HERON THERMOELECTRIC SOCIETE ANONYME

85, Messogeion Ave., GR-115 26 Athens

General Commercial Registry of Companies No 5805601000

ANNUAL FINANCIAL REPORT

For the year

1st of January to 31st of December 2018

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I. INDEPENDENT AUDITOR'S REPORT

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TRUE TRANSLATION FROM THE ORIGINAL IN GREEK

Independent Auditor's Report

To the Shareholders of the Company HERON THERMOILEKTRIKI S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the company HERON THERMOILEKTRIKI 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 THERMOILEKTRIKI 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 THERMOILEKTRIKI S.A. and its environment, we have not identified any material inconsistencies in the Board of Directors' Report.

2. Taking into consideration that Management is responsible for the preparation of the Separated Financial Statements, which comprise the separated by activity Balance Sheet of the Company as at December 31, 2018, as well as the separated by activity Statement of Income before taxes for the period from 1 January 2018 to 31 December 2018, according to the provisions of L. 4001/2011 and the No. 301/2017 Decision of the Regulatory Authority for Energy (RAE), we note that, in our opinion the Separated Financial Statements, as presented in Appendix I to the notes of the financial statements of the Company, have been prepared in accordance with the provisions of L. 4001/2011 and the No. 301/2017 Decision of the RAE.

Athens, 21 June 2019

The Certified Public Accountant

Vassilis Christopoulos

Reg. No. SOEL: 39701

Deloitte Certified Public Accountants S.A.

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Share capital € 2.416.100
85, Messogeion Ave., GR-115 26 Athens
General Commercial Electronic Registry No 5805601000
SA Register No 56860/01/B/04/254

Board of Directors

George KOUVARIS	Chairman of the Board
George DANIOLOS	Managing Director
Sophia DIMITRAKOPOULOU	Member of the Board
Olivier JACQUIER	Member of the Board
Emmanouil MOUSTAKAS	Member of the Board
Letterio BONANNO	Member of the Board

Auditor

DELOITTE Certified Auditors Accountants S.A.

II. ANNUAL MANAGEMENT REPORT OF THE BOARD OF DIRECTORS 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 year 1/1-31/12/2018 of our company and give you the following explanations.

1. Main financial indicators

On 31st December 2018, the financial position of the company deems satisfactory. The owner's equity amounted to € 52.252 thousand compared to € 48.002 thousand in 2017.

The Company's main financial ratios for 2018 and 2017 fiscal years are as follows:

Financial structure ratios

(All amounts presented in thousand Euro)

	31/12/2018		31/12/2017	
Current assets	122.394	83,90%	100.313	82,14%
Total assets	145.881		122.131	
Non-current assets	23.487	16,10%	21.818	17,86%
Total assets	145.881		122.131	

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

	31/12/2018		31/12/2017	
Equity	52.252	55,81%	48.002	64,75%
Total liabilities	93.629		74.129	

The above ratio shows the Company's financial adequacy.

	31/12/2018		31/12/2017	
Total liabilities	93.629	64,18%	74.129	60,70%
Total equity & liabilities	145.881		122.131	
Equity	52.252	35,82%	48.002	39,30%
Total equity & liabilities	145.881		122.131	

The above ratios show the Company's leverage.

	31/12/2018		31/12/2017	
Equity	52.252	222,47%	48.002	220,01%
Non-current assets	23.487		21.818	

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

	31/12/2018		31/12/2017	
Current assets	122.394	136,11%	100.313	138,91%
Current liabilities	89.924		72.214	

This ratio shows the Company's ability to meet its Current liabilities using current assets.

	31/12/2018		31/12/2017	
Working capital	32.470	26,53%	28.099	28,01%
Current assets	122.394		100.313	

This ratio reflects the portion of current assets that is financed by the surplus of Owner's Equity and Non – Current liabilities.

Return on equity and performance ratios

	31/12/2018		31/12/2017	
Year net results before tax	9.203	2,65%	4.328	1,66%
Sales of stocks & services	347.223		260.037	

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

	31/12/2018		31/12/2017	
Year net results before tax	9.203	2,63%	4.328	1,65%
Total income	349.838		262.605	

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

	31/12/2018		31/12/2017	
Year net results before tax	9.203	17,61%	4.328	9,02%
Equity	52.252		48.002	

This ratio presents the return on equity of the Company.

	31/12/2018		31/12/2017	
Gross profit	11.134	3,21%	6.144	2,36%
Sales of stocks & services	347.223		260.037	

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, favor 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)

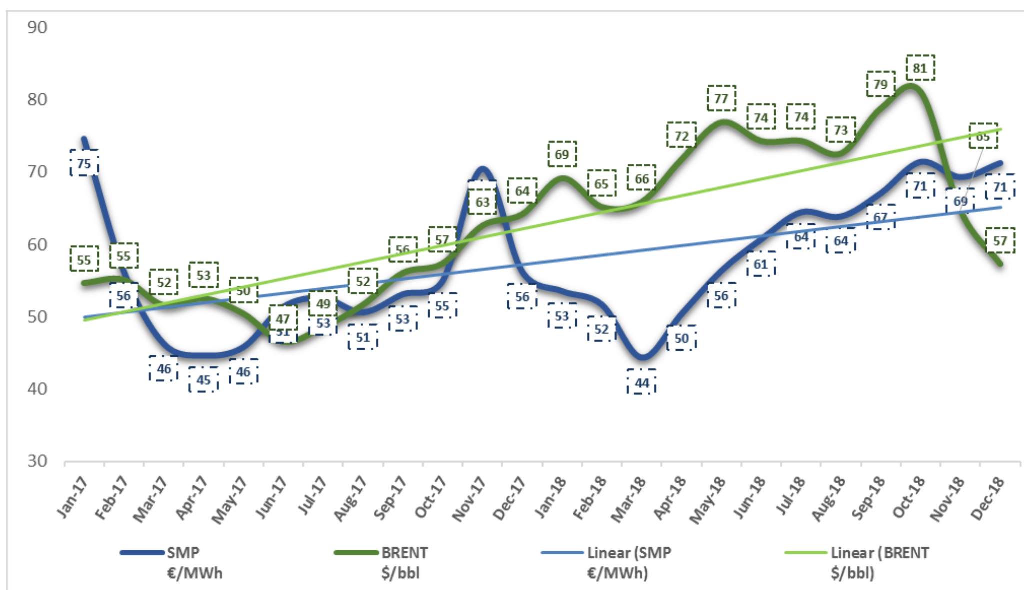
10. *Hydrocarbons*: The Hellenic Republic after the announcement of two international tenders signed (1) with ExxonMobil, Total and ELPE a contract for hydrocarbon exploration in the south and southwest of Crete, and in the Kyparissiakos gulf and (2) with Repsol and ELPE a contract for hydrocarbon exploration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

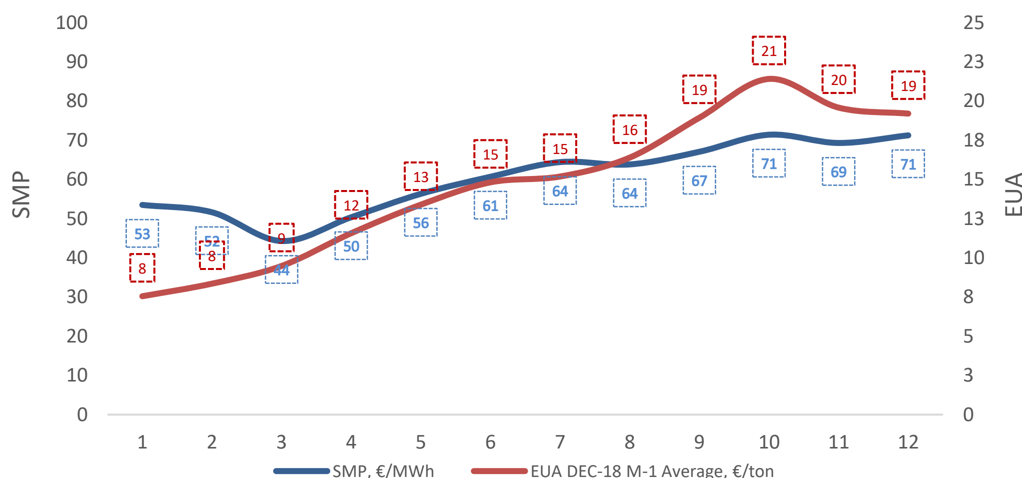
the necessary steps for joining the day-ahead and intra-day market coupling on its borders and establish the balancing market. The recently established Hellenic Energy Exchange, acting as the nominated electricity market operator (NEMO) in accordance with CACM and national legislation/decisions put in 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. <u>SMP</u>



www.admie.gr

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).

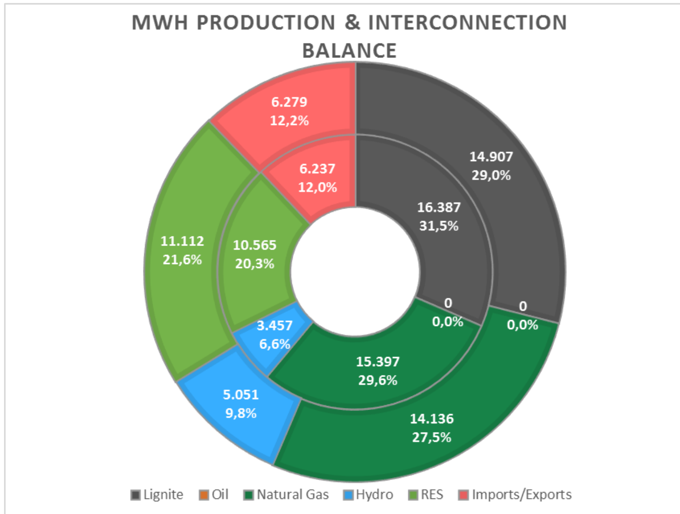


Source: HERON Energy Portfolio Management

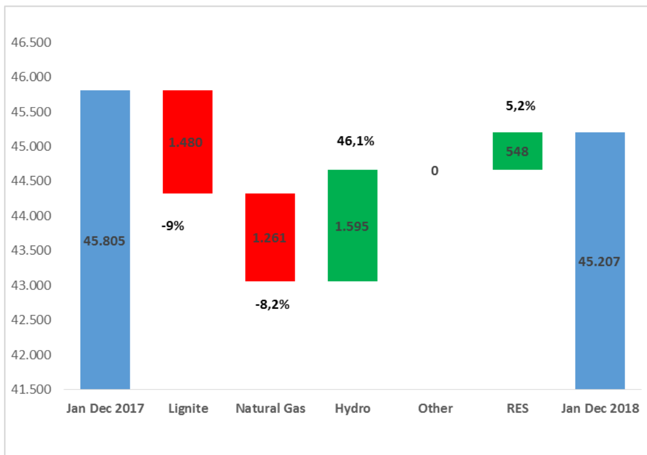
In 2018, SMP also showed a very strong correlation with soaring CO_2 (EUA) prices which affect both lignite and gas-fired unit variable costs with a factor of approximately 1,5 and 0,4 respectively.

