

TERNA OVERSEAS LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2016

TERNA OVERSEAS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 2016

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TERNA OVERSEAS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Alexandros Hadjinicolaou
Despina Georgiou
Konstantinos Iliadis
Panayiotis Pothos (Resigned on 26 April 2016)
Myrto Achnioti (Resigned on 1 January 2016)

Company Secretary:

Alexandros Hadjinicolaou

Independent Auditors:

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

Registered office:

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

Bankers:

Bank of Cyprus Public Company Ltd
Bank of Cyprus Greece
National Bank of Greece (Cyprus) Ltd
EFG Bank
Mashreq Bank

Registration number:

HE177105

TERNA OVERSEAS LIMITED

MANAGEMENT REPORT

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

Principal activities and nature of operations of the Company

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

The net loss for the year attributable to the shareholders of the Company amounted to €48.925.120 (2015: €3.472.432). On 31 December 2016 the total assets of the Company were €67.320.332 (2015: €105.223.462) and the net assets of the Company were €50.831.890 (2015: €97.837.010). The financial position, development and performance of the Company as presented in these financial statements are not considered satisfactory and the Board of Directors is making an effort to reduce the Company losses.

Share capital

Authorised capital

On 23 June 2016 the authorised share capital of the Company was increased from 391.780 ordinary shares of €10 each to 394.280 ordinary shares of €10 each.

On 7 November 2016 the authorised share capital of the Company was increased from 394.780 ordinary shares of €10 each to 399.780 ordinary shares of €10 each.

Issued capital

On 23 June 2016, the Company issued 2.500 additional ordinary shares of nominal value €10 each (additional share capital €25.000) at a premium of €230 each (additional share premium €575.000).

On 7 November 2016, the Company issued 5.500 additional ordinary shares of nominal value €10 each (additional share capital €55.000) at a premium of €230 each (additional share premium €1.265.000).

Board of Directors

The members of the Company's Board of Directors as at 31 December 2016 and at the date of this report are presented on page 1. Mrs. Myrto Achnioti and Mr. Panayiotis Pothos who were appointed directors on 9 December 2013 and 20 May 2006 resigned on 1 January 2016 and 26 April 2016 respectively.

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

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

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 26 to the financial statements.

Independent Auditors

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

By order of the Board of Directors,


Alexandros Hadjinicolaou
Director

Nicosia, 29 March 2017

Independent auditor's report

To the Members of Terna Overseas Limited

Report on the financial statements

We have audited the financial statements of parent company Terna Overseas Limited (the "Company"), which are presented in pages 5 to 26 and comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Independent auditor's report (continued)

To the Members of Terna Overseas Limited

Report on other legal requirements

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

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

Other matter

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



George Theocharous

Certified Public Accountant and Registered Auditor
for and on behalf of

EPW Europe Private Wealth Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 29 March 2017

TERNA OVERSEAS LIMITED

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

| | Note | 2016 € | 2015 € |
|--|------|----------------------------|--------------------|
| Revenue | 5 | 8.492.708 | 5.849.578 |
| Cost of sales | | <u>(7.840.477)</u> | <u>(5.613.286)</u> |
| Gross profit | | 652.231 | 236.292 |
| Administration expenses | | (86.564) | (51.400) |
| Other expenses | 6 | <u>(49.366.164)</u> | <u>(3.685.482)</u> |
| Operating loss | | <u>(48.800.497)</u> | <u>(3.500.590)</u> |
| Finance income | 9 | 274.855 | 314.892 |
| Finance costs | 9 | <u>(328.946)</u> | <u>(263.523)</u> |
| (Loss) before tax | | (48.854.588) | (3.449.221) |
| Tax | 10 | <u>(70.532)</u> | <u>(23.211)</u> |
| Net loss for the year | | (48.925.120) | (3.472.432) |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive loss for the year | | <u>(48.925.120)</u> | <u>(3.472.432)</u> |

The notes on pages 9 to 26 form an integral part of these financial statements.


TERNA OVERSEAS LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2016

| | Note | 2016 € | 2015 € |
|---|------|---------------------|-------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investments in subsidiaries | 13 | 29.977.133 | 68.483.925 |
| Investments in associates | 14 | 7.082.979 | 13.514.401 |
| | | 37.060.112 | 81.998.326 |
| Current assets | | | |
| Trade and other receivables | 15 | 26.973.369 | 22.671.743 |
| Cash and cash equivalents | 16 | 3.286.851 | 553.393 |
| | | 30.260.220 | 23.225.136 |
| Total assets | | 67.320.332 | 105.223.462 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 17 | 3.997.800 | 3.917.800 |
| Share premium | 17 | 91.719.400 | 89.879.400 |
| Accumulated (losses) /retained earnings | | (44.885.310) | 4.039.810 |
| Total equity | | 50.831.890 | 97.837.010 |
| Non-current liabilities | | | |
| Borrowings | 18 | 654.740 | 614.630 |
| Trade and other payables | 19 | 4.549.476 | 4.502.460 |
| | | 5.204.216 | 5.117.090 |
| Current liabilities | | | |
| Trade and other payables | 19 | 10.875.737 | 1.851.674 |
| Current tax liabilities | 20 | 408.489 | 417.688 |
| | | 11.284.226 | 2.269.362 |
| Total liabilities | | 16.488.442 | 7.386.452 |
| Total equity and liabilities | | 67.320.332 | 105.223.462 |

On 29 March 2017 the Board of Directors of Terna Overseas Limited authorised these financial statements for issue.


 Alexandros Hadjinicolaou
 Director


 Despina Georgiou
 Director

The notes on pages 9 to 26 form an integral part of these financial statements.

TERNA OVERSEAS LIMITED

STATEMENT OF CHANGES IN EQUITY

31 December 2016

| | Note | Share capital € | Share premium € | Other reserves € | Accumulated (losses)/retained earnings € | Total € |
|--|------|-------------------------|--------------------------|---------------------|---|--------------------------|
| Balance at 1 January 2015 | | 3.492.550 | 80.098.650 | 600.000 | 7.512.242 | 91.103.442 |
| Comprehensive income | | | | | | |
| Net loss for the year | | - | - | - | (3.472.432) | (3.472.432) |
| Transactions with owners | | | | | | |
| Issue of share capital | 17 | 425.250 | 9.780.750 | - | - | 10.206.000 |
| Transfer of share capital | | - | - | (600.000) | - | - |
| Total transactions with owners | | <u>425.250</u> | <u>9.780.750</u> | <u>(600.000)</u> | <u>-</u> | <u>10.206.000</u> |
| Balance at 31 December 2015/ 1 January 2016 | | 3.917.800 | 89.879.400 | - | 4.039.810 | 97.837.010 |
| Comprehensive income | | | | | | |
| Net loss for the year | | - | - | - | (48.925.120) | (48.925.120) |
| Transactions with owners | | | | | | |
| Issue of share capital | 17 | 80.000 | 1.840.000 | - | - | 1.920.000 |
| Total transactions with owners | | <u>80.000</u> | <u>1.840.000</u> | <u>-</u> | <u>-</u> | <u>1.920.000</u> |
| Balance at 31 December 2016 | | <u>3.997.800</u> | <u>91.719.400</u> | <u>-</u> | <u>(44.885.310)</u> | <u>50.831.890</u> |

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

The notes on pages 9 to 26 form an integral part of these financial statements.

TERNA OVERSEAS LIMITED

CASH FLOW STATEMENT

31 December 2016

| | Note | 2016 € | 2015 € |
|--|------|---------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Loss) before tax | | (48.854.588) | (3.449.221) |
| Adjustments for: | | | |
| Unrealised exchange profit | | (51.997) | (98.668) |
| Impairment charge - investments in subsidiaries | 13 | 42.677.670 | 3.685.482 |
| Impairment charge - investments in associates | 14 | 6.688.494 | - |
| Interest income | 9 | (1.199) | - |
| Interest expense | 9 | 40.110 | 40.000 |
| | | 498.490 | 177.593 |
| Changes in working capital: | | | |
| (Increase)/decrease in trade and other receivables | | (8.472.503) | 11.519.235 |
| Increase/(Decrease) in trade and other payables | | 9.071.079 | (584.021) |
| Cash generated from operations | | 1.097.066 | 11.112.807 |
| Tax paid | | (79.731) | (72.007) |
| Net cash generated from operating activities | | 1.017.335 | 11.040.800 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for purchase of investments in subsidiaries | 13 | - | (20.781.539) |
| Payment for purchase of investments in associated undertakings | 14 | (257.072) | - |
| Interest received | | 1.199 | - |
| Net cash used in investing activities | | (255.873) | (20.781.539) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of share capital | | 1.920.000 | 10.206.000 |
| Advances from shareholders | | - | (600.000) |
| Proceeds from borrowings | | - | 38.000 |
| Unrealised exchange profit | | 51.996 | - |
| Interest paid | | - | (40.000) |
| Net cash generated from financing activities | | 1.971.996 | 9.604.000 |
| Net increase/(decrease) in cash and cash equivalents | | 2.733.458 | (136.739) |
| Cash and cash equivalents at beginning of the year | | 553.393 | 690.132 |
| Cash and cash equivalents at end of the year | 16 | 3.286.851 | 553.393 |

The notes on pages 9 to 26 form an integral part of these financial statements.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1. Incorporation and principal activities

Country of incorporation

The Company Terna Overseas Limited (the "Company") was incorporated in Cyprus on 20 May 2006 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Annis Komninis, 37, Elenion Building, 2nd floor, Flat/Office 7, Nicosia, Cyprus.

Principal activities and nature of operations of the Company

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. Significant accounting policies

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

Basis of preparation

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

These financial statements are the separate financial statements. The Company has not prepared consolidated financial statements as the exemption from consolidation in paragraph 10 of IAS27, "Consolidated and Separate Financial Statements", has been used. The Company's parent TERNA S.A., a Company incorporated in Greece produced consolidated financial statements available for public use that comply with International Financial Reporting Standards as issued by the IASB.

Adoption of new and revised IFRSs

As from 1 January 2016, the Company adopted all the following IFRSs and International Accounting Standards (IAS), which are relevant to its operations. The adoption of these Standards did not have a material effect on the financial statements.

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

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

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

(i) Adopted by the European Union

New standards

- *IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014).*

Amendments

IFRS Interpretations Committee

- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).*
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendments to IAS32 and IAS1 - Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009).*
- *Amendment to IAS 36 "Recoverable Amount - Disclosures for Non-Financial Assets" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendment to IAS 39 "Financial Instruments: Recognition and Measurement", Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014).*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*

(ii) Not adopted by the European Union

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the Company.

Subsidiary companies

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

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

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2. Significant accounting policies (continued)

Investments in associates (continued)

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

Revenue recognition

Revenue comprises the invoiced amount for the sale of products net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- **Rendering 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.

- **Construction contracts**

Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised by reference to the stage of completion of the contract activity at the reporting date. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised as an expense immediately.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2. Significant accounting policies (continued)

Revenue recognition (continued)

Construction contracts (continued)

The Company uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Company presents, as an asset, the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billings not yet paid by customers and retention are included within trade and other receivables.

The Company presents, as a liability, the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Finance income

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

Finance costs

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

Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

Tax

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

Financial instruments

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

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2. Significant accounting policies (continued)

Financial instruments (continued)

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Financial assets

(1) Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for-sale financial assets. 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 reporting 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 statement of financial position.

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on 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 carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in 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.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank.

Borrowings

Borrowings are recorded initially at the proceeds received, 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.

Trade payables

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

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2. Significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

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

Offsetting financial instruments

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

Share capital

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

3. Financial risk management

Financial risk factors

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

3.1 Interest rate risk

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

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3. Financial risk management (continued)

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

| | 2016 € | 2015 € |
|-------------------------------|-------------------------|-------------------------|
| Fixed rate instruments | | |
| Financial liabilities | (654.740) | (614.630) |
| | <u>(654.740)</u> | <u>(614.630)</u> |

3.2 Credit risk

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

| | 2016 € | 2015 € |
|------------------------------------|--------------------------|-------------------|
| Trade and other receivables | 2.289.870 | 5.312 |
| Cash at bank | 3.286.851 | 553.393 |
| Receivables from related companies | <u>20.026.237</u> | <u>22.608.916</u> |
| | <u>25.602.958</u> | <u>23.167.621</u> |

3.3 Liquidity risk

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

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

| 31 December 2016 | Carrying amounts € | Contractual cash flows € | On demand € | 3-12 months € | 1-2 years € | 2-5 years € | More than 5 years € |
|------------------------------|--------------------------|-----------------------------|-------------------------|--------------------------|-----------------------|-----------------|------------------------|
| Trade and other payables | 10.768.319 | 10.768.319 | - | 10.768.319 | - | - | - |
| Payables to related parties | 4.549.476 | 4.549.476 | 4.549.476 | - | - | - | - |
| Loans from related companies | 654.740 | 654.740 | - | - | 654.740 | - | - |
| | <u>15.972.535</u> | <u>15.972.535</u> | <u>4.549.476</u> | <u>10.768.319</u> | <u>654.740</u> | <u>-</u> | <u>-</u> |
| 31 December 2015 | Carrying amounts € | Contractual cash flows € | On demand € | 3-12 months € | 1-2 years € | 2-5 years € | More than 5 years € |
| Trade and other payables | 1.667.751 | 1.667.751 | - | 1.667.751 | - | - | - |
| Payables to related parties | 4.502.460 | 4.502.460 | 4.502.460 | - | - | - | - |
| Loans from related companies | 614.630 | 614.630 | - | - | 614.630 | - | - |
| | <u>6.784.841</u> | <u>6.784.841</u> | <u>4.502.460</u> | <u>1.667.751</u> | <u>614.630</u> | <u>-</u> | <u>-</u> |

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3. Financial risk management (continued)

3.4 Currency risk

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

3.5 Capital risk management

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

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders 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 or issue new shares.

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. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

The Company's capital is analysed as follows:

| | 2016 € | 2015 € |
|---|-------------------|-------------------|
| Total borrowings (Note 18) | 654.740 | 614.630 |
| Less: Cash and cash equivalents (Note 16) | (3.286.851) | (553.393) |
| Net debt | (2.632.111) | 61.237 |
| Total equity | 50.831.890 | 97.837.010 |
| Total capital | 48.199.779 | 97.898.247 |
| Gearing ratio | (5,46)% | 0,06% |

The decrease in the gearing ratio during the year ended 31 December 2016 resulted primarily from the issue of share capital at premium within the year.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate to their carrying amounts at the reporting date except as disclosed in note 18.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at the reporting 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.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

4. Critical accounting estimates and judgements (continued)

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:

- **Provision for bad and doubtful debts**

The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- **Income taxes**

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

- **Impairment of investments in subsidiaries/associates**

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

5. Revenue

| | 2016 € | 2015 € |
|-----------------------|------------------|------------------|
| Rendering of services | 6.353.193 | 5.849.578 |
| Contract income | 2.139.515 | - |
| | 8.492.708 | 5.849.578 |

6. Other expenses

| | 2016 € | 2015 € |
|---|-------------------|------------------|
| Impairment charge - investments in subsidiaries | 42.677.670 | 3.685.482 |
| Impairment charge - investments in associates | 6.688.494 | - |
| | 49.366.164 | 3.685.482 |

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

7. Expenses by nature

| | 2016 € | 2015 € |
|--|-------------------|-----------|
| Staff costs (Note 8) | 1.511.734 | 2.519.736 |
| Auditors' remuneration | 5.000 | 5.000 |
| Impairment charge - assets held for sale | 49.366.164 | 1.685.482 |
| Other expenses | 6.410.307 | 5.139.950 |
| Total expenses | 57.293.205 | 9.350.168 |

8. Staff costs

| | 2016 € | 2015 € |
|-----------------------|------------------|-----------|
| Salaries | 1.503.343 | 2.514.532 |
| Social security costs | 6.892 | 4.320 |
| Social cohesion fund | 1.499 | 884 |
| | 1.511.734 | 2.519.736 |

9. Finance income/cost

| | 2016 € | 2015 € |
|-----------------------------------|------------------|-----------|
| Interest income | 1.199 | - |
| Exchange profit | 273.656 | 314.892 |
| Finance income | 274.855 | 314.892 |
| Net foreign exchange losses | (276.871) | (211.632) |
| Interest expense | (40.110) | (40.000) |
| Sundry finance expenses | (11.965) | (11.891) |
| Finance costs | (328.946) | (263.523) |
| Net finance (costs)/income | (54.091) | 51.369 |

10. Tax

| | 2016 € | 2015 € |
|--------------------------------|---------------|-----------|
| Corporation tax - current year | 70.532 | 23.211 |
| Charge for the year | 70.532 | 23.211 |

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

| | 2016 € | 2015 € |
|--|---------------------|-------------|
| (Loss) before tax | (48.854.588) | (3.449.221) |
| Tax calculated at the applicable tax rates | (6.106.824) | (431.153) |
| Tax effect of expenses not deductible for tax purposes | 6.184.042 | - |
| Tax effