impact on the business activities of the RES operating segment as well as the risks to which it is exposed. Based on current events and conditions regarding the COVID-19 pandemic, such issues are analyzed as follows.

No interruption or other adverse impact on the Group's facilities that are in operation occurred in the RES electricity segment in Greece. Regarding RES facilities under construction, no delays have been caused due to the coronavirus pandemic (COVID-19) until today and the estimated time of completion and commissioning of the projects has not changed. Although the aforementioned effects are expected to be only temporary, there is uncertainty as to their extent and duration. Therefore, currently, their financial impact on the Group cannot be estimated.

In 2020, a one-time extraordinary contribution was imposed on RES electricity generators, put into regular or trial operation prior to December 31, 2015 (Government Gazette 245 / 09.12.2020). The lump sum extraordinary contribution equals 6% of electricity sales for the year 2020. Regarding the Group, the respective extraordinary contribution stood at € 5,252 k and was included in the item "Other income/(expenses)" of the consolidated Statement of Comprehensive Income. The total estimated increase of the Special Account for Renewable Energy Sources (ELAPE) revenues from the aforementioned contribution stood at € 110 million.

Regarding the proceeds of the Group's revenues, no delays were recorded in 2020. The Management states the following: 1) any delay in the collection of the Group's revenues by the Renewable Energy Sources Operator & Guarantees of Origin (DAPEEP) does not currently seem to exceed the production value of six months, as happened in the past. Within the next year, a collection delay of six months will create, albeit temporarily, a cash issue of special attention amounting to € 118 million. This risk is general, applies to all RES producers and does not only concern TERNA ENERGY. The Group’s cash liquidity (€ 344 million - cash available € 291 million and restricted deposits € 53 million as at 31/12/2020) allows the Management to manage any potential cash problem with relative ease, without interrupting the pace of implementation of the investment plan. In case the delay exceeds 6-8 months of production, the Management will reschedule its investment plan, business and cash planning so as to meet the increased cash needs and limit the adverse consequences. Controlled deceleration and / or, where appropriate, cancellation of planned investments will be unavoidable if the delay in recovery exceeds reasonable limits and market operating practices. Even so, even in such a case, the Group, due to its size, ability, experience and determined strategy, is ready to fight in order to maintain its leading position in the RES market and to continue its superiority over the competition.

(Amounts in Euro thousand unless stated otherwise)

Although estimates regarding the impact of the pandemic on the global and domestic economy vary, the Management estimates that the Group's operations, financial performance, cash flows and financial position will not be significantly affected. In any case, the Management ensures maintenance of the smooth operation - both in the Greek territory and abroad, where the Group operates, applying procedures of ongoing identification and evaluation of all risks that may arise in the near future. The Management plans and implements measures to address any identified risk in order to limit its adverse effects to the minimum possible, in direct, ongoing and systematic collaboration with the Risk Managers and the Group's executives. The Group's organizational efficiency and the ongoing care of the Management to assign its managers by project and specific issue, depending on the required ability and experience, have created a proven capable, flexible and effective mechanism for addressing any possible crisis in any Group's company whenever required. Following this basic principle, the Management as well as the aforementioned mechanism immediately react in order to address the epidemic crisis with prudence, calm and strategic perspective.

The impact of COVID-19 is not expected to be significant to the Group and the Company. The Management has estimated that there is no significant uncertainty regarding the Company's and its subsidiaries' ability to continue as a going concern.

22. PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES PER CATEGORY

Financial assets as well as the financial liabilities of the Company per category are analyzed below and are all measured at amortized cost. There are no financial assets or financial liabilities that are measured at fair value.

Financial Assets

	31.12.2020	**31.12.2019**
Non-current assets:		
Loans and receivables – Other long-term receivables	146,632	146,632
	146,632	**146,632**
Current Assets:		
Loans and receivables – Other short-term receivables	1,080	997
Cash & cash equivalents	1,116	526
	2,196	**1,523**
Total	**148,828**	**148,155**

Financial liabilities

	31.12.2020	31.12.2019
Long-term liabilities:		
Long-term loans	146,756	146,252
	146,756	**146,252**
Short-term liabilities:		
Suppliers	0	333
Long-term liabilities payable in the next period	758	758
Accrued and other short-term liabilities	10	22
	768	**1,113**
Total	**147,524**	**147,365**

23. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The objectives of the Company regarding capital management are as follows:

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

At closing FY 2020 and 2019, the ratio in question was as follows:

Loan Liabilities /Total Capital Employed Ratio

Amounts in thousand €	**2020**	**2019**
Long – term Loans (Note 10)	146,756	146,252
Long-term liabilities payable in the following fiscal year (Note 10)	758	758
Loan liabilities (a)	**147,514**	**147,010**
Cash and cash equivalents (Note 8) (b)	**1,116**	**526**
Net debt/(surplus) (a) - (b) = (c)	**146,398**	**146,484**
Total Equity (Note 9) (δ)	2,048	1,434
Total Employed Capital (c) + (d) = (e)	**148,446**	**147,918**
Loan Liabilities (a) / Total Employed Capital (e)	**99.37%**	**99.39%**

24. CONTINGENT LIABILITIES

24.1 Contingent tax obligations

The tax obligations of the Company are not definitive as there are unaudited tax years (2016 to 2020). For the unaudited tax years there is the possibility of imposing additional taxes and surcharges at the time when they will be examined and finalized. The Management considers that any amounts of taxes that may arise, will not have a significant effect on the Company's equity, results and cash flows and therefore as at 31/12/2020 the Company has not recognized provisions for tax unaudited years. Upon completion of these tax audits by the competent authorities, if they are finally carried out, the Management does not expect significant tax liabilities to arise.