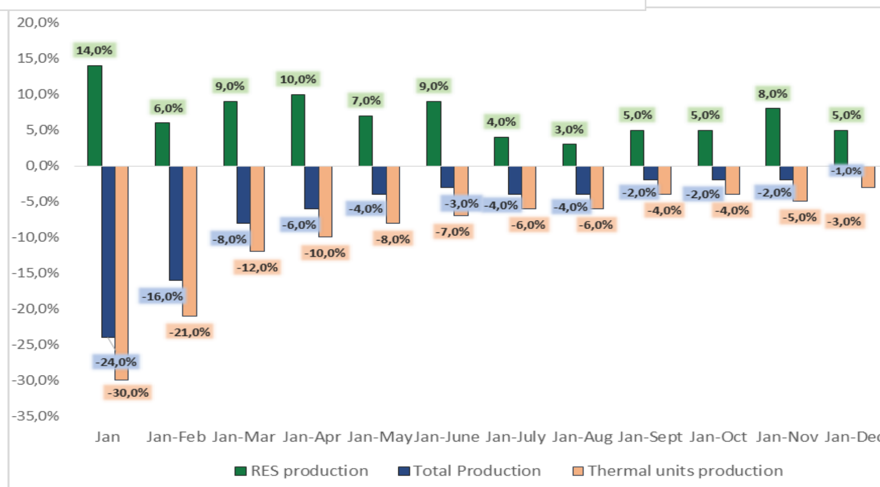
B. Production per Technology & Interconnection Balance

Total production & interconnection balance during 2017 has decreased by 1.3% 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**



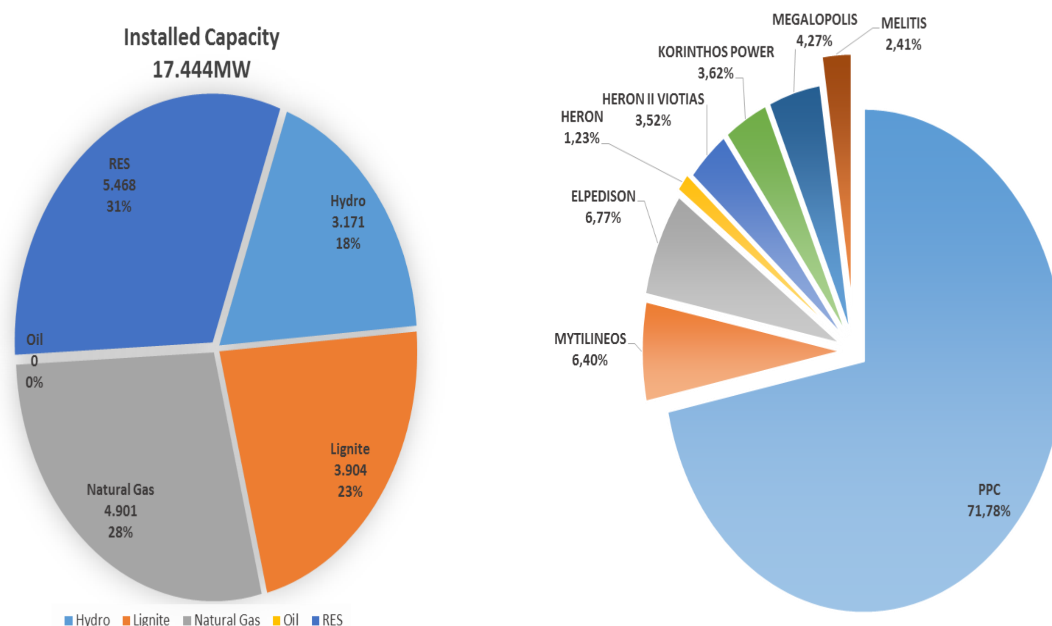
In the adjacent chart it can be noticed that the total production from local producers has been relatively stable decreasing by +1.3%. Lignite production decreased by +9% compared to 2017. Natural Gas plants decreased by 8.2%, Hydro increased by +46.1% and RES increased by 5.2%. Production increase of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





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.
www.admie.gr

C. Energy mix



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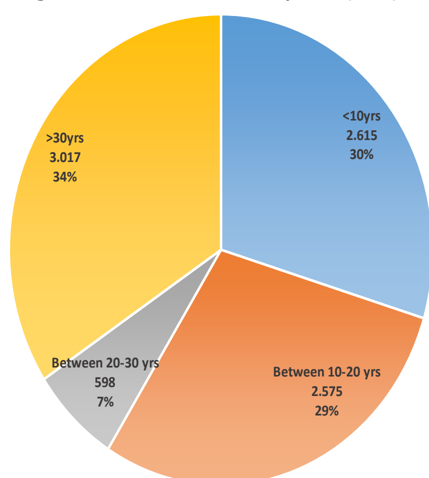
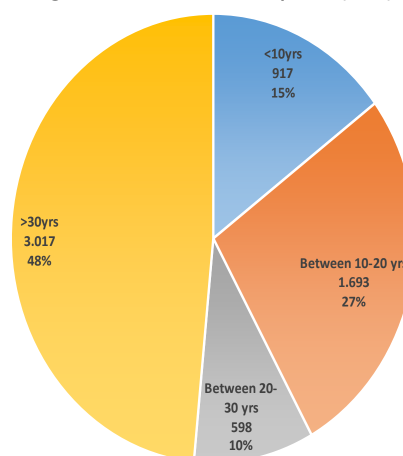
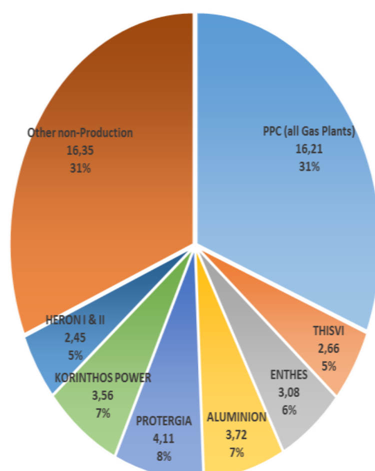
The total capacity of the Greek energy sector rises to a total POWER of 17.444 MW. The predominant power plant owner is PPC owning 9.396 MW of Conventional and Hydro plants, the break down between PPC and IPP installed MW percentage to the energy mix is presented in the chart above.

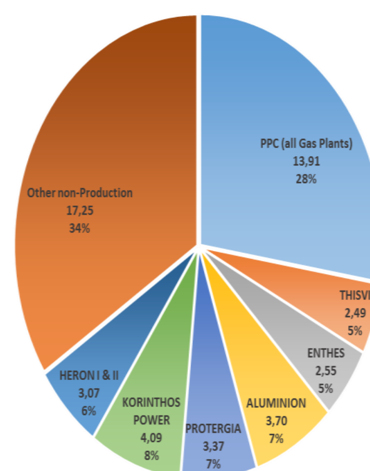




41% of Thermal plants in Greece are over 20 years old, making it necessary to include new power plants into the energy mix. 58% of Thermal plants of PPC are over 20 years old.

D. Gas Consumption

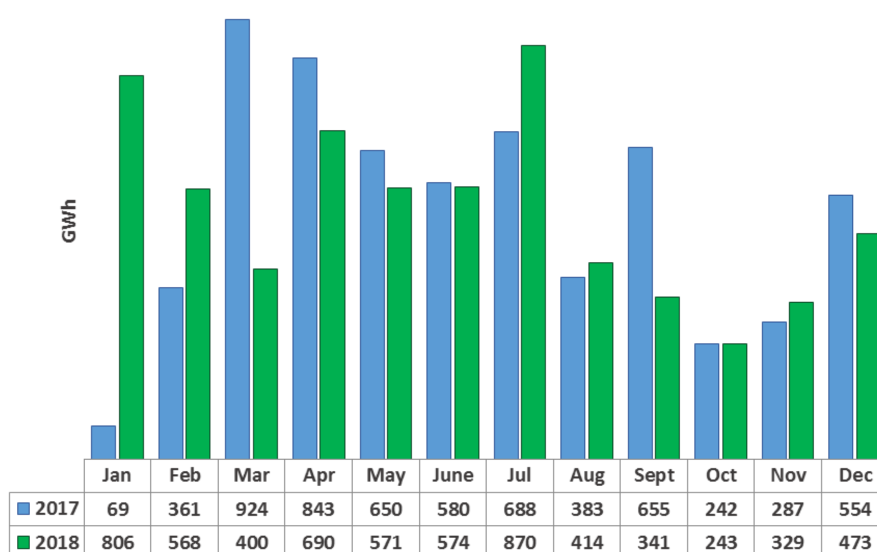




www.desfa.gr

Gas consumption for the year 2017 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.

E. 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.
www.admie.gr

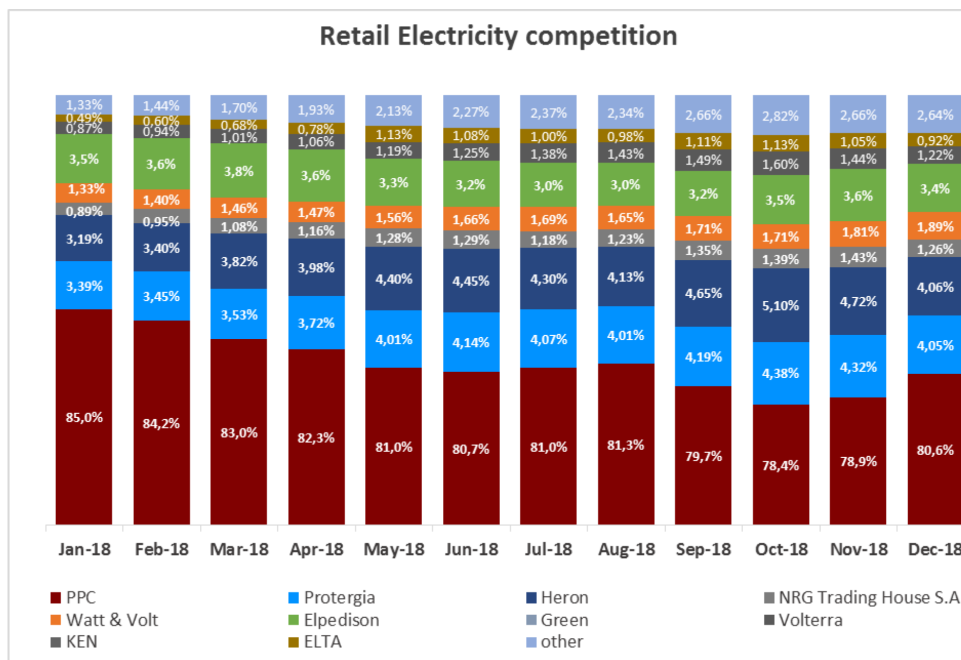
TWh	2018	2017	Delta %
IMPORTS	**11,0**	**8,9**	*23,2%*
ALBANIA	1,9	1,2	*64,1%*
BULGARIA	3,8	3,1	*21,7%*
ITALY	1,6	2,1	*-21,1%*
FYROM	2,9	2,0	*42,0%*
TURKEY	0,7	0,5	*42,8%*

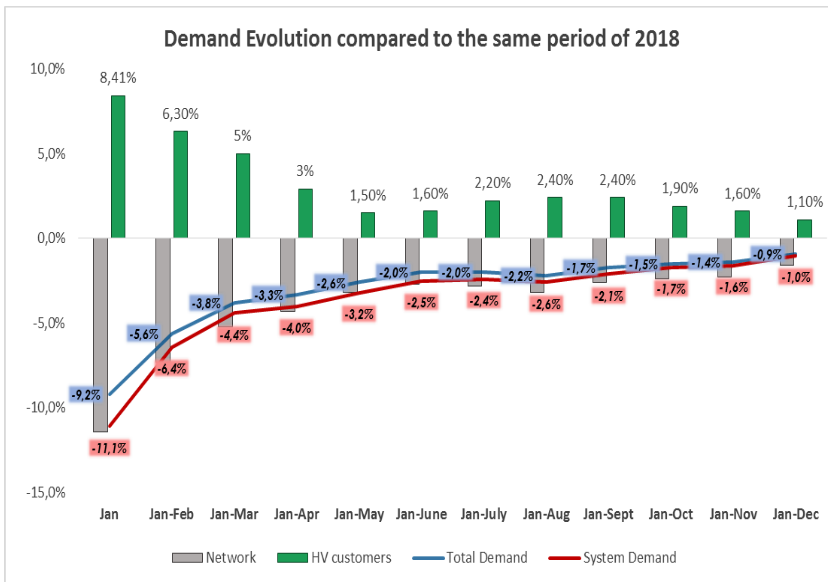
TWh	2018	2017	Delta %
EXPORTS	**5,0**	**2,8**	*75,0%*
ALBANIA	1,0	0,9	*15,6%*
BULGARIA	0,2	0,3	*-16,9%*
ITALY	2,1	0,8	*179,1%*
FYROM	1,6	0,9	*71,9%*
TURKEY	0,0	0,0	*31,9%*
Balance	**6,0**	**6,1**	***-1,0%***

