HERON II
THERMOILEKTRIKOS STATHMOS VIOTIAS
SOCIETE ANONYME

85, Messogeion Ave., GR-11526, Athens

General Commercial Registry of Companies No 007798101000

ANNUAL FINANCIAL REPORT

For the year

1st of January to 31st of December 2018

CONTENTS

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Independent Auditor's Report

To the Shareholders of the Company HERON II VIOTIA THERMOELECTRIC POWER PLANT S.A.

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company HERON II VIOTIA THERMOELECTRIC POWER PLANT S.A. as of December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern principle of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate to Management, 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.

Report on Other Legal and Regulatory Requirements

1. Taking into consideration that Management is responsible for the preparation of the Board of Directors' Report, according to the provisions of paragraph 5 of article 2 (part B) of L. 4336/2015, we note the following:

   a) In our opinion the Board of Directors' Report has been prepared in accordance with the applicable legal requirements of article 43a of Greek Codified Law 2190/1920 and its content is consistent with the accompanying financial statements for the year ended 31/12/2018.

   b) Based on the knowledge we obtained during our audit about the Company HERON II VIOTIA THERMOELECTRIC POWER PLANT S.A. and its environment, we have not identified any material inconsistencies in the Board of Directors' Report.

Athens, 12 July 2019

The Certified Public Accountant

Yiannis Iliopoulos

Reg. No. SOEL: 26251

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Share capital € 6.440.000
85, Messogeion Ave., GR-11526, Athens
General Commercial Registry of Companies No 7798101000
S.A. Register No 64277/01/B/07/608

Board of Directors

George KOUVARIS	Chairman of the Board
George DANIOLOS	Managing Director
Sophia DIMITRAKOPOULOU	Member of the Board
Wim BROOS	Member of the Board
Christophe BOULLIER DE BRANCHE	Member of the Board
Yves GROFILS	Member of the Board
Abdulaziz Ahmed AL-KUWARI	Member of the Board
Mohammed Jaber AL-SULAITI	Member of the Board

Auditor

Deloitte. Certified Public Accountants S.A.

II. ANNUAL MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2018

MANAGEMENT REPORT
To the Ordinary General Meeting of Shareholders
On the 2018-year balance sheet and results
Period 1/1/2018 - 31/12/2018

Dear Shareholders,

We have the honour to present you for your approval the financial Statements of the tenth (10th) fiscal year of our Company, 1/1-31/12/2018, and give you the following explanations.

1. Main financial indicators

On 31st December 2018, owner's equity amounted to € 73.899 thousand compared to € 82.629 thousand in 2017.
The Company's main financial ratios for 2018 and 2017 fiscal years are as follows:

Financial structure ratios
(All amounts are presented in thousand Euro)

	31/12/2018		31/12/2017	
Current assets	48.714	23,49%	50.887	23,10%
Total assets	207.371		220.286	
Non-current assets	158.657	76,51%	169.399	76,90%
Total assets	207.371		220.286	

The above ratios show the proportion of outstanding capital and fixed assets.

	31/12/2018		31/12/2017	
Equity	73.899	55,37%	82.629	60,02%
Total liabilities	133.472		137.657	

The above ratio shows the Company's financial adequacy.

	31/12/2018		31/12/2017	
Total liabilities	133.472	64,36%	137.657	62,49%
Total equity & liabilities	207.371		220.286	
Equity	73.899	35,64%	82.629	37,51%
Total equity & liabilities	207.371		220.286	

The above ratios show the Company's leverage.

	31/12/2018		31/12/2017	
Equity	73.899	46,58%	82.629	48,78%
Non-current assets	158.657		169.399	

This ratio shows the ratio of corporate intangible assets financing by owner's equity.

	31/12/2018		31/12/2017	
Current assets	48.714	121,66%	50.887	129,86%
Current liabilities	40.041		39.187	

This ratio shows the Company's ability to meet its current liabilities using current assets. Please refer to note 12 for more details.

Working capital	8.673	17,80%	11.700	22,99%
Current assets	48.714		50.887	

This ratio reflects the portion of current assets that is financed by the surplus of Owner's Equity and Long-term liabilities.

Return on equity and performance ratios

(All amounts are presented in thousand Euro)	31/12/2018		31/12/2017	
Year net results before tax	(6.270)	(4,79%)	1.958	1,96%
Sales of stocks & services	131.013		100.065	

This ratio presents the performance of the Company without including other results.

Year net results before tax	(6.270)	(4,77%)	1,958	1.95%
Total income	131.389		100,469	

This ratio reflects the Company's total performance in comparison with its total income.

Year net results before tax	(6.270)	(8,48%)	1.958	2,37%
Equity	73.899		82.629	

This ratio presents the return on equity of the Company.

Gross results	847	0,65%	11.960	11,95%
Sales of stocks & services	131.013		100.065	

This ratio reflects the gross profit as a percentage of the Company's sales.

2. Overview of Energy Market

Highlights

The main facts of the Greek energy market are:

Overview of Greek Energy Market

The Greek energy markets need wide-ranging and structural reforms to bring them in line with EU legislation and policies, make them more modern and competitive, reduce monopolistic trends and inefficiencies, promote innovation, favour wider adoption of renewable energy and gas and ensure the transfer of benefits of all these changes to consumers.

Many important structural reforms have been accomplished towards this direction in 2018 and among them we choose to mention the following:

1. *Structural measures relating to lignite- fired generation capacity*: The Greek Law 4533/2018 (FEK A 75/2018) was voted on the 25th of April 2018 establishing the "Structural measures on access to lignite and the further opening of the wholesale electricity market and other provisions". Actually, the Law confirms the divestment through two spin-off businesses of (1) the lignite-fired plant of Meliti 1 and option for a new Meliti 2 plant and (2) units 3 and

4 of Megalopoli and of all related assets. According to the commitments of the Hellenic Republic the divestment should have been concluded by end-2018. In reality during 2018 the spin-off of the lignite divesture took place together with the launch of the international tender.

2. *Structural measures (NOME) to ensure the progressive reduction of PPC's market share in the retail market*: NOME auctions continued throughout 2018 with the additional quantities -due to the abovementioned divestment- on the interim targets of June and December being reduced by 50%. According to the KYSOIP 85 of 2018, the authorities will undertake a new joint assessment by September 2019 with the institutions in addition to the already existing semestrial impact assessment, inter alia taking into account: (1) the introduction of the new markets under the Target Model with the inclusion of the forward market, (2) the completion of the structural measures relating to lignite-fired generation capacity, (3) the effect of the NOME mechanism in the electricity market, (4) the evolution of the retail shares and (5) the potential need for alternative policy and/or structural measures with the overall objective of maximizing the benefit to consumers.

3. *RES Account*: The Suppliers' Surcharge (PXEFEL) was reduced in 2018 and finally abolished from the first of January 2019 onwards. Actually, the two laws that established initially the reduction and following the abolishment of the PXEFEL were L.4549/2018 (FEK A 105/14.06.2018) & L.4585 (FEK A 216/24.12.2018) establishing at the same time (1) the commitment to maintain a buffer of EUR 70 million to the RES Account and (2) the allocation of any surplus above the buffer to the reduction of the suppliers' surcharge of 2018. In addition the L.4585 abolished the fee that the lignite plants were forced to pay in favor of the renewables production from the 1st of January 2019 onwards.

4. *Capacity Mechanism*: European Commission agreed on 30.07.2018 under the approval decision SA 50152 the New Transitory electricity Flexibility Remuneration Mechanism. The first auction took place in September providing flexible capacity compensation from the 1st of October 2018 to CCGTs, OCGTs and Hydro Plants. Auctions are scheduled each quarter up to the end of 2019. The Hellenic Republic in December 2018 also pre-notified to the European Commission the permanent Capacity Mechanism for Greece

5. *Gas market roadmap*: The 66% of DESFA has been privatized within 2018 and the privatization of ELPE (Hellenic Petroleum, 36% state owned) and DEPA (Public Gas Corporation, 65% state owned) is expected. Within 2018 DEPA sold its share in EPA Thessaloniki –Thessaly and increased its share in EPA Attikis.

6. *Gas release program*: Quarterly auctions will continue to take place. The quantity auctioned for 2018 amounted to 17% of DEPA's yearly gas supply to customers. It has been established that the Hellenic Competition Commission and the Regulatory Authority for Energy will provide the institutions, after every auction, with a report on its outcomes.

7. *Energy Infrastructure*: a) Natural gas pipelines (i.e. TAP under construction) b) East Med (Intergovernmental agreement to be signed) c) LNG terminal in Alexandroupolis (Northern Greece - licensing procedure) d) Underground gas storage facility in Kavala (Northern Greece - viability study).

8. *New Legal Entities*: In June 2018 establishment of the Hellenic Energy Exchange (HENEX) for the operation of the forward, the day ahead and the intra -market. In autumn of 2018 establishment of the Energy Clear for the clearing of the transactions with physical delivery. The operation of the balancing market will be included in the TSO's responsibilities.

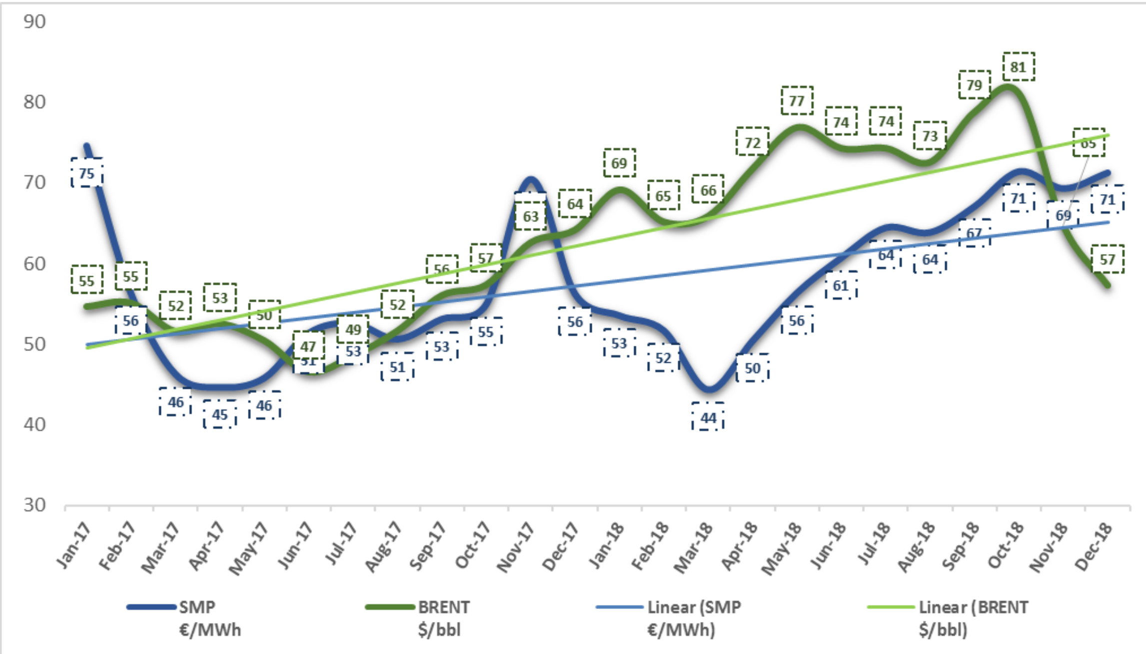
9. *Demand Response*: New demand response mechanism (interruptability) for years 2018-2019 approved by DG-Comp in 2018, already established in national law in December 2017 with the first auction implemented on January 2018 (benefits given to industrial consumers to shift their consumption and lower the peak load)

10. *Hydrocarbons*: The Hellenic Republic after the announcement of two international tenders signed (1) with ExxonMobil, Total and ELPE a contract for hydrocarbon exploration in the south and southwest of Crete, and in the Kyparissiakos gulf and (2) with Repsol and ELPE a contract for hydrocarbon exploration in Ionian Sea.

11. *Renewables*: In April 2018, the authorities issued the two Ministerial Decisions setting a new framework for the support of renewable energies. The first auction took place on the 2nd of July 2018 and the second auction took place on the 10th of December 2018.

12. *Target Model*: Following the entry into force of EU Regulation 2015/1222 establishing a guideline on capacity allocation and congestion management (CACM) and EU Regulation 2017/2195 establishing a guideline on electricity balancing, Greece needs to take the necessary steps for joining the day-ahead and intra-day market coupling on its borders and establish the balancing market. The recently established Hellenic Energy Exchange, acting as the nominated electricity market operator (NEMO) in accordance with CACM and national legislation/decisions put in place in 2016, needs to have all required codes and technical means in place to comply with the obligations of CACM or appoint another third party to perform these tasks. Respective codes are drafted by HENEX and have been approved by RAE by its 1116/2018 Decision (FEK B' 5914/31.12.2018). ADMIE will act as the operator of the balancing market based on the balancing code that is drafted by ADMIE and has been approved by RAE by its 1090/2018 Decision (FEK B' 5910/31.12.2018).

A. SMP



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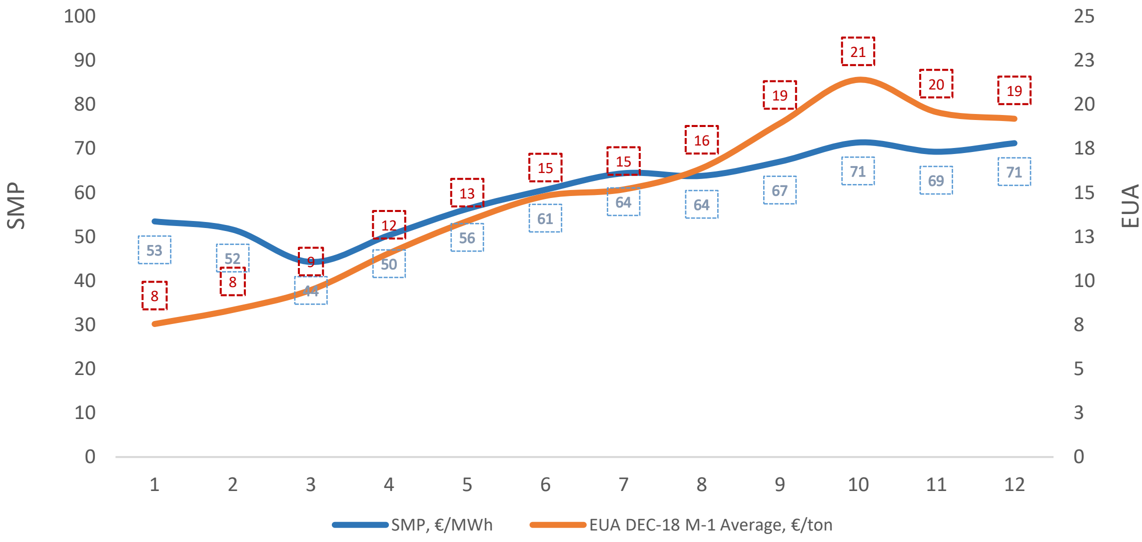
SMP is following the same trend as the Brent price the main reason for that is the link of Gas formula with Brent (+CCGT marginality).