(Amounts in Euro thousand unless stated otherwise)

Tax Compliance Certificate

For the years 2017 to 2019, the Company met the relevant criteria for inclusion in the tax audit of Certified Public Accountants and received a Tax Compliance Report, according to article 65A par. 1 of Law 4174/2013, without substantial differences. According to Circular POL. 1006/2016, the companies which have been subject to the above special tax audit are not exempted from the regular tax audit by the competent tax authorities. Furthermore, according to the relevant legislation, for the years 2016 onwards, the audit and issue of the Tax Compliance Certificate is valid on a voluntary basis.

The special audit for the issue of Tax Compliance Certificate for the year 2020 is in progress and the relevant tax certificate is expected to be issued after the publication of the Financial Statements for the year ended as at 31/12/2020. At the completion of these tax audits, provided they are finally conducted, the Management does not expect any significant tax liabilities to arise. If additional tax obligations arise, it is estimated that they will not have a material effect on the Financial Statements.

24.2 Legal cases

In the course of its operations, the Company may be faced with possible legal claims of third parties. According to both the Management and the Company's Legal Consultant, there are no litigation or arbitration disputes involving judicial or arbitration bodies concerning the Company.

25. RECONCILIATION OF CHANGE IN FINANCIAL LIABILITIES

The reconciliation of change in liabilities from financial activities for the Company during the fiscal years 2020 and 2019 is presented below:

Amounts in € thous.	**Long-term loans**	**Long-term liabilities payable in the following**	**Total**
01/01/2020	**146,252**	**758**	**147,010**
Cash flows:			
- Repayments		(3,966)	**(3,966)**
- Receipts	0	0	**0**
Non-cash movements (Accrued Interest):	504	3,966	**4,470**
31/12/2020	**146,756**	**758**	**147,514**

Amounts in € thous.	**Long-term loans**	**Long-term liabilities payable in the following**	**Total**
01/01/2019	**59,139**	**1,033**	**60,172**
Cash flows:			
- Repayments	0	(62,936)	**(62,936)**
- Receipts	146,146	0	**146,146**

Non-cash movements:			
- Transfer	(59,903)	59,903	-
- Accrued Interest	871	2,757	3,628
31/12/2019	**146,252**	**758**	**147,010**

26. POST STATEMENT OF FINANCIAL POSITION REPORTING DATE EVENTS

- **Unprecedented extreme weather conditions in the Texas, USA, in February 2021 and their impact on the TERNA ENERGY Group's activities (CBL Guarantor)**

Briefly, we report the unprecedented extreme weather conditions prevailing in February 2021 in the State of Texas, USA (hereinafter referred to as the "Natural Phenomenon") where the Group TERNA ENERGY S.A. operates [through TERNA DEN LLC sub-Group (which includes the subsidiaries in the USA that own and operate TERNA ENERGY sub-Group's 3 Texas Wind Farms - Fluvanna 1, Fluvanna 2/Gopher Greek and Bearkat I – of total capacity 510MW),, and their impact on the Group's operations as described in Note 49 "Events after the reporting period" in the published financial statements for the year ended 31.12.2020. It is regarded as a non-adjusting event according to the provisions of IAS 10 "Events after the Reporting Period" and, therefore, is not recorded in recognition and measurement of assets and liabilities in the annual financial statements of TERNA ENERGY sub-Group and GEK TERNA Group for the year ended 31.12.2020.

General description of the Natural Phenomenon

On 11.02.2021, conditions of cold weather of unprecedented intensity and severity hit most areas of the State of Texas, adversely affecting all three wind farms of TERNA ENERGY sub-Group - Fluvanna 1, Fluvanna 2/Gopher Greek and Bearkat I of total capacity 510MW (hereinafter "the Wind Farms") as well as a significant number of other Texas power plants (not just renewables but also gas, coal and nuclear power plants).
The effects started to hit the State with severity and a state of emergency was declared in all 254 counties of Texas as early as 12.02.2021. Extremely low temperatures down to -22oC were observed, with alternating pattern of snowfall and icy rain, while the accumulation of ice on the blades of the Wind Farms' wind turbines resulted in their being forced offline due to eccentric load.

Effects of the Natural Phenomenon on Energy Consumption, Energy Infrastructure and Energy Costs

Extremely low temperatures resulted in
(a) a sharp increase in gas and electricity consumption (in the case of electricity, a 20% higher consumption was recorded compared to that projected by the system administrator)
(b) insufficient supply of power generation that could not satisfy the surge in demand. Deep cold widely affected the electromechanical equipment in the energy infrastructure. The electricity transmission and distribution network sustained significant damage. Due to the combination of the aforementioned factors, the electricity generation capacity was significantly affected.
(c) the implementation of controlled/rolling black outs by ERCOT in order to prevent a statewide blackout and limit electric demand to the available (reduced) generation supply. Generation capacity in the Texas system was at 50% of what was declared as available before the commencement of the Natural Phenomenon

(d) combined conditions of increased consumption and reduced production led to a dramatic increase of the price of electricity which increased from a level of $ 20/MWh to $ 9,000/MWh, which is the maximum price (cap) permitted by ERCOT.