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.
www.lagie.gr

F. 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.
www.admie.gr





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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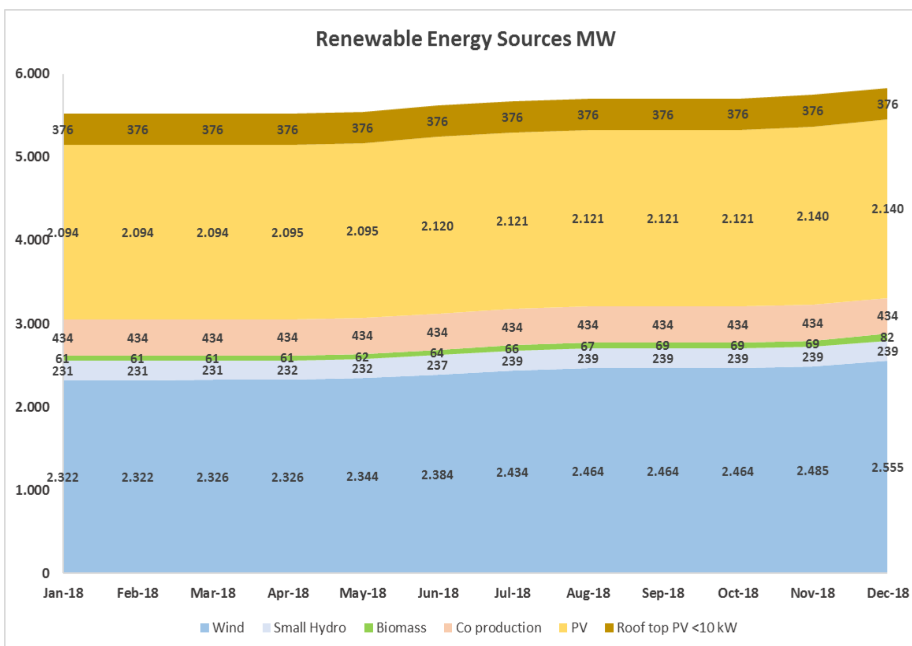
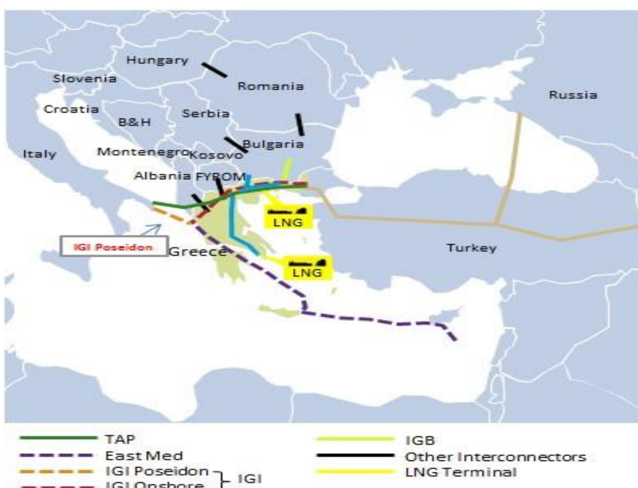
G. Renewable Energy sources



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%.
www.lagie.gr

H. 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 Epirus. 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 THERMOELECTRIC SOCIETE ANONYME (namely "HERON I") is part of the Joint Venture 50% between two big players of Energy Sector: ENGIE as a French partner and GEK TERNA as a Greek partner, as well.

ENGIE. Group has been built historically through the privatization of the national public gas company at 1946. During 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. ENGIE employs around 170.000 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.

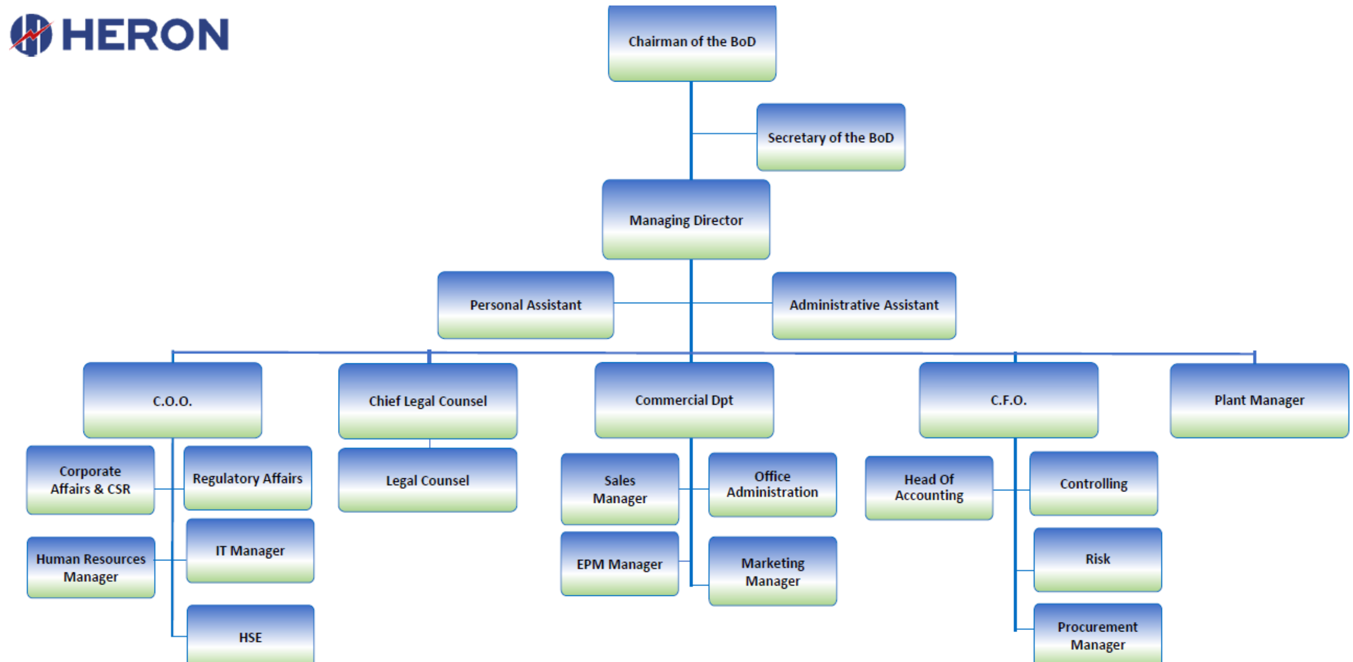
GEK TERNA. In 2002 GEK is transformed into a Holding Company, and its constructions sector is transferred to TERNA. In 2008 GEK absorbed the holding sector of TERNA and was remanded to GEK TERNA. The Group has business in several sectors: constructions, energy, real estate, industrial and concessions, 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.

Being one of the three main private Electricity Producers and the largest private Supplier of electricity, HERON THERMOELECTRIC SA has the same structure as other players in Energy Sector.

More precisely, the Company owns an Open Cycle Gas Turbine (OCGT) power plant. The Company also owns a Production Permit of 185 MW and is located 4 km south of the city of Thiva, in the region of Viotia. The station holds a significant advantage for the Greek Interconnected Transmission System: immediate ignition with maximum capacity performance within only 20 minutes.

The efficiency of the plant using natural gas is high and amounts to 40%, in continuous full load operation conditions. The actual average annual efficiency rate, taking into consideration start-up and stop cycles, as well as the operation of the units in partial load, amounts to 38%.

4. Organization



5. Economical and Financial highlights

The Turnover amounted to € 347.223 thousand compared to € 260.037 thousand in 2017.

Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) amounted to € 11.558 thousand compared to € 7.929 thousand in 2017.
Earnings after Income Tax stood at € 9.203 thousand compared to € 4.328 thousand in 2017.
Earnings per Share stood at € 139,38 compared to € 58,89 per share in 2017.
Total Assets (which include non-current and current) amount to € 145.881 thousand (compared to € 122.131 thousand in 2017).
Company Liabilities amount to € 93.629 thousand compared to € 74.129 in 2017.
Company Cash amounts to € 10.809 thousand and has been placed in bank deposits (€7.947 thousand in 2017).

6. Real estate of the Company

The Company owns 5 plots at the area "HARAINTINI", Thiva, where its power plant is also located.

7. 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, business interruption, 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 Part 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 and short-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 arise.

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 is not exposed to interest or exchange rate risk.

(ii) Fair value risk
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.

(iii) Credit Risk Concentration
Trade receivables mostly 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 and payables, cash and deposits with banks.
The financial risks to which the Company is exposed consist of credit and liquidity 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 was not exposed in interest rate risk during 2018 since it has repaid all bank loans.

Almost all of the trade and other receivables originate from the wider public sector and, thus, the relevant credit risk is considered limited, so does the risk related to short-term financial assets (cash equivalents) given that the counterparties are creditworthy Greek banks.
Furthermore, the Company has applied insurance in order to protect also the receivables related to some of its retails customers, in addition to legal action and collecting activities from third party.

LIQUIDITY RISK ANALYSIS

The Company manages its liquidity needs by carefully monitoring its financial liabilities and its everyday payments. Liquidity needs are monitored in different time zones, on a daily and weekly basis, as well as in a 30-day rolling period. 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.

8. Important events having occurred during 2018

A. *Litigation against ADMIE*

a. The Company had filed on 23/11/2016 a lawsuit against ADMIE SA, before the Multimember First Instance Court of Athens, claiming the payment of unpaid or delayed paid invoices (principal) and Default Interest for the Company to ADMIE invoices, regarding above ADMIE obligations. More specifically, the Company holds a claim against ADMIE SA (Independent Power Transmission Operator) regarding its obligations deriving from the Power Transmission System Operation Code (the System Operation Code or SOC). The invoices were issued from October 2011 to May 2015.
b. The amounts required have as follows: €7.851.652,64 for principal and €1.634.691,37 (if Grid Code applies) or € 1.826.483 (if Civil Code applies) or 1.647.888 (if legislation for commercial exchanges applies) for default interest and €1.215.461 as compensation for the material damage caused to the Company according to the law suit.
c. On 24/03/2017, according to the Hellenic Code of Civil Procedure, were deposited the proposals and all evidences from the parties to the dispute.
d. On 27/09/2017, it took place the Court Hearing.
e. Court Decision under 1121/2018 had been issued on 23/3/2018 and rejected the Company's lawsuit against ADMIE.
f. The Company has filed an Appeal under General Deposit Number 63282/2018 and Special Deposit Number 4251/2018 against the aforementioned Decision.

B. *Litigation on the Surcharge to Load Representatives, established by Law 4414/2016*

a) Law under 4549/2018 (Government Gazette A' 105/14.06.2018) «Provisions for the completion of the Financial Objectives and Structural Reform Agreement - medium-term Budgetary Strategy 2019-2022 and other provisions», and especially in Section F' "Provisions of the Ministry of Environment and Energy" «Article 40 Regulation of Special Account R.E.S. and High Efficiency Cogeneration of Electricity and Heat» it is explicitly mentioned:

> «1. The seventh and eighth subparagraphs of subparagraph (bb) of indent (a) of par. 3 of article 143 of L. 4001/2011 (A' 179), as amended by article 80 of L. 4427/2016 (A' 188) and by par. 1 of article 12 of L. 4533/2018 (A' 75) shall be replaced by the following:
>
> «The charge of this case is levied on the load representatives exclusively for the years 2016 to 2020, when it is abolished, as follows: For the year 2016 it amounts to fifty per cent (50%) of the charge resulting from the application of the methodology, for the year 2017 and the first quarter of the year 2018 to one hundred percent (100%) and from 1 April 2018 to sixty-five per cent (65%), from 1 January 2019 to fifty per cent (50%) and from 1 January 2020 to thirty per cent (30%) of the charge resulting from the application of the methodology. In particular for the years 2018, 2019 and 2020, the annual cumulative accounting surplus of the Special Account R.E.S. & High Efficiency Cogeneration of Electricity and Heat of the Interconnected System of the Network, which may arise, taking into account a special security reserve expenditure of seventy million (70.000.000) euros, on the basis of the published Bulletin of the Special Account R.E.S. & High Efficiency Cogeneration of Electricity and Heat of

the Interconnected System of the Network, with the clearance of December of each year, is attributed to the next Year to load representatives from the Market Operator as an outflow of the Special Account R.E.S. & High Efficiency Cogeneration of Electricity and Heat of the Interconnected System of the Network. The process of rendering the surplus and any specific detail shall be specified in the Power Exchange Code."

b) Then to the L. 4585/2018 (Government Gazette A ' 216/24.12.2018) "Urgent regulations of the Ministry of Environment and Energy - Ratification of the 20.11.2018 contract between the Greek state and the companies ENERGEAN OIL and GAS – AEGEAN ENERGY SOCIETE ANONYME FOR RESEARCH & PRODUCTION OF HYDROCARBONS and KAVALA OIL SOCIETE ANONYME, which amends the 23.11.1999 Convention for the exploitation of Hydrocarbons in the sea area of Thracian Sea between the Greek State and KAVALA OIL SOCIETE ANONYME which was ratified by L. 2779/1999 (A' 296) and other provisions.' and in particular Article 4 "Amendment of provisions of L. 4001/2011 (Government Gazette A' 179/2011) and transitional provisions" is expressly stated:

«2. In article 143 of L. 4001/2011 the following modifications are made:

A. The seventh and eighth subparagraphs of sub-indent bb' of case a' in paragraph 3, as amended by article 80 of L.4427/2016 (Government Gazette A ' 188/2016), by par. 1 of Article 12 of Law 4533/2018 (Government Gazette a ' 75/2018) and with par. 1 of article 40 of Law 4549/2018 (Government Gazette a ' 105/2018), are replaced by the following:

«The charge of this case is levied on the load representatives exclusively for the years 2016 to 2018, when it is abolished, as follows: For the year 2016 it amounts to fifty per cent (50%) of the charge resulting from the application of the methodology, for the year 2017 and the first quarter of the year 2018 to one hundred percent (100%) and from 1 April 2018 to sixty-five per cent (65%) resulting from the application of the methodology. In particular for the year 2018, the annual cumulative accounting surplus of the Special Account R.E.S. & High Efficiency Cogeneration of Electricity and Heat of the Interconnected System of the Network, which may arise, taking into account special emergency safety reserve expenditure of seventy million (70.000.000) euros, on the basis of the published Bulletin of the Special Account R.E.S. & High Efficiency Cogeneration of Electricity and Heat of the Interconnected System of the Network, with the clearance of December of each year, is attributed to the next Year to load representatives from the Market Operator as an outflow of the Special Account R.E.S. & High Efficiency Cogeneration of Electricity and Heat of the Interconnected System of the Network.»