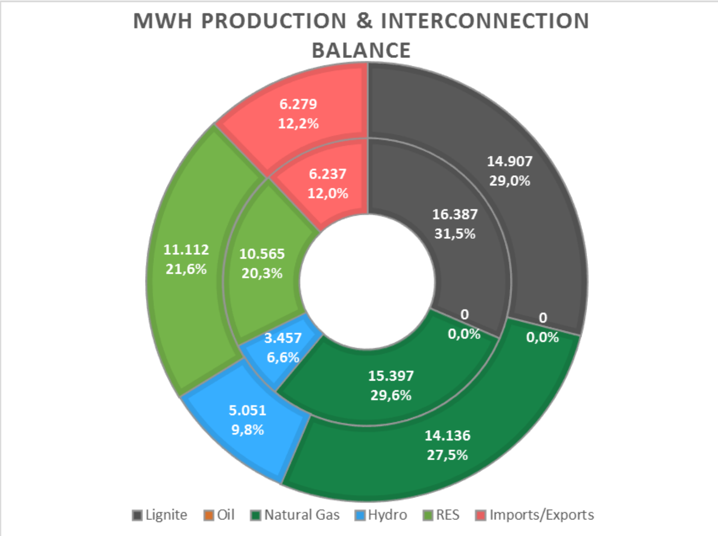


[Source: HERON Energy Portfolio Management]

In 2018, SMP also showed a very strong correlation with soaring CO2 (EUA) prices which affect both lignite and gas-fired unit variable costs with a factor of approximately 1,5 and 0,4 respectively.

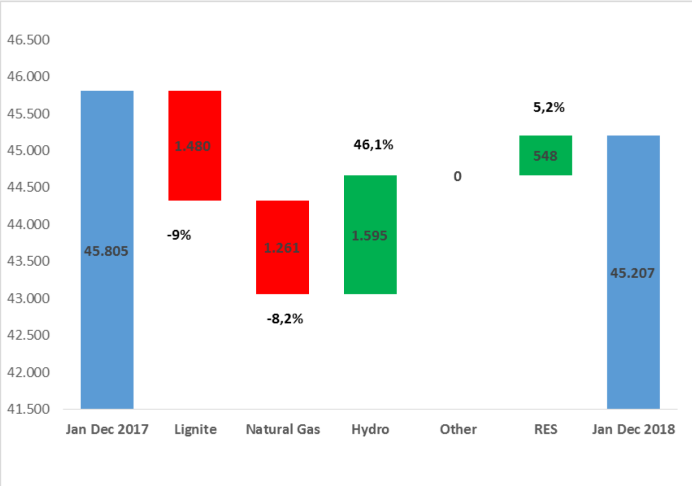
B. Production per Technology & Interconnection Balance

Total production & interconnection balance during 2018 has decreased by 1.1% compared to last year. The participation of the lignite production in the energy mix decreased from 31.5% (16.387 GWh) in 2017 down to 29% (14.907 GWh) in 2018, while gas-fired production contributed by 27.5% in 2018



slightly below the share of 29.6% recorded in 2017. Lignite production of 14.907 GWh marginally remained the predominant supplier in the energy system, but production levels were the lowest seen in the recent years. Natural Gas production was the second largest energy supplier in the energy system with a total production of 14.136 GWh. RES production was the third biggest supplier in the system with 11.112 GWh (21.6%). If added to hydro production (which by itself contributed 10%, up by 50% from 2017 levels due to extensive rainfall during winter and spring), domestic clean (non-fossil) production reached 31.4% and could thus be considered as ranking first in the energy share. Energy import from interconnected countries was the fourth biggest supplier in the system 6.279 GWh (12%).

[www.admie.gr]



In the adjacent chart it can be noticed that the total production from local producers has been relatively stable decreasing by +1.3%. Lignite production decreased by +9% compared to 2017. Natural Gas plants decreased by 8.2%, Hydro increased by +46.1% and RES increased by 5.2%. Production increase of the latter, zero marginal cost sources is directly linked to the production decline of the former fossil-based sources.

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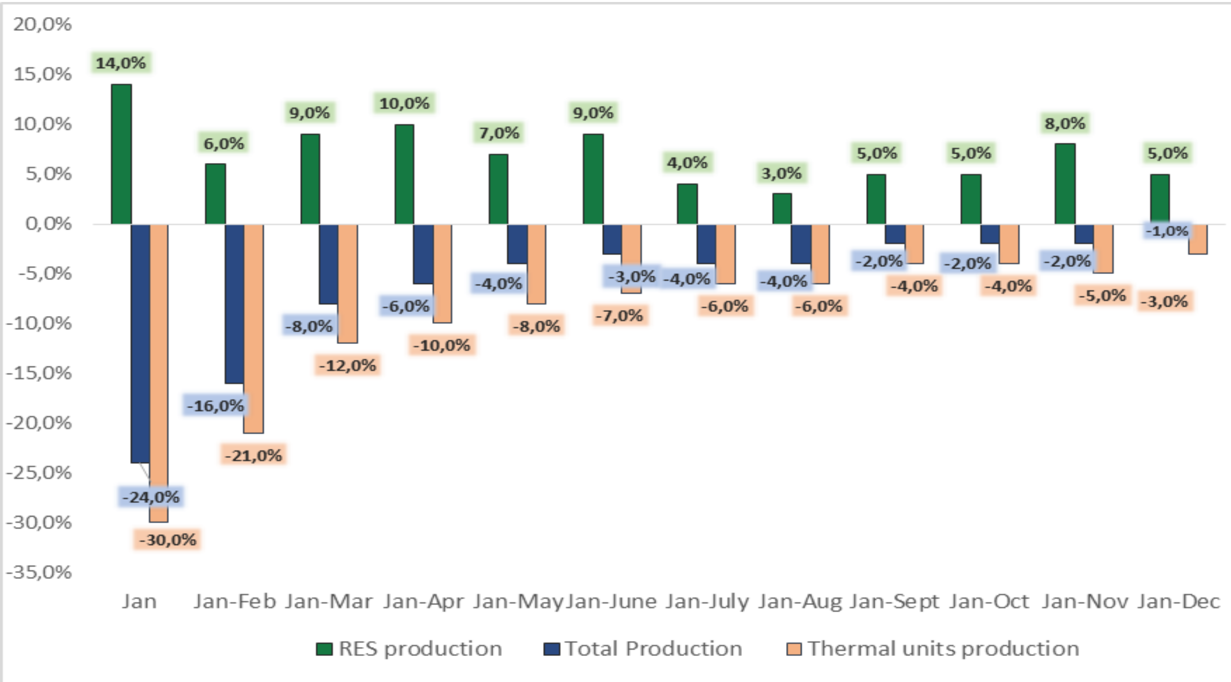

Energy production for the entire year of 2018 has decreased compared to the equivalent period of 2017. Given the stable level of net imports, this is a direct impact of lower demand which in turn has to do mainly with the harsh winter of the first quarter of 2017 and in general quite milder weather conditions in 2018.

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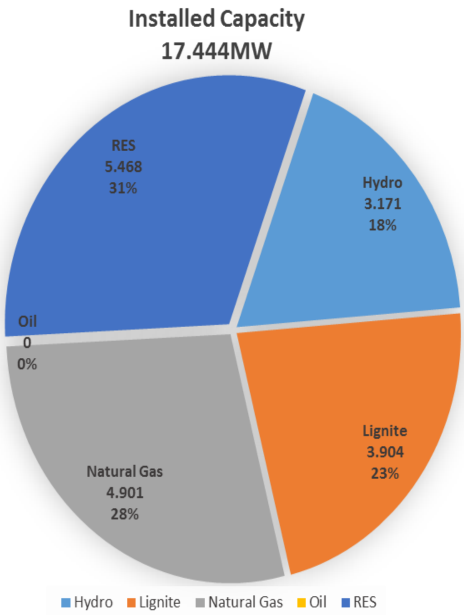
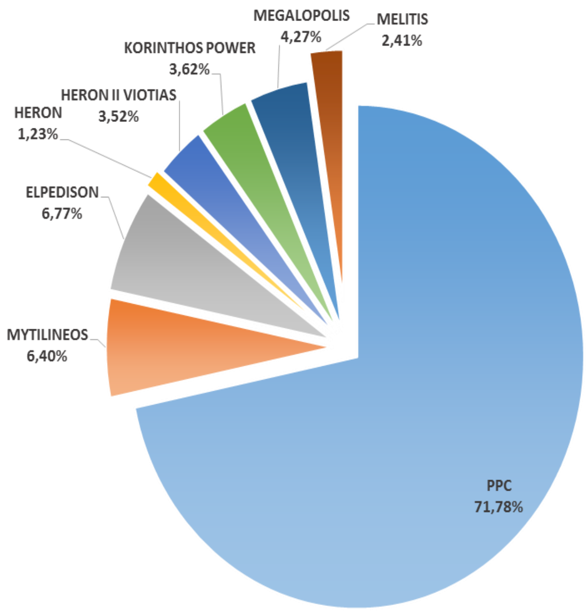
C. <u>Energy mix</u>





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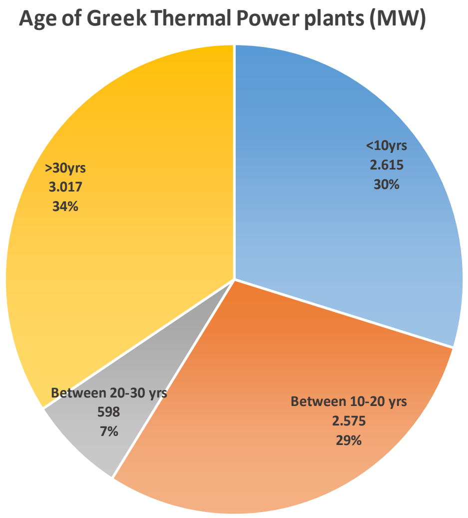
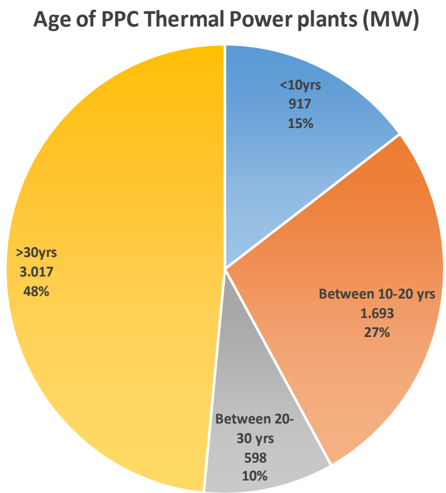
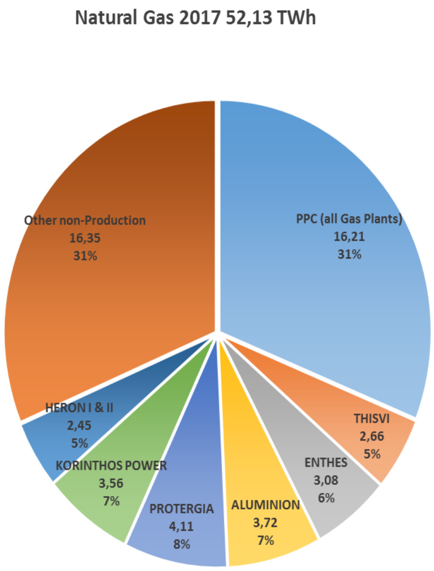
The total capacity of the Greek energy sector rises to a total POWER of 17.444 MW. The predominant power plant owner is PPC owning 9.396 MW of Conventional and Hydro plants, the break down between PPC and IPP installed MW percentage to the energy mix is presented in the chart above.

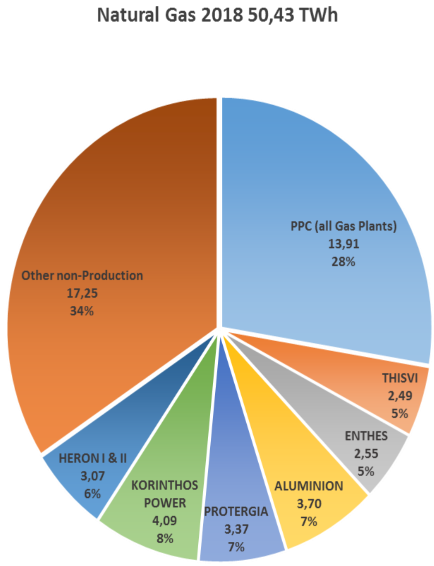




41% of Thermal plants in Greece are over 20 years old, making it necessary to include new power plants into the energy mix. 58% of Thermal plants of PPC are over 20 years old.

D. Gas Consumption





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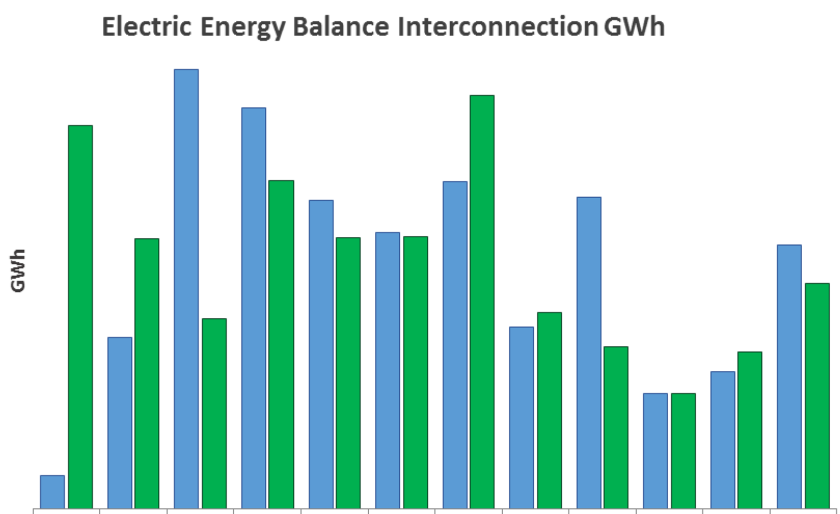
Gas consumption for the year 2018 has decreased by 3% (1.7 TWh thermal). This decrease is mainly a reflection of the Brent price sharp increase leading to higher Gas prices in 2018, as well as milder winter temperatures in 2018 causing a drop to consumption for heating compared to the extreme 2017 winter. Even though Gas consumption from Production units has decreased, the drop has been counterbalanced by the increase of the CO2 which increased the merit order of the Gas plants.

Imports/Exports



	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec
2017	69	361	924	843	650	580	688	383	655	242	287	554
2018	806	568	400	690	571	574	870	414	341	243	329	473

Although quite variable on a month-to-month comparison, net imports remained almost stable decreasing by only 0.7% from 2017.

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TWh	2018	2017	Delta %
IMPORTS	**11,0**	**8,9**	*23,2%*
ALBANIA	1,9	1,2	*64,1%*
BULGARIA	3,8	3,1	*21,7%*
ITALY	1,6	2,1	*-21,1%*
FYROM	2,9	2,0	*42,0%*
TURKEY	0,7	0,5	*42,8%*

TWh	2018	2017	Delta %
EXPORTS	**5,0**	**2,8**	*75,0%*
ALBANIA	1,0	0,9	*15,6%*
BULGARIA	0,2	0,3	*-16,9%*
ITALY	2,1	0,8	*179,1%*
FYROM	1,6	0,9	*71,9%*
TURKEY	0,0	0,0	*31,9%*
Balance	**6,0**	**6,1**	***-1,0%***

The import-export balance has decreased within 2018 by -1% compared to 2017. Turkey net trade balance (higher imports) has increased by 43%, FYROM net trade balance increased by 17% (higher imports), from Bulgaria net trade balance (higher imports) increased by 25%. On the other hand Italy reversed its flow becoming an importer from Greece in contrast to the high exports to Greece during 2017. The significant increase in exports (75%) was mainly due to the NOME regulation in Greece and the need for local suppliers to perform off-peak exports to neighboring countries in order to be allowed to utilize at maximum their full NOME position.

