

TERNA ENERGY OVERSEAS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 2016

TERNA ENERGY OVERSEAS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 2016

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TERNA ENERGY OVERSEAS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Alexandros Hadjinicolaou
Despina Georgiou
Vasileios Delikaterinis
Konstantinos Iliadis
Myrto Achioti (Resigned on 1 January 2016)

Company Secretary:

Alexandros Hadjinicolaou
22 Agias Irinis
Aglantzia, 2102
Nicosia, Cyprus

Independent Auditors:

EPW Europe Private Wealth Ltd
Certified Public Accountants and Registered Auditors
16 Ekaterinis Kornaro Street
Third Floor, 2015, Strovolos
Nicosia, Cyprus

Registered office:

Annis Komninis, 37
Elenion Building, 2nd floor, Flat/Office 7
Nicosia
Cyprus

Bankers:

Alpha Bank Cyprus Ltd
Bank of Cyprus Public Company Ltd
Piraeus Bank Ltd
Alpha Bank Bulgaria
Emporiki Bank (Cyprus) Ltd
Raiffeisen Bank International AG Austria
Raiffeisen Bank Polska S.A.
DNB Bank Polska S.A.

Registration number:

HE210615

TERNA ENERGY OVERSEAS LIMITED

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2016.

Principal activity and nature of operations of the Company

The principal activity of the Company, which is unchanged from last year, is the holding of investments in subsidiaries engaged in the energy and construction sector, and interest earning activities.

Review of current position, future developments and performance of the Company's business

The net profit for the year attributable to the shareholders of the Company amounted to €3.021.290 (2015: €6.054.349). On 31 December 2016 the total assets of the Company were €155.883.807 (2015: €136.573.647) and the net assets of the Company were €155.358.443 (2015: €135.547.153). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Results and Dividends

The Company's results for the year are set out on page 5.

Share capital

Authorised capital

On 7 January 2016 the authorised share capital of the Company was decreased from 12.838 ordinary shares of €100 each to 12.817 ordinary shares of €100 each.

On 7 November 2016 the authorised share capital of the Company was increased from 12.817 ordinary shares of €100 each to 13.717 ordinary shares of €100 each.

On 15 November 2016 the authorised share capital of the Company was increased from 13.717 ordinary shares of €100 each to 14.517 ordinary shares of €100 each.

Issued capital

On 7 January 2016, the Company reduced the issued share capital by €2.100 (21 ordinary shares of €100 each) and its share premium by €207.900 (€9.900 per ordinary share reduced).

On 7 November 2016, the Company issued 900 additional ordinary shares of nominal value €100 each (additional share capital €90.000) at a premium of €9.900 each (additional share premium €8.910.000).

On 15 November 2016, the Company issued 800 additional ordinary shares of nominal value €100 each (additional share capital €80.000) at a premium of €9.900 each (additional share premium €7.920.000).

Board of Directors

The members of the Company's Board of Directors as at 31 December 2016 and at the date of this report are presented on page 1. Mrs. Myrto Achioti who was appointed director on 9 December 2013 resigned on 1 January 2016.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors

Independent Auditors

The Independent Auditors, EPW Europe Private Wealth Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Alexandros Hadjinicolaou
Director

Nicosia, 14 February 2017

Independent auditor's report

To the Members of Terna Energy Overseas Limited

Report on the financial statements

We have audited the financial statements of Terna Energy Overseas Limited (the "Company"), which are presented in pages 5 to 24 and comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and 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.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Terna Energy Overseas Limited as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report, whose preparation is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



George Theocharous
Certified Public Accountant and Registered Auditor
for and on behalf of
EPW Europe Private Wealth Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 14 February 2017

TERNA ENERGY OVERSEAS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 December 2016

	Note	2016 €	2015 €
Other operating income	5	4.203.004	6.541.140
Administration expenses		(747.977)	(564.083)
Other expenses	6	(1.190)	(62.593)
Operating profit		3.453.837	5.914.464
Net foreign exchange profit	9	10.167	359.462
Profit before tax		3.464.004	6.273.926
Tax	10	(442.714)	(219.577)
Net profit for the year		3.021.290	6.054.349
Other comprehensive income		-	-
Total comprehensive income for the year		3.021.290	6.054.349

The notes on pages 9 to 24 form an integral part of these financial statements.