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

A. ***Surcharge of Load Representatives established by L. 4414/2016***

a) In the "MONTHLY BULLETIN of SPECIAL ACCOUNT R.E.S. & HIGH EFFICIENCY COGENERATION OF ELECTRICITY AND HEAT dated January 2019, Special Management Account R.E.S. & HIGH EFFICIENCY COGENERATION OF ELECTRICITY AND HEAT of article 40 of L. 2773/1999, as applicable (article 143 of L. 4001/2011) and L. 4414/2016, actual data and provision for their evolution (with energy clearance data from R.E.S. & HIGH EFFICIENCY COGENERATION OF ELECTRICITY AND HEAT January 2019) ", which is posted on the official website of the RES & GUARANTEES OF ORIGIN OPERATOR S.A. (formerly LAGIE)

http://www.lagie.gr/filead-
min/groups/EDSHE/MiniaiaDeltiaEL/JAN_2019_DELTIO_ELAPE_22.03.2019.pdf
and in particular on page 27, it is expressly provided that:

> «[...] According to L. 4585/2018 (Government Gazette A' 216/24.12.2018), the Surcharge of Load Representatives (PHEFEL) and the Special Lignite Duty have been removed as of 01.01.2019. In particular for the year 2018, the annual cumulative accounting surplus of the Special Account R.E.S. & HIGH EFFICIENCY COGENERATION OF ELECTRICITY AND HEAT of the Interconnected System and Network, resulting, taking into account special emergency safety reserve of an exceptional amount of seventy million (70.000.000) euros, based on the published present bulletin of the Special Account R.E.S. & HIGH EFFICIENCY COGENERATION OF ELECTRICITY AND HEAT of the Interconnected System and Network with the clearance of December 2018, is attributed to the following year 2019 to the load representatives from the Market Operator as an outflow of the Special Account R.E.S. & HIGH EFFICIENCY COGENERATION OF ELECTRICITY AND HEAT of the Interconnected System and Network, while the amount to be refunded is 121,24 million euros.»

b) That being said, the Company, on the basis of the total amount paid by the load representatives for 2018, i.e. an amount of 237.92 million euros and the surplus of EUR 121.24 million, in addition to the security reserve that will be returned within 2019 to them, it looks **justified** and **reasonably** in the reimbursement of an amount of 5,1 million euros within 2019 from DAPEEP SA (Market Operator) as the outflow of the Special Account & HIGH EFFICIENCY COGENERATION OF ELECTRICITY AND HEAT of the Interconnected System and Network, resulting from the proportional application of the amount paid in total by the Company to DAPEEP S.A. (formerly LAGIE S.A.) for 2018, i.e. an amount of 5,1 million euros [9.94 x (121.24/237.92)].

B. 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 according to its initial commitments the Target Model the mechanism is suspended since its second phase cannot begin.

Besides the above until the preparation date of this report no other important event has occurred.

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

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 THERMOELECTRIC S.A. (hereinafter the "Company") on 24 April 2019 and have been published on the website of the Company, www.heron.gr, where they will remain available to investors for at least a 5-years period from the date they are prepared and published. It is noted that the Data and Information published in the press aim at providing readers with general information on the company's financial position and results but do not provide a full picture of the company's financial position and results according to the IFRS. It is stressed that the attached financial statements are subject to the approval of the Annual General Meeting of the Company's shareholders, deadline of which, is set to the 30/09/2019 according to Law 2190/20. The Annual General Meeting of the Company's shareholders has the power to amend the attached financial statements.

HERON THERMOELECTRIC S.A.

STATEMENT OF FINANCIAL POSITION

31st December 2018

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

ASSETS	**Note**	**31.12.2018**	**31.12.2017**
Non-current assets			
Intangible assets	4	415	390
Tangible fixed assets	5	16.768	18.460
Other long-term receivables	6	6.304	2.968
Total non-current assets		**23.487**	**21.818**
Current assets			
Inventories	7	2.113	2.098
Trade receivables	8	97.480	82.851
Prepayments and others receivables	9	10.989	4.797
Income tax receivables		1.003	2.620
Cash and cash equivalents	10	10.809	7.947
Total current assets		**122.394**	**100.313**
TOTAL ASSETS		**145.881**	**122.131**
EQUITY & LIABILITIES			
Share Capital	16	2.416	2.416
Reserves	17	751	792
Profit/(Loss) Retained earnings		49.085	44.794
Total equity		**52.252**	**48.002**
Non - Current liabilities			
Finance leases liabilities	15	160	0
Provision for staff retirement indemnities	11	225	116
Provision for dismantlement	12	286	260
Deferred tax liabilities	18	3.034	1.539
Total Non - Current liabilities		**3.705**	**1.915**
Current liabilities			
Long term liabilities payable during the next financial year	15	39	0
Suppliers	13	49.467	41.095
Prepayments , Accrued and other short-term payables	14	40.418	31.119
Income Tax payable		0	0
Total current liabilities		**89.924**	**72.214**
TOTAL EQUITY & LIABILITIES		**145.881**	**122.131**

HERON THERMOELECTRIC S.A.
STATEMENT OF COMPREHENSIVE INCOME
31st December 2018
(All amounts are presented in thousand Euro, unless otherwise stated)

	Note	1.1-31.12.2018	1.1-31.12.2017
Revenue	19	347.223	260.037
Cost of goods sold	20	(336.089)	(253.893)
Gross profit/(loss)		**11.134**	**6.144**
Administrative and selling expenses	20	(4.950)	(3.835)
Other income / (expenses)	23	3.645	2.416
Net financial income	24	13	25
Net financial expenses	24	(639)	(422)
Earnings/ (loss) before income tax		**9.203**	**4.328**
Income tax	18	(2.469)	(1.481)
Earnings/(loss) after income tax		**6.734**	**2.847**
Other Comprehensive Income (not to be recycled in profit and loss)			
Actuarial gains/losses	11	(54)	-
Income tax	18	13	-
		(41)	-
TOTAL COMPREHENSIVE INCOME		**6.693**	**2.847**

HERON THERMOELECTRIC S.A.
STATEMENT OF CASH FLOWS
31st December 2018
(All amounts are presented in thousand Euro, unless otherwise stated)

	Note	2018	2017
Cash flows from operating activities			
Earnings/(loss) before income tax		**9.203**	**4.328**
Adjustments for reconciliation of net flows from operating activities			
Depreciation	4, 5	2.801	3.204
Impairment of trade receivables	8	(1.120)	1.751
Provisions		54	73
Interest and related income	24	(13)	(25)
Interest charges and related expenses	24	639	422
Results from fixed assets		72	0
Operating profit before changes in working capital		**11.636**	**9.753**
(Increase)/decrease in:			
Inventories		(15)	(204)
Trade receivables		(15.951)	(12.842)
Prepayments and other short-term receivables		(6.192)	(1.332)
(Increase)/decrease in:			
Suppliers		8.372	14.215
Accrued and other short-term payables		9.342	(475)
(Increase)/ decrease in other long-term receivables and payables		(3.336)	(14)
Income tax payments		659	(4.572)
Net cash flows from operating activities		**4.515**	**4.529**
Cash flows from investing activities			
(Purchases)/ sales of tangible assets	4,5	(976)	(509)
Interest and related income received		13	25
Cash flows from investing activities		**(963)**	**(484)**
Cash flows from financing activities			
Payments for financial leases		(31)	-
Interest charges and related paid-up expenses		(659)	(398)
Cash flows from financing activities		**(690)**	**(398)**
Net increase/ (decrease) in cash		**2.862**	**3.647**
Cash and cash equivalents at the beginning of the year		**7.947**	**4.300**
Cash and cash equivalents at year end		**10.809**	**7.947**

HERON THERMOELECTRIC S.A.
STATEMENT OF CHANGES IN EQUITY
31st December 2018
(All amounts are presented in thousand Euro, unless otherwise stated)

	Share Capital	Reserves	Profit carried forward	Total
1st January 2017	**2.416**	**792**	**41.554**	**44.762**
Changes in accounting policies			393	**393**
	2.416	**792**	**41.947**	**45.155**
Total comprehensive income	-	-	2.847	**2.847**
Formation of statutory Reserves		-		**-**
31st December 2017	**2.416**	**792**	**44.794**	**48.002**
1st January 2018	**2.416**	**792**	**44.794**	**48.002**
Changes in accounting policies			(2.443)	**(2.443)**
	2.416	**792**	**42.351**	**45.559**
Total comprehensive income	-	(41)	6.734	**6.693**
Formation of statutory Reserves		**-**		**-**
31st December 2018	**2.416**	**751**	**49.085**	**52.252**

1. ESTABLISHMENT AND COMPANY ACTIVITY

HERON THERMOELECTRIC S.A. is a company incorporated in Greece and it was set up in 2001, initially as a general partnership and then it was converted into a société anonyme in 2004.
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 Greek Société Anonyme Registry under No 56860/01/B/04/254 and at the General Commercial Electronic Registry under No 005805601000.
Its main activity is the construction, installation and operation of thermoelectric open cycle power plants (using gas and fuel oil).

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 is jointly controlled by GEK TERNA S.A., a company listed on the Athens Stock Exchange and ENGIE S.A., a company listed in the Paris stock exchange, and its financial statements are incorporated in their consolidated financial statements under the proportionate method.

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.

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

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 have a significant impact in the Financial Statements of the Company (Please see the Note 30).

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 have a significant impact in the Financial Statements of the Company (Please see the Note 30).

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

In July 2014, the IASB issued the final version of IFRS 9. The package of improvements introduced by the final version of the Standard, includes a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. The Company has examined the effect of the new Standard on the Financial Statements. Analytical reference is presented in Note 31.

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

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 €1,2 mil. to €1,4 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 interpretation 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.
Fixed assets under construction include fixed assets that are work in progress and are recorded at cost. Fixed assets under construction are not depreciated until the asset is completed and put into operation.

c) Finance and Operating Leases

The Company as lessee

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.

The Company as lessor

Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term in the same way that revenues from rents are recognized. Contingent rents are recognized as revenue in the period in which they are acquired.

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. 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 estimates that there is no trigger event and thus no calculation of the assets recoverable amounts has been performed.

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 disclosed, unless the outflow of economic resources that include an economic loss is small.
Contingent assets are not recognized in the consolidated 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 ADMIE and 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 accruals basis.

n) Contracts' acquisition costs

According to IFRS 15, contracts' acquisition costs are defined as these costs which an economic entity incurs in order to acquire a contract with a customer. To the extent that the entity expects to redeem the aforementioned costs, it may then recognise an asset and amortise it in accordance with the frequency it expects to redeem the benefits of the contract with the customer. In other cases, these costs are recognised as expenses of the period. The Company, upon implementation of the above, capitalises the commission costs of the agents, also called "Agency Costs". In particular, the Company uses dealers/agents for promotion of its sales. The costs associated with the agents' achievement of initial connections are capitalised and amortised in accordance with the annual customers' turnover frequency. The specific amount is depicted in the " Other Long-term receivables " of the Company's Statement of Financial Position.