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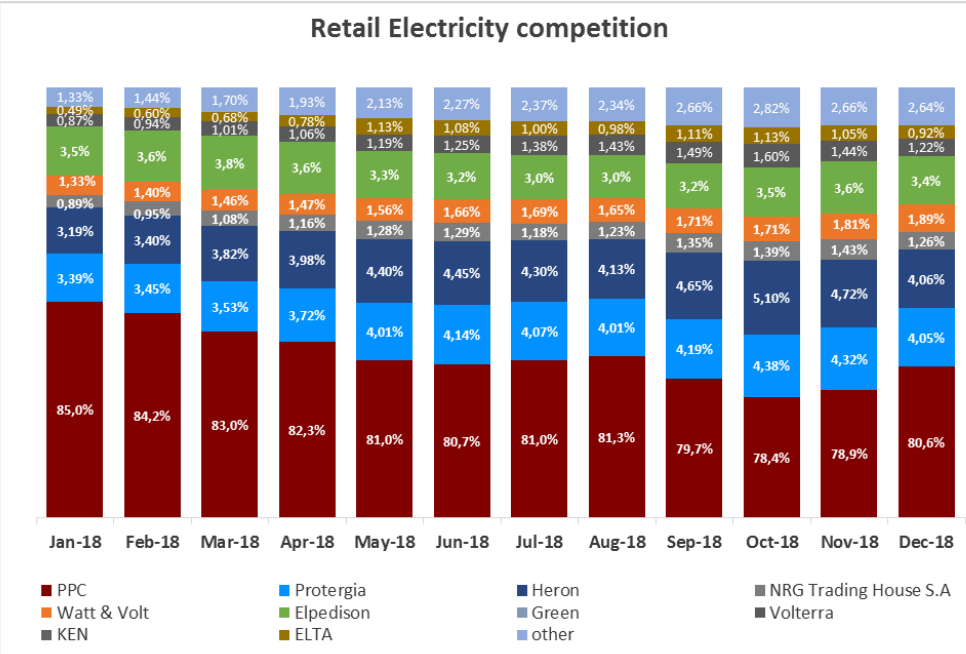
E. Retail

PPC lost 5% of its market share since the beginning of 2018 dropping from 85.0% to 80.6% by the end of the year. Private companies are increasing their participation HERON, Protergia and Elpedison are the predominant market players. Auctions of Forward Electricity Products have decreased the cost of energy of the private companies, but this has been counterbalanced by the increased cost of RES charged to all market players following a decision from the regulatory authority of energy. The aim of this decision is to cover the deficit of the RES. Also NOME auctions unitary cost has increased notably, this increase reduced the pace of further expansion of private companies into Medium Voltage.



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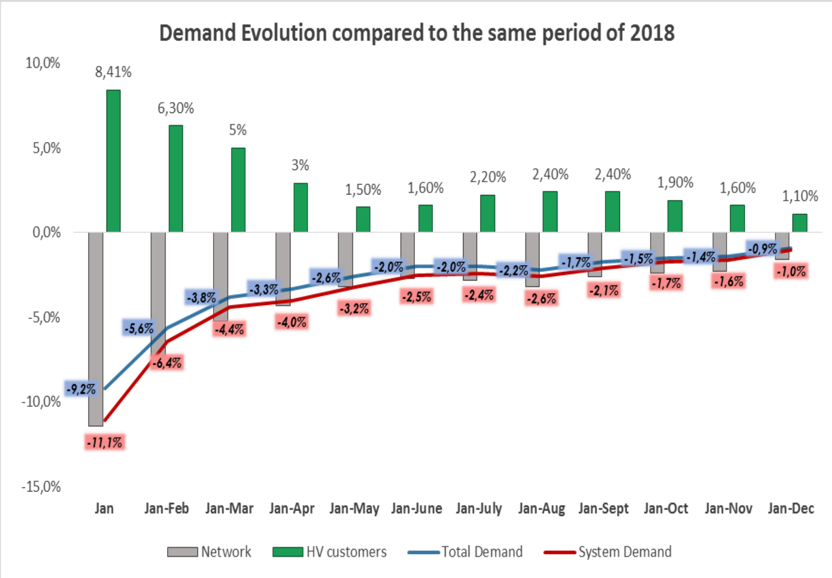

Demand is presenting a decrease compared to 2017 at the beginning of 2018 (mainly due to milder winter compared to Q1 2017) and gradually equalizes by the end of 2018 reaching a -1% for the entire 12-month period. On the other hand, HV customers have seen an increase compared to 2017 of 1.1% for the entire 12-month period.

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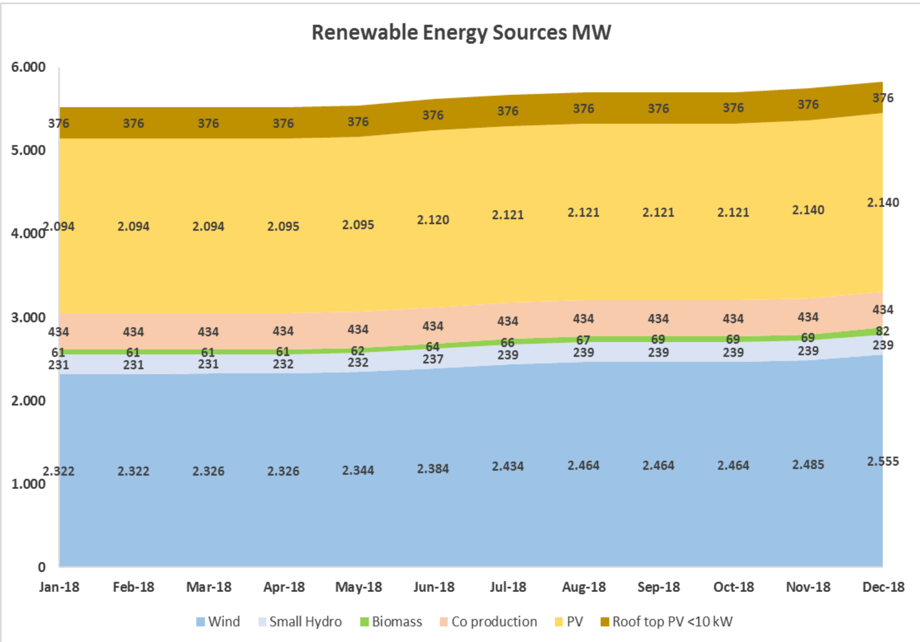
F. Renewable Energy sources



Within 2018 renewable energy sources capacity has increased by 6% mainly due to Wind farms total capacity that increased by 10%, Biomass by 35% and PV by 2%.

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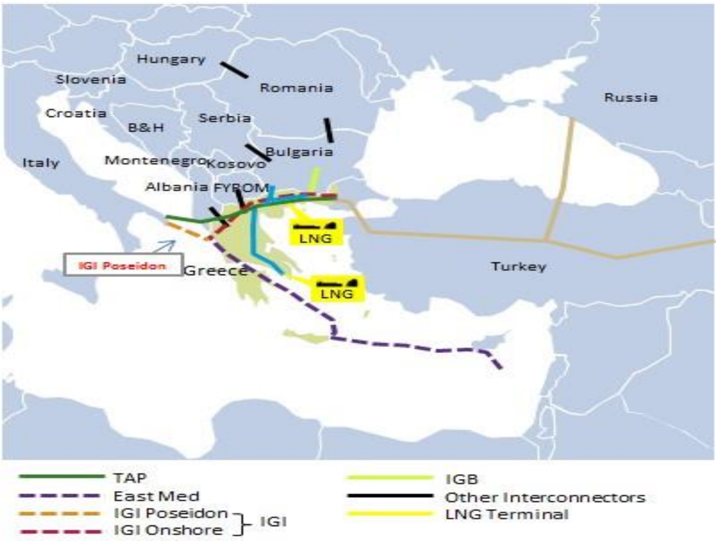
G. Gas Interconnectors



Interconnector Greece - Bulgaria (IGB)

The IGB project consists of a reverse-flow 182 km length pipeline (of which 31 km are within the Greek territory), as well as the necessary support facilities (metering Stations, valve Stations, operation center). The Interconnector IGB is being developed to connect the Greek National Natural Gas System (NNGS) in Komotini (Greece) with the corresponding Bulgarian System in Stara Zagora (Bulgaria).

The pipeline is designed with a diameter of 32 inches and initial capacity 3 billion cubic meters (bcm) of natural gas annually with potential upgrade to 5bcm per year. It is ideally located to carry gas from the Caspian Sea to Europe through Greece while, regasification terminals in Greece would allow LNG supplies from East Med, North Africa, the Gulf and beyond.

The project is being developed by the Bulgarian company “ICGB AD - Interconnector Greece - Bulgaria”, a 50-50% JV between state owned Bulgarian Energy Holding (BEH) and the Greek IGI Poseidon S.A., incorporated in January 2011 with its mission being to design, construct and operate the pipeline. DEPA and Edison each hold 50% stake in the IGI Poseidon S.A.

The Governments of both Greece and Bulgaria back strongly the realization of the project (Greece: Law 4001/2011, Article 176, Bulgaria: Bulgarian Cabinet Decision No 452 of 07.06.2012), characterizing it as a project of national importance and public interest. In addition, the project has been included in the European Union Projects of Common Interest list (PCI list), in the Greek list of Fast Track projects, as well as in the list of priority infrastructure projects of Central and South Eastern Europe Gas Connectivity (CESEC) and enjoys the total support of the Greek and Bulgarian Governments.

Based on the current timetable, the commencement of construction is scheduled for the first quarter of 2018, while IGB is scheduled to begin operation in the first quarter of 2020.

The project has already obtained a grant from the European Energy Program for Recovery (EEPR) of 45M€.

Final Investment Decision was taken on 10 December 2015.

www.depa.gr

The Eastern Mediterranean Pipeline (East Med)

East Med will connect the recently discovered gas fields in the Levantine Basin, in the south east Mediterranean, with mainland Greece and is projected to carry 10-16 bcm/y of natural gas to Greece and Europe.

The pipeline’s length is estimated to be around 1900 kilometers of which 400km will be onshore in the Peloponnese and Ipeirus. The pipeline consists of three sections: (i) a pipeline from the fields to

Cyprus (Vasiliko), (ii) a pipeline connecting Cyprus to Crete, and (iii) a pipeline from Crete to mainland Greece with compressor stations at Cyprus and Crete. East Med will offer an additional diversified supply of natural gas to Greece, Italy (via the IGI Poseidon pipeline) and Europe in general.

According to studies that have been carried out, it has been conclusively demonstrated that the project is technically feasible, while, the engineering required is similar to projects already implemented (Medgas pipeline Algeria - Spain) or ready to be constructed (Galsi pipeline Algeria - Italy).

Since the end of July 2014, the Project is being developed by the Greek company IGI Poseidon S.A. (50% DEPA – 50% Edison).

It is important to note that, according to EU Regulation 347 of December 2013, the Eastern Mediterranean Pipeline has been included in Projects of Common Interest list and furthermore the Greek Inter-Ministerial Decision of 3rd June 2014 already included East Med to a fast track legislation procedure for strategic investments.

The EastMed project has also been included in the last Ten Years Development Plan (TYNDP), in line with the objective of the European Network Transportation System Operators of Gas (ENTSOG) to create a single European market for gas and a reliable and safe transmission network capable of meeting Europe's current and future needs.

The project has been awarded in 2015 with European grants of 2 million euro through the Connecting Europe Facility (CEF) program necessary for the co-finance of the Pre-FEED activities.

In April 2017, during the Ministerial Summit held in Tel Aviv, in the presence of European Commissioner Miguel Arias Canete, the Ministers for Energy of Italy, Greece, Cyprus and Israel signed a Joint Declaration to reaffirm their support to the swift implementation of the Project.

It is noted that the continuous technological progress may further increase the pipeline capacity, improving the economic potential of the project.

www.depa.gr

Interconnector Greece - Italy (IGI)

The development of the Poseidon project is covered by an Intergovernmental Agreement between Greece and Italy, ratified by the relevant Parliaments.

In 2015, as a result of the project contribution to European targets, the Poseidon pipeline has been confirmed as a Project of Common Interest (PCI), being included by the EU Commission in the second PCI list among the Southern Gas Corridor projects.

The Poseidon pipeline has also been included in the last Ten Years Development Plan (TYNDP), in line with the objective of the European Network Transportation System Operators of Gas (ENTSOG) to create a single European market for gas and a reliable and safe transmission network capable of meeting Europe's current and future needs.

The Poseidon pipeline has benefited from European grants of approx. 9 million euro through the European Economic Recovery Plan (EERP) and the Trans-European Networks Energy (TEN-E) programs.

Poseidon pipeline is a mature project having substantially completed all technical activities, obtained the major construction permits for the Italian section and having significantly advanced in the finalization of permitting procedure in Greece.

Final Investment Decision will be triggered by the individuation of gas sources and is planned to start operating at the end of 2022.

www.depa.gr

Trans Adriatic Pipeline

The Southern Gas Corridor is one of the most complex gas value chains ever developed in the world. Stretching over 3,500 kilometres, crossing six countries and involving more than a dozen major energy companies, it is comprised of several separate energy projects representing a total investment of approximately US $ 45 billion:

The Shah Deniz 2 development, drilling wells and producing gas offshore in the Caspian Sea.

Expansion of the natural gas processing plant at the Sangachal Terminal on the Caspian Sea coast in Azerbaijan.

Three pipeline projects:

South Caucasus Pipeline (SCP) – Azerbaijan, Georgia

Trans Anatolian Pipeline (TANAP) – Turkey

Trans Adriatic Pipeline (TAP) – Greece, Albania, Italy

Expansion of the Italian gas transmission network.

Possibilities for further connection to gas networks in South Eastern, Central and Western Europe

Energy markets Caspian gas can reach through TAP

To ensure that the Southern Gas Corridor fulfils its purpose, it is essential that Caspian gas reaches many different European markets and consumers.

TAP's design offers various connection options to a number of existing and proposed pipelines along its route. This would enable the possible delivery of Caspian gas to destinations throughout Europe:

TAP will connect to the *Italian natural gas grid* operated by Snam Rete Gas, from which all Italian gas exit points to European destinations can be reached.

Austria and Central Europe: natural gas transported via TAP can reach the Central European gas hub in Baumgarten, Austria via the Trans Austria Gas (TAG) pipeline, using swaps and reverse flow.

Germany and France via Switzerland: using reverse flow through the Transitgas pipeline.

United Kingdom: grid operators Snam Rete Gas and Fluxys have agreed to develop physical reverse flow capabilities between Italy and the UK by interconnecting the gas markets of Italy, Switzerland, Germany, the Netherlands and Belgium, enabling Caspian gas to reach the UK.