TERNA ENERGY OVERSEAS LIMITED

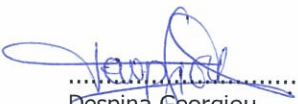
STATEMENT OF FINANCIAL POSITION

31 December 2016

	Note	2016 €	2015 €
ASSETS			
Non-current assets			
Property, plant and equipment	13	266.666	293.333
Investments in subsidiaries	14	63.986.074	46.986.074
Non-current loans receivable	15	86.184.579	76.454.298
		150.437.319	123.733.705
Current assets			
Receivables	16	1.236.162	1.533.806
Cash at bank and in hand		4.210.326	11.306.136
		5.446.488	12.839.942
Total assets		155.883.807	136.573.647
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1.451.700	1.283.800
Share premium	17	133.818.300	117.196.200
Retained earnings		20.088.443	17.067.153
Total equity		155.358.443	135.547.153
Current liabilities			
Trade and other payables	18	99.485	831.763
Current tax liabilities	19	425.879	194.731
		525.364	1.026.494
Total equity and liabilities		155.883.807	136.573.647

On 14 February 2017 the Board of Directors of Terna Energy Overseas Limited authorised these financial statements for issue.


 Alexandros Hadjicolaou
 Director


 Despina Georgiou
 Director

The notes on pages 9 to 24 form an integral part of these financial statements.

TERNA ENERGY OVERSEAS LIMITED

STATEMENT OF CHANGES IN EQUITY

31 December 2016

	Note	Share capital €	Share premium €	Retained earnings €	Total €
Balance at 1 January 2015		1.111.800	100.168.200	11.012.804	112.292.804
Comprehensive income					
Net profit for the year		-	-	6.054.349	6.054.349
Transactions with owners					
Issue of share capital	17	227.000	22.473.000	-	22.700.000
Redemption of redeemable shares during the year		(55.000)	(5.445.000)	-	(5.500.000)
Total transactions with owners		<u>172.000</u>	<u>17.028.000</u>	<u>-</u>	<u>17.200.000</u>
Balance at 31 December 2015/ 1 January 2016		1.283.800	117.196.200	17.067.153	135.547.153
Comprehensive income					
Net profit for the year		-	-	3.021.290	3.021.290
Transactions with owners					
Issue of share capital	17	170.000	16.830.000	-	17.000.000
Redemption of redeemable shares during the year		(2.100)	(207.900)	-	(210.000)
Total transactions with owners		<u>167.900</u>	<u>16.622.100</u>	<u>-</u>	<u>16.790.000</u>
Balance at 31 December 2016		<u>1.451.700</u>	<u>133.818.300</u>	<u>20.088.443</u>	<u>155.358.443</u>

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 9 to 24 form an integral part of these financial statements.