Effects of the Natural Phenomenon on TERNA ENERGY sub-Group's operations

Special energy market operation and financial burden on energy producers

Due to the generally strong fluctuations in wholesale electricity prices in Texas, 85% of total electricity generation at ERCOT is allocated through tariff hedging contracts, which, in practice allocate the risk between producers and their counterparties. In particular, the producers assume the obligation and the risk of production according to an agreed profile (which is different per day, per season, or per hour, depending on the producer), while the counterparty assumes the obligation and the risk of purchasing the produced energy according to the agreed energy profile, at a specific price. In case the energy production deviates from the contractual profile, the market price is used. In this case, as the producers could not produce energy for delivery to their counterparties according to the contractual provisions (as happened with TERNA ENERGY sub-Group’s Wind Farms), the counterparties purchased such energy from the open market at the prevailing price of $ 9,000/MWh and invoiced to the producers the difference between the energy acquisition price and the respective agreed/contractual price (approximately $ 20/MWh), thus causing huge financial burdens on the producers.
It is noted that all 3 Wind Farms in Texas, returned to full operation between 20 and 23 February 2021.

Financial burden on the Group as a result of the Natural Phenomenon

In the case of TERNA ENERGY sub-Group's three Wind Farms, these conditions generated an energy shortfall of approximately $ 30 million per day and ultimately amounted to $ 179.4 million. In particular, the counterparties Merrill Lynch Commodities, Inc., Morgan Stanley Capital Group Inc. and JPMorgan Chase Bank respectively, (hereinafter referred to as "Hedge Providers"), on the basis of the existing hedge contracts with the Wind Farms, issued Liquidated Damages invoices, covering the period from 13 to 19 February 2021, totally amounting to $ 179,410,942, allocated as follows: Fluvanna 1 $ 32,691,587, Fluvanna 2/Gopher Creek $ 69,656,417 and Bearkat $ 77,062.938.

These invoices were contested in writing by TERNA ENERGY sub-Group as the Management of TERNA ENERGY sub-Group invokes the occurrence of a Force Majeure Event.

TERNA ENERGY sub-Group’s Management Actions - Potential effects on the Group’s operations and financial position for the year 2021

The previous risk review was performed with the contribution of the best market consultants that put forward no relevant remarks as to the risk of occurrence of a similar event. At the same time, insurance coverage could not cover the event, as no projections were made for such an event in the risk analysis of the insurance companies.
TERNA ENERGY sub-Group’s Management reacted quickly, from the first moments of the Natural Phenomenon and took all the necessary actions in order to timely notify the Hedge Providers about the occurrence of a force majeure event. In doing so, the objective of TERNA ENERGY sub-Group’s Management was to activate the relevant contractual provisions releasing the 3 Wind Farms from the obligation to deliver energy to the Hedge Providers due to force majeure.

The Hedge Providers did not accept the occurrence of a force majeure event and, in February 2021, proceeded with the issuance of "Liquidated Damages invoices", which cover the period from 13 to 19 February 2021. The total amount of such claims stood at $ 179,410,942.

The Hedge Providers of Fluvanna 1 and Fluvanna 2/Gopher Creek have issued notices of an event of default, whereas the Hedge Provider of Bearkat I has issued a notice of a potential event of default. For the projects Fluvanna 2/Gopher Greek and Bearkat 1, "Standstill Agreements" have been signed with the Hedge Providers (ending on 21/05/21 & 30/04/21 respectively, without excluding the possibility of further extension). As far as Fluvanna 1 project is concerned, the forbearance period has begun, within which the Tax Equity Investor may, if the Tax Equity Investor so wishes, exercise its contractual cure rights by paying the amount of the Morgan Stanley Capital Group Inc. invoice, while at the same time making efforts aimed at signing a similar "Standstill Agreement" if the deadline for exercising the cure rights of the Tax Equity Investor expires without any action taken.

Throughout the period from the beginning of the phenomenon and until the accompanying financial statements approval date, the daily discussions with all the stakeholders (Hedge Providers, Tax Equity Investors, Lender) and their legal advisors continue with increasing intensity in order to minimize the impact on TERNA ENERGY sub-Group. While these discussions are ongoing, TERNA ENERGY sub-Group's Management is considering three potential courses of actions: (a) applying to the competent courts and initiating legal action against the Hedge Providers; (b) finding a mutually acceptable commercial solution to the dispute with the Hedge Providers; and (c) divestment from the US investments (Class B interests). At this time no final decisions have been reached.

In the event that, due to objective circumstances, TERNA ENERGY sub-Group's Management ultimately elects the third of the above courses of actions, namely divestment, then the most unfavorable outcome of such a course of action would be for the sale of the entities of Terna DEN sub-group to be effected for $ 1, to a party that will ultimately decide to cure the alleged events of default under the hedge contracts by paying the amounts of the disputed invoices (it is clarified that the amount of $ 1 is purely nominal and is used solely for the purpose of assessing the impact of the worst case scenario of a divestment on TERNA ENERGY sub-Group's financial position).