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 annual 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 Euro)	2018	2017
Net book value 1.1	**390**	**362**
Additions	55	-
Transfer (from)/to intangible fixed assets-cost	251	172
Write-off intangible assets	(72)	
(Depreciation)	(209)	(144)
Net book value 31.12	**415**	**390**
Cost as at 1.1	1.116	944
Accumulated depreciation 1.1	(726)	(582)
Net book value 1.1	**390**	**362**
Cost 31.12	1.350	1.116
Accumulated depreciation 31.12	(935)	(726)
Net book value 31.12	**415**	**390**

The depreciation of the presented period has been recognized in the account Administrative and Selling Expenses by 1 thousand € and in the account Cost of Goods Sold by 208 thousand €, of the Statement of Comprehensive Income.

5. TANGIBLE FIXED ASSETS

The movement of the Tangible fixed assets presented in the attached financial statements has as follows:

Year of 2018 (All amounts are presented in thousand Euro)	**Land - Plots**	**Buildings**	**Machinery**	**Vehicles**	**Other**	**Fixed assets under construction**	**Total**
Net book value 1.1.2018	**2.385**	**1.520**	**14.286**	**0**	**206**	**63**	**18.460**
Additions	-	236		-		685	921
Leasing acquisition					230		230
Transfer (from)/to tangible fixed assets-cost						(251)	(251)
Transfer (from)/to intangible fixed assets-cost	-	-	177	-	243	(420)	-
Year depreciation	-	(153)	(2.194)	-	(245)		(2.592)
Net book value 31.12.2018	**2.385**	**1.603**	**12.269**	**0**	**434**	**77**	**16.768**

	Land - Plots	Buildings	Machinery	Vehicles	Other	Fixed assets under construction	Total
Cost 01.01.2018	2.385	16.061	51.503	22	984	63	71.018
Accumulated depreciation		(14.541)	(37.217)	(22)	(778)		(52.558)
Net book value 1.1.2018	**2.385**	**1.520**	**14.286**	**0**	**206**	**63**	**18.460**
Cost 31.12.2018	2.385	16.297	51.681	22	1.457	77	71.919
Accumulated Depreciation		(14.694)	(39.412)	(22)	(1.023)		(55.151)
Net book value 31.12.2018	**2.385**	**1.603**	**12.269**	**0**	**434**	**77**	**16.768**

Year of 2017 (All amounts are presented in thousand Euro)	**Land - Plots**	**Buildings**	**Machinery**	**Vehicles**	**Other**	**Fixed assets under con-struction**	**Total**
Net book value 1.1.2017	**2.385**	**2.269**	**16.363**	**0**	**130**	**36**	**21.183**
Additions	-	-		-		509	509
Transfer (from)/to tangible fixed assets-cost						(172)	(172)
Transfer (from)/to intangible fixed assets-cost	-	63	103	-	144	(310)	-
Year depreciation	-	(812)	(2.180)	-	(68)		(3.060)
Net book value 31.12.2017	**2.385**	**1.520**	**14.286**	**0**	**206**	**63**	**18.460**
Cost 01.01.2017	2.385	15.998	51.400	22	840	36	70.681
Accumulated depreciation		(13.729)	(35.037)	(22)	(710)		(49.498)
Net book value 1.1.2017	**2.385**	**2.269**	**16.363**	**0**	**130**	**36**	**21.183**
Cost 31.12.2017	2.385	16.061	51.503	22	984	63	71.018
Accumulated Depreciation		(14.541)	(37.217)	(22)	(778)		(52.558)
Net book value 31.12.2017	**2.385**	**1.520**	**14.286**	**0**	**206**	**63**	**18.460**

Depreciation for the year 2018, € 2.591 thousand (€3.060 thousand for 2017) was recognised in the Income Statement by € 2.529 thousand (€3.038 thousand for 2017) in the account Cost of Goods Sold and by € 62 thousand (€22 thousand for the previous year) in the account Administrative and Selling Expenses (see note 19 below). Of the above tangible assets, the following have been acquired by way of finance lease and concern:

	Telecommunication equipment	
(All amounts are presented in thousand Euro)	**2018**	**2017**
Cost 31.12	230	-
Accumulated depreciation	(19)	-
Net book value 31.12	**211**	**-**

6. OTHER LONG-TERM RECEIVABLES

The account other long-term receivables is analysed as follows:

(All amounts are presented in thousand Euro)	31.12.2018	31.12.2017
Agents' commissions cost	6.231	2.898
Given guarantees	73	70
Total	**6.304**	**2.968**

The movement of agents' commissions cost is presented below:

	2018	2017
Opening balance 01/01	2.898	554
Capitalised cost	3.914	2.525
Costs recognized as expenses	(581)	(181)
Balance 31/12	**6.231**	**2.898**

7. INVENTORIES

On 31 December 2018, Inventories presented in the attached financial statements are broken down as follows:

(All amounts are presented in thousand Euro)	31.12.2018	31.12.2017
Fixed assets spare parts	1.383	1.361
Consumables (mainly oil)	730	737
Total	**2.113**	**2.098**

8. TRADE RECEIVABLES

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

(All amounts are presented in thousand Euro)	31.12.2018	31.12.2017
Customers – Public entities	12.898	23.387
Customers - Private entities	66.410	46.039
Post-dated cheques receivables	5.847	6.540
Unbilled revenue- Private companies and consumers	21.555	15.783
Unbilled revenue- Public entities	3.262	2.224
Impairment loss on trade receivables	(12.492)	(11.122)
Total	**97.480**	**82.851**

The above trade receivables also include trade receivables from related parties amounting to € 7.872 thousand (€ 4.302 thousand on 31/12/2017).

The public entities receivables include mainly the value from ADMIE (Independent Power Transmission Operator) for an amount of €5.337 thousand (€ 7.728 thousand on 31/12/2017), from DAPEEP (Operator of Electricity Market) for an amount of €667 thousand (€ 14.863 thousand on 31/12/2017), from HEnEx (Hellenic Energy Exchange) for an amount of €4.823 thousand (€ 0 on 31/12/2017), from DEDDIE (Hellenic Electricity Distribution Network) for an amount of € 1.320 thousand (€ 669 thousand on 31/12/2017) and from other public institutions for an amount of € 751 thousand (€ 127 thousand on 31/12/2017). The other receivables relate to sales customers of low electricity, medium and high voltage and other services. The increase in claims compared to the previous period is due mainly to the increase in turnover and the number of customers.

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	1,42%	7,80%	24,16%	64,36%	**11,36%**
Estimated total gross carrying amount at default	65.417	27.966	3.223	13.366	**109.972**

Lifetime ECL	(930)	(2.180)	(779)	(8.603)	**(12.492)**
Totals	**64.487**	**25.786**	**2.444**	**4.763**	**97.480**

1 January 2018	Not Past Due	0-180 days	181-365 days	365 and over days	Total
Expected credit loss rate	3,20%	10,63%	67,87%	97,24%	**14,43%**
Estimated total gross carrying amount at default	54.052	30.289	2.558	7.074	**93.973**
Restatement 1/1/2018 as per IFRS 9 (note 31)	(1.495)	(658)	(139)	(151)	**(2.443)**
Lifetime ECL 31/12/2017	(235)	(2.562)	(1.597)	(6.728)	**(11.122)**
Totals	**52.322**	**27.069**	**822**	**195**	**80.408**

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model (As per IAS 39). Following the transition to IFRS 9 on 1/1/2018 the Company 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.

	31.12.2018	
	Stage 2	**Stage 3**
Expected credit loss rate	3,78%	77,02%
Estimated total gross carrying amount at default	98.591	11.381
Lifetime ECL	3.726	8.766

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	**11.122**
IFRS 9 Adoption Readjustment (note 31)	2.443
Readjusted balance 01.01.2018	13.565
Gain/(Loss) from Trade Receivables Impairment for the year 2018 (note 23)	(1.073)

Total Impairment 31.12.2018	**12.492**

The Company, in order to safeguard its contingent loss from trade receivables allowance, receives advances from its customers , which for the year 2018 amounts to € 11.160 thousand (refer to note 14).

9. OTHER RECEIVABLES

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

(All amounts are presented in thousand Euro)	31.12.2018	31.12.2017
VAT for refunding	4.054	653
Accrued expense liability	4.726	2.899
Other receivables	2.209	1.245
Total	**10.989**	**4.797**

10. CASH AND CASH EQUIVALENTS

On 31 December 2018, the cash and cash equivalents presented in the attached financial statements concern bank deposit. The company does not possess cash in hand.

11. PROVISIONS FOR STAFF RETIREMENT INDEMNITIES

According to the Hellenic 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 expenses 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 is recognized in the Cost of goods sold and is broken down as follows:

(All amounts are presented in thousand Euro)	2018	2017
Current service cost	53	51
Actuarial profit	-	-
Financial cost	2	1
Effect of cut-backs or settlements	1	2
	56	**54**

The movement of the relevant provision in the Statement of financial position has as follows:

(All amounts are presented in thousand Euro)	31.12.2018	31.12.2017
Opening balance	**116**	**65**
Provision recognized in the statement of comprehensive income	56	54
Actuarial result write off	54	-
Compensation payments	(1)	(3)
Closing Balance	**225**	**116**

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

(All amounts are presented in thousand Euro)	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%

The following table presents the sensitivity of the staff retirement indemnity in cases of changes in certain actuarial assumptions.

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Discounting interest rate	2,00%	1,00%	1,50%	1,50%
Future wage increases	1,25%	1,25%	1,50%	1,00%
Effect from changes in net profits/(losses) 2018	(16)	(36)	(31)	(21)

12. PROVISIONS FOR DISMANTLEMENT

The company has set up a provision for the dismantling costs of the power plant that are expected to occur after the termination of operations of the plant, based on contractual obligations, the present value of which on 31.12.2018 amounted to € 286 thousand (31.12.2017: € 260 thousand). This provision is calculated based on expected cash flows required to meet this obligation at the end of the year. This amount was then increased according to the estimated

[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.

expected inflation and discounted according to the required discount rate. The provision is increased due to maturity of one year and there was no change in the amount of the future outflow.

13. SUPPLIERS

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

(All amounts are presented in thousand Euro)	31.12.2018	31.12.2017
Electricity and Natural Gas trade suppliers	45.036	38.502
Electricity production suppliers	334	468
Electricity local portfolio management (LPM) suppliers	3.555	1.687
Other suppliers	542	438
Total	**49.467**	**41.095**

Electricity suppliers mainly include obligations to the Transmission System Operator (ADMIE) worth € 18.661 thousand (€ 16.461 thousand on 31/12/2017), as well as the Electricity Market Operator (renamed LAGIE to DAPEEP) worth € 513 thousand (€ 15.637 thousand on 31/12/2017) and to HEnEx (Hellenic Energy Exchange) worth €6.317 thousand (€ 0 thousand on 31/12/2017). Finally, an amount of approximately € 7.901 thousand regards the Distribution Network Operator (DEDDIE) (€ 3.798 thousand on 31/12/2017).

14. ACCRUED AND OTHER LIABILITIES

On 31 December 2018, "Accrued and Other Liabilities" presented in the attached financial statements are broken down as follows:

(All amounts are presented in thousand Euro)	31.12.2018	31.12.2017
Sundry Creditors	11.654	8.516
Customers Deposits	11.160	8.687
Taxes- duties	1.255	1.080
Social security funds	169	115
Unbilled purchases	819	22
Other short term payables	0	0
Accrued expenses and deferred income	15.361	12.699
	40.418	**31.119**

The amount of € 11.654 thousand, Sundry Creditors, mainly includes Municipality Taxes of € 10.400 thousand (€ 575 thousand on 2017),which the company collects from low, medium and high voltage customers and gives it to the municipalities and NERIT, personnel salaries payable of amount € 157 thousand (€ 1 thousand on 2017) and other sundry suppliers of amount € 93 thousand (€ 89 thousand on 2017)

The amount of € 15.361 thousand, Accrued expenses, mainly includes Natural gas Cost (€ 3.190 thousand,€ 2.231 thousand on 2017), charges from ADMIE (€ 8.743 thousand, € 3.548 thousand on 2017),credit charges from DAPEEP (ex LAGIE) of amount € 5.064 thousand (€ 1.546 thousand on 2017), charges from DEDDIE (€ 7.508 thousand, € 4.655 thousand on 2017),

charges from agents (€ 703 thousand, € 491 thousand on 2017) and other accruals of amount € 281 thousand (€ 228 thousand on 2017).

15. FINANCE LEASE LIABILITIES

During the current period, the company established a new contract of telecommunications equipment lease. The annual discounting interest rate of the aforementioned lease is equal to 5,25%.