TERNA ENERGY OVERSEAS LIMITED

STATEMENT OF CASH FLOWS

31 December 2016

	Note	2016 €	2015 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3.464.004	6.273.926
Adjustments for:			
Depreciation of property, plant and equipment	13	26.667	26.667
Unrealised exchange profit		(17.747)	(365.163)
Loss from the sale of investments in subsidiaries		-	61.021
Dividend income	5	-	(2.619.706)
Interest income	5	(4.203.004)	(3.921.434)
		(730.080)	(544.689)
Changes in working capital:			
Decrease in receivables		297.644	3.905.001
Decrease in trade and other payables		(732.278)	(2.123.845)
Cash (used in)/generated from operations		(1.164.714)	1.236.467
Tax paid		(211.566)	(537.758)
Net cash (used in)/generated from operating activities		(1.376.280)	698.709
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	14	(17.000.000)	(2.197.563)
Loans granted		(7.820.000)	(14.480.064)
Loans repayments received		317.489	602.500
Proceeds from sale of investments in subsidiary undertakings		-	(5.896)
Interest received		1.992.981	3.921.434
Dividends received		-	2.619.706
Net cash used in investing activities		(22.509.530)	(9.539.883)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		17.000.000	172.000
Transfer to shareholders for share capital decrease		(210.000)	17.028.000
Net cash generated from financing activities		16.790.000	17.200.000
Net (decrease)/increase in cash and cash equivalents		(7.095.810)	8.358.826
Cash and cash equivalents at beginning of the year		11.306.136	2.947.310
Cash and cash equivalents at end of the year		4.210.326	11.306.136

The notes on pages 9 to 24 form an integral part of these financial statements.

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1. Incorporation and principal activities

Country of incorporation

The Company Terna Energy Overseas Limited (the "Company") was incorporated in Cyprus on 19 October 2007 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Annis Komninis, 37, Elenion Building, 2nd floor, Flat/Office 7, Nicosia, Cyprus.

Principal activity and nature of operations of the Company

The principal activity of the Company, which is unchanged from last year, is the holding of investments in subsidiaries engaged in the energy and construction sector, and interest earning activities.

2. Significant accounting policies

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

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the ultimate parent company publishes consolidated financial statements in accordance with Generally Accepted Accounting Principles in Greece and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2016.

Since the 7th Directive of the European Union permits the preparation of consolidated financial statements in accordance with the Directive or in a manner equivalent to the Directive, and since the Cyprus Companies Law, Cap. 113, provides the aforementioned exemption, the provisions of International Financial Reporting Standard 10 'Consolidated Financial Statements' that require the preparation of consolidated financial statements in accordance with IFRS do not apply.

The financial statements have been prepared under the historical cost convention.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2. Significant accounting policies (continued)

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

- **Dividend income**

Dividend income is recognised when the right to receive payment is established.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(2) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Helicopter	6.67

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of non-financial assets

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

Financial instruments

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

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2. Significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

3. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3. Financial risk management (continued)

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

	2016 €	2015 €
Fixed rate instruments		
Financial assets	86.184.579	76.454.298
	86.184.579	76.454.298

3.2 Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016 €	2015 €
Loans receivables from related parties	86.184.579	76.454.298
Receivables	7.243	4.082
Cash at bank	4.210.061	11.305.407
Receivables from related companies	1.145.141	1.382.119
	91.547.024	89.145.906

3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2016	Carrying amounts €	Contractual cash flows €	On demand €	Less than 12 months €	1-2 years €	2-5 years €	More than 5 years €
Trade and other payables	7.711	7.711	-	7.711	-	-	-
Payables to related parties	89.274	89.274	89.274	-	-	-	-
	96.985	96.985	89.274	7.711	-	-	-
31 December 2015	Carrying amounts €	Contractual cash flows €	On demand €	Less than 12 months €	1-2 years €	2-5 years €	More than 5 years €
Trade and other payables	41.317	41.317	-	41.317	-	-	-
Payables to related parties	787.948	787.948	787.948	-	-	-	-
	829.265	829.265	787.948	41.317	-	-	-

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3. Financial risk management (continued)

3.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

3.5 Capital risk management

Capital includes equity shares and share premium, convertible preference shares and loan from parent company

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment of investments in subsidiaries**

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

4. Critical accounting estimates and judgements (continued)

• Impairment of loans receivable

The Company periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

• Impairment of non-financial assets

The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

5. Other operating income

	2016 €	2015 €
Interest income	4.203.004	3.921.434
Dividend income	-	2.619.706
	<u>4.203.004</u>	<u>6.541.140</u>