As at 31.12.2020, the financial sizes of the sub-Group TERNA DEN LLC stood at total assets of € 565.8 million, i.e. representing 28,7% of the total assets of the Group, while the liabilities amounted to € 466.6 million, i.e. representing 31,5% of the total liabilities of the Group. A potential deconsolidation of the companies constituting TERNA DEN LLC Sub-Group as a result of their sale for $ 1, would lead to the recognition of an accounting loss burdening the consolidated financial results, estimated in the amount of approximately $115 million (i.e. approximately € 97.4 million, depending on the fluctuations of the $/€ exchange rate).

The obligations arising from all projects in the USA have no recourse neither to the parent company of TERNA ENERGY nor to the upper parent company TERNA DEN LLC. Therefore, given a potential loss of the above investments, apart from the accounting loss, no further liquidity or financing issues regarding TERNA ENERGY sub-Group and the parent Company (CBL Guarantor) are expected to arise within the following 12 months, as this event is not expected to have a further impact on future cash flows of TERNA ENERGY sub-Group.

The Group's Management has analytically examined all the above events while assessing their impact on the operations in 2020, given the events and circumstances at the accompanying financial statements approval date. Management estimates that the consequences of the above events may have a significantly adverse impact on the Group's financial position in 2021. However, the Group's Management estimates that these consequences do not generate uncertainty regarding the ability of the Group and the Company to continue as a going concern, i.e. they do not affect the adequacy of the basis for the preparation of the consolidated and separate financial statements based on the going concern principle.

(Amounts in Euro thousand unless stated otherwise)

27. APPROVAL OF FINANCIAL STATEMENTS

The Company's Financial Statements for the annual period ended as at 31/12/2020 were approved by the Company's Board of Directors on 27/04/2021.

Athens, 27 April 2021

The Chairman of the BoD	The Managing Director	The Chief Accountant
Vasileios Delikaterinis	Aristotelis Spiliotis	Artan Tzanari
ID No. AI 036060	ID No AK 127469	ID No AM 587311
		License Reg. No 064937 A' Class

VI. REPORT ON ALLOCATION OF THE CAPITAL PROCEEDS

Report on Allocation of the Capital Proceeds from the issuance of a Common Bond Loan of TERNA ENERGY SINGLE PERSON FINANCE SOCIETE ANONYME amounting to € 150.000.000 under the guarantee of TERNA ENERGY S.A. for the period from 22/10/2019 to 31/12/2020

In accordance with the provisions of paragraph 4.1.2 of Athens Stock Exchange Regulation (hereinafter referred to as ATHEX), decision no. 25 / 17.07.2008 of the Board of Directors of THEX and no. Decision 8/754/14.04.2016 of the Board of Directors of the Hellenic Capital Market Commission (hereinafter referred to as "HCMC"), it is hereby disclosed that from the issuance of a Common Bond Loan of one hundred and fifty million Euro (€150.000.000) with the issuance of one hundred and fifty thousand common bonds with a corporate guarantee of nominal value € 1 k each, which was conducted in accordance with as of 24/09/2019 decision of the Board of Directors of TERNA ENERGY FINANCE S.A. (hereinafter referred to as "Company" or "the Issuer") and as of 10/10/2019 decision on the approval of the Prospectus' content by the HCMC, an amount of one hundred and fifty million Euro (€150.000.000) was raised in aggregated, i.e. following the completion of the option exercise period, the issuance in question was fully covered. TERNA ENERGY S.A. (hereinafter referred to as "the Guarantor") is responsible for the aforementioned issuance regarding the bondholders, in compliance with the provisions of section 3.3.13 "Nature and Objective of CBL Guarantee" of the Prospectus as of October 10th, 2019.

On 22/10/2019, the Company's Board of Directors verified the payment of the capital proceeds. Furthermore, one hundred and fifty thousand (150.000) common anonymous issued bonds were listed for trading on Athens Stock Exchange regulated securities market following as of 11/10/2019 approval of listing of Athens Stock Exchange Regulatory Commission. The characteristics of the above bond loan are the following: (a) The bond yield is 2.60% and is fixed over the term of the loan. (b) Interest is calculated on six-month basis. (c) The term of the loan is seven (7) years and its repayment will be realized at the end of the period of seven (7) years.

In view of the above, it is hereby disclosed that an amount of € 146.632 k, i.e. an amount of € 150.000 k in cash collected from the CBL coverage preference and subscription rights holders, less the amount of €3.368 k related to the issuance expenses, as also incorporated without deviation into the Prospectus, was allocated until 31/12/2020 as follows.

A. Allocation of capital proceeds by TERNA ENERGY FINANCE S.P.S.A. (the Issuer)

The capital proceeds of up to € 150.000 k, less CBL expenses, i.e. the net amount of € 146.632 k, in compliance with the Prospectus, will be available by the Issuer to the Guarantor through the Intra-group Loan 2019. In particular, on 21.10.2019, the Guarantor issued a bond loan under Law 4548/2018 and Law 3156 / 2003, effective following the effective date of Law 4548/2018, within the frame of the Intragroup Loan Scheme, which was covered by the Issuer for an amount of € 146.632 k. This way, the respective amount of the CBL was transferred to the Guarantor, so that the latter could use it in respect of its investment plan as analyzed in section 4.1.2. of the Prospectus as of October 10th 2019.