The account's movement for the period is depicted as follows:

	Finance Lease Liabilities	
	Long-Term Portion	**Short-Term Portion**
Balance 1/1	-	-
Liabilities from new contracts	215	-
New contracts expenses	15	-
Payment of New contracts expenses	(15)	-
Transfer of short-term portion of long-term liabilities	(55)	55
Capital additions/(repayments)	-	(16)
Interest payments	-	(5)
Interest expenses in financial results	-	5
Balance 31/12	**160**	**39**

The repayment period of the company's finance lease liabilities is analysed on the following table :

	31.12.2018	31.12.2017
0-1 year	39	-
2-5 years	160	-
Above 5 years	-	-

16. SHARE CAPITAL

The share capital of the company was initially set at ten million fifty-nine thousand (10.059.000) Euros, divided into three hundred thirty-five thousand three hundred (335.300) ordinary registered shares with a nominal value of € 30 each.
By way of decision dated 25/02/2006 of the Extraordinary General Meeting of the company's shareholders, the company's share capital increase was decided by six million forty-one thousand (6.041.000) Euros and after the share's nominal value was set at fifty (50) Euros, 322.000

ordinary registered shares with voting rights were issued with a new nominal value of € 50 each.
The Extraordinary General Meeting of the company's shareholders dated 27.12.2007 decided to increase the share capital by € 316.100 and especially a) by € 316.084,66 due to capitalization from the company's fixed assets value adjustment in accordance with Law 2065/1992 and b) through deposit of € 15,34 through the issue of six thousand three hundred twenty-two (6.322) new registered shares with a nominal value of € 50 each. Following this change, the company's share capital currently stands at sixteen million four hundred sixteen thousand one hundred Euros (16.416.100) with the payment made fully in cash, which is divided into three hundred twenty-eight thousand three hundred twenty-two (328.322) ordinary registered shares with a nominal value of € 50 each.
By virtue of the Resolution dated 15/03/2013 of the Extraordinary General Meeting of Shareholders, it was decided the reduction of the Share Capital of the Company by the amount of five million (5.000.000,00 €) Euros, with equal amount's cash return to the shareholders and cancellation of one hundred thousand (100.000) registered shares with a nominal value of Fifty (50) Euros each.
By virtue of the Resolution dated 02/05/2014 of the Extraordinary General Meeting of Shareholders, it was decided the reduction of the Share Capital of the Company by the amount of five million (5.000.000,00 €) Euros, with equal amount's cash return to the shareholders and cancellation of one hundred thousand (100.000) registered shares with a nominal value of 50 Euros (50,00 €) each. The cash return to shareholders was held in two stages: a) First payment to the shareholders on 01.08.2014 amounting 1.500.000 € to each shareholder and b) Second payment to the shareholders on 11.28.2014 amounting 1.000.000 € to each shareholder.
By virtue of the Resolution dated 13/02/2015 of the Extraordinary General Meeting of Shareholders, it was decided the reduction of the Share Capital of the Company by the amount of four million (4.000.000,00 €) Euros, with equal amount's cash return to the shareholders and cancellation of eighty hundred thousand (80.000) registered shares with a nominal value of Fifty Euros (50,00 €) each.
Thereafter, the Share Capital of the Company amounts to two million four hundred sixteen thousand one hundred Euros (2.416.100,00 €), divided into forty-eight thousand three hundred twenty-two (48.322) common registered shares with a nominal value of 50 Euros (50,00 €) each."
The share capital is held by half by GEK TERNA SA, company of the Group of the Athens Stock Exchange listed GEK TERNA (24.161 shares) and the other half by ENGIE INTERNATIONAL HOLDING B.V., company of the Group of the Paris Stock Exchange listed ENGIE (24.161 shares).

17. 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 CL 2190/20 and is obligatory to the level of a 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%.

18. 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. Most important of which is the non-tax deductibility of certain expenses, changes in depreciation rates and the ability of companies to set up tax-free discounts and tax-free reserves.

(a) Income tax expense

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

(All amounts are presented in thousand Euro)	2018	2017
Current income tax	728	1.491
Prior year income tax difference	233	225
Deferred tax expense	1.508	(235)
Total expense/(income)	**2.469**	**1.481**

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

(All amounts are presented in thousand Euro)	2018	2017
Earnings/ (loss) before tax	**9.203**	**4.328**
Nominal tax rate	**29%**	**29%**
Income tax expense/(income) based on applicable nominal tax rate	**2.669**	**1.255**
Adjustments attributed to:		
Expenses not included in tax calculation	3	1
Taxable differences of previous year	(21)	
Property income tax	0	0
Prior year income tax difference	233	225
Effect of permanent tax differences	29	
Effect of change in tax rate	(444)	0
Actual tax expense	**2.469**	**1.481**
Effective tax rate	26,83%	34,22%

Tax returns are filed annually. The Company has been audited by tax authorities until the year 2009. 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 Council of 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 onwards), 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 and 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 fulfill the conditions of article 1 of Min. Dec. 1124/22/6/2015 and 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 base of assets and liabilities. Calculation is made by using the expected applicable tax rate at the time the tax asset/liability will mature.

(All amounts are presented in thousand Euro)	31.12.2018	31.12.2017
Net deferred tax asset/(liability)	**(3.034)**	**(1.539)**
Opening Balance	**(1.539)**	**(1.613)**
(Expense)/ Income recognized in net earnings	(1.508)	235
(Expense)/ Income recognized directly in the equity	-	(161)
(Expense)/ Income recognized in net Other comprehensive income	13	
Closing balance	**(3.034)**	**(1.539)**

Deferred taxes (asset and liability) of the years 2018 and 2017 are broken down as follows:

(All amounts are presented in thousand Euro)	Statement of financial position		Net profit (Debit)/ Credit	Deferred tax recognised in Total Equity
	31.12.2018	31.12.2017	2018	2018
Deferred tax asset				
Expensing of intangible assets	58	25	32	-
Depreciation differences	7.928	8.518	(590)	-
Provision for staff retirement indemnities	57	34	10	13
Accrued expenses	(1.913)	(840)	(1.073)	-
Other provisions	1.067	2.457	(1.390)	-
Deferred tax liability				-
Actuarial gains/(losses) recognised in Total Equity	-	-	-	-

Recognition of finance leases and provisions	(10.230)	(11.733)	1.503	-
Unearned income	-	-	-	-
Deferred tax (expense)/income			**(1.508)**	**13**
Net deferred tax - asset/(liability)	**(3.034)**	**(1.539)**		

(All amounts are presented in thousand Euro)	**Statement of financial position**		**Net profit (Debit)/ Credit**	**Deferred tax recognised in Total Equity**
	31.12.2017	**31.12.2016**	**2017**	**2017**
Deferred tax asset				
Expensing of intangible assets	25	17	8	0
Depreciation differences	8.518	7.849	669	0
Provision for staff retirement indemnities	34	13	21	0
Accrued expenses	(840)	0	(679)	(161)
Other provisions	2.457	2.510	(53)	0
Deferred tax liability				
Actuarial gains/(losses) recognised in Total Equity	0	6	(6)	0
Recognition of finance leases and provisions	(11.733)	(11.740)	7	0
Unearned income	0	(268)	268	0
Deferred tax (expense)/income			**235**	**(161)**
Net deferred tax - asset/(liability)	**(1.539)**	**(1.613)**		

19. REVENUE

Itemized breakdown (All amounts are presented in thousand Euro)	**2018**	**2017**

Revenue from electricity trade	302.766	218.736
Revenue from electricity production & cost recovery	1.898	4.425
Revenue from natural gas	41.321	34.918
Revenue from capacity	1.238	1.958
Total	**347.223**	**260.037**

Breakdown per customer category:	**2018**	**2017**
Public entities	45.821	42.138
External customers	251.135	197.595
Affiliated companies	50.267	20.304
Total	**347.223**	**260.037**

The amount of Total Revenue minus revenue from capacity regards transfers of goods which take place at a certain time.

20. 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 Euro)	**2018**	**2017**
Professional fees	269.898	192.602
Cost of electricity trade	18.939	16.369
Depreciation	2.737	3.183
Utilities	353	2.005
Personnel cost	2.803	2.081
Diesel/other fuel consumption	40.260	37.020
Other expenses	1.099	633
	336.089	**253.893**

The above-mentioned amount of € 269.898 thousand mainly includes charges from the ADMIE amounting to€ 57.022 thousand (2017: € 54.192 thousand), DAPEEP amounting to € 49.904 thousand, HEnEx amounting to 68.054 thousand (2017: € 89.500 thousand) and DEDDIE amounting to € 87.236 thousand (2017: € 43.089 thousand).

Administrative & selling expenses (All amounts are presented in thousand Euro)	**2018**	**2017**
Professional fees	770	875
Leases	292	266
Personnel cost	650	408
Services received	76	54
Utilities	16	16
Taxes - duties	91	58

Promotion and advertising expenses	2.715	1.932
Depreciation	63	23
Auditors' fees	42	37
Other expenses	235	166
	4.950	**3.835**

21. PERSONNEL COST

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

(All amounts are presented in thousand Euro)	**2018**	**2017**
Personnel salaries and benefits	2.747	1.980
Social security fund contributions	652	458
Provision for staff retirement indemnities	54	51
Total expenses	**3.453**	**2.489**

Personnel cost for the year ended in 31st of December 2018, € 3.453 k (€2.489 k in 2017) was recognised in the income statement by €2.804 k (€2.081 k in 2017) in the Cost of goods sold and by € 649 k (€408 k in 2017) in Administrative and Selling Expenses (kindly see note 19).

22. AUDITORS' FEES

(All amounts are presented in thousand Euro)	**2018**	**2017**
Fees for statutory audit	25	25
Fees for tax compliance audit	12	12
	37	**37**

23. OTHER INCOME / (EXPENSE)

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

(All amounts are presented in thousand Euro)	**2018**	**2017**
Other income:		
Default interest on delay payments from customers	788	705
Transmission capacity rights	0	708
Income from leases to related company	54	54
Gains from reversal of bad debt provision (note 8)	1.073	-
Other revenues	1.759	1.076
	3.674	2.543
Other expenses:		
Taxes – duties	(1)	(6)
Provision of bad debt (note 8)	-	(119)
Other expenses	(28)	(2)
	(29)	(127)

Total income / (expenses)	**3.645**	**2.416**

24. FINANCIAL INCOME/ (EXPENSE)

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

(All amounts are presented in thousand Euro)	2018	2017
Financial income:		
Interest on bank deposits	13	25
	13	**25**
Financial expenses:		
Interest and charges for short-term financing and guarantees	(611)	(398)
Discounting expense relating to provision for staff retirement indemnities	(2)	-
Discounting expense relating to provision for dismantlement	(26)	(23)
	(639)	**(422)**
Net Total	**(626)**	**(397)**

25. TRANSACTIONS WITH RELATED PARTIES

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

2018 (All amounts are presented in thousand Euro)	Sales	Purchases	Debit balances	Credit balances
Jointly controlling companies- GEK TERNA Group (Electricity Sale)	15.785	2.301	5.118	1.066
Jointly controlling companies - GEK TERNA Group (administrative support services)	125	309	155	382
Jointly controlling companies - GEK TERNA Group (purchase of other support)	854	14	67	1
Jointly controlling companies - GEK TERNA Group (leases)	54		56	
Jointly controlling companies - GEK TERNA Group (Natural gas and emission rights)	25.400	14	808	14
Jointly controlling companies - ENGIE Group (administrative support services)		276		30
Jointly controlling companies - ENGIE Group (maintenance services)		221		173
Jointly controlling companies - ENGIE Group (Electric energy and emission rights)	9.180	2.765	1.669	176

2017 (All amounts are presented in thousand Euro)	Sales	Purchases	Debit balances	Credit balances
Jointly controlling companies- GEK TERNA Group (Electricity Sale)	8.117	3.334	3.483	499
Jointly controlling companies - GEK TERNA Group (administrative support services)	95	335	118	397
Jointly controlling companies - GEK TERNA Group (purchase of other support)	53	109	0	90
Jointly controlling companies - GEK TERNA Group (leases)	53		0	
Jointly controlling companies - GEK TERNA Group (Natural gas and emission rights)	10.465	107	663	101

Jointly controlling companies - ENGIE Group (administrative support services)		221		145
Jointly controlling companies - ENGIE Group (maintenance services)		127		107
Jointly controlling companies - ENGIE Group (Electric energy and emission rights)	1.826	436	38	0

Remuneration paid to BoD members and top executives of the Company: The remuneration paid to BoD members and top executives of the Company is the following for the period 2018, which is compared to the previous period:

(All amounts are presented in thousand Euro)	2018	2017
Fees for services received	459	597

26. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Company is exposed to financial risks such as market risk, credit risk and liquidity risk. The risk management plan aims to eliminate the negative effect of these risks on financial results of the company which arise from the inability of predicting the financial markets and the changes in costs and sales.