6. Other expenses

	2016 €	2015 €
Capital issue costs	1.190	1.572
Loss from sale of investments in subsidiaries	-	61.021
	<u>1.190</u>	<u>62.593</u>

7. Expenses by nature

	2016 €	2015 €
Staff costs (Note 8)	185.486	140.000
Depreciation and amortisation expense	26.667	26.667
Auditors' remuneration	5.000	5.000
Other expenses	532.014	455.009
Total expenses	<u>749.167</u>	<u>626.676</u>

8. Staff costs

	2016 €	2015 €
Salaries	185.486	140.000
	<u>185.486</u>	<u>140.000</u>

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9. Net profit from foreign exchange transactions

	2016 €	2015 €
Realised exchange loss	(7.580)	(5.701)
Unrealised exchange profit	17.747	365.163
	<u>10.167</u>	<u>359.462</u>

Realised exchange loss arises from transactions in foreign currencies, translated to Euro using the rate of exchange ruling at the date of the transaction.

The unrealised exchange profit arises from monetary assets and liabilities denominated in foreign currencies, translated to Euro using the rate of exchange ruling at the reporting date.

10. Tax

	2016 €	2015 €
Corporation tax - current year	442.712	253.892
Corporation tax - prior years	-	(34.316)
Overseas tax	2	1
Charge for the year	<u>442.714</u>	<u>219.577</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2016 €	2015 €
Profit before tax	3.464.004	6.273.926
Tax calculated at the applicable tax rates	433.001	784.241
Tax effect of expenses not deductible for tax purposes	70.850	-
Tax effect of allowances and income not subject to tax	(61.137)	(372.600)
Prior year tax	-	(34.316)
Overseas tax in excess of credit claim used during the year	-	(157.748)
Tax charge	<u>442.714</u>	<u>219.577</u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

11. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2016	Available-for-sale financial assets €	Loans and receivables €	Total €
Assets as per statement of financial position:			
Receivables	-	1.152.385	1.152.385
Loans granted	-	86.184.579	86.184.579
Financial assets	63.986.074	-	63.986.074
Cash and cash equivalents	-	4.210.326	4.210.326
Total	<u>63.986.074</u>	<u>91.547.290</u>	<u>155.533.364</u>

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

11. Financial instruments by category (continued)

	Borrowings and other financial liabilities €	Total €
Liabilities as per statement of financial position:		
Trade and other payables	96.985	96.985
Total	96.985	96.985

31 December 2015

	Available-for-sale financial assets €	Loans and receivables €	Total €
Assets as per statement of financial position:			
Receivables	-	1.386.201	1.386.201
Loans granted	-	76.454.298	76.454.298
Financial assets	46.986.074	-	46.986.074
Cash and cash equivalents	-	11.306.136	11.306.136
Total	46.986.074	89.146.635	136.132.709

	Borrowings and other financial liabilities €	Total €
Liabilities as per statement of financial position:		
Trade and other payables	829.265	829.265
Total	829.265	829.265

12. Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	2016 €	2015 €
Fully performing other receivables		
Group 2	1.150.715	-
Group 4	86.184.579	76.454.298
Group 5	1.670	211.040
Group 6	-	4.082
	87.336.964	76.669.420
Cash at bank and short term bank deposits ⁽¹⁾		
Aa2	1.862.036	-
Baa1	-	11.139.368
Baa2	2.202.391	-
Caa2	5.979	164.634
Caa3	139.655	1.405
	4.210.061	11.305.407

The rest of the statement of financial position item "Cash and cash equivalents" is cash in hand.

Group 1 - new customers (less than 6 months).

Group 2 - existing customers (more than 6 months) with no defaults in the past.

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

12 Credit quality of financial assets (continued)

Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Group 4 - companies within the group, common control companies and associates with no defaults in the past.

Group 5 - Directors, shareholders and key management personnel.

Group 6 - new receivables (less than 6 months).

None of the financial assets that are fully performing has been renegotiated.