Bulgaria: TAP can provide a new source of gas by linking to existing and planned pipeline infrastructure, including reverse flow through an interconnector to the Kula-Sidirokastro line, and/or a proposed connection with the planned Interconnector Greece Bulgaria (IGB)pipeline.

South East Europe: Caspian gas could be flowing to growing markets in the Balkans and South East Europe that are currently dependent on a single gas supplier. TAP is cooperating with the developers of the planned Ionian Adriatic Pipeline (IAP) to discuss connection possibilities to markets without gas in Southern Croatia, Albania, Montenegro, and Bosnia and Herzegovina.

The Southern Gas Corridor is a major component of EU energy policy. TAP's role in realising that vision will not only provide economic benefits. It will also ensure that one of the continent's vital energy routes remains viable for decades to come.

www.tap-ag.gr

3. Company Overview

HERON II THERMOILEKTRIKOS STATHMOS VIOTIAS SOCIÉTÉ ANONYME (namely, "HERON II" or the "Company") is the Joint Venture between three big players of Energy Sector: ENGIE Group of Companies, a French partner, GEK TERNA Group of Companies, a Greek partner and QATAR PETROLEUM Group of Companies, a Qatar partner as well.

ENGIE Group has been built historically through the privatization of the National Public Gas Company at 1946. In the course of time, it has progressively left production and retails as of "manufactured gas", in order to dedicate to trade, transport and delivery of natural gas. Then, it grew through the merger between GAZ DE FRANCE and SUEZ. More precisely, after the liberalization of Energy Market in Europe, ENGIE has included among its business the energy production and energy trading, as well. GDF SUEZ employs around 218,000 people worldwide. The Group is listed on the Brussels, Luxembourg and Paris stock exchanges and is represented in the main international indices: CAC 40, BEL 20, DJ Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe, ASPI Eurozone and ECPI Ethical Index EMU.

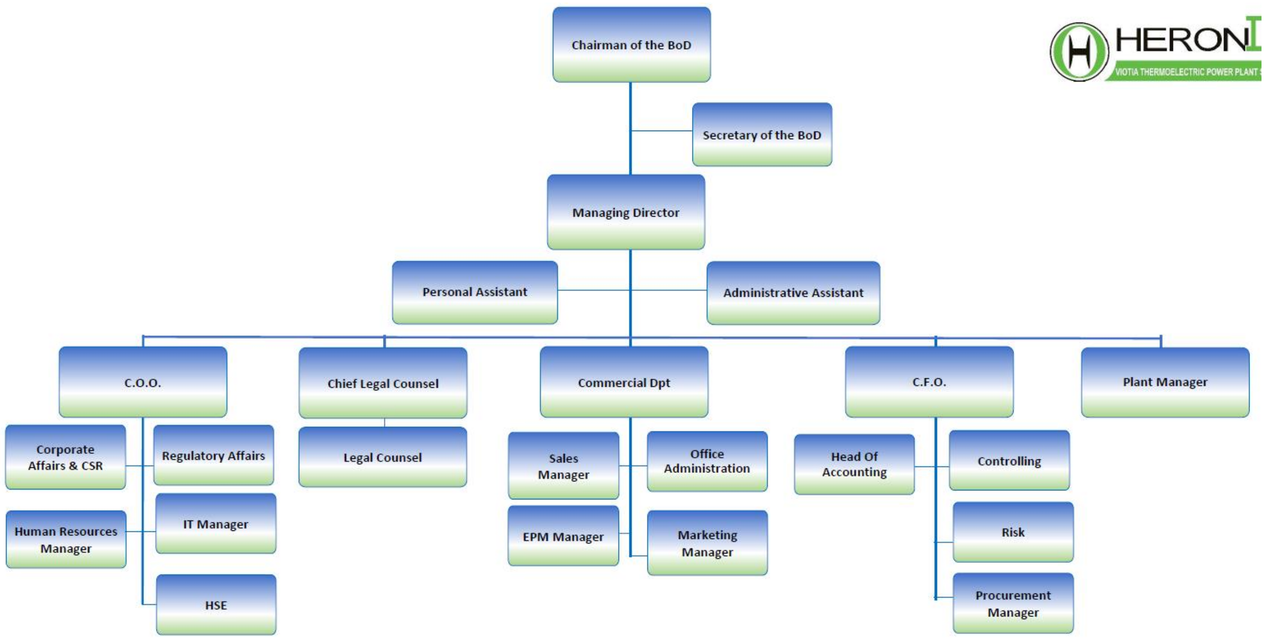
GEK TERNA Group: In 2002 GEK is transformed into a Holding Company, and its constructions sector is transferred to TERNA. In 2008 GEK absorbed the holding sector of TERNA and was renamed to GEK TERNA. The Group has business in several sectors: constructions, energy, real estate, industrial and concessions, too. The Group, during the last year, has managed to strengthen significantly its position in countries other than Greece, as an important part of its revenues stems from countries of the S.E. Europe and the Middle East, due to the recent developments in these countries.

QATAR PETROLEUM Group of Companies: QATAR PETROLEUM INTERNATIONAL was founded in 2006 and is a subsidiary Company of QATAR PETROLEUM, which is the state-owned Qatar Petroleum Group. QATAR PETROLEUM INTERNATIONAL (namely QPI) is already active in Europe (UK, Italy), North America (USA, Canada), Asia (Singapore, Vietnam) and Africa.

Being one of the three main private Electricity Producers, HERON II has the same structure as the other players in Energy Sector. More precisely, HERON II owns a CCGT (*combined cycle gas turbine*) power plant. The nominal capacity is 432 MW. Commercial Operation Date is August 4th, 2010. The Company's power station is a single shaft, more precisely, includes a gas turbine and steam turbine. The Power plant's sole fuel is natural gas. Its' efficiency rate, compared with the average performance gas/fired plants in operation within the Greek system, results still top-ranking classification of the selected technology.

The unit's high efficiency also results to reduced fuel consumption, and thus low gas emissions (CO_2), a fact that renders HERON II as the most environmentally friendly conventional power plant, right after the RES (Renewable Energy Sources), indeed.

4. Organization



5. Economic and Financial highlights

The Turnover amounted to € 131.013 thousand (compared to € 100.065 thousand in 2017). Loss amounted, after income Tax amount to € (8.713) thousand (compared to € (1.393) thousand in 2017). The Total Assets (which includes non-current and current) amount to € 207.371 thousand (compared to € 220.286 thousand in 2017).
Company Liabilities amount to € 133.472 thousand compared to € 137.657 in 2017. More precisely, the Total Financial Liabilities amounted to € 87.607 thousand, decreasing by 7,32% compared to the level of 2017 (€ 94.522 thousand).
Company Cash Amounts to € 8.994 thousand and has been placed in sight deposits (€13.047 thousand in previous year).

6. Project Financing

The Company signed a hybrid financing arrangement with a consortium of Hellenic and International lenders in November 24th, 2010.
The loan, structured as a bond loan governed under English law was composed of:

- A Term loan amounting to 151 MEUR with a 13 years maturity.

- A VAT facility of 52,3 MEUR aiming at financing the constructions VAT refund.

The Term loan is repaid based on mandatory repayment and cash sweep mechanism, while the VAT facility is already repaid upon VAT collection from the Greek State. The rate interest on loans is 6 month Euribor plus margin.

The term loan is structured in 2 phases: (a) a first phase guaranteed during which the shareholders secure the loan through either parent company or bank guarantees and (b) a second phase project finance including usual requirements and covenants to the extent that certain requirements are met.

The first loan disbursement took place on 14/01/2011 and the second and final disbursement on 28/02/2011.

To ensure Bondholders regarding the above mentioned Loan the followings have been established/incorporated in favor of PIRAEUS BANK S.A. as representative and on behalf of the Bondholders:

a) Pledge of the total issued shares of the Issuer HERON II
b) Pledge of all accounts of the project with the exceptions stated in contractual documents
c) Nominal pledge on the equipment of the project valued € 229,5M
d) Assignment of insurance contracts (damage and loss of income)
e) Pledge on all rights arising from the contractual documentation of the project

Also, in November 24th, 2010 the Company signed a subordinated common bond loan with the two (then) shareholders for an amount of 49,1 MEUR. The loan will be fully repaid by the September 30th, 2023. The loan bore an initial fixed interest at 6,75%. In January 2012 the Company has reimbursed the last tranche of the VAT facility loan (full and complete repayment). For the outstanding amount of 2018, please refer to notes 12 and 27.

7. Real estate of the Company

The Company does not own any real estate properties. The plant had been constructed on a long-term leased plot.

8. Important events having occurred during 2018

I. ARBITRATION AGAINST DEPA FOR RETROACTIVE PRICE ADJUSTMENT

On 29/09/2016, due to a retrospective (since 2010) gas price adjustment asked by the Turkish Supplier BOTAS to HERON II Gas Supplier DEPA, since 06 December 2011, in front of an international arbitration process finally resulting to the acceptance of BOTAS request by ICC, the Company has received from DEPA an invoice for the amount of 10,4M€ for the adjustment in price of natural gas as well as an invoice for the amount of 0,95M€ as default interest for the aforementioned price adjustment. Following that:

i. On 12/01/2017 the Company has initiated the Arbitration Procedure against DEPA and nominated its Arbitrator.
ii. On 20/01/2017 DEPA has replied by nominating its own Arbitrator.
iii. The two Arbitrators have agreed to nominate a Presiding Third Arbitrator.
iv. The 1st Meeting of the Arbitral Court took place on 14/2/2017 and decided, among other procedural matters, to define as day for the lodge of the application initiating proceedings, by HERON II VIOTIAS SA, the 24th of April 2017 as well as day of the hearing, the 15th of June 2017.
v. As such, on 15/6/2017, the hearing, including the examination of witnesses (one per each Company) took place.
vi. The decision of the Arbitral Court with number 16/2018 was issued at 20/06/2018 and defined that from the total claim of amount 12,6M€ from DEPA S.A, the Company is obliged to pay a total amount of 6,5 M€. The specific amount was paid by the Company up to December 2018.

II. ARBITRATION INITIATED BY DEPA REGARDING Q1 2017 NATURAL GAS INVOICES

a. On 6/11/2017 DEPA has initiated an arbitration procedure against the Company although the two Companies were in the middle of negotiations on the said matter, initially scheduled to terminate until 30/11/2017. The Company contests the (increased) Gas Sale Accounts of Q1 2017 on the basis that the invoices are increased due to spot LNG cargos that DEPA had to import, during December 2016 and January 2017 after a sharp and continuous lack in natural gas of the Hellenic market. The claim raises at 3,8M€ and the Company appointed, as obliged, its own Arbitrator on 14/11/2017, attesting at the same document, in written, its denial regarding DEPA's argumentation.

b. On 19/01/2018 the two Arbitrators proceeded with the Nomination of a Presiding Third Arbitrator, who has accepted his nomination with his written declaration dated 23/01/2018.

c. Further to common agreement of the parties to the dispute, the arbitration was defined as International Commercial Arbitration (L. 2735/1999). All relative powers of attorneys were submitted until 28/02/2018.

d. Date of lodging of DEPA's application has been defined the 30th/3/2018.

e. The proposals and relative documents of both parties were submitted, as it had been set, up to the 15th/5/2018.

f. Hearing proceedings took place at the 18th/09/2018, as arranged.

g. The evaluation of Witnesses' Statements and finalization of the hearing proceedings took place at the 22nd/10/2018, as arranged.

h. The decision is expected within the second semester of 2019.

9. Important events having occurred after year-end until the date of this report

TRANSITORY FLEXIBILITY REMUNERATION MECHANISM

The State Aid Approval Decision No 50152 (2018/N) established the implementation of the mechanism in two distinct auction phases. The first one starting upon approval of the measure and ending on the 31.03.2019 and the second one starting on the 1st of April, implementation date of the Target Model, and ending on the 31.12.2019. In the first phase in the auctions will participate exclusively the Generators (CCGTs, OCGTs, Hydro) as the only entities capable of providing the flexibility service and in the second phase producers, demand response and storage systems were defined as providers of flexible power. The beginning of the second phase is correlated with the implementation of the four markets of the Target Model, since only through those markets the direct participation in the market of demand and storage is feasible. Due to the failure of the Hellenic Republic to implement the Target Model, the mechanism is suspended since its second phase cannot begin.

Dear Shareholders,
Following the foregoing, we kindly request you to approve the balance sheet and the results of year 2018.

Athens, 24 April 2019
On behalf of the Board of Directors,

The Chairman

George Kouvaris

III. ANNUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018
(1 January - 31 December 2018)

According to the International Financial Reporting Standards

The Financial Statements were approved by the Board of Directors of HERON II THERMOELECTRIC PLANT OF VIOTIA SOCIETE ANONYME (hereinafter the "Company") on 24 April 2019 and have been published on the website of the Company, http://heronii.gr/ where they will remain available for at least a 5-years period from the date they are prepared and published. It is stressed that the attached financial Statements are subject to the approval of the Annual General Meeting of the Company's shareholders. The Annual General Meeting of the Company's shareholders has the power to amend the attached financial Statements.

HERON II VIOTIA THERMOELECTRIC POWER PLANT S.A.

HERON II VIOTIAS SOCIETE ANONYME
STATEMENT OF FINANCIAL POSITION
31st December 2018
(All amounts are presented in thousand Euros, unless otherwise stated)

	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Intangible assets	4	11	21
Tangible fixed assets	5	158.482	169.193
Other investments	6	10	10
Other long-term receivables	7	154	175
Total non-current assets		**158.657**	**169.399**
Current Assets			
Inventories	8	3.559	3.694
Trade receivables	9	29.016	22.534
Other receivables	10	7.108	11.580
Income tax receivables		37	32
Cash and cash equivalents	11	8.994	13.047
Total current assets		**48.714**	**50.887**
TOTAL ASSETS		**207.371**	**220.286**
EQUITY & LIABILITIES			
Equity			
Share capital	17	6.440	6.440
Share premium account		95.496	95.496
Reserves	18	1.369	1.386
Profit/(Loss) Retained earnings		(29.406)	(20.693)
Total equity		**73.899**	**82.629**
Non-Current liabilities			
Long-term loans	12	74.921	82.521
Provision for staff retirement indemnities	13	232	211
Provision for dismantlement	14	1.236	1.136
Deferred tax liability	19	17.042	14.602
Total Non-Current liabilities		**93.431**	**98.470**
Current liabilities			
Long-term liabilities payable in the following year	12	12.686	12.001
Suppliers	15	8.736	18.862
Liabilities from customers' contracts		785	0
Accrued and other short-term liabilities	16	17.834	8.324
Total current liabilities		**40.041**	**39.187**
TOTAL EQUITY AND LIABILITIES		**207.371**	**220.286**

The accompanying notes are an integral part of the financial Statements.

