Terna Overseas Limited

Report and financial statements
31 December 2010

Contents

Terna Overseas Limited

Board of Directors and other officers

Board of Directors

Androulla (Andri) Efthymiou (Director)
Xenia Koustai (Director)
Stelios Panayides (Director)
Panagiotis Pothos (Director)
Garifallia Pamvouxoglou (Director)

Company Secretary

Coly Secretarial Limited
Elenion Building
2nd floor
5 Themistocles Dervis Street
CY-1066 Nicosia
Cyprus

Registered office

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5 Themistocles Dervis Street
CY-1066 Nicosia
Cyprus

Terna Overseas Limited

Report of the Board of Directors

1 The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2010.

Principal activities

2 The principal activities of the Company, which are unchanged from last year, are the provision of consultancy services in the construction field, the execution and supervision of public and private technical projects and land development including any interest earning activities.

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

3 The profit of the Company for the year ended 31 December 2010 was €444.161 (2009: profit of €19.102.036). On 31 December 2010 the total assets of the Company were €61.432.677 (2009: €38.523.508) and the net assets were €53.518.791 (2009: net assets €25.022.630). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal risks and uncertainties

4 The principal risks and uncertainties faced by the Company are set out in Note 3 and 4 of the financial statements.

Future developments of the Company

5 The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

Results

6 The Company's results for the year are set out on page 6.The Board of Directors does not recommend the payment of a dividend and the profit for the year is retained.

Share capital

7 On 20 September 2010 the Company issued 6 250 shares of nominal value €10 per share at a premium of €230 per share. On 25 November 2010 the Company issued 2 300 shares at a nominal value of €10 per share at a premium of €230 per share. On 21 December 2010 the Company issued 118 750 shares at a nominal value of €10 per share at a premium of €230 per share.

Report of the Board of Directors (continued)

Board of Directors

8 The members of the Board of Directors at 31 December 2010 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2010.

9 There being no requirement in the Company's Articles of Association for retirement of Directors by rotation, all the Directors remain in office.

Events after the balance sheet date

10 There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Branches

11 The Company did not operate through any branches during the year.

Independent Auditors

12 The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Stelios Panayides
Director

Nicosia,
21 March 2011

Independent Auditor's Report

To the Members of Terna Overseas Limited

Report on the financial statements

We have audited the accompanying financial statements of Terna Overseas Limited (the "Company"), which comprise the balance sheet as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Terna Overseas Limited as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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Report on other legal and regulatory requirements

Pursuant to the requirements of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

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

Sophie A Solomonidou
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 21 March 2011

Terna Overseas Limited

Statement of comprehensive income for the year ended 31 December 2010

	Note	**2010**	2009
		€	€
Revenue	5	**4.758.757**	9.531.413
Cost of sales		**(4.264.443)**	(9.513.645)
Gross profit		**494.314**	17.768
Administrative expenses		**(81.544)**	(106.816)
Other income	6	**174.574**	367.951
Impairement loss on the value of investment in subsidiary	7	**-**	(1.700.000)
Profit from the sale of investment in subsidiary		**-**	20.909.679
Operating profit		**587.344**	19.488.582
Finance costs	10	**(79.437)**	(274.578)
Profit before tax		**507.907**	19.214.004
Income tax expense	11	**(63.746)**	(111.968)
Profit and total comprehensive income for the year		**444.161**	19.102.036

The notes on pages 10 to 27 are an integral part of these financial statements.

Terna Overseas Limited

Balance sheet
at 31 December 2010

	Note	**2010** €	2009 €
Assets			
Non-current assets			
Investments in subsidiaries	14	**33.607.937**	2.293.741
Loans receivables	15	**15.686.280**	7.890.446
		49.294.217	10.184.187
Current assets			
Other receivables	16	**8.806.189**	27.270.540
Cash and cash equivalents	17	**3.332.271**	1.068.781
		12.138.460	28.339.321
Total assets		**61.432.677**	38.523.508
Equity and liabilities			
Capital and reserves			
Share capital	18	**1.368.000**	95.000
Advances for the increase of share capital	18	**-**	2.500.000
Share premium	18	**31.234.000**	1.955.000
Retained earnings		**20.916.791**	20.472.630
Total equity		**53.518.791**	25.022.630
Non-current liabilities			
Borrowings	19	**2.829.750**	5.232.750
Current liabilities			
Trade and other payables	20	**2.214.880**	5.599.536
Current income tax liabilities		**39.506**	52.217
Borrowings	19	**2.829.750**	2.616.375
		5.084.136	8.268.128
Total liabilities		**7.913.886**	13.500.878
Total equity and liabilities		**61.432.677**	38.523.508

On 21 March 2011 the Board of Directors of Terna Overseas Limited authorised these financial statements for issue.