13. Property, plant and equipment

	Helicopter €
Cost	
Balance at 1 January 2015	400.000
Balance at 31 December 2015/ 1 January 2016	400.000
Balance at 31 December 2016	400.000
Depreciation	
Balance at 1 January 2015	80.000
Charge for the year	26.667
Balance at 31 December 2015/ 1 January 2016	106.667
Charge for the year	26.667
Balance at 31 December 2016	133.334
Net book amount	
Balance at 31 December 2016	266.666
Balance at 31 December 2015	293.333

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

14. Investments in subsidiaries

	2016 €	2015 €
Balance at 1 January	46.986.074	44.843.636
Additions	17.000.000	2.197.563
Disposals	-	(55.125)
Balance at 31 December	63.986.074	46.986.074

The details of the subsidiaries are as follows:

Name	Country of incorporati on	Principal activities	2016 Holding %	2015 Holding %	2016 €	2015 €
Eolos Polska z.o.o.	Poland	Electric Power Production	100	100	3.178.493	3.178.493
Eolos Nowogrodziec Sp. z.o.o.	Poland	Electric Power Production	100	100	2.647.370	2.647.370
HAOS Invest 1	Bulgaria	Electric Power Production	100	100	11.097.676	11.097.676
Vathihori Perivallontiki S.A.	Greece	Electric Power Production	100	100	4.620.000	4.620.000
Terna Energy Transatlantic Sp. z.o.o.	Poland	Electric Power Production	100	100	28.996.063	11.996.063
Eolos North Sp. z.o.o.	Poland	Electric Power Production	100	100	3.277.859	3.277.859
Vathihori 2 Energy SA	Greece	Electric Power Production	100	100	615.000	615.000
Eolos East Sp. z.o.o.	Poland	Electric Power Production	100	100	1.401.235	1.401.235
Terna Energy Trading Ltd	Cyprus	Electric Power Production	51	51	153.000	153.000
Eco Energy Dobrich 2 EOD	Bulgaria	Electric Power Production	100	100	1.266.938	1.266.938
Eco Energy Dobrich 3 EOD	Bulgaria	Electric Power Production	100	100	1.266.938	1.266.938
Eco Energy Dobrich 4 EOD	Bulgaria	Electric Power Production	100	100	1.466.938	1.466.938
Wiron SP z.o.o.	Poland	Electric Power Production	100	100	1.092.464	1.092.464
Balladyna SP z.o.o.	Poland	Electric Power Production	100	100	1.000.017	1.000.017
Green SP z.o.o.	Poland	Electric Power Production	100	100	1.906.083	1.906.083
					63.986.074	46.986.074

15. Non-current loans receivable

	2016 €	2015 €
Balance at 1 January	76.454.298	62.211.571
New loans granted	7.820.000	10.632.185
Repayments	(2.391.354)	(602.500)
Interest charged	4.202.963	3.917.503
Foreign exchange difference	98.672	295.539
Balance at 31 December	86.184.579	76.454.298

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

15. Non-current loans receivable (continued)

	2016 €	2015 €
Loans to own subsidiaries (Note 21.3)	44.801.591	44.228.242
Loans to related companies (Note 21.3)	41.382.988	32.226.056
	<u>86.184.579</u>	<u>76.454.298</u>

The loans are repayable as follows:

	2016 €	2015 €
Within one year	54.702.485	32.347.090
Between one and five years	31.482.094	44.107.208
	<u>86.184.579</u>	<u>76.454.298</u>

The exposure of the Company to credit risk in relation to loans receivable is reported in note 3 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

16. Receivables

	2016 €	2015 €
Receivables from own subsidiaries (Note 21.2)	229.268	229.268
Receivables from related companies (Note 21.2)	914.203	941.811
Receivables from parent (Note 21.2)	1.670	211.040
Deposits and prepayments	82.179	10.790
Other receivables	7.243	4.082
Refundable VAT	1.599	136.815
	<u>1.236.162</u>	<u>1.533.806</u>