HERON II VIOTIAS SOCIETE ANONYME
STATEMENT OF COMPREHENSIVE INCOME
31st December 2018

(All amounts are presented in thousand Euros, unless otherwise stated)

	Note	2018	2017
Revenue	20	131.013	100.065
Cost of goods sold	21	(130.166)	(88.105)
Gross profit/(loss)		**847**	**11.960**
Administrative and selling expenses	21	(1.171)	(1.302)
Other income / (expenses)	25	(101)	343
Financial income	24	46	53
Financial expenses	24	(5.891)	(9.096)
Earnings/(loss) before income tax		**(6.270)**	**1.958**
Income tax	19	(2.443)	(3.351)
Earnings/(loss) after income tax		**(8.713)**	**(1.393)**
Other Comprehensive Income (not to be recycled in profit and loss)			
Actuarial losses		(20)	0
Income tax		3	0
		(17)	**0**
TOTAL COMPREHENSIVE INCOME		**(8.730)**	**(1.393)**

The accompanying notes are an integral part of the financial Statements.

HERON II VIOTIAS SOCIETE ANONYME
STATEMENT OF CASH FLOWS

31st December 2018

(All amounts are presented in thousand Euros, unless otherwise stated)

	Note	2018	2017
Cash flows from operating activities			
Earnings/(loss) before income tax		**(6.270)**	**1.958**
Adjustments for reconciliation of net flows from operating activities			
Depreciation	4, 5	10.802	11.296
Impairment of assets		0	2.416
Impairment of receivables		413	0
Provisions		65	116
Interest and related income	24	(46)	(54)
Interest and related expenses	24	5.891	9.097
Operating profit before changes in working capital		**10.855**	**24.829**
(Increase)/decrease in:			
Inventories		135	(331)
Trade receivables		(6.895)	17.576
Prepayments and other short-term receivables		4.472	(6.507)
(Increase)/decrease in:			
Suppliers		(10.126)	2.618
Accrued and other short-term liabilities		12.410	(5.098)
(Increase)/ decrease in other long-term receivables and payables		22	(2)
Income tax payments		(5)	1.130
Net cash flows from operating activities		**10.868**	**34.215**
Cash flows from investing activities			
Net additions of fixed assets		(81)	(4.977)
Interest and related income received		46	54
Cash flows from investing activities		**(35)**	**(4.923)**
Cash flows from financing activities			
Net change in long-term loans	12	(12.374)	(20.071)
Interest paid		(2.512)	(1.895)
Cash flows from financing activities		**(14.886)**	**(21.966)**
Net increase in cash		**(4.053)**	**7.326**
Cash and cash equivalents at the beginning of the year		13.047	5.721
Cash and cash equivalents at year end		**8.994**	**13.047**

The accompanying notes are an integral part of the financial Statements.

HERON II VIOTIAS SOCIETE ANONYME

STATEMENT OF CHANGES IN EQUITY

31st December 2018

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

	Share capital	Share Premium Account	Reserves	Profit carried forward	Total
1st January 2017	**6.440**	**95.496**	**1.386**	**(19.300)**	**84.022**
Total comprehensive income	-	-	-	(1.393)	**(1.393)**
Formation of statutory Reserves	-	-	-	-	**-**
31st December 2017	**6.440**	**95.496**	**1.386**	**(20.693)**	**82.629**
1st January 2018	**6.440**	**95.496**	**1.386**	**(20.693)**	**82.629**
Total comprehensive income	-	-	(17)	(8.713)	**(8.730)**
Formation of statutory Reserves	-	-	-	-	**-**
31st December 2018	**6.440**	**95.496**	**1.369**	**(29.406)**	**73.899**

The accompanying notes are an integral part of the financial Statements.

1. ESTABLISHMENT AND ACTIVITIES OF THE COMPANY

HERON II THERMOILEKTRIKOS STATHMOS VIOTIAS SOCIETE ANONYME (hereinafter the "Company") is a company incorporated in Greece and was set up as a Société Anonyme on 27.09.2007.
It has its registered office at 85, Messogeion Avenue, 115 26 Athens Greece and its term is set at fifty (50) years.
The Company is registered at the General Commercial Electronic Registry under No 7798101000 and at the Greek Société Anonyme Registry under No 64277/06/B/07/608.
Its main activity is the construction, installation, operation of thermoelectric combined cycle power plants (using gas as fuel).
The Company has completed the construction of the 435MW combined cycle electricity generation plant in the industrial zone of Thiva at the location of Haraintini and has set it into operation since August 2010.

2. BASIS FOR THE PRESENTATION OF THE FINANCIAL STATEMENTS

a) Preparation basis of financial Statements

The attached financial Statements have been prepared on the basis of the historic cost principle. The attached financial Statements have been prepared in compliance with IFRS, as adopted by the European Union. There are no standards that have been adopted before their effective date.

b) Statutory Financial Statements

The Company is obliged by applicable laws (article 134(1b) of Codified Law 2190/1920) to prepare its Financial Statements pursuant to the IFRS that have been adopted by the European Union. The Company keeps its accounting books in accordance with the provisions of tax laws, as it has the relevant right. Subsequently, adjustment entries are made so as to have the attached financial Statements prepared in line with the IFRS.

The Company belongs to TERNA S.A, subsidiary of GEK TERNA S.A. (25%), a company listed on the Athens Stock Exchange, ENGIE INTERNATIONAL HOLDINGS B.V., subsidiary of ENGIE, a company listed in the Paris stock exchange, and QATAR PETROLEUM INTERNATIONAL GAS & POWER OPC (25%) after the agreement signed with TERNA S.A on 5th of March 2014 for the purchase of 25% of the total shares.

c) New standards, amendments of standards and interpretations

The accounting principles applied during the preparation of the financial Statements are the same as those followed for the preparation of the financial Statements for the period ended on December 31, 2017, except for the adoption of new standards and interpretations, whose application is mandatory for periods beginning on 1 January 2018.

<u>From January 1st 2018 the Company adopted new standards, amendments of standards and interpretations as follows:</u>

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: Identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contracts, recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard has been endorsed by the European Union and is estimated that it will not have a significant impact in the Financial Statements of the Company.

IFRS 15 (Amendment) "Revenue from Contracts with Customers"

Clarifications to IFRS 15 amend three areas and specifically regard changes that clarify the application of the concept of 'distinct' in the context of performance obligations identification, changes that clarify the application of the principal of 'control' in making the determination of whether an entity is acting as principal or agent and changes that assist in determining whether an entity's activities 'significantly affect' intellectual property during the period for which it has been licensed to a customer. The amendment has been endorsed by the EU in October 2017 and is estimated that it will not have a significant impact in the Financial Statements of the Company.

IFRS 9 "Financial Instruments" (<u>effective for periods beginning on or after January 1st 2018</u>)

In July 2014, the IASB issued the final version of IFRS 9. The package of improvements introduced by the final version of the Standard, includes a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. The Company has examined the effect of the new Standard on the Financial Statements.

<u>New standards, amendments to existing Standards and new IFRICs that have not been applied yet or have not been adopted by the European Union</u>

IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 "Leases" and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. IFRS 16 will have a significant impact to lessees; it will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset ("right-of-use asset") and a financial liability to pay rentals ("lease liability") are recognized. The only exceptions are short-term leases and leases of low-value assets. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The Company will apply IFRS 16 from its mandatory adoption date of 1 January 2019. For short-term leases and leases of low-value assets (such as printers), the Company will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16. Also, the Company will apply the practical expedient provided to lessees by the standard not to separate non-lease components from lease components and instead account for each lease component and any associated non-lease components as a single lease component.

The Company has chosen to apply the simplified transition approach (retrospectively with the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at the date of initial application) and will not restate comparative amounts for the year prior to first adoption. Also, the Company has decided to measure on transition the right-of-use assets at an amount equal to lease liability, adjusted by an amount of any prepaid or accrued lease payments. Furthermore, the Company has decided not to apply the practical expedient provided by IFRS 16 par.C3 on transition and instead to reassess all contracts that existed at the date of initial application on whether they are or contain a lease in accordance with IFRS 16 requirements.

Under IFRS 16, the intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). Because of this change the Company will reclassify certain operating subleases as finance leases. The right-of-use assets will be derecognized and net investment in the subleases will be recognized. Based on analysis of the Company's subleases as at December 31, 2018 which was made based on facts and circumstances that existed at this date, the Company's Management estimates that the effect of this change will not be material to the Financial Statements of the company.

The company has not yet completed its evaluation regarding the impact of I.F.R.S 16, as it is in the process of new software implementation and finalization of its accounting policies, processes and control procedures regarding I.F.R.S 16.

The right-of use assets and liabilities from leases which will be recognized mainly regard leases of office spaces and means of transportation.

The Company expects to recognize right-of use assets of approximately €1,1 mil. to €1,3 mil. and lease liabilities of approximately the same amount. The respective right-of-use assets and lease liabilities relate mainly to leases of office premises and transportation means.

IFRIC 23 "Uncertainty over Income Tax Treatments"

The interpretation sets out how to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12 Income Taxes. The Interpretation requires an entity to a) determine whether uncertain tax positions are assessed separately and b) assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. The interpretation is not expected to have a material impact in the financial position and/or the financial performance of the Company.

IAS 28 (Amendment) "Long-term Interests in Associates and Joint Ventures"

The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Detailed amendments to the initial IAS text are provided. The amendment is not expected to have a material impact in the financial position and/or the financial performance of the Company.

Amendments to standards being part of the annual improvement program of 2017 of the IASB (International Accounting Standards Board) 2015 – 2017 Cycle.

The following amendments describe the most important changes brought to three standards. The amendments have not yet been endorsed by the E.U.

IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements"

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 "Income Taxes"

The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

IAS 23 "Borrowing Costs"

The amendments clarify that if part of the loan remains unsettled after the associated asset is ready for use or sale for which it is destined, the amount of this loan is included in the total loan capital of the Company upon calculation of the borrowing ratio.

Amendments to IAS 19: "Plan Amendment, Curtailment or Settlement" (effective for annual periods starting on or after 01.01.2019)

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

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

Revision of the Conceptual Framework for Financial Reporting (effective for annual periods starting on or after 01.01.2020)

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

Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods starting on or after 01.01.2020)

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

Amendments to IFRS 3: "Definition of a Business" (effective for annual periods starting on or after 01.01.2020)

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

Amendments to IAS 1 and IAS 8: "Definition of Material" (effective for annual periods starting on or after 01.01.2020)

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

IFRS 17 "Insurance Contracts"

IFRS 17 suggests that insurance liabilities are measured at the current value of executing the insurance contract and provides a more even approach for the measurement and presentation of all insurance contracts. IFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. IFRS 17 replaces IFRS 4 from January 2021. The standard has not yet been adopted by the European Union and it is estimated that it will not affect the Financial Statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I) The main accounting policies adopted during the preparation of the attached Financial Statements are the following:

a) Intangible Assets
Intangible assets mainly consist of software costs and all expenses incurred to develop the software in order to bring it to operating condition.
Amortization on software is accounted for based on the straight line method for a period of five years.

b) Tangible Fixed Assets
The land, buildings, machinery and vehicles are measured at cost less accumulated depreciation and any provisions for impairment.
Repairs and maintenance are booked as expenses during the year in which they are incurred. Significant improvements are capitalized in the cost of the respective fixed assets provided that they augment the useful economic life, increase the production level or improve the efficiency of the respective fixed assets.

Tangible fixed asset items are eliminated from the balance sheet on disposal or withdrawal or when no further economic benefits are expected from their continued use. Gains or losses resulting from the elimination of an asset from the balance sheet are included in the income statement of the financial year in which the fixed asset in question is eliminated.
Depreciation is calculated according to the straight-line method using rates that approximate the relevant useful economic life of the respective assets.
Tangible assets under construction include fixed assets that are work in progress and are recorded at cost. Tangible assets under construction are not depreciated until the asset is completed and put into operation.

c) Finance and Operating Leases

Finance leases, which essentially transfer to the Company all the risks and returns related to the leased fixed asset, are capitalized during the inception of the lease based on the leased asset's fair value or, if it is lower, on the present value of the minimal leases. Payments for finance leases are allocated between the financial expenses and the reduction of the financing liability, in order to achieve a fixed interest rate on the remaining portion of the liability. The financial expenses are debited directly to the net earnings. Capitalized, leased fixed assets are depreciated based on straight line method during the useful life of the asset.
Leases where the lessor maintains all the risks and returns related to ownership of the fixed asset, are recorded as operating leases. The payments of operating leases are recognized as expense in the net earnings on a constant basis for the duration of the lease.

d) Impairment of Non-Financial Assets

The book values of long-term assets, other than tangible fixed assets with an indefinite life, are reviewed for impairment purposes when facts or changes in circumstances imply that the book value may not be recoverable. When the book value of an asset exceeds its recoverable amount, the respective impairment loss is recorded in the net earnings. The recoverable amount is defined as the largest between the fair value minus the sale cost and the value in use.
The fair value minus the sale cost is the plausible income from the sale of an asset , in which all parties have full knowledge and willingness, after the deduction of each additional direct sales cost for the asset, while the value in use consists of the net present value of future estimated cash flows expected to occur from the continuous use of the asset and from the income expected to arise from its sale at the end of its estimated useful economic life. In order to determine the impairment, the asset items are grouped at the lowest level for which cash flows can be recognized separately.
A reversal of an impairment for the value of assets accounted for in previous years, takes place only when there are sufficient indications that such impairment no longer exists or it has been reduced. In these cases the above reversal is treated as income in net earnings.
The Management performed a test of the recoverable amounts of the Company assets and based on the results of this test, estimated that there is case for impairment of fixed assets of the Company. Based on the approved from the B.O.D. 5 years' plan (approved at 14/12/2015) and using a discount rate of 8,9% the company proceed with an impairment of € 18,5M€, that affected "Other income/(expenses)" and "Tangible fixed assets" of 2015.

e) Inventories

Inventories include spare parts and other material. Inventories are valued at the lower of cost and net realizable value.
A provision for impairment is made if it is deemed necessary.

f) *Financial assets – Trade receivables*

I. 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.

II. Classification and initial recognition of financial assets

With the exception of trade receivables that do not include a significant finance item and are measured at the transaction price in accordance with IFRS 15, other 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 without recycling cumulative profit and losses on derecognition (equity instruments)

Classification of every asset is defined according to:

– the Company's business model regarding management of financial assets, and
– the characteristics of their conventional cash flows.

All income and expenses related to financial assets recognized in the Income Statement are included in the items "Other financial results", "Financial expenses" and "Financial income", except for the impairment of trade receivables included in operating results.

III. 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.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated at initial recognition at fair value through profit or loss, or financial assets that are required to be measured at fair value.
Financial assets are classified as held for trading if they are acquired for sale or repurchase in the near future. Derivatives, including embedded derivatives, are also classified as held for trading, unless defined as effective hedging instruments.
Financial assets with cash flows that are not only capital and interest payments are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets classified at fair value through total income (equity interests)

In accordance with the relevant provisions of IFRS 9, at initial recognition, the Group may irrevocably choose to disclose to other profit or loss directly in equity the subsequent changes in the fair value of an equity investment that is not for trading.

Profits and loss from these financial assets are never recycled to the income statement. Dividends are recognized as other income in the income statement when the payment entitlement has been proved, unless the Company benefits from such income as a recovery of part of the cost of the financial asset, then such profit is recognized in the statement of comprehensive income. Equity interests designated at fair value through total income are not subject to an impairment test. This option is effective for each security separately.

IV. 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 among:

- 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) and for which the expected credit loss is recognized for the following 12 months,
- financial assets whose credit risk has deteriorated significantly since initial recognition and which have no low credit risk (Stage 2). For these financial assets, the expected credit loss is recognized up to their maturity.
- financial assets for which there is objective evidence of impairment at the reporting date (Stage 3) and for which the expected credit loss is recognized up to maturity.