The utilization of capital proceeds from the Guarantor up to 31/12/2020 is analytically presented in Section B below:

The final allocation of the proceeds from the issue of the CBL, less the estimated costs of issuing the CBL, will be effected by the issuance of the CBL by the Issuer to the Bondholders as at the maturity date of the Bond Loan.

Table of allocation of the Capital Proceeds of the Issuer from the issuance of the Common Bond Loan of € 150.000.000 (amounts in thousand Euro)								
				Provisional Allocation of the Capital Proceeds as at 31/12/2020		Final Allocation of the Capital Proceeds as at CBL maturity date		
	Capital Proceeds	Description	Allocation of Capital Proceeds based on the Prospectus	Provisionally Allocated Capital Proceeds to the Guarantor through Intra-group Loan	Provisionally Non-allocated Balance as at 30/06/2020	Intra-group Loan Collected from the Guarantor	Finally Allocated CBL Repayment Capital Proceeds from the Issues to the Bondholders	Non-allocated Balance
			(a)	(b)	(a - b)	(c)	(d)	(a - d)
		Allocation of funds from the Issuer to the Guarantor through Intra-group Loan 2019, so that the Guarantor could proceed with the implementation of its investment plan	146,632	146,632[1]	-	-	-	146,632[2]
Total	**146,632**	**Total**	**146,632**	**146,632**	**-**	**-**	**-**	**146,632**
CBL issue expenses	3,368							
Total Allocated Capital Proceeds	**150,000**							

[1] The way the capital is used by the Guarantor for the implementation of its investment plan is described in the following section B "Use of Funds by TERNA ENERGY S.A. (the Guarantor)

[2] The final allocation of the proceeds will be effected by the issuance of the CBL by the Issuer to the Bondholders as at the maturity date of the Bond Loan.

B. Use of funds by TERNA ENERGY S.A. (the Guarantor)

As analytically presented in section A above, on 21/10/2019 the Guarantor issued a bond loan under Law 4548/2018 and Law 3156/2003, still effective, within the frame of the Intra-group Loan Plan, which was covered by the Issuer by an amount of € 146,632 k and, therefore, the corresponding amount of the CBL proceeds was transferred to the Guarantor.

Following the above, an amount of € 146.632 k (i.e. an amount of € 150.000 k in cash less an amount of € 3.368 k related to issue expenses as recorded in the Prospectus), was transferred to Guarantor to be used for the implementation of its investment plan, as analytically recorded in section 4.1.2 of the Prospectus as of October 10, 2019.

The table below shows the allocation of the capital proceeds by the Guarantor until 31/12/2020:

Table of allocation of the Capital Proceeds of the Guarantor from the issuance of the Common Bond Loan of € 150.000.000 of the Issuer (amounts in thousand Euro)					
Area of Investment based on section 4.1.2 of the Prospectus	**Allocation of the Capital Proceeds by the Guarantor**	**Capital proceeds within the period from 22/10/2019 to 31/12/2019**	**Capital proceeds within the period from 01/01/2020 to 31/12/2020**	**Non-allocated Balance as at 31/12/2020**	**Note**
4th quarter 2019					
Total repayment of Short-term Bank Loan of the Guarantor (used to repay CBL 2017).	60,000	60,000	-	-	**(1)**
Partial repayment of Short-term Bank Loan of the Guarantor used to repay part of the consideration for acquisition of the wind park "Bearkat I" in Texas, USA	30,632	30,632	-	-	**(2)**
Period 2019-2022					
Construction of 14 wind parks in Greece, of a total capacity of 218 MW by the Guarantor or by the Subsidiaries of the Guarantor (either through intra-group loan from the Guarantor to the subsidiaries or through a share capital increase in the Subsidiaries by the Guarantor).	56,000	18,616	11,569	25,814	**(3)**
Total investments (Use of funds by the Guarantor)	**146,632**	**109,248**	**11,569**	**25,814**	**(4)**
Estimated CBL issuance expenses	3,368				
Total capital proceeds by the Issuer	**150,000**				

Notes

1. On 11/07/2019 a short-term bank loan of € 60.000 k (amounting to € 50,000 k from ALPHA BANK and € 10,000.000 from NATIONAL BANK) was used by the Guarantor to repay the Intra-group Loan 2017 to the Issuer. Specifically, on 17/07/2019, the Guarantor repaid all the nominal value of the bonds it had issued and had been covered by the Issuer under the 2017 CBL, in accordance with the terms of the Program. Subsequently, on 22/07/2019, the Issuer repaid the € 60,000 K of 2017 CBL in accordance with the term 4 of the CBL Program (“Prepayment”). On 31/10/2019, the Guarantor repaid the amount of € 50,000 K to ALPHA BANK and € 10,000 k to the National Bank of Greece respectively, resulting in the total repayment of this short-term bank loan.

2. On 16/07/2019, a short-term bank loan of € 52,000 k from the PIRAEUS BANK was used to pay part of the acquisition price of the Bearkat I wind farm "Glasscock County" in Texas, USA, which was conducted by the Group through its 100% subsidiary TERNA DEN LLC (a subsidiary of TERNA ENERGY USA HOLDING CORPORATION) at the conclusion of the transaction. On 29/11/2019, the Guarantor repaid the amount of € 52,000 k to PIRAEUS BANK, of which € 30,632 k was used from the raised funds.