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

17. Share capital and share premium

Issued and fully paid	Number of shares	Share capital €	Share premium €	Total €
Balance at 1 January 2015	11.118	1.111.800	100.168.200	101.280.000
Issue of additional shares	2.270	227.000	22.473.000	22.700.000
Share capital and premium reduction	(550)	(55.000)	(5.445.000)	(5.500.000)
Balance at 31 December 2015/ 1 January 2016	12.838	1.283.800	117.196.200	118.480.000
Issue of additional shares	1.700	170.000	16.830.000	17.000.000
Share capital and premium reduction	(21)	(2.100)	(207.900)	(210.000)
Balance at 31 December 2016	<u>14.517</u>	<u>1.451.700</u>	<u>133.818.300</u>	<u>135.270.000</u>

Authorised capital

On 7 January 2016 the authorised share capital of the Company was decreased from 12.838 ordinary shares of €100 each to 12.817 ordinary shares of €100 each.

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

17. Share capital and share premium (continued)

On 7 November 2016 the authorised share capital of the Company was increased from 12.817 ordinary shares of €100 each to 13.717 ordinary shares of €100 each.

On 15 November 2016 the authorised share capital of the Company was increased from 13.717 ordinary shares of €100 each to 14.517 ordinary shares of €100 each.

Issued capital

On 7 January 2016, the Company reduced the issued share capital by €2.100 (21 ordinary shares of €100 each) and its share premium by €207.900 (€9.900 per ordinary share reduced).

On 7 November 2016, the Company issued 900 additional ordinary shares of nominal value €100 each (additional share capital €90.000) at a premium of €9.900 each (additional share premium €8.910.000).

On 15 November 2016, the Company issued 800 additional ordinary shares of nominal value €100 each (additional share capital €80.000) at a premium of €9.900 each (additional share premium €7.920.000).

18. Trade and other payables

	2016 €	2015 €
Payables to parent (Note 21.4)	77.000	77.674
Accruals	2.500	2.498
Other creditors	7.711	41.317
Payables to related companies (Note 21.4)	12.274	710.274
	<u>99.485</u>	<u>831.763</u>

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

19. Current tax liabilities

	2016 €	2015 €
Corporation tax	422.073	190.925
Special contribution for defence	3.806	3.806
	<u>425.879</u>	<u>194.731</u>

20. Recent volatility in global financial markets

The on-going global liquidity crisis which commenced in the middle of 2007 and is still continuing, resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and higher interbank lending rates. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Such circumstances could affect the ability of the Company to obtain borrowings or re-finance its existing operations at terms and conditions similar to those applied to earlier transactions. Indeed the full extent of the impact of the on-going financial crisis is proving to be impossible to anticipate or completely guard against.

The debtors or borrowers of the Company may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. Deteriorating operating conditions for debtors or borrowers may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

20. Recent volatility in global financial markets (continued)

To the extent that information is available, Management has reflected revised estimates of expected future cash flows in its impairment assessments. Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

21. Related party transactions

The Company is controlled by Terna Energy S.A., incorporated in Greece and listed to the Athens Stock Exchange (ASE), which owns 100% of the Company's shares.

The following transactions were carried out with related parties:

21.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2016	2015
	€	€
Directors' fees	<u>1.200</u>	<u>2.400</u>
	<u>1.200</u>	<u>2.400</u>

21.2 Receivables from related parties (Note 16)

Name	2016	2015
	€	€
HAOS Invest 1	229.268	229.268
Galette Investment Co.	23.388	21.230
Terna Energy SA	-	210.000
Eolos Polska z.o.o.	890.265	920.031
Valeplus Ltd	550	550
Terna Energy Trading Ltd	<u>1.670</u>	<u>1.040</u>
	<u>1.145.141</u>	<u>1.382.119</u>

The amounts above are receivable on demand and bear no interest.