Xenia Koustai, Director

Stelios Panayides, Director

The notes on pages 10 to 27 are an integral part of these financial statements.

Terna Overseas Limited

Statement of changes in equity
for the year ended 31 December 2010

	Note	Share capital €	Advances for the increase of share capital €	Share premium €	Retained earnings €	Total €
Balance at 1 January 2009		95.000	-	1.955.000	1.370.594	3.420.594
Comprehensive income						
Profit for the year		-	-	-	19.102.036	19.102.036
Transactions with owners						
Advances for the issue of share capital		-	2.500.000	-	-	2.500.000
Balance at 31 December 2009/1 January 2010		95.000	2.500.000	1.955.000	20.472.630	25.022.630
Comprehensive income						
Profit for the year		-	-	-	444.161	444.161
Transactions with owners						
Issue of shares	18	1.273.000	(2.500.000)	29.279.000	-	28.052.000
Balance at 31 December 2010		1.368.000	-	31.234.000	20.916.791	53.518.791

The notes on pages 10 to 27 are an integral part of these financial statements.

Terna Overseas Limited

Statement of cash flows
for the year ended 31 December 2010

	Note	**2010** €	2009 €
Cash flows from operating activities			
Profit before tax		**507.907**	19.214.004
Adjustments for:			
Impairment of investments in subsidiaries	14	**-**	1.700.000
Profit on sale of investment in subsidiary		**-**	(20.909.676)
Interest income	6	**(143.653)**	(367.951)
Interest expense	10	**96.294**	268.233
Exchange gains on financing activities		**(1.289)**	-
		459.259	(95.390)
Changes in working capital:			
Other receivables		**18.464.351**	(1.396.034)
Trade and other payables		**(3.384.656)**	(5.976.662)
Cash generated from/(used in) operations		**15.538.954**	(7.468.086)
Tax paid		**(76.457)**	(75.918)
Net cash from/(used in) operating activities		**15.462.497**	(7.544.004)
Cash flows from investing activities			
Purchases of investments in subsidiaries	14	**(31.314.196)**	(2.250.000)
Proceeds from sale of investment in subsidiary		**-**	7.923.497
Loans advanced to related parties	21(iv)	**(10.000.000)**	-
Loan repayments received from related parties	21(iv)	**2.961.002**	2.791.437
Interest received		**21.370**	367.951
Net cash (used in)/from investing activities		**(38.331.824)**	8.832.885
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	18	**28.052.000**	-
Advances received for the issue of share capital	18	**-**	2.500.000
Repayments of bank borrowings		**(2.822.889)**	(2.791.437)
Interest paid		**(96.294)**	(268.233)
Net cash from/(used in) financing activities		**25.132.817**	(559.670)
Net increase in cash and cash equivalents		**2.263.490**	729.211
Cash and cash equivalents at beginning of year		**1.068.781**	339.570
Cash and cash equivalents at end of year	17	**3.332.271**	1.068.781

The notes on pages 10 to 27 are an integral part of these financial statements.

Notes to the financial statements

1 General information

Country of incorporation

The Company is incorporated and domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. Its registered office is at Elenion Building, 5 Themistocles Dervis Street, CY-1066 Nicosia.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the provision of consultancy services in the construction field, the execution and supervision of public and private technical projects and land development including any interest earning activities.

2 Summary of significant accounting policies

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

Basis of preparation

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

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2010 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 “Financial Instruments: Recognition and Measurement” relating to portfolio hedge accounting.

The Company is not required by the Companies Law, Cap.113, to prepare consolidated financial statements because the ultimate parent company publishes consolidated financial statements in accordance with IFRSs in Greece and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2010.

Since the EU 7th Directive permits the preparation of such consolidated financial statements in accordance with the Directive or in a manner equivalent to that Directive and since the Companies Law, Cap.113, provides for the aforementioned exemption, the provisions in IAS 27 “Consolidated and Separate Financial Statements” requiring the preparation of such consolidated financial statements in accordance with IFRS do not apply.

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

2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2010. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Adopted by the European Union

New standards

- IAS 24 (Revised) "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011).

Amendments

- Amendments to IAS 32 "Financial Instruments: Presentation: Classifications of Rights Issues" (effective for annual periods beginning on or after 1 February 2010).
- Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters" (effective for annual periods beginning on or after 1 July 2010).
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).
- Annual Improvements 2010 (effective for annual periods beginning on or after 1 July 2010 to 1 January 2011).

New IFRICs

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010).

(ii) Not adopted by the European Union

New standards

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013).

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

Amendments

- Amendments to IFRS 7 “Financial Instruments: Disclosures” (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 12 “Income Taxes” (effective for annual periods beginning on or after 1 January 2012).
- Amendment to IFRS 1 “First-time adoption of International Financial Reporting Standards” (effective for annual periods beginning on or after 1 July 2011).

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Company, with the exception of the following:

(i) IAS 24 (Revised) “Related party disclosures”. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the standard from 1 January 2011. When the revised standard is applied, the Company will need to disclose any transactions between its subsidiaries and its associates. The Company is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services, net of value added tax, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably estimated, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenues earned by the Company are recognised on the following bases:

(i) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

2 Summary of significant accounting policies (continued)

Revenue recognition (continued)

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Current and deferred income tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (continued)

Current and deferred income tax (continued)

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

Financial assets

(i) Classification

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- **Loans and receivables**

  Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Loans and receivables are carried at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

Financial assets (continued)

(ii) Recognition and measurement (continued)

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Subsidiaries at cost

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Company carries the investments in subsidiaries at cost less any impairment in its separate financial statements.

Share capital

Ordinary shares are classified as equity.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

2 Summary of significant accounting policies (continued)

Borrowings (continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extend there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks.

3 Financial risk management

(i) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The Company does not have a formal risk management policy programme. Instead the susceptibility of the Company to financial risks such as foreign exchange risk, interest rate risk, credit risk and liquidity risk is monitored as part of its daily management of the business.

3 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Market risk**

Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Cash flow and fair value interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

- **Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, including outstanding receivables and committed transactions.

The Company does not have formal policies and procedures for managing and monitoring credit risk.

- **Liquidity risk**

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Up to 3 months €	3 to 6 months €	6 months to 1 year €	1 to 2 years €	2 to 5 years €
At 31 December 2009					
Borrowings	1.308.187	-	1.308.188	2.616.375	2.616.375
Trade and other payables	-	5.599.536	-	-	-
	1.308.187	5.599.536	1.308.188	2.616.375	2.616.375

	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years
At 31 December 2010					
Borrowings	**1.414.875**	**-**	**1.414.875**	**2.829.750**	**-**
Trade and other payables	**-**	**2.214.880**	**-**	**-**	**-**
	1.414.875	**2.214.880**	**1.414.875**	**2.829.750**	**-**

3 Financial risk management (continued)

(i) Financial risk factors (continued)

Management monitors rolling forecasts of the Company's liquidity reserve (comprises undrawn borrowing facility (Note 19) and cash and cash equivalents (Note 17)) on the basis of expected cash flow.

(ii) Capital risk management

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at 31 December 2010 and 2009 were as follows:

	2010	2009
	€	€
Total borrowings (Note 19)	**5.659.500**	7.849.125
Less: cash and cash equivalents (Note 17)	**(3.332.271)**	(1.068.781)
Net debt	**2.327.229**	6.780.344
Total equity	**53.518.791**	25.022.631
Total capital as defined by management	**55.846.020**	31.802.975
Gearing ratio	**4%**	21%

The decrease in the gearing ratio during 2010 resulted primarily from the repayment of borrowings taken during the year and the substantial increase in the share capital of the company.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(iii) Fair value estimation

The fair value of the Company's financial assets and liabilities approximate their carrying amounts at the balance sheet date.

4 Critical accounting estimates and judgements

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

4 Critical accounting estimates and judgements (continued)

(i) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Income taxes**

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

- **Impairment of available-for-sale financial assets**

  The Company follows the guidance of IAS 36 on determining when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5 Revenue

	2010 €	2009 €
Sale of consultancy services (Note 21(i))	**4.758.757**	9.531.413

6 Other income

	2010 €	2009 €
Interest income:		
Bank balances	**21.370**	71.795
Loans to subsidiaries (Note 21(iv))	**122.283**	296.156
Loans to subsidiary (Note 21(iv))	**-**	-
Total interest income	**143.653**	367.951
Other income	**30.921**	-
	174.574	367.951

7 Other losses/(gains) - net

	2010 €	2009 €
Investments in subsidiaries:		
Impairment charge (Note 14)	**-**	(1.700.000)

8 Expenses by nature

	2010 €	2009 €
Cost of sales	**962.073**	4.335.081
Auditors' remuneration	**10.000**	12.640
Staff costs (Note 9)	**3.186.006**	5.178.564
Transportation expenses	**117.294**	-
Accounting and administration fees (1)	**38.866**	38.316
Professional fees	**-**	3.000
Other expenses	**31.748**	52.860
Total cost of sales and administrative expenses	**4.345.987**	9.620.461

(1) Other non-assurance services charged by the Company's statutory auditor.

9 Staff costs

	2010 €	2009 €
Wages and salaries	**3.186.006**	5.178.564

10 Finance costs - net

	2010 €	2009 €
Interest expense:		
Bank borrowings	**100.613**	268.233
Overdue taxation	**(4.319)**	-
Total interest expense	**96.294**	268.233
Net foreign exchange transaction (gains)/losses	**(16.857)**	6.345
	79.437	274.578

11 Income tax expense

	2010 €	2009 €
Current tax charge:		
Corporation tax	**61.609**	104.788
Defence contribution	**2.137**	7.180
Income tax expense	**63.746**	111.968

11 Income tax expense (continued)

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

	2010	2009
	€	€
Profit before tax	**507.907**	19.214.004
Tax calculated at the applicable corporation tax rate of 10%	**50.791**	1.921.400
Tax effect of expenses not deductible for tax purposes	**12.955**	268.142
Tax effect of allowances and income not subject to tax	**(2.137)**	(2.091.555)
Special contribution for defence	**2.137**	7.180
Additional 10% Tax	**-**	6.801
Income tax charge	**63.746**	111.968

The Company is subject to corporation tax on taxable profits at the rate of 10%.

Up to 31 December 2008, under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax rate burden of approximately 15%.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 10%.

In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%.

12 Financial instruments by category

	Loans and receivables	Total
	€	€
31 December 2009		
Assets as per balance sheet		
Loans receivable	7.890.446	7.890.446
Other receivables (excluding prepayments)	27.270.540	27.270.540
Cash and cash equivalents	1.068.781	1.068.781
Total	36.229.767	36.229.767

	Other financial liabilities	Total
	€	€
Liabilities as per balance sheet		
Borrowings	7.849.125	7.849.125
Trade and other payables	5.599.536	5.599.536
Total	13.448.661	13.448.661

	Loans and receivables	Total
	€	€
31 December 2010		
Assets as per balance sheet		
Loans receivable	15.686.280	15.686.280
Other receivables (excluding prepayments)	8.756.189	8.756.189
Cash and cash equivalents	3.332.271	3.332.271
Total	27.774.740	27.774.740

12 Financial instruments by category (continued)

	Other financial liabilities €	Total €
Liabilities as per balance sheet		
Borrowings	5.659.500	5.659.500
Trade and other payables	2.214.880	2.214.880
Total	7.874.380	7.874.380

13 Credit quality of financial assets

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

	2010 €	2009 €
Cash at bank and short-term bank deposits		
A3	**34.994**	135.059
Baa3	**3.052.701**	188.476
Ba1	**207.560**	710.841
Baa1	**37.016**	34.405
	3.332.271	1.068.781

14 Investments in subsidiaries

	2010 €	2009 €
At beginning of year	**2.293.741**	11.757.562
Additions (1)	**31.314.196**	2.250.000
Disposals	**-**	(10.013.821)
Impairment charge	**-**	(1.700.000)
At end of year	**33.607.937**	2.293.741

(1) During the year 2010 the Company has paid to Terna Bahrain Holding W.L.L. an amount of €31.314.196 as additional capital contribution.

The Company's interest in its subsidiaries, which are unlisted, were as follows:

Name	**Principal activity**	**Country of incorporation**	**2010 % holding**	**2009 % holding**
Terna Bahrain Holding W.L.L	Services	Bahrain	99,99%	99,99%
Terna Qatar LLC	Services	Qatar	100%	100%
Malcem Construction Materials Ltd	Construction	Malta	75%	75%
Terna Contracting W.L.L (2)	Services	Bahrain	0,01%	0,01%

(2) The Company has also 99,9% indirect shareholding in Terna Contracting W.L.L through its 99,9% investment in Terna Bahrain Holding W.L.L.

15 Loans receivable

	2010	2009
	€	€
Non-current		
Loan to subsidiary (Note 21(iv)) (1)	**5.686.280**	7.890.446
Loans to related parties (Note 21(iv)) (2)	**10.000.000**	-
	15.686.280	7.890.446

(1) The loan to Terna Bahrain Holding W.L.L carries interest at the rate of LIBOR + 1,2%, is unsecured and is repayable by 20 September 2012.

(2) The loan to Icon Eood and Icon Borovets Eood carry interest at the rate of 5% on a six month basis. The loan is unsecured and is repayable in December 2012.

The carrying amounts of non-current receivables approximate their fair value.

The carrying amounts of the Company's non-current receivables are denominated in the following currencies:

	2010	2009
	€	€
Euro - functional and presentation currency	**10.000.000**	-
US Dollar	**5.686.280**	7.890.446
	15.686.280	7.890.446

16 Other receivables

	2010	2009
	€	€
Receivables from the sale of investment in subsidiary	**-**	23.000.000
Receivables from subsidiaries (Note 21(iii))	**4.287.887**	585.509
Receivables from related parties (Note 21(iii))	**867.686**	372.510
Receivables from parent entity (Note 21(iii))	**3.293.429**	3.014.881
Other receivables	**307.187**	297.640
Prepayments	**50.000**	-
	8.806.189	27.270.540

The fair value of other receivables which are due within one year approximates their carrying amount at the balance sheet date.

17 Cash and cash equivalents

	2010	2009
	€	€
Cash at bank	**3.332.271**	1.068.781

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	€	€
Cash and cash equivalents	**3.332.271**	1.068.781
Bank overdrafts (Note 19)	**-**	-
	3.332.271	1.068.781

17 Cash and cash equivalents (continued)

Cash and cash equivalents are denominated in the following currencies:

	2010	2009
	€	€
Euro - functional and presentation currency	**3.332.271**	1.068.781

18 Share capital and share premium

	Number of shares	Share capital	Advances for the increase of share capital	Share premium	Total
		€	€	€	€
At 1 January 2009	9 500	95.000	2.500.000	1.955.000	4.550.000
At 31 December 2009/1 January 2010	9 500	95.000	2.500.000	1.955.000	4.550.000
Issue of shares	127 300	1.273.000	-	29.279.000	30.552.000
Advances for the increase of share capital	-	-	(2.500.000)	-	(2.500.000)
At 31 December 2010	136 800	1.368.000	-	31.234.000	32.602.000

The total authorized number of ordinary shares is 136 800 shares (2009: 9 500 shares) with a par value of €10 per share. All issued shares are not fully paid.

On 20 September 2010 the Company issued 6 250 shares of nominal value €10 per share at a premium of €230 per share.

On 25 November 2011 the Company issued 2 300 shares at a nominal value of €10 per share at a premium of €230 per share.

On 21 December 2011 the Company issued 118 750 shares at a nominal value of €10 per share at a premium of €230 per share.

19 Borrowings

	2010	2009
	€	€
Current		
Bank borrowings	**2.829.750**	2.616.375
Non-current		
Bank borrowings	**2.829.750**	5.232.750
Total borrowings	**5.659.500**	7.849.125
Maturity of non-current borrowings		
Between 1 and 2 years	**2.829.750**	2.616.375
Between 2 and 5 years	**-**	2.616.375
	2.829.750	5.232.750

The Company's bank borrowings are repayable by semi-annual installments by 20 September 2012. The bank loans are secured with guarantees from the Company's 100% shareholder Terna S.A.

The bank borrowings carry interest of LIBOR + 0,9%.

The Company's bank borrowings are arranged at floating rates. Borrowings at floating rates expose the Company to cash flow interest rate risk.

19 Borrowings (continued)

The carrying amounts of borrowings approximate their fair value.

The carrying amounts of the Company's borrowings are denominated in the following currency:

	2010	2009
	€	€
US Dollar	**5.659.500**	7.849.125
	5.659.500	7.849.125

20 Trade and other payables

	2010	2009
	€	€
Trade payables	**483.288**	713.441
Payables to subsidiaries (Note 21(iii))	**-**	3.431.724
Payables to related parties (Note 21(iii))	**19.550**	-
Payables to parent entity (Note 21(iii))	**670.416**	410.836
Other payables	**12.976**	3.840
Accrued expenses	**19.487**	30.532
Advances received (1)	**1.009.163**	1.009.163
	2.214.880	5.599.536

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

(1) The Company has signed an agreement with Bin Kamil Group ('third party') for the sale of the 24% shareholding in Malcem Construction Materials Limited for €3.199.000. According to the agreement the third party has advanced to the Company an amount of €1.009.163. The agreement has not been executed and is currently under renegotiation by the two parties.

21 Related party transactions

The Company is controlled by Terna S.A., incorporated in Greece, which owns 100% of the Company's shares. The Company's ultimate controlling party is Gek Terna S.A., which is listed to the Athens Stock Exchange.

(i) Sales of services

	2010	2009
	€	€
Gek Terna S.A.	**-**	41.800
Terna Qatar LLC	**296.487**	224.333
Terna SA Sharjah Branch	**-**	50.000
PCC Terna Contracting Co WLL	**29.086**	150.433
Terna S.A.	**4.395.684**	9.009.847
Terna Contracting WLL	**37.500**	50.000
Terna SA Grecia Sucursala Bucuresti	**-**	5.000
	4.758.757	9.531.413

21 Related party transactions (continued)

(ii) Directors' remuneration

The total remuneration of the Directors was as follows:

	2010 €	2009 €
Fees	**782**	782

(iii) Year-end balances with related parties

	2010 €	2009 €
Receivable from related parties (Note 16):		
Terna S.A (Parent Company)	**3.293.429**	3.014.881
Malcem Construction Material Limited (Subsidiary)	**79.819**	-
Terna Qatar LLC (Subsidiary)	**798.566**	502.079
PCC Terna Contracting Co WLL (Subsidiary)	**62.515**	33.430
Terna SA Sharjah Branch (under common control)	**99.770**	99.770
Terna Bahrain Holding WLL (Subsidiary)	**3.259.487**	-
Terna Contracting WLL (Subsidiary)	**87.500**	50.000
Terna SA Libya branch (under common control)	**767.916**	272.740
	8.449.002	3.972.900
Payable to related parties (Note 20):		
Terna S.A (Parent Company)	**670.416**	410.836
Terna Bahrain Holding WLL (Subsidiary)	**-**	3.431.724
Valeplus Limited (under common control)	**19.550**	-
	689.966	3.842.560

The above balances bear no interest, are unsecured and repayable on demand.

(iv) Loans to related parties

	2010 €	2009 €
Loan to subsidiary:		
At beginning of year	**7.890.446**	10.777.108
Loans repaid during year	**(2.961.002)**	(3.048.534)
Interest charged (Note 6)	**122.283**	296.156
Net foreign exchange differences	**634.553**	(134.284)
At end of year (Note 15)	**5.686.280**	7.890.446
Loans to related party:		
At beginning of year	**-**	-
Loans advanced during year	**10.000.000**	-
At end of year (Note 15)	**10.000.000**	-

The above amount is secured by Terna S.A, bears interest of LIBOR +1,2% per annum and is repayable by 20 September 2012.

(v) Guarantees

The parent company guarantees the total amount of the outstanding loan from Alpha Bank (Note 19).

22 Events after the balance sheet date

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Independent Auditor's Report on pages 4 to 5.

Terna Overseas Limited

Additional information to the statement of comprehensive income

Analysis of expenses for the year ended 31 December 2010

	2010	2009
	€	€
Administrative expenses		
Subscriptions and donations	**430**	430
Auditors' remuneration	**10.000**	12.640
Accounting fees	**33.015**	33.360
Legal fees	**-**	3.000
Directors' fees	**782**	782
Secretarial fees	**340**	340
Registered office fees	**350**	350
Legalisation of documents	**1.503**	2.461
Printing and stationery	**1.536**	1.265
Translation expenses	**30**	-
Travelling abroad expenses	**929**	-
Taxes and licences	**444**	431
Non-recoverable VAT	**-**	716
Bank charges	**26.244**	45.685
Sundry expenses	**5.851**	4.956
Subcontracting fees	**90**	400
	81.544	106.816