Trade receivables, other receivables and receivables from contracts with customers

The Company apply the simplified approach of IFRS 9 to trade and other receivables. The Company applies the simplified approach of IFRS 9 to trade and other receivables as well as to receivables from on construction contracts and receivables from leases, estimating the expected credit losses over the life of the above items. In this case, the expected credit losses represent the expected shortfalls in the contractual cash flows, taking into account the possibility of default at any point during the life of the financial instrument. In calculating the expected credit losses, the Company uses a provisioning table by grouping the above financial instruments based on the nature and maturity of the balances and taking into account available historical data in relation to the debtors, adjusted for future factors in relation to the debtors and the economic environment.

g) Cash and Cash Equivalents

The Company considers time deposits and other highly liquid investments with an initial maturity less than three months, as cash and cash equivalents.
For the compilation of the cash flow statements, cash and cash equivalents consist of cash, deposits in banks and cash and cash equivalents as defined above.

h) Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when, and only when, the Company is subject to the financial instrument. As the accounting requirements for financial liabilities remained broadly similar to those set in IAS 39, the Group's accounting policies regarding financial liabilities were not affected by the adoption of IFRS 9.
The Company's financial liabilities include mainly borrowings from lease agreements, suppliers and other 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) Provisions for Staff Retirement Indemnities

According to the provisions of L. 2112/1920, the Company reimburses its retiring or dismissed employees, and the amount of the relevant indemnities depends on the years of service, the level of wages and the reason for exit from employment (dismissal or retirement).
The liabilities for staff retirement indemnities are calculated using the discounted value of future benefits that have accrued at the end of the year, based on the recognition of the employees' benefit rights during the duration of their expected working years. The above liabilities are calculated based on the financial and actuarial assumptions and are defined using the projected unit method of actuarial valuation.
Net retirement costs for the period are included in the net earnings or other conrehensive income, as the case may be, and consist of the present value of benefits that have accrued during the year, the interest on the benefits' liability, the cost of prior service, the actuarial profit or loss and any other additional retirement costs. The prior service costs are recognized immediately. The liabilities for retirement benefits are not financed. Actuarial profits and losses are registered in other comrehensive income not recycled in profit and loss.

j) Government Pension Plans

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

k) Income Tax (Current and Deferred)

Current and deferred taxes are calculated based on the financial statements of the company that are compiled according to the tax regulations in effect in Greece. Current income tax is calculated based on the earnings of the Company as such are reformed on the company's tax returns, additional income tax emerging from the Tax Authorities' tax audits, on deferred income tax based on the enacted tax rates, as well as any possible extraordinary tax contribution calculated on earnings.
Deferred income tax is calculated using the liability method on all temporary differences between the tax base and the book value of assets and liabilities on the date of the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences.
Deferred tax assets are recognized for all the exempt temporary differences and the transferable tax losses, to the extent that it is likely that there will be available taxable earnings, which will be set against the exempt temporary differences and the transferable unused tax losses.
The deferred tax assets are estimated on each date of the financial statements and are reduced to the degree that it is not considered likely that there will be adequate taxable earnings against which part or the total of receivables from deferred income taxes may be used.
Deferred tax assets and liabilities are calculated according to the tax rates that are expected to be in effect during the financial year when the asset will be realized or the liability will be settled,

and are based on the tax rates (and tax regulations) that are effective or enacted on the date of the financial statements.
Income tax that relates to items, which have been directly recognized in other comprehensive income, is also recognized in other comprehensive income.

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

m) Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will result for the Company and that the relevant amounts can be accurately measured. The following specific recognition criteria must also be met for the recognition of revenue.

(i) *Revenue from the sale of Electric Energy*
Revenue from the sale of Electric Energy is accounted for in the year in which it occurs. Revenue from sales of electric energy to the TRANSMISSION SYSTEM OPERATOR (ADMIE) and the (ELECTRICITY) MARKET OPERATOR (ENEX) that have not yet been invoiced is recognized as accrued non-invoiced income in the financial statements.

(ii) *Interest*
Interest income is recognized on an accrual basis.

II) Use of estimates, judgements and assumptions

The Company proceeds to estimates, assumptions and judgments in order to select the most suitable accounting principles in relation to the future progress of events and transactions. The said estimates, assumptions and judgments are periodically reviewed so as to be in line with actual circumstances and reflect the actual risks at the time and are based on past experience of Management in relation to the level/volume of relevant transactions or events.
The basic estimates and judgments related to data whose development could affect the items of financial statements over the next 12 months are as follows:

i) Fixed assets depreciation: In order to calculate depreciation, the Company reviews the useful life and residual value of tangible and intangible assets having as criterion the technological, institutional and economic developments as well as its experience from their operation.

ii) Assets impairment and reversal: The Company evaluates the technological, institutional and economic developments by looking for indications of any type of impairment of its assets (fixed assets, trade and other receivables, financial assets, etc.) and of their reversal.

iii) Provision for staff retirement indemnities: Based on *IAS 19*, the Company assesses the assumptions according to which the provision for staff retirement indemnities is calculated in an actuarial manner.

iv) Provision for income tax: Based on *IAS 12*, the Company makes a provision for current and deferred income tax. It also provides, as the case may be, for the additional taxes that may arise from tax audits. The final settlement of income taxes may differ from the relevant amounts that have been registered in the interim and annual financial statements.

v) Provisions and Contingent Liabilities and Requirements: Provisions are recognized when the Company has a present legal or presumptive obligation as a result of past events, its liquidation is probable through resource outflow and a reliable estimate of the obligation can be made. Provisions are being reviewed at each date of the financial statements and shall be adjusted so as to reflect the present value of expected output needed for the settlement of the obligation. If the effect of the time value of money is significant, provisions are being calculated by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation. Contingent liabilities are not recognized in the financial statements but are being disclosed unless the possibility of an outflow of resources that include economic benefits is small. The Company in the context of its activities is part of judicial claims and commercial disputes and differences. The management of the Company carries out provisions for risks and unforeseen events that may arise from legal cases and litigation/disputes that may lead to financial outputs for solving them. These provisions are registered, based on management's best estimate of the amounts that are expected to arise and the odds related to the final outcome of the case. The final outcome of such cases and any related amounts are likely to deviate from the amounts recorded in the financial statements.

4. INTANGIBLE ASSETS

Intangible assets in the attached Financial Statements relate to software and their movement has as follows:

(All amounts are presented in thousand Euros)	SOFTWARE	
	2018	**2017**
Net book value as at 1.1	**21**	**29**
Additions	0	0
Transfer (from)/to intangible fixed assets-cost	0	5
(Depreciation)	(10)	(13)
Net book value as at 31.12	**11**	**21**
Cost 1.1	307	302
Accumulated depreciation	(286)	(273)
Net book value as at 1.1	**21**	**29**
Cost 31.12	307	307
Accumulated depreciation 31.12	(296)	(286)
Net book value as at 31.12	**11**	**21**

The depreciation of the presented period has been recognized in the account Administrative and Selling Expenses by 0 thousand € and in the account Cost of Goods Sold by 10 thousand €, of the Statement of Comprehensive Income.

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

5. TANGIBLE FIXED ASSETS

The movement of the Tangible fixed assets presented in the attached Financial Statements has as follows:

	Buildings	Machinery	Other	Fixed assets under construction	Total
Net book value 1.1.2018	**12.638**	**156.470**	**44**	**41**	**169.193**
Additions	0	0	0	81	**81**
Transfer (from)/to tangible fixed assets-cost	5	73	44	(122)	**0**
Transfer (from)/to intangible fixed assets-cost	0	0	0	0	**0**
Impairment loss of assets	0	0	0	0	**0**
Transfer from / (to) inventories Cost of sold/written off fixed assets	0	0	0	0	**0**
Accumulated depreciation of sold/written off fixed assets	0	0	0	0	**0**
Depreciation	(760)	(10.013)	(19)	0	**(10.792)**
Net book value 31.12.2018	**11.883**	**146.530**	**69**	**0**	**158.482**
Cost 01.01.2018	18.202	244.193	359	41	**262.795**
Accumulated depreciation	(5.564)	(87.723)	(315)	0	**(93.602)**
Net book value 1.1.2018	**12.638**	**156.470**	**44**	**41**	**169.193**
Cost 31.12.2018	18.207	244.266	403	0	**262.876**
Accumulated depreciation	(6.324)	(97.736)	(334)	0	**(104.394)**
Net book value 31.12.2018	**11.883**	**146.530**	**69**	**0**	**158.482**

	Buildings	Machinery	Other	Fixed assets under construction	Total
Net book value 1.1.2017	**13.148**	**164.562**	**36**	**174**	**177.920**
Additions	0	4.769	0	208	**4.977**
Transfer (from)/to tangible fixed assets-cost	226	74	36	(336)	**0**
Transfer (from)/to intangible fixed assets-cost	0	0	0	(5)	**(5)**
Impairment loss of assets	0	0	0	0	**0**
Transfer from / (to) inventories Cost of sold/written off fixed assets	0	(11.500)	0	0	**(11.500)**
Accumulated depreciation of sold/written off fixed assets	0	9.084	0	0	**9.084**
Depreciation	(736)	(10.519)	(28)	0	**(11.283)**
Net book value 31.12.2017	**12.638**	**156.470**	**44**	**41**	**169.193**
Cost 01.01.2017	17.976	250.850	323	174	**269.323**
Accumulated depreciation	(4.828)	(86.288)	(287)	0	**(91.403)**
Net book value 1.1.2017	**13.148**	**164.562**	**36**	**174**	**177.920**
Cost 31.12.2017	18.202	244.193	359	41	**262.795**

Accumulated depreciation	(5.564)	(87.723)	(315)	0	**(93.602)**
Net book value 31.12.2017	**12.638**	**156.470**	**44**	**41**	**169.193**

The depreciation of the presented period has been recognized in the account Cost of Goods Sold by € 10.791 thousand (€11.281 thousand in 2017) and in the account Administrative and Selling Expenses by €1 thousand (€ 2 thousand in 2017), in the Statement of Comprehensive Income.

6. OTHER INVESTMENTS

Other investments presented in the attached financial statements relate to the participation in the non-profit association under the name “Hellenic Association of Independent Power Producers” which aims at the joint promotion of all the issues related to the production and sale of electricity by independent producers. This association was incorporated in March 2010 and the Company participates in its capital by 16,67%.

7. OTHER LONG-TERM RECEIVABLES

Other long-term receivables presented in the attached financial Statements are broken down as follows:

(All amounts are presented in thousand Euros)	31.12.2018	31.12.2017
Guarantees provided	18	29
Pre-paid leases	136	146
Total	**154**	**175**

Pre-paid leases concern a plot owned by third party (a non-related party) where boring will take place for water pumping so as to use it in the production process. The leasing is long-term for 25 years and there are still 14 years until it expires.

8. INVENTORIES

The account “Inventories” in the attached financial statements concerns solely fixed assets’ spare parts and consumables.

9. TRADE RECEIVABLES

“Trade receivables”, presented in the attached financial statements are broken down as follows:

(All amounts are presented in thousand Euros)	31.12.2018	31.12.2017
Public entities (Administrators)	19.138	11.501
Customers - Individuals	1.566	1.437
Un-invoiced receivables – Public entities (Administrators)	4.072	1.483
Un-invoiced receivables – Individuals	2.788	6.247
Doubtful – litigious customers	7.462	7.462
Provisions (impairment) for doubtful Customers	(6.010)	(5.597)
	29.016	**22.534**

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

The above trade receivables include mainly receivables from TRANSMISSION SYSTEM OPERATOR (ADMIE). The main part of these invoices has to do with Ancillary Services, issued in the name of the TRANSMISSION SYSTEM OPERATOR for the amount of € 7.462 milion euros including VAT, claimed judicially by a Lawsuit of the Company against ADMIE, before the Multimember First Instance Court of Athens, under Deposit Number 29533/822/25-2-2013, claiming the payment of the invoices for Auxiliary Services of November and December 2011 and January, February and March 2012. The Company's lawsuit had been discussed on 19/11/2015 and the Court decided (under 700/11.03.2016) to postpone its verdict until Council of State's final decision on the (relative) Administrative procedure i.e. Petition of the Company under Deposit Number 822/20-02-2013 against RAE's decision on the Dispatching Formula for Ancillary Services; accepted by the Administrative Court of Appeal of Athens' decision under 1579/17.03.2014; appealed by RAE in front of the Council of State. The lawsuit was eventually, after several postponements, discussed on 02/04/2019 and the decision is expected.

The Company holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Trade and other receivables that are interest free are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, whereas those with a significant financing component are initially recognized at their fair value.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL since apply the IFRS 9 simplified model to estimate the ECL of trade and other receivables, classifying them either at Stage 2 or at Stage 3 and measuring lifetime ECL.
To measure the ECL, the trade and other receivables have been grouped based on their credit risk characteristics and their ageing (days past due) at the reporting date. This measurement is based on specific credit risk metrics (i.e. Probability of Default-PD, Loss Given Default), which are calculated based on historical data, existing market conditions as well as forward looking estimates at the end of each reporting period.
Before accepting any new customer, the Company uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributes to customers are reviewed on a permanent basis.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The following tables depict the risk profile of trade receivables and other receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

31 December 2018	Not Past Due	0-180 days	181-365 days	365 and over days	Total
Expected credit loss rate	1,35%	1,61%	0%	79,35%	**17,16%**

Estimated total gross carrying amount at default	16.494	11.181	285	7.066	**35.026**
Lifetime ECL	(222)	(181)	0	(5.607)	**(6.010)**
Totals	**16.272**	**11.000**	**285**	**1.459**	**29.016**

31 December 2017	**Not Past Due**	**0-180 days**	**181-365 days**	**365 and over days**	**Total**
Expected credit loss rate	0%	0%	0%	75%	**19,90%**
Estimated total gross carrying amount at default	11.178	7.975	1.516	7.462	**28.131**
Lifetime ECL 31/12/2017	0	0	0	(5.597)	**(5.597)**
Totals	**11.178**	**7.975**	**1.516**	**1.865**	**22.534**

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model (As per IAS 39). Since 1/1/2018, the Company applies the IFRS 9 simplified model to estimate the ECL of trade and other receivables, classifying them either at Stage 2 or at Stage 3 and measuring lifetime ECL. For the first implementation of IFRS 9, the Company did not have to revise the impairment amount that had been calculated as of 31/12/2017.

(All amounts are presented in thousand Euro)

	31.12.2018	
	Stage 2	**Stage 3**
Expected credit loss rate	1,50%	74,99%
Estimated total gross carrying amount at default	27.564	7.462
Lifetime ECL	414	5.596

The movement of the impairment of trade receivables for the period is analysed as follows:

(All amounts are presented in thousand Euro)

Impairment of trade receivables balance 31.12.2017	**5.597**
IFRS 9 Adoption Readjustment	0
Readjusted balance 01.01.2018	5.597
Gain/(Loss) from Trade Receivables Impairment for the year 2018 (note 25)	413
Total Impairment 31.12.2018	**6.010**

10. OTHER RECEIVABLES

"Other receivables" presented in the attached financial statements are broken down as follows:

(All amounts are presented in thousand Euros)	31.12.2018	31.12.2017
Prepayments to Suppliers	6.125	8.691
Other Receivables	982	961
VAT to be set-off	1	1.928
	7.108	**11.580**

In the amount of 982 k€ is included an amount of 976 k€ referring to prepaid expenses.