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

21. Related party transactions (continued)

21.3 Loans to associates (Note 15)

	2016 €	2015 €
Eolos Nowogrodje sp. z.o.o (principal amount)	6.200.000	6.200.000
Eolos Nowogrodje sp. zo.o (interest)	2.304.135	1.947.160
Eolos Polska sp. zo.o (principal amount)	3.610.000	3.610.000
Eolos Polska sp. zo.o (interest)	805.551	606.457
Haos Invest 1 (principal amount)	13.950.000	13.950.000
Haos Invest 1 (interest)	919.262	2.033.296
Eolos North Sp.z.o.o (principal amount)	3.470.000	3.300.000
Eolos North Sp.z.o.o (interest)	896.751	696.085
Eco Energy Dobrich 3 EOOD (principal amount)	890.000	890.000
Eco Energy Dobrich 3 EOOD (interest)	267.461	209.453
Eco Energy Dobrich 4 EOOD (principal amount)	1.065.000	1.065.000
Eco Energy Dobrich 4 EOOD (interest)	309.445	240.031
Eco Energy Dobrich 2 EOOD (principal amount)	890.000	890.000
Eco Energy Dobrich 2 EOOD (interest)	267.933	209.925
Terna Energy USA Golding Corp. (principal amount and interest)	40.957.049	31.480.802
Eolos East Sp.z.o.o (principal amount)	5.183.000	5.183.000
Eolos East Sp.z.o.o (interest)	1.062.040	750.208
Terna energy transatlantic SP zoo (principal amount)	150.000	-
Terna energy transatlantic SP zoo (interest)	1.012	-
Terna Overseas Ltd (principal amount)	500.000	500.000
Terna Overseas Ltd(interest)	154.740	114.630
Valeplus Ltd (principal)	-	320.915
Valeplus Ltd (interest)	-	38.510
WIRON sp. z o.o. (principal)	900.000	900.000
WIRON sp. z o.o. (interest)	93.104	49.548
JP GREEN sp. z o.o. (principal)	800.000	800.000
JP GREEN sp. z o.o. (interest)	82.759	44.043
Balladyna Sp. z o.o. (principal)	622.000	622.000
Balladyna Sp. z o.o. (interest)	62.139	32.037
Withholding tax accrued	(228.802)	(228.802)
	86.184.579	76.454.298

The loans to Eolos Nowogrodje sp. z.o.o bear interest at 5% and 6%, and are repayable on demand.

The loan to Eolos Polska sp. zo.o bears interest at 5,5% and is repayable on demand.

The loans to Haos Invest 1 bear interest at 6,5% and 7% and are repayable on 31 December 2025.

The loans to Eolos North Sp.z.o.o comprises of 2 loans and bears interest at 6% each. The amount of principal €170.000 plus interest is repayable on 31 December 2017 and the amount of €3.300.000 plus interest is repayable on 31 December 2028.

The loan to Eco Energy Dobrich 3 EOOD bears interest at 6,5% and is repayable on 31 December 2023.

The loan to Eco Energy Dobrich 4 EOOD bears interest at 6,5% and is repayable on 31 December 2023.

The loan to Eco Energy Dobrich 2 EOOD bears interest at 6,5% and is repayable on 31 December 2023.

The loan to Terna Energy USA Golding Corp. bears interest at 5,5% and is repayable on demand.

The loan to Eolos East Sp.z.o.o bears interest at 6% and is repayable on 30 September 2030.

The bonds to Terna S.A. bear interest at 7,75% and are repayable on demand.

TERNA ENERGY OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

21. Related party transactions (continued)

The loan to Terna Overseas Ltd bears interest at 8% and is repayable on demand.

The loan to Valeplus Ltd bears interest at 4% and is repayable on demand.

The loan agreement with WIRON sp. z o.o., was entered into on 4 December 2014 and is repayable on 4 December 2029. The interest rate is EURIBOR (Y1) + 5% p.a.

The loan agreement with JP GREEN sp. z o.o., was entered into on 4 December 2014 and is repayable on 4 December 2029. The interest rate is EURIBOR (Y1) + 5% p.a.

The loan agreement with Balladyna Sp. z o.o., was entered into on 12 December 2014 and is repayable on 30 November 2030. The interest rate is EURIBOR (Y1) + 5% p.a.

The loans to Terna Energy Transatlantic SP zoo bears interest at 6% and is repayable until December 2018.

21.4 Payables to related parties (Note 18)

<u>Name</u>	<u>Nature of transactions</u>	2016	2015
		€	€
Valeplus Ltd	Trade	10.000	710.000
Terna Overseas Ltd	Finance	-	674
Terna Energy SA	Finance	79.274	77.274
		89.274	787.948

The amounts above are payable on demand and bear no interest.

22. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2016.

23. Commitments

The Company had no capital or other commitments as at 31 December 2016.

24. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

TERNA ENERGY OVERSEAS LIMITED

DETAILED INCOME STATEMENT

31 December 2016

	Page	2016 €	2015 €
Revenue			
Bank interest		40	3.931
Interest from overseas		4.202.964	3.917.503
Dividend income		-	2.619.706
		<u>4.203.004</u>	<u>6.541.140</u>
Operating expenses			
Administration expenses	26	<u>(747.977)</u>	<u>(564.083)</u>
		<u>3.455.027</u>	<u>5.977.057</u>
Other operating expenses			
Capital issue costs		(1.190)	(1.572)
Loss from sale of investments in subsidiaries		-	(61.021)
		<u>-</u>	<u>(62.593)</u>
Operating profit		<u>3.453.837</u>	<u>5.914.464</u>
Net profit from foreign exchange transactions		10.167	359.462
Net profit for the year before tax		<u>3.464.004</u>	<u>6.273.926</u>

TERNA ENERGY OVERSEAS LIMITED

SELLING AND DISTRIBUTION EXPENSES

31 December 2016

	2016 €	2015 €
Administration expenses		
Staff salaries	185.486	140.000
Rent	24.488	24.354
Professional licence fee	388.177	250.205
Annual levy	350	350
Sundry expenses	2.487	924
Courier expenses	150	410
Subscriptions and contributions	450	450
Certification and legalisation expenses	1.011	1.097
Auditors' remuneration	5.000	5.000
Accounting fees	2.400	2.400
Legal fees	18.674	12.801
Other professional fees	2.119	17.756
Directors' fees	1.200	2.400
Overseas travelling	6.341	7.090
Travelling	70.901	61.847
Other taxes and dues	-	10
Sundry expenses	1.400	1.400
Bank charges	10.676	8.922
Depreciation	26.667	26.667
	747.977	564.083

TERNA ENERGY OVERSEAS LIMITED

COMPUTATION OF CORPORATION TAX

31 December 2016

	Page	€	€
Net profit per income statement	25		3,464,004
<u>Add:</u>			
Depreciation		26,667	
Legal fees		18,674	
Helicopter exps		412,665	
Capital issue costs		1,190	
Certification and legalisation		1,011	
Dissallowance of non-statutory administration expenses		<u>106,583</u>	
			<u>566,790</u>
			4,030,794
<u>Less:</u>			
Notional interest deduction		478,930	
FX not relating to trading FX		<u>10,167</u>	
			<u>(489,097)</u>
Chargeable income for the year			<u>3,541,697</u>

Calculation of corporation tax

	Income €	Rate %	Total € c
Tax at normal rates:			
Chargeable income as above	<u>3,541,697</u>	12,50	442,712,13
Tax paid provisionally	<u>1,692,512</u>		(211,564,00)
Credit claimed in respect of foreign tax			<u>(187,370,00)</u>
TAX PAYABLE			<u>43,778,13</u>