The procedure implemented is as follows:

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

The financial instruments of the Company are mainly deposits in banks, trade debtors and creditors and liabilities arising from leasing.

Operational Risks

Main risks related to Generation Company's activities could refer to property damage, business interruption, 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 Part 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 and short-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 arise.

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 is not exposed to interest or exchange rate risk.

II. *Fair value risk*
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.

III. *Credit Risk Concentration*
Trade receivables mostly 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 and payables, cash and deposits with banks.
The financial risks to which the Company is exposed consist of credit and liquidity 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 was not exposed in interest rate risk during 2018 since it has repaid all bank loans.

CREDIT RISK ANALYSIS
The Company's exposure to credit risk with regard to financial assets is broken down as follows:

(All amounts are presented in thousand Euro)	31.12.2018	31.12.2017
Other non-current receivables (Note 6)	73	70
Trade receivables (Note 8)	97.480	82.851
Other receivables (Note 9)	2.209	1.245
Cash and cash equivalents	10.809	7.947
Total	**110.571**	**92.113**

Almost all of the trade and other receivables originate from the wider public sector and, thus, the relevant credit risk is considered limited, so does the risk related to short-term financial assets (cash equivalents) given that the counterparties are creditworthy Greek banks.
Furthermore, the Company has applied insurance in order to protect also the receivables related to some of its retails customers, in addition to legal action and collecting activities from third party.

LIQUIDITY RISK ANALYSIS

The Company manages its liquidity needs by carefully monitoring its financial liabilities and its everyday payments. Liquidity needs are monitored in different time zones, on a daily and weekly basis, as well as in a 30-day rolling period. 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.
The maturity of financial liabilities on 31 December 2018 for the Company is broken down as follows:

	Short-term		Long-term
(All amounts are presented in thousand Euro)	**0 to 12 months**	**1st-5th year**	**Over 5th year**
Long term liabilities payable during the next financial year	39	160	0
Suppliers	49.467	0	0
Other payables	40.418	0	0
Total	**89.924**	**160**	**0**

The maturity of financial liabilities on 31 December 2017 for the Company is broken down as follows:

	Short-term		Long-term
(All amounts are presented in thousand Euro)	**0 to 12 months**	**1st-5th year**	**Over 5th year**
Suppliers	41.095	0	0
Other payables	31.119	0	0
Total	**72.214**	**0**	**0**

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

27. PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES PER CATEGORY

The financial assets and financial liabilities on the date of the financial statements are categorized as follows:

(All amounts are presented in thousand Euro)	**31.12.2018**	**31.12.2017**
Non-current assets		
Loans and receivables – Other long-term receivables	73	70
Total	**73**	**70**
Current assets		
Trade receivables	97.480	82.851

Prepayments and other receivables	2.209	4.797
Bank accounts	10.809	7.947
Total	**110.498**	**95.595**
Non-current liabilities		
Finance leases liabilities	160	-
Total	**160**	**-**
Current liabilities		
Financial liabilities at amortized cost - Suppliers	49.467	41.095
Financial liabilities at amortized cost - Accrued and other liabilities	38.175	29.901
Financial liabilities at amortized cost - Short term liabilities payable during the next financial year	39	-
Total	**87.681**	**70.996**
Financial liabilities at amortized cost	**87.681**	**70.996**

28. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's goals as regards to 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.

29. EXISTING ENCUMBRANCES AND OTHER LIENS

The contingent liabilities, for letter of guarantees assuring the good performance and operation of the Company amount at € 19.846 thousand. There are no encumbrances or liens raised on the company's assets.

30. COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease commitments

The Company has entered into lease for the head offices. This non-cancellable lease includes a clause to enable 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	276	248
After one but not more than 5 years	839	1.009
More than 5 years	0	0

In the context of its operations, the Company may face eventual legal claims from third parties. According to both Management and the Company's Legal Consultant, 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.

31. CHANGES IN ACCOUNTING POLICIES

Impact from the Adoption of IFRS 9 "Financial Instruments"

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" on the entity's financial statements and discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods. The accounting policies applied by the Company in order to comply with the requirements of IFRS 9 are included below.

a) Changes in accounting policies

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities.

In particular, IFRS 9 provides the following for the Classification and Measurement of Financial Assets:

Classification of Financial Assets

IFRS 9 introduces a comprehensive classification model based on which the financial assets are classified into three categories:

- Financial assets at Amortized Cost
- Financial Assets at Fair Value through Other Comprehensive Income ("FVTOCI")
- Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets that give rise to cash flows, consisting only of payments of principal and interest, are classified by taking into account the business model for holding these instruments. Financial assets that are held in a business model with the objective to hold them until maturity and collect the contractual cash flows, are measured at amortized cost. If the business model comprises the intention to hold the financial assets to collect the contractual cash flows but expects to sell these financial assets when this is necessary (e.g. to fulfill a specific need for liquidity), then these instruments are measured at FVTOCI.

Financial assets that contain cash flows other than those of principal and interest, such as interests in money-market funds or derivatives including separated embedded derivatives, are measured at FVTPL. However, especially for equity instruments, IFRS 9 optionally allows their measurement at FVTOCI.

Measurement of Impairment of Financial Assets

IFRS 9 introduces the expected credit loss (“ECL”) approach to be applied on all financial assets at Amortized Cost or at FVTOCI (with the exception of equity securities). Whereas under IAS 39, only incurred losses should be recognized as impairment of financial assets, under the ECL approach, estimation of the future credit losses should be performed, using three stages, as follow:

Stage 1: Measurement of the ECL for the next twelve months. It includes all financial assets with no significant increase in credit risk since initial recognition and it usually entails financial assets with ageing lower than 30 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: Measurement of ECL over the lifetime – not credit impaired. If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is classified at Stage 2 and measured at lifetime expected credit loss, which is defined as the expected credit loss that results from all possible default events over its expected life.

Stage 3: Measurement of ECL over the lifetime – credit impaired. If a financial asset is defined as credit impaired, it is transferred to Stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes ageing more than 90 days past due and other information about significant financial difficulties of the borrower.

b) IFRS 9 Transition impact on financial statements

As a result of changes in the accounting policies of the Company, the opening retaining earnings have been adjusted. As explained below, IFRS 9 was adopted without to restate prior periods, in accordance with the transitional requirements of IFRS 9. Reclassifications and adjustments therefore, arising from the new impairment rules, are not reflected in the statement of financial position at 31 December 2017 but are recognized in the opening statement of financial position as at 1 January 2018.

The following tables show the adjustments that are recognized in each separate account. Accounts not affected by the changes are not included. As a result, the subsets and sets mentioned can not be recalculated from the items presented.

The adjustments are presented in the following table:

Statement of Financial Position	**31/12/2017**	**I.F.R.S 9**	**01/01/2018**
Assets			
Current assets			
Trade and other receivables	87.648	(2.443)	85.205
Total	**100.313**	**(2.443)**	**97.870**
Total Assets	**122.131**	**(2.443)**	**119.688**
Equity			
Retained earnings	44.794	(2.443)	42.351
Total Equity	**48.002**	**(2.443)**	**45.559**
Total Equity and Liabilities	**122.131**	**(2.443)**	**119.688**

Adoption of IFRS 9 by the Company

The adoption of IFRS 9 by the Company since 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. Therefore:

i) Any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings,
ii) Financial assets are not reclassified in the statement of financial position for the comparative period,
iii) Provisions for impairment of financial assets have not been restated in the comparative period.

On that ground, the total impact on the retained earnings as at 1 January 2018 is as follows:

Opening Period 1/1/2018	**44.794**
Impact from change in Accounting Policy (I.F.R.S 9 Adoption)	(2.443)
Adjusted Opening Period 1/1/2018	**42.351**

Given that IFRS 9 was adopted without restating comparative information, the reclassifications and the adjustments arising from the IFRS 9 provisions, are not reflected in a restated statement of financial position as at 31 December 2017, but are recognized in the opening balances of the financial assets for the period starting as at 1 January 2018.

In detail, the effect in the Financial Assets, as of 1 January 2018, is presented by the following table:

	31 Dec 2017 Carrying amount according to IAS 39	**Reclassifications**	**IFRS 9 Impact**	**1 Jan 2018 Carrying amount according to IFRS 9**
Trade and Other Receivables	**87.648**	0	(2.443)	**85.205**

Measurement of Impairment of financial assets

The Company 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, 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.

The allowance for doubtful debts of trade and other receivables as at 31 December 2017, reconcile to the opening allowance on 1 January 2018, as follows:

Amounts in Euro	
Allowance for doubtful debts as of 31 December 2017 (IAS 39)	11.122
Additional impairment losses at transition date (IFRS 9)	2.443
Allowance for doubtful debts as of 1 January 2018 (IFRS 9)	**13.565**

32. EVENTS AFTER THE BALANCE SHEET DATE

The following important events have occurred after the balance sheet date and the date of approval of the financial statements for the year ended on December 31, 2018:

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 according to its initial commitments the Target Model the mechanism is suspended since its second phase cannot begin.

33. ANNEX I – SEPARATE FINANCIAL STATEMENTS OF THE INTEGRATED COMPANY OF PRODUCTION AND SUPPLY OF ELECTRICITY

HERON THERMOELECTRIC SOCIETE ANONYME
SEPARATED BALANCE SHEET OF THE FULLY INTEGRATED COMPANY
31/12/2018

(Amounts in Thousand €)	ENERGY GENERATION	ENERGY SUPPLY	OTHER	COMPANY TOTAL
ASSETS				
Non Current Assets	**16.131**	**7.277**	**78**	**23.486**
Tangible Assets	16.063	699	5	16.768
Intangible Assets	47	302	66	415
Other Non Current Assets	21	6.276	7	6.304
Current Assets	**3.883**	**104.894**	**13.618**	**122.395**
Inventory	2.113	-	-	2.113
Trade and Other Receivables	2.201	92.515	13.753	108.469
Deferred Tax Receivables	-	-	-	-
Income Tax Receivables	7	799	198	1.003
Cash & Cash Equivalents	438	11.580	333	10.809
TOTAL ASSETS	**20.014**	**112.172**	**13.695**	**145.881**
STOCKHOLDERS' EQUITY				
Share Capital	2.416	-	-	2.416
Additional Paid In Capital	-	-	-	-
Reserves	805	- 44	- 11	751
Retained earnings	31.460	13.075	4.550	49.085
Total Equity	**34.681**	**13.032**	**4.540**	**52.252**
Capital contribution per business unit	**(17.400)**	**16.966**	**434**	**-**
LIABILITIES				
Non Current liabilities	**2.377**	**1.265**	**64**	**3.705**
Liabilities from Leases	-	160	-	160
Pension Fund Provision	1	179	44	225
Deferred Tax Liabilities	2.089	926	20	3.034
Other Non Current liabilities	286	-	-	286
Current liabilities	**357**	**80.909**	**8.658**	**89.924**
Trade and Other Payables	357	80.870	8.658	89.885
Short-term portion of long-term liabilities	-	39	-	39
Provisions	-	-	-	-
Debt	-	-	-	-
Total Liabilities	**2.733**	**82.174**	**8.722**	**93.629**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**20.014**	**112.172**	**13.695**	**145.881**

HERON THERMOELECTRIC SOCIETE ANONYME
SEPARATED BALANCE SHEET OF THE FULLY INTEGRATED COMPANY
31/12/2017

(Amounts in Thousand €)	ENERGY GENERATION	ENERGY SUPPLY	OTHER	COMPANY TOTAL
ASSETS				
Non Current Assets	**18.337**	**3.467**	**13**	**21.817**
Tangible Assets	18.281	172	7	18.460
Intangible Assets	35	354	-	390
Other Non Current Assets	21	2.941	6	2.968
Current Assets	**9.046**	**69.818**	**21.450**	**100.313**
Inventory	2.098	-	-	2.098
Trade and Other Receivables	6.804	60.399	20.446	87.648
Deferred Tax Receivables	68	2.078	474	2.620
Derivatives	-	-	-	-
Cash & Cash Equivalents	76	7.342	530	7.947
TOTAL ASSETS	**27.383**	**73.285**	**21.463**	**122.131**
STOCKHOLDERS' EQUITY				
Share Capital	2.416	-	-	2.416
Additional Paid In Capital	-	-	-	-
Reserves	805	(11)	(2)	792
Retained earnings	31.308	11.037	2.449	44.794
Total Equity	**34.529**	**11.027**	**2.447**	**48.002**
Capital contribution per business unit	**(11.527)**	**10.815**	**713**	**-**
LIABILITIES				
Non Current liabilities	**3.485**	**(1.578)**	**9**	**1.915**
Deferred Tax Liabilities	3.221	**(1.670)**	**(12)**	1.539
Other Non Current liabilities	260	-	-	260
Pension Fund Provision	3	92	21	116
Current liabilities	**897**	**53.022**	**18.294**	**72.213**
Trade and Other Payables	897	53.022	18.294	72.213
Derivatives	-	-	-	-
Provisions	-	-	-	-
Debt	-	-	-	-
Total Liabilities	**4.381**	**51.444**	**18.303**	**74.128**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**27.383**	**73.285**	**21.463**	**122.131**