3. The Guarantor has started the construction of ten (10) MW Wind Farms with total capacity of 155MW at 9 sites in Evia and 1 site in Voiotia, through its subsidiaries. The use of funds, which stood at € 30,186 k on 31/12/2020 (2019: € 18,616 k and 2020: € 11,570 k), is analyzed as follows:

- Construction of the Wind Farm at the site of **PYRGARI DARDIZA (6.3 MW) of the Municipality of Karystos** by the subsidiary company "AIOLIKI MARMARIOU EVIAS MAE". The total budget cost of construction of the project is estimated at € 11,019 k. On 14/11/2019, the Guarantor entered into a Common Bond Loan with this Subsidiary of € 2,500 k of which € 2,487 k relates to the coverage of the financing of the aforementioned wind farm construction. As of 30/06/2020, the Guarantor had covered the amount of € 2,329.6 k under the terms of this contract, of which € 2,316.6 k were paid by the Guarantor to the subsidiary as use of the CBL, which subsequently made payments to third parties for that investment amounting € 2,316.6 k of which € 2,287.2 thousand until 31/12/2019 and € 29.4 thousand in the financial year 2020.

- Construction of the Wind Farm at the site of **KARABYLA (19.8 MW) of the Municipality of Karystos** by the subsidiary "AIOLIKI MARMARIOU EVIAS MAE". The total budget cost of construction of the project is estimated at € 21,834 k. On 14/11/2019, the Guarantor entered into a Common Bond Loan with this Subsidiary of € 2,001 k of which € 1,985 k relates to the coverage of the financing of the aforementioned wind farm construction. As of 31/12/2020, the Guarantor had covered the first two (2) series of bonds amounting € 2,000.1 k under the terms of this contract, of which € 1,984.0 k was paid by the Guarantor to the subsidiary as use of the CBL, which subsequently made payments to third parties for that investment amounting € 1,984.0 k of which € 1,928.4 thousand until 31/12/2019 and € 55.6 thousand in the financial year 2020.

- Construction of the Wind Park at the site **GALOSI (19.8 MW) of the Municipality of Karystos** by the subsidiary "AIOLIKI MARMARIOU EVIAS MAE". The total budget cost of the project is estimated at € 21,584 K. On 14/11/2019, the Guarantor entered into a Common Bond Loan with its subsidiary amounting to € 2,001 k of which € 1,985 k relates to the coverage of financing of the aforementioned wind farm construction. As of 31/12/2020, the Guarantor had covered the first two (2) series of bonds amounting € 2,000.2 k under the terms of this contract, of which € 1,984.2 k was paid by the Guarantor to the subsidiary as use of the CBL, which subsequently made payments to third parties for that investment amounting € 1,984.2 k of which € 1,967.0 thousand until 31/12/2019 and € 17.2 thousand in the financial year 2020.

- Construction of the Wind Farm at the site of **AGRIACHLADIA (22.5 MW) of the Municipality of Kymi-Aliveri** by the subsidiary "ENERGIAKI DYSTION EVIAS MAE". The total budget cost of the project is estimated at € 29,543 k. On 14/11/2019, the Guarantor entered into a Common Bond Loan with this subsidiary amounting to € 2,500 k to cover the financing of the construction of the aforementioned Wind Farm. As of 31/12/2020, the Guarantor had covered the first two (2) series of bonds amounting € 2,477.4 k under the terms of this contract, that was paid by the Guarantor to the subsidiary, which subsequently made payments to third parties for that investment amounting € 2,477.4 k of which € 2,468.7 thousand until 31/12/2019 and € 8.7 thousand in the financial year 2020.

- Construction of the Wind Farm at the site **MESOPIKI (9 MW) of the Municipality of Kimi-Aliveri** by the subsidiary "ENERGIAKI DYSTION EVIAS MAE". The total budget cost of the project is estimated at € 12,782 k. On 14/11/2019, the Guarantor entered into a Common Bond Loan with this subsidiary amounting to € 1,500 k to cover the financing of the construction of the aforementioned Wind Farm. As of 31/12/2020, the Guarantor had covered the first by the Guarantor to the subsidiary, which subsequently made payments to third parties for that investment amounting € 923.4 k of which € 919.9 thousand until 31/12/2019 and € 3.5 thousand in the financial year 2020.

- Construction of the Wind Farm at the site **EXOSTIS (18.9 MW) of the Municipality of Karystos** by the subsidiary "ENERGIAKI STYRON EVIAS MAE" The total budget cost of the project is estimated at € 21,224 k. On 12/11/2019, the Guarantor entered into a Common Bond Loan with this subsidiary amounting € 7,101 k to cover the financing of the construction of the aforementioned Wind Farm. As of 31/12/2020, the Guarantor had covered the first two (2) series of bonds amounting € 7,100.7 k under the terms of this contract, that was paid by the Guarantor to the subsidiary, which subsequently made payments to third parties for that investment amounting € 7,100.7 k of which € 3,158.0 thousand until 31/12/2019 and € 3,942.7 thousand in the financial year 2020.