11. CASH AND CASH EQUIVALENTS

The cash and cash equivalents as at 31st of December 2018 in the attached financial statements concern bank deposits. The level of cash on 31st December 2018 is € 8.994 thousand.
According to the Bond Programme (which refers to the Hybrid Project Financing), the Company opened several pledge accounts which all are dedicated to Project Financing purpose. More precisely, only the proceed bank account is dedicated to cash-in and to pay suppliers and lenders.

(All amounts are presented in thousand Euros)	31.12.2018	31.12.2017
Proceeds Account	8.994	13.041
Distribution Account	0	6
	8.994	**13.047**

12. LONG-TERM LOANS & LIABILITIES PAYABLE IN THE FOLLOWING YEAR

The two-line items include the outstanding part of Senior Debt for an amount of € 32,05 million plus the Subordinated Shareholders' Bond Loan for an amount of 55,56 M€.
The long-Term liabilities payable in the following year includes an amount of 11,51 M€ as principal of Senior Debt and 1,17 M€ as accrued interest relating to both Senior Debt and Subordinated Shareholders' Bond Loan.
The break down between current and long term is reported below:

(All amounts are presented in thousand Euros)	31.12.2018	31.12.2017
Up to 1 year	12.686	12.001
1 -5 years	74.921	32.938

Over 5 years	0	49.583
	87.607	**94.522**

The Term loan is repaid based on mandatory repayment and Cash Sweep mechanism, while the VAT facility is already repaid upon VAT collection from the Greek State. The rate interest on loans is 6 month Euribor plus margin.
The term loan is structured in 2 phases: (a) a first phase guaranteed during which the shareholders secure the loan through either parent company or bank guarantees and (b) a second phase project finance including usual requirements and covenants to the extent that certain requirements are met.
The first loan disbursement took place on 14/01/2011 and the second and final disbursement on 28/02/2011.
To ensure Bondholders regarding the above mentioned Loan the followings have been established/incorporated in favor of Piraeus Bank as representative and on behalf of the Bondholders:

a) Pledge of the total issued shares of the issuer HERON II
b) Pledge of all accounts of the project with the exceptions stated in contractual documents
c) Nominal pledge on the equipment of the project valued € 229,5 M
d) Assignment of insurance contracts (damage and loss of income)
e) Pledge on all rights arising from the contractual documentation of the project

The following table describes the movement of long-term loans and finance leases within the period:

(All amounts are presented in thousand Euros)

	2018	2017
Balance 1.1	**94.522**	**109.417**
Capital additions/(repayments)	(12.374)	(20.071)
Interest payments	(1.299)	(1.895)
Loan interest into financial results	6.320	6.390
Loan expenses	438	679
Balance 31.12	**87.607**	**94.522**

13. PROVISIONS FOR STAFF RETIREMENT INDEMNITIES

According to the Greek labour law, each employee is entitled to a lump-sum indemnity in case of dismissal or retirement. The amount of indemnity depends on the past service time and the salary of the employee on the day of his dismissal or retirement. Employees that resign or are justifiably discharged are not entitled to any indemnity. The indemnity payable in case of retirement in Greece is equal to 40% of the amount which would be payable upon dismissal without cause.
The estimates for staff retirement indemnities were determined through an actuarial study where the Projected Unit Credit Method was used. The tables below present the composition of the expenditure for the relevant provision recognised in the statement of comprehensive income of the year ended on 31 December 2017 and the movement of the relevant provisions account for staff retirement indemnities presented in the attached Statement of Financial Position of the year ended on 31 December 2018.

The expense for staff retirement indemnities recognized in the year's net profits in the "Cost of Goods Sold" is broken down as follows:

(All amounts are presented in thousand Euros)	2018	2017
Current service cost	28	26
Finance cost	3	3
Settlements' cost	37	(5)
	68	**24**

The changes in the relevant provision in the Statement of Financial Position are as follows:

(All amounts are presented in thousand Euros)	31.12.2018	31.12.2017
Opening balance	**211**	**186**
Provision recognized in year's results	68	24
Paid up indemnities	(66)	0
Actuarial result write off on other total expenses	19	1
Closing Balance	**232**	**211**

The main actuarial assumptions for the years 2018 and 2017 are as follows:

	2018	2017
Discount rate[1]	1.5%	1.5%
Mortality: Greek Table of Mortality	2012	2012
Future wage increases	1.25%	1.25%
Salaried employees' turnover (voluntary retirement)	1%	1%
Wages turnover (voluntary retirement)	1%	1%
Salaried employees' turnover (dismissal)	6%	6%
Wages turnover (dismissal)	6%	6%

According to *IAS 19* a Sensitivity Analysis follows:

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Technical interest	2,00%	1,00%	1,50%	1,50%
Wage increase	1,25%	1,25%	1,50%	1,00%
Effect from changes in net profits/(losses) 2018	(16)	(36)	(31)	(20)

14. PROVISIONS FOR DISMANTLEMENT

The Company has set up a provision for the dismantling expenses of the electricity power plant that are expected to occur after the termination of operations, based on its contractual obligations, the present value of which at 31-12-2018 amounted to € 1.236. This provision was calculated based on the expected cash flows necessary for fulfilling this obligation at year end. This

[1] Due to current non-regular economic conditions, for the calculation of the discount rate, European Central Bank bonds are used in the yield curve instead of Greek government bonds.

amount was then inflated based on the average estimated expected inflation and was discounted according to the required discount rate. The provision is increased compared to the previous year due to maturity by one year and there was no change in the amount of future flow.

15. SUPPLIERS

On 31 December 2018, the account "Suppliers" presented in the attached financial statements is broken down as follows:

(All amounts are presented in thousand Euros)	31.12.2018	31.12.2017
Production suppliers	8.736	13.350
Provision for retroactive gas cost	0	5.512
	8.736	**18.862**

16. ACCRUED, OTHER LIABILITIES AND PROVISIONS

On 31st December 2018, the account "Accrued and other liabilities" presented in the attached financial statements are broken down as follows:

(All amounts are presented in thousand Euros)	31.12.2018	31.12.2017
Accrued expenses – cost of production	15.324	6.685
Accrued expenses – third party fees	1.207	778
Taxes- duties	77	115
Vat payable	495	
Accrued expenses relating to bank expenses and guarantee fees	383	627
Social security funds	86	91
Other	262	28
	17.834	**8.324**

The amount of €15.234 thousand "Accrued expenses – cost of production" mainly concerns the cost of natural gas related to December 2018 (€15.172 thousand while 6.630 thousand for 2017). The amount of €1.207 thousand "Accrued expenses – third party fees" mainly concerns other accrued expenses from ADMIE (€ 72 thousand, 295 thousand for 2017) and other accrued expenses related to maintenance of the power-plant (€ 1.003 thousand, 392 thousand for 2017).

17. SHARE CAPITAL

On 31st December 2008, the Company's share capital amounted to € 6.440.000.00 (six million four hundred and forty thousand euros) divided into 64,400 ordinary shares with a nominal value of € 100,00 each.

The share capital is held by 25% by TERNA S.A., a Company of the Group of the Athens Stock Exchange listed GEK TERNA (16.100 shares), by 25% by QATAR PETROLEUM INTERNATIONAL GAS & POWER OPC, a Company of QATAR PETROLEUM Group (16.100 shares) and the other 50% by ENGIE INTERNATIONAL HOLDING B.V., a Company of the Group, at the Paris Stock Exchange listed, ENGIE (32.200 shares).

18. RESERVES

The reserves of the Company at the end of the presented period relate to a statutory reserve. The formation of statutory reserves is determined by L 4548/18 and is obligatory to the level of one third of paid-up share capital and its purpose is to offset future losses.
The formation of such reserves is recognized by a resolution of the annual general assembly based on after-tax annual profits at a rate of 5%.

19. INCOME TAX

According to Greek tax legislation the tax rate corresponded to 29% for the years 2018 and 2017. Article 23, Law 4579/2018, states that income tax rates are gradually reduced to twenty-eight percent (28%) for income of tax year 2019, to twenty-seven percent (27%) for income of tax year 2020, to twenty-six per cent (26%) for income of tax year 2021 and twenty five per cent (25%) for income of tax year 2022 and thereafter.

The effective tax rate differs from the nominal rate. Various factors affect the determination of the effective tax rate, the most important of these are some expenses that are not tax deductible, the differences in depreciation rates that arise between the useful life of fixed assets and the rates specified by the tax law, the option of companies to set up tax-free discounts and tax-free reserves.

(a) Current tax

Income tax in the year results in the statement of comprehensive income is broken down as follows:

(All amounts are presented in thousand Euros)	2018	2017
Current tax	0	0
Prior year tax adjustment	0	(291)
Deferred tax	2.443	3.642
Total	**2.443**	**3.351**

Below is the reconciliation of the actual income tax and the accounting profit multiplied by the applicable tax rate.

(All amounts are presented in thousand Euros)	2018	2017
Earnings/(loss) before taxes	**(6.270)**	**1.958**
Nominal tax rate	**29%**	**29%**
Income tax based on applicable nominal tax rate	**(1.818)**	**568**
Adjustments for:		
Permanent tax differences	6.101	3.074
Effect from the change in tax rates	(1.840)	0
Prior year tax adjustment	0	(291)
Actual tax expenditure	**2.443**	**3.351**

Tax returns are filed annually. The Company has been audited by tax authorities until the year 2008. Due to POL 1154/2017, POL 1191/2017, POL 1192/2017, POL 1194/2017 και POL. 1208/2017 of the Governor's of the Independent Public Revenue Authority, provided guidance on the uniform application of what was accepted from the decisions of the Council of the State (CoS) 1738/2017, CoS 2932/2017, CoS 2934/2017 και CoS 2935/2017, as well as the no. 268/2017 Opinion of the State Legal Council. From the aforementioned decisions a five-year limitation period - on the basis of the general rule – is occurred, for the fiscal years of 2012 onwards, as well as for the fiscal years that the Code of Tax Procedure – CTP (from 2014 on-wards), except for the specific exceptions specified in the relevant provisions of CTP.

Consequently, and in accordance with the foregoing in POL. 1192/2017, the right of the State to charge a tax up to and including the fiscal year 2011 is time-barred unless the specific provisions on 10-year, 15-year and 20-year limitation periods apply.

For the fiscal years 2011-2012-2013, the Company is subject to the tax audit by Certified Auditors Accountants as defined by the provisions of article 82 par. 5 of L. 2238/1994 (Min. Dec. 1159/26/7/2011), whereas for the years 2014, 2015, 2016, 2017 it is subject to the tax audit by Certified Auditors Accountants as defined by the provisions of article 65A, par. 1, Law 4174/2014 (Min. Dec. 1124/22/6/2015). The finalization of the tax audit from the Ministry of Finance is pending for all the above fiscal years.
For the fiscal year 2018, the Company is subject to the tax audit by Certified Auditors Accountants as defined by the provisions of article 65A, par. 1, Law 4174/2013 (Min. Dec. 1124/22/6/2015). This audit is underway, and the relevant tax certificate is expected to be issued following the publication of the Financial Statements for the year 2018.
The tax liabilities for these years have not become definitive and therefore additional contingencies may arise when the relevant tax audits are carried out.
The Management estimates that the taxes that may arise from the audit by the tax authorities will not have a material effect on the Financial Statements.

(b) Deferred tax

Deferred income tax is calculated using all temporary tax differences between the book value and the tax value of assets and liabilities. Deferred income tax is calculated by using the expected applicable tax rate at the time the tax asset/liability will mature.

(All amounts are presented in thousand Euros)	31.12.2018	31.12.2017
Net deferred tax asset/(liability)	**(17.042)**	**(14.602)**
Opening balance	**(14.602)**	**(10.960)**
(Expense)/Income recognized in net profits	(2.443)	(3.642)
(Expense)/Income recognized in other comprehensive income	3	0
Closing balance	**(17.042)**	**(14.602)**

The deferred tax of the years 2018 and 2017 is broken down as follows:

	Statement of financial position		**Net profit – (Debit)/Credit**	**OCI – (Debit)/Credit**
(All amounts are presented in thousand Euros)	**31.12.2018**	**31.12.2017**	**2018**	**2018**
Deferred tax asset				
Recognized tax losses	2.497	4.234	(1.737)	
Other provisions	3.699	3.230	469	
Staff compensation provision	59	61	(5)	3
Deferred tax liability				
Depreciation differences	(15.405)	(14.048)	(1.357)	
Expensing of intangible assets	(7.892)	(8.079)	187	
Deferred tax expense			**(2.443)**	**3**
Net deferred tax - asset/(liability)	**(17.042)**	**(14.602)**		

	Statement of financial position		Net profit – (Debit)/Credit	OCI – (Debit)/Credit
(All amounts are presented in thousand Euros)	**31.12.2017**	**31.12.2016**	**2017**	**2017**
Deferred tax asset				
Depreciation differences	(14.048)	(10.063)	(3.985)	
Recognized tax losses	4.234	2.186	2.048	
Other provisions	3.230	4.615	(1.385)	
Staff compensation provision	61	54	7	
Deferred tax liability				
Expensing of intangible assets	(8.079)	(7.752)	(327)	
Deferred tax expense			**(3.642)**	**(0)**
Net deferred tax - asset/(liability)	**(14.602)**	**(10.960)**		

20. REVENUE

Itemized breakdown	2018	2017
Revenue from electricity production & cost recovery	112.406	83.820
Revenue from the Insurances	2.381	10.352
Revenue from gas	11.403	871
Revenue from capacity	3.455	4.932
Other revenues	1.368	90
Total	**131.013**	**100.065**

The revenue from electricity production was derived from public entities (€ 112.406 thousand) while on 2017 this amount was €83.820 thousand.
The revenue from gas € 11.403 thousand was derived from private entities (€871 thousand on 2017).
The revenue from capacity € 3.455 thousand was derived from public entities (€4.932 thousand on 2017).
The amount of Total Revenue minus revenue from capacity regards transfers of goods which take place at a certain time.

21. COST OF GOODS SOLD & ADMINISTRATIVE AND SELLING EXPENSES

On 31 December 2018, the Cost of Goods Sold, administrative and selling expenses presented in the attached financial statements are broken down as follows:

Cost of Goods Sold (All amounts are presented in thousand Euros)	2018	2017

Natural gas consumption	99.823	64.172
Depreciation	10.801	11.294
Losses on disposal of machinery-machine installations-other mechanical equipment	-	2.416
Personnel cost	1.931	1.927
Contractor services	51	143
Maintenance of General Electric	4.639	2.317
Cost of Emission Rights	8.648	2.821
Energy Services	2.177	1.168
Other services	275	427
Insurance charges	1.122	841
Maintenance	319	237
Leases	64	86
Utilities (electricity and water supplies, etc.)	177	117
Taxes - duties	57	23
Other expenses	82	116
	130.166	**88.105**

Administrative and selling expenses

(All amounts are presented in thousand Euros)	2018	2017
Personnel cost	185	130
Associates' fees (engineers)	-	100
Professional fees	450	464
Consultancy fees	183	330
Auditors' fees	28	28
Leases	140	140
Depreciation	1	2
Insurance charges	18	7
Contributions to professional bodies	57	47
Taxes - duties	55	8
Other expenses	54	46
	1.171	**1.302**

22. AUDITORS' FEES

(All amounts are presented in thousand Euros)	2018	2017
Fees for statutory audits	15	15
Fees for tax compliance audits	13	13
Fees for extraordinary audits	-	-
	28	**28**

All the above fees have been recognized in administrative and selling expenses.

23. PERSONNEL COST

The expenses for personnel cost on 31 December 2018 are broken down as follows:

(All amounts are presented in thousand Euros)	2018	2017

Personnel salaries and benefits	1.673	1.613
Social security fund contributions	379	412
Provision for staff retirement indemnities	64	24
Total expenses	**2.116**	**2.049**

24. FINANCIAL INCOME/ (EXPENSE)

On 31st December 2018, the financial income/ (expense) presented in the attached financial statements is broken down as follows:

(All amounts are presented in thousand Euros)	2018	2017
Interest on bank accounts	46	53
Discount from tax-lump sum payment	-	-
Interest and charges for long-term financing	(1.334)	(2.144)
Interest on borrowing from related entities	(5.424)	(4.926)
Interest on trade payables	1.358	(1,331)
Bank guarantee fees and other financial expenses	(389)	(604)
Discounting expense relating to provision for dismantlement	(99)	(91)
Adjusted expenses relating to provision for staff leaving indemnities	(3)	-
	(5.845)	**(9.043)**

25. OTHER INCOME/ (EXPENSE)

On 31st December 2018 Other Income/ (Expenses) are at € 312 thousand.

(All amounts are presented in thousand Euro)	2018	2017
Other income:		
Provision of administration services to related Company	303	275
Other revenues	27	76
	330	351
Other expenses:		
Impairment loss in accordance with IFRS 9	(413)	-
Other taxes	(4)	(5)
Other expenses	(14)	(3)
	(431)	(8)
Total income / (expenses)	**(101)**	**343**

26. TRANSACTIONS WITH RELATED PARTIES

The Company's transactions and balances with related companies for the years 2018 and 2017 are broken down as follows:

2018

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

Affiliated Company	Sales	Purchases	Debit balances	Credit balances
Jointly controlling companies – HERON THERMOELECTRIC (other services)		54		67
Jointly controlling companies – HERON THERMOELECTRIC (leases)		54		56
Jointly controlling companies – HERON THERMOELECTRIC (administration services)	270	125	335	155
Jointly controlling companies – GEK TERNA Group (administration services)		7		9
Jointly controlling companies – GEK TERNA Group (other services)		60		75
Jointly controlling companies - GEK TERNA Group (borrowing)		1.381		13.945
Jointly controlling companies – HERON THERMOELECTRIC (electricity/gas trade and purchase of spare parts)	14	25.400	10	
Jointly controlling companies – ENGIE Group (purchase of carbon emission rights & spare parts)		78		
Jointly controlling companies – ENGIE Group (administration services)		255		21
Jointly controlling companies – ENGIE Group (borrowing)		2.962		26.937
Jointly controlling companies - ENGIE Group (maintenance services)		85		33
Jointly controlling companies – ENGIE Group (Hedging)	398	346		
Jointly controlling companies - QPI Group (borrowing)	-	1.361	-	13.705

2017

Affiliated Company	Sales	Purchases	Debit balances	Credit balances
Jointly controlling companies – HERON THERMOELECTRIC (other services)		53		
Jointly controlling companies – HERON THERMOELECTRIC (leases)		53		
Jointly controlling companies – HERON THERMOELECTRIC (administration services)	275	95	341	118
Jointly controlling companies – GEK TERNA Group (administration services)		65		31
Jointly controlling companies – GEK TERNA Group (other services)		72		
Jointly controlling companies - GEK TERNA Group (borrowing)		1.246		12.588
Jointly controlling companies – HERON THERMOELECTRIC (electricity/gas trade and purchase of spare parts)	107	10.465	102	663
Jointly controlling companies – ENGIE Group (purchase of carbon emission rights & spare parts)		2.054		
Jointly controlling companies – ENGIE Group (administration services)		215		187

Jointly controlling companies – ENGIE Group (borrowing)		2.924		24.561
Jointly controlling companies - ENGIE Group (maintenance services)		147		96
Jointly controlling companies – ENGIE Group (Hedging)	91	455		
Jointly controlling companies - QPI Group (borrowing)	-	1.235	-	12.434

Remuneration paid to BoD members and top executives of the Company: The remuneration paid to BoD members and top executives of the Company and recognized on 31 December 2018 and 2017 are as follows:

All amounts are presented in thousand Euro)	**2018**	**2017**
Fees for services received	356	345

27. RISK MANAGEMENT POLICIES AND OBJECTIVES

Investments and other (non-derivative) financial assets

Financial assets that fall under the provisions of *IAS 39* and are governed by them are classified according to their nature and characteristics into one of the following four categories:
i) *Investments available for sale*,
ii) Receivables and loans,
iii) Financial assets at fair value through profit and loss, and
iv) Investments held to maturity

Initially they are recognized at acquisition cost, which represents the fair value plus, in some cases, the direct transaction and acquisition expenses.

The classification of the above financial assets is made upon their initial recognition and wherever permitted it is reviewed and reassessed on a periodic basis.

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

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

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

(iv) *Investments held to maturity*

Financial assets (non-derivative) with defined flows and defined maturity are classified as held to maturity when the Company is willing and able to retain them until their maturity. Investments held indefinitely or for a predetermined period cannot be classified in this category. Held to maturity investments are valued, after the initial recognition, at net amortized cost using the effective interest rate method. Gains or losses are recorded in the net earnings when the relevant amounts are written-off or suffer impairment as well as through the amortization process.
The fair value of such investments that are traded in an organized market is derived by the exchange value of the investment at the closing date. As regards to investments that are not traded in an active market, their fair value is calculated on the basis of relevant valuation techniques. These techniques are based on recent transactions, with reference to the exchange value of another investment with characteristics similar to the investment valued, discounted cash-flow analysis and investment valuation models.

Operational Risks
Main risks related to Generation Company's activities could refer to property damage (damage which affects assets), business interruption (damages which affects losses in margins and revenues), human resource and damages ensue from systems or from external events. The Company, to protect itself by operational risks, has agreed with primary insurance institutions policies for *Property Damage*, *Business Interruption* and *Third Party Liabilities*.

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

(i) *Interest rate risk and exchange rate risk*
The Company's bank debt is in Euro and is subject to floating interest rates**.** The Company has not entered into agreements in order to reduce its exposure to interest rate risk. Management follows the development of interest rates and exchange rates and takes the necessary measures to reduce the risk.

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

(iii) *Credit Risk Concentration*
Trade receivables relate to entities of the Public sector. The Company's policy is to seek business with customers of satisfactory credit standing, including risk mitigators, if needed.

(iv) *Market Risk*
The Company faces the risk of the electricity market.

The Company's financial instruments consist mainly of trade and other receivables, bank deposits, payables to suppliers, and loan liabilities. The financial risks to which the Company is exposed consist in credit, liquidity and interest rate risks to which detailed reference is made in the respective sections below.

FOREIGN EXCHANGE RISK

The Company is not exposed to foreign exchange risk since all its financial instruments (receivables and payables) are denominated in Euro.

INTEREST RATE SENSITIVITY ANALYSIS

The Company does not apply any policy of interest rate cash flow risk management regarding long-term financing since all financing is set at floating rate.
All borrowing cost until the completion and operation of the production facilities are capitalized in cost of tangible assets (see Note 5)
The table below presents the sensitivity of the results for the period to a reasonable change of interest rate of +/-200 basis points (bps) (2017: +/-200 bps) on all variable rate financial instruments, assets or liabilities, derived from Euribor or spread. Changes in interest rates are estimated to range within a reasonable basis, taking into account recent market conditions.

	2018		2017	
(All amounts are presented in thousand Euro)	+200 bps	+200 bps	+200 bps	-200 bps
Profit and loss	(3)	3	(6)	6

The Company is not exposed to other interest rate risks or risks of changes in securities value, the price of which is traded on a stock exchange.

CREDIT RISK ANALYSIS

The Company's exposure to credit risk is limited to financial assets, which on the financial Statements are broken down as follows:

(All amounts are presented in thousand Euro)	31.12.2018	31.12.2017
Other long-term receivables (note 7)	18	29
Trade receivables (note 9)	29.016	22.534
Other receivables (note 10)	5	5
Cash and cash equivalents	8.994	13.047
Total	**38.033**	**35.615**

Almost all of the trade and other receivables originate from the wider public which represents main energy authorities. Thus, the relevant credit risk is considered almost limited according to the core business of the Company (electricity production) and the regulation and the balances of both gas and power market. So does the risk related to short-term financial assets (cash equivalents) given that the counterparties are banks whose creditworthiness is considered satisfactory by foreign credit agencies.

LIQUIDITY RISK ANALYSIS

The Company manages its liquidity needs by carefully monitoring its debts linked to long-term financial liabilities and its everyday payments. Liquidity needs are monitored at different intervals, on a daily and weekly basis and a rolling period of 30 days. Liquidity needs for the next 6 months and the next year are determined on a monthly basis.
The Company keeps cash and cash equivalents to banks so as to meet liquidity needs for periods up to 30 days. Funds for medium-term liquidity needs are released from the Company's time deposits. The maturity of financial liabilities on 31 December 2018 for the Company is broken down as follows:

(All amounts are presented in thousand Euro)	**From 0 to 12 months**	**1st - 5th year**	**Over 5th year**
Long-term loans	12.686	74.921	0
Suppliers	8.736	0	0
Accrued and Other short-term liabilities	17.176	0	0
Total	**38.598**	**74.921**	**0**

In the opening of 2018 the break down was the following:

(All amounts are presented in thousand Euro)	**From 0 to 12 months**	**1st - 5th year**	**Over 5th year**
Long-term loans	12.001	32.938	49.583
Suppliers	18.862	0	0
Accrued and Other short-term liabilities	8.324	0	0
Total	**39.187**	**33.781**	**49.583**

28. PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES PER CATEGORY

The financial assets and financial liabilities on the date of the Financial Statements may be categorized as follows:

Financial Assets	**31.12.2018**	**31.12.2017**
Non-current assets[2]		
Other long-term receivables	18	29
Other Investments-Fair Value through OCI	10	10
Total	**28**	**39**
Current Assets		
Trade receivables	29.016	22.534
Other receivables – short-term financial receivables	5	5
Cash and cash equivalents	8.994	13.047
Total	**38.015**	**35.586**

Financial Liabilities	**31.12.2018**	**31.12.2017**
Non-current liabilities[3]		
Financial liabilities at amortized cost – Long-term Loans	74.921	82.521
Current Liabilities		
Financial liabilities at amortized cost - Borrowings	12.686	12.001
Financial liabilities at amortized cost - Suppliers	8.736	18.862
Financial liabilities at amortized cost- Liabilities from customers	785	0

Financial liabilities at amortized cost - Accrued and other liabilities	17.176	8.118
Total	**39.383**	**38.981**

29. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's goals as regards capital management are the following:
- to ensure the capacity of the Company to pursue its activity (going concern); and
- To ensure satisfactory yield for the shareholders, by invoicing products and services proportionately to the risk level.

The Company specifies the level of capital proportionately to the risk of activities, monitors developments in the economic environment and their effect on risk characteristics, manages capital structure (debt to equity ratio) by adjusting the level and duration of loans, issuing new shares or refunding capital to the shareholders, adjusting the dividend's amount and/or selling separate assets or groups of assets.
To this effect, the Company monitors capital based on leverage ratio which is defined as follows: Net debt/ Equity where Net debt shall mean the total Liabilities from loans and finance leases less cash, as presented in the Statement of Financial Position.
At the end of the fiscal years 2018 and 2017 the aforementioned ratio is as follows:

(All amounts are presented in thousand Euro)	**31.12.2018**	**31.12.2017**
Interest-bearing loans	87.607	94.522
Less:		
Cash	(8.994)	(13.047)
Net debt	**78.613**	**81.475**
Equity	**73.899**	**82.629**
Leverage ratio	**106,38%**	**98,60%**

30. EXISTING ENCUMBRANCES AND OTHER LIENS

There are no encumbrances or liens raised on the Company's assets.

31. COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease commitments

The Company has entered into leases on a land-field. This non-cancellable lease has remaining terms of 39 years and it includes a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.
Future minimum rentals payable under the aforementioned non-cancellable operating lease as at 31 December are as follows:

(All amounts are presented in thousand Euro)	**2018**	**2017**
Within one year	54	54
After one but not more than 5 years	280	278
More than 5 years	2.294	2.305

Contingent liabilities and assets

During the execution of its business, the Company has made legal claims against third parties (lawsuit against ADMIE to claim default interest, lawsuit against ADMIE for Ancillary Services - Secondary Reserves, etc.) and may face eventual legal claims on the part of third parties. According to both Management and the Company's Legal Counsel, any claims of such type are not expected to have a significant effect on the Company's operation and financial position on 31 December 2018.

32. SUBSEQUENT EVENTS

A. ***TRANSITORY FLEXIBILITY REMUNERATION MECHANISM***

The State Aid Approval Decision No 50152 (2018/N) established the implementation of the mechanism in two distinct auction phases. The first one starting upon approval of the measure and ending on the 31.03.2019 and the second one starting on the 1st of April, implementation date of the Target Model, and ending on the 31.12.2019. In the first phase in the auctions will participate exclusively the Generators (CCGTs, OCGTs, Hydro) as the only entities capable of providing the flexibility service as prescribed in recitals (57) and (62) of the Decision. In the second phase also demand response and storage systems will be able to participate in the auctions. The beginning of the second phase is correlated with the implementation of the four markets of the Target Model, since only through those markets the direct participation in the market of demand and storage is feasible. Due to the failure of the Hellenic Republic to implement the Target Model the mechanism is suspended since its second phase cannot begin.

B. **ARBITRATION INITIATED BY DEPA REGARDING Q1 2017 NATURAL GAS INVOICES**

It is being highlighted that in relation to the Arbitral procedure initiated by DEPA against the Company for Q1 2017 Natural Gas Accounts, on 19/01/2018 the two Arbitrators have proceeded with the Nomination of a Presiding Third Arbitrator, who has accepted his nomination with his written declaration dated 23/01/2018. Further to common agreement of the parties to the dispute, the arbitration has been defined as "International Commercial Arbitration (L. 2735/1999)". All relative powers of attorneys were submitted until 28/02/2018. DEPA's application was submitted, as it has been defined up to the 30th/3/2018. The proposals and relative documents of both parties were submitted, as it had been set, up to the 15th/5/2018. Hearing proceedings took place at the 18th/09/2018, as arranged. The evaluation of Witnesses' Statements and finalization of the hearing proceedings took place at the 22nd/10/2018, as arranged. The decision is expected within the second semester of 2019.

THE CHAIRMAN OF THE BOARD	THE MANAGING DIRECTOR
GEORGE KOUVARIS	GEORGE DANIOLOS

THE ACCOUNTANT

VALMAS NIKOLAOS