HERON THERMOELECTRIC SOCIETE ANONYME

SEPARATED INCOME STATEMENT OF THE FULLY INTEGRATED COMPANY

31/12/2018

(Amounts in Thousand €)	ENERGY GENERATION	ENERGY SUPPLY	OTHER	COMPANY TOTAL
SALES				
Energy Sales - Generation	1.412	-	-	**1.412**
Energy Sales - Supply	4	241.465	-	**241.469**
Revenue from Utilities Charges	320	18.071	-	**18.391**
Revenue from Utilities Supply	-	-	-	-
Energy Exports	-	16.933	26.988	**43.921**
Other Income	275	2.307	42.053	**44.634**
Total Sales	**2.011**	**278.776**	**69.041**	**349.827**
EXPENSES				
Natural Gas Cost	(80)	-	(40.150)	**(40.229)**
Energy Supply	-	(145.566)	-	**(145.566)**
Energy Imports	-	(13.985)	(25.646)	**(39.631)**
Expenses from Utilities Charges	-	(26.913)	-	**(26.913)**
Expenses for System Use	-	(8.400)	-	**(8.400)**
Expenses for Grid Use	-	(32.507)	-	**(32.507)**
Expenses for Emissions Reduction Fee	-	(31.830)	-	**(31.830)**
Emission rights - Purchase of CO_2 Rights	-	-	-	-
Impairment	(31)	-	-	**(31)**
Personnel Fees & Expenses	(28)	(3.357)	(259)	**(3.644)**
Third party fees	(190)	(4.404)	(245)	**(4.840)**
Repairs & Maintenance	(27)	(25)	(5)	**(57)**
Other Expenses	(347)	(4.062)	(239)	**(4.648)**
Depreciation	(2.356)	(415)	(30)	**(2.801)**
Bad Debt Provision	-	1.073	-	**1.073**
Financial Expenses	(2)	(527)	(83)	**(612)**
Financial Income	0	10	3	**13**
Total Expenses	**(3.061)**	**(270.909)**	**(66.654)**	**(340.623)**
PROFIT (LOSS) BEFORE TAXES	**(1.050)**	**7.867**	**2.387**	**9.204**

HERON THERMOELECTRIC SOCIETE ANONYME SEPARATED INCOME STATEMENT OF THE FULLY INTEGRATED COMPANY 31/12/2017				
(Amounts in Thousand €)	**ENERGY GENERATION**	**ENERGY SUPPLY**	**OTHER**	**COMPANY TOTAL**
SALES				
Energy Sales - Generation	4.388	-	-	**4.388**
Energy Sales - Supply	-	184.567	-	**184.567**
Revenue from Utilities Charges	-	12.290	-	**12.290**
Revenue from Utilities Supply	-	-	-	-
Energy Exports	-	9.533	11.651	**21.184**
Other Income	2.413	1.889	35.849	**40.151**
Total Sales	**6.801**	**208.279**	**47.500**	**262.580**
EXPENSES				
Natural Gas Cost	(1.059)	-	(33.444)	**(34.503)**
Energy Supply	-	(117.164)	-	**(117.164)**
Energy Imports	-	(9.349)	(11.291)	**(20.640)**
Expenses from Utilities Charges	-	(19.697)	-	**(19.697)**
Expenses for System Use	(22)	(7.720)	-	**(7.742)**
Expenses for Grid Use	-	(18.439)	-	**(18.439)**
Expenses for Emissions Reduction Fee	-	(22.962)	-	**(22.962)**
Emission rights - Purchase of CO2 Rights	-	-	-	-
Impairment	(2.515)	(3)	-	**(2.518)**
Personnel Fees & Expenses	(40)	(2.301)	(149)	**(2.490)**
Third party fees	(408)	(2.693)	(176)	**(3.277)**
Repairs & Maintenance	(98)	(7)	(1)	**(106)**
Other Expenses	(305)	(2.972)	(111)	**(3.388)**
Depreciation	(3.012)	(189)	(4)	**(3.204)**
Bad Debt Provision	-	(1.751)	-	**(1.751)**
Financial Expenses	(17)	(311)	(71)	**(398)**
Financial Income	1	20	5	**25**
Total Expenses	**(7.474)**	**(205.535)**	**(45.242)**	**(258.251)**
PROFIT (LOSS) BEFORE TAXES	**(674)**	**2.744**	**2.258**	**4.328**

A. Introduction

In accordance with the provisions of Directive 2009/72/EC article 31 and Article 141 of Law 4001/2011, as in force, the Integrated Electricity Companies:

i. Integrated undertakings shall keep separate accounts for each of the activities of generation, transmission, distribution, supply to eligible customers and supply to non-eligible customers and the provision of services of general interest, precisely as they would be required to do if these activities were carried out by different undertakings, with a view to avoiding discrimination, cross-subsidization and distortion of competition. These accounts must clearly show the revenue from ownership of the transmission system and distribution system.
ii. These undertakings shall keep consolidated accounts for other, non-electricity activities.
iii. Integrated undertakings shall clarify the rules for allocating assets and liabilities and income and expenditure used to prepare the separate accounts referred to in the previous paragraph.

The Regulatory Authority on Energy (RAE) approves the principles and allocation rules applied by these companies and their amendment in order to ensure non-discrimination, cross-subsidization or distortion of competition.

Based on the above, HERON THERMOELECTRIC SOCIETE ANONYME (Company or Heron Thermoelectric SA) is required to keep separate accounts for each of its electricity activities, Production and Supply.

B. Principles and Rules for the Allocation of Assets - Liabilities, Expenses - Revenues

1. General Principles and Methodology

The Company drafts, submits for audit and publishes according to the International Financial Reporting Standards annual financial statements in accordance with the relevant provisions of C.L. 2190/1920 and, Laws 3229/2004 and 3301/2004. The Company, being an integrated company took into account the provisions of Law 4001/2011 as amended and Directive 2009/72/EC, no. 31 on the separation of the accounts of Integrated Electricity Companies and maintains separate accounts, Balance Sheet and Income Statement, for the activities of Generation and Supply (Trading) in the Electricity Market in and supply of Utilities Services. The remaining Company activities, besides Electricity, are kept in consolidated accounts (Others).

At the end of the financial year, the Company drafts and publishes under IFRS its separate Balance Sheet and Income Statement per activity. The sum of the separate accounts are equal and in accordance to the Balance Sheet and Income Statement of the company, that have been prepared under the IFRS as adopted by the EU, with the exemption of Income Tax, as the separated Financial Statements are presented in the pretax stage. The separated statements are contained in the notes of the annual financial statements of the Company, which are approved and signed according to the law and contain a certificate by the auditors, where reference is made to the rules which are approved by RAE, as referred to in Article 141 paragraph 4 of Law 4001/2011.

2. Method and Rules of Distribution

The methods and accounting rules followed by the Company are dictated by the general accounting principles and the articles of the IFRS, which must be mandatorily kept. The process of keeping separated accounts per activity is supported by the Company's Resource Planning

System (SAP). In specific, the mandatory registration of all accounting records per business area (in SAP) is currently applied, as designated by the Company in accordance with the above General Principles, as follows:

(a) Business Areas / Activities

- Generation of electricity.
- Supply of electricity.
- Other activities apart from electricity, (Other).

(b) Business Areas not activities

- Management

In each system entry of a document or transaction, as well as any other entry, the amounts are characterized by "business area" and then the corresponding accounts of expenditure - income, assets - liabilities are automatically updated. The program has a security key based on which no entry is allowed without the above characterization.

The separated Financial Statements of each activity includes the Company's transactions with third parties.

In particular, each activity includes the following:

a) Electricity Generation

This activity includes Income, Expenditure and Assets and Liabilities, which are derived solely from the operation of the power plant. Specifically, income from the operation of the plant in Thebes, Boeotia, with a nominal power capacity of 147 MW, with combustible natural gas, as they are cleared and priced by the Independent Power Transmission Operator S.A. (ADMIE) and the Operator of Electricity Market S.A. (LAGIE). Also included are expenses relating to the above income, mainly the following: purchase of natural gas, purchase of diesel, pollutant markets, third party and personnel fees and expenses, maintenance and operational costs, consumption of spare parts, other production expenses and depreciation, as well as finance costs.
b) Supply of electricity

This activity includes Income, Expenditure and Assets and Liabilities, which are derived from the wholesale and retail sales of electricity. Purchases concern the purchase of Electricity from LAGIE and domestic and foreign companies, the rights of Electricity import and export, and the other services from ADMIE and, the network usage from Hellenic Electricity Distribution Network Operator S.A. (DEDDIE). Expenses mainly relate to personnel remunerations and costs, third party fees, finance and miscellaneous expenses.

c) Other activities besides Electricity

They include Income from any incidental activities. The Expenses include fees, expenses, depreciations, financial and extraordinary profits or losses, which relate to the other activities of the Company, apart from the Generation and Supply of Electricity, as they are mentioned above.

3. Separated Income Statement

3.1 Direct Income and Expenses
Documents and transactions which are solely related to one of the activities of the Company or which state a separate amount per activity, update immediately the separate accounts of each Activity / Business Areas (a).

3.2 Indirect Income and Expenses
Any documents and transactions which do not separately state the activity they are related to, shall update, when entered, the business area accounts (b), “Management.

At the end of each month, the balances of Common Management accounts are allocated as an assessment to each one of the activities (business areas a), whereas the allocation key is the participation percentage of each one in the total revenue of the Company during each financial year closing.

Thereafter, the Company prepares the annual profit and loss statements of each financial year per activity.

4. Separated Balance Sheet

The entries updating the Assets and Liabilities Accounts, such as fixed assets, reserves, customers, other receivables, suppliers, liabilities and loans are allocated to the relative activity. At the end of each financial year, the Equity total is allocated based on the difference of Assets and Liabilities of each activity, which is designated as “capital allocation to business units”.

Based on the above “capital allocation”, as well as the general accounting principles, the following Assets and Liabilities are also allocated by activity:

- Cash
- Financial products
- Tax liabilities and receivables
- Provisions
- Deferred taxes.

C. Verification of Regulatory Information

RAE may perform out extraordinary inspections in order to ascertain the implementation by the Integrated Company "HERON THERMOELECTRIC SA" and / or its associate controllers of the provisions of Article 141 of Law 4001/2011 regarding the obligation to maintain distinct Balance Sheet and Income Statement accounts for each activity and the proper application of the Principles and Rules of distribution of Assets and Liabilities, and Income and Expenses for the preparation of these separate accounts.

To this end, RAE has access to the accounts of the Integrated Company, as well as the right to contact the auditors of this company to provide additional explanations or clarifications on their reports, as well as additional financial information regarding issues contained in these reports. For this purpose, the Company shall endeavor to legally ensure that possibility, so as RAE may perform these tasks in relation to the above obligations arising.

The Principles and Rules for the Allocation of Assets and Liabilities and the Expenses and Expenses that apply to the preparation of the separate accounts of each of the Company's operations are fixed and may be amended upon RAE's approval upon a reasoned request from the Company.

D. Publishing of the Separate Financial Statements

The Company shall notify to RAE, within 15 working days of the approval of the annual financial statements by the General Meeting of the Company, the annual financial statements including the separate financial statements and which shall also contain the certificate and report of the certified auditors on the application of the Allocation Principles and Rules.

E. Annexes

The Annexes of the Principals and Rules of Separation of the Balance Sheet and the Income Statement per activity of the Company "Heron Thermoelectric S.A." is an integral part of the Company's Financial Statements and is amended by the same procedure.

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

THE ACCOUNTANT

VALMAS NIKOLAOS