- Construction of the Wind Farm at the site **PYRGARI II (9.9 MW) of the Municipality of Kimi-Aliveri** by the subsidiary "AIOLIKI EAST GREECE ELLADOS MAE”. The total budget cost of the project is estimated at € 12,461 k. On 14/11/2019, the Guarantor entered into a Common Bond Loan with this subsidiary amounting € 5,000 k to cover the financing of the construction of the aforementioned Wind Farm. As of 31/12/2020, the Guarantor had covered the first two (2) series of bonds amounting € 2,115.4 k under the terms of this contract, that was paid by the Guarantor to the subsidiary, which subsequently made payments to third parties for that investment amounting € 2,115.4 k of which € 2,111.6 thousand until 31/12/2019 and € 3.8 thousand in the financial year 2020.

- Construction of the Wind Farm at the site **KOSKINA-LAKKA (7.65 MW) of the Municipality of Kimi-Aliveri** by the subsidiary "AIOLIKI EAST GREECE MAE". The total budget cost of the project is estimated at € 11.473 K. On 14/11/2019, the Guarantor entered into a Common Bond Loan with this subsidiary amounting € 400 k to cover the financing of the construction of the aforementioned Wind Farm. As of 31/12/2020, the Guarantor had covered the first series of bonds amounting € 391.6 k under the terms of this contract, that was paid by the Guarantor to the subsidiary, which subsequently made payments to third parties for that investment amounting € 391.6 k of which € 388.7 thousand until 31/12/2019 and € 2.9 thousand in the financial year 2020.

- Construction of the Wind Farm at the site **VOUREZA (7.2 MW) of the Municipality of Kimi-Aliveri** by the subsidiary "AIOLIKI EAST GREECE MAE". The total budget cost of the project is estimated at €

(Amounts in Euro thousand unless stated otherwise)

14.718 k. On 14/11/2019, the Guarantor entered into a Common Bond Loan with this subsidiary amounting € 7.000 k to cover the financing of the construction of the aforementioned Wind Farm. As of 31/12/2020, the Guarantor had covered the first two (2) series of bonds amounting € 6,839.7 k under the terms of this contract, that was paid by the Guarantor to the subsidiary, which subsequently made payments to third parties for that investment amounting € 6,839.7 k of which € 3,386.9 thousand until 31/12/2019 and € 3,452.8 thousand in the financial year 2020.

- Construction of the Wind Farm at **TARATSA (33.6 MW) of the Municipality of Thebes** by the subsidiary "AIOLIKI PROVATA TRAIANOUPOLEOS MAE". The total budget cost of construction of the project is estimated at € 29,976 thousand. From February to September 2020, the subsidiary received successive payments from the parent company TERNA ENERGY SA in exchange for an increase in share capital increase of € 4,600 with a parallel amendment to the articles of association. The share capital increase of € 4,600 thousand came from the unallocated funds held by the Guarantor and was completed on 19/10/2020. Until 31/12/2020, payments for this investment have been made to third parties totaling € 4,052.9 thousand within the year 2020.

4. As at 31/12/2020, the remaining amount of capital proceeds to be used amounts to € 25,814 thousand, of which € 25,267 thousand are included in the cash of the Guarantor and the remaining € 547 thousand in the cash of "AIOLIKI PROVATA TRAIANOUPOLEOS MAE".

Athens, 27 April 2021

		The Chief Financial Officers		
The Chairman of the BoD	The Vice Chairman of the BoD	Operation	Finance	The Head Accountant
Vasileios Delikaterinis	Dimitra Chatziarseniou	Emmanuil Fafalios	Aristotelis Spiliotis	Artan Tzanari
ID No. AI 036060	ID No. AA 026025	ID No. AK 082011	ID No. AK 127469	ID No AM 587311 License Reg. No A’ CLASS O64937

Grant Thornton

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

To the Board of Directors of "TERNA ENERGY FINANCE S.A."

Pursuant to the order as of 03.08.2020 we received from the Board of Directors of TERNA ENERGY SINGLE PERSON FINANCE S.A. (hereinafter referred to as the "Company"), we conducted the following agreed-upon procedures within the regulatory framework of the provisions of Athens Stock Exchange and the relevant legislative framework of Hellenic Capital Market Commission regarding the Report on Allocation of the Capital Proceeds of the Issuer regarding the issue of a Common Bond Loan under the guarantee of TERNA ENERGY S.A.((hereinafter referred to as "the Report), pertaining to the issue of the Common Bond Loan performed on 22/10/2019.

The Company's Management is responsible for preparation of the aforementioned Report in accordance with the effective regulations of Athens Stock Exchange and Hellenic Capital Market Commission and the Prospectus as of October 10th 2019.

We undertook this assignment in compliance with the International Standard on Related Services (ISRS) 4400, "Engagements to Perform Agreed-upon Procedures Regarding Financial Information". Our responsibility is to conduct the below agreed-upon procedures and disclose our findings to you.

Procedures

The procedures we conducted can be summarized as follows:

1. We compared the consistency of the data recorded in the column "Allocated Amount" in the Table of Allocation of the Capital Proceeds of the Issuer arising from the issue of the Common Bond Loan of € 150.000.000 included in the Report with the data reported in the Prospectus as of 10th October, 2019.
2. We compared the consistency of the data recorded in the column "Amount Provisionally Allocated to the Guarantor through Intra-group Loan", i.e. an amount of € 146.632 k, pertaining to the amount provisionally allocated by the Company to TERNA ENERGY S.A. (hereinafter referred to as the "Guarantor") recorded in the Table of Allocation of the Capital Proceeds of the Issuer arising from the issue of the Common Bond Loan of € 150.000.000 included in the Report, with the respective amounts, recognized in the key accounting records of the Company and the Guarantor until December 31st 2019 inclusively.
3. We compared the consistency of the content of the Table of Allocation of the Capital Proceeds of the Guarantor arising from the issue of the Common Bond Loan of € 150.000.000 of the Issuer in the Report with the data reported in the Prospectus issued by the Company on 10th October, 2019. In particular, we compared the consistency of the data recorded in the columns «Areas of Investment based on section 4.1.2 of the Prospectus" and "Allocation of the Capital Proceeds by the Guarantor" recorded in the Table of Allocation of the Capital Proceeds of the Guarantor in the Report with the data recorded in the Prospectus as of 10th October, 2019.

4. We compared the amounts recorded in the column “Use of funds in the period from 22.10.2019 to 31.12.2019” and “Use of funds in the period from 01.01.2020 to 31.12.2020” in the Table of Allocation of the Capital Proceeds of the Guarantor arising from the issue of the Common Bond Loan of € 150.000.000 of the Issuer in the Report with the corresponding amounts recognized in the key accounting records of the Guarantor and the related investments of its subsidiaries for the period from 22.10.2019 to 31.12.2019 and 01.01.2020-31.12.2020 respectively.
5. We compared the consistency of the amounts recorded in the column “Use of funds in the period from 22.10.2019 to 31.12.2019” and “Use of funds in the period 01.01.2020 to 31.12.2020” in the Table of Allocation of the Capital Proceeds of the Guarantor arising from the issue of the Common Bond Loan of € 150.000.000 of the Issuer in the Report with the projected usage of the capital proceeds based on the provisions of section 4.1.2 of the Prospectus as of 10th October, 2019, examining, on a sample basis, the supporting documents in respect of the relevant accounting entries.

Findings

We have ascertained the following form the conduct of the aforementioned procedures:

i. Regarding the procedure (1) mentioned above, we have ascertained that the data recorded in the column “Allocated Amount” in the Table of Allocation of the Capital Proceeds of the Issuer arising from the issue of the Common Bond Loan of € 150.000.000 included in the Report is consistent with the data reported in the Prospectus as of 10th October, 2019.
ii. Regarding the procedure (2) mentioned above, we have ascertained that the provisional amounts from the Company to the Guarantor data recorded in the column “Amount Provisionally Allocated to the Guarantor through Intra-group Loan” in the Table of Allocation of the Capital Proceeds of the Issuer arising from the issue of the Common Bond Loan of € 150.000.000 included in the Report, are consistent with the respective amounts, recognized in the key accounting records of the Company and the Guarantor until December 31st 2019 inclusively.
iii. Regarding the procedure (3) mentioned above, we have ascertained that the data recorded in the columns «Areas of Investment based on section 4.1.2 of the Prospectus” and “Allocation of the Capital Proceeds by the Guarantor” recorded in the Table of Allocation of the Capital Proceeds of the Guarantor arising from the issue of the Common Bond Loan of € 150.000.000 in the Report is consistent with the data recorded in the Prospectus as of 10th October, 2019.
iv. Regarding the procedure (4) mentioned above, we have ascertained that the amounts recorded in the column “Use of funds in the period from 22.10.2019 to 31.12.2019” and “Use of funds in the period 01.01.2020 to 31.12.2020” in the Table of Allocation of the Capital Proceeds of the Guarantor arising from the issue of the Common Bond Loan of € 150.000.000 of the Issuer in the Report are consistent with the corresponding amounts recognized in the key accounting records of the

Guarantor and the related investments of its subsidiaries for the period from 22.10.2019 to 31.12.2019.and 01.01.2020 to 31.12.2020 respectively.

v. Regarding the procedure (5) mentioned above, we have ascertained that the amounts recorded in the column "Use of funds in the period from 22.10.2019 to 31.12.2019" and "Use of funds in the period 01.01.2020 to 31.12.2020" in the Table of Allocation of the Capital Proceeds of the Guarantor arising from the issue of the Common Bond Loan of € 150.000.000 of the Issuer in the Report are consistent with the projected usage of the capital proceeds based on the provisions of section 4.1.2 of the Prospectus as of 10th October, 2019, examining, on a sample basis, the supporting documents in respect of the relevant accounting entries.

Given that the performed procedures 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, which we would have disclosed to you.

Restrictions on the Use of the Report

The current report is addressed exclusively to the Company's Board of Directors, in compliance with its obligations under the effective Regulatory Framework of Athens Stock Exchange. Therefore, this report shall not be used for any other purpose, as it is limited to the items listed above and does not extend to the financial statements prepared by the Company for FY ended as at December 31st, 2020, for which we have issued a separate Independent Auditor's Report on 27 April 2021.

Athens, 27 April 2021

The Certified Auditor Accountant

Dimitra Pagoni

SOEL Reg. No 30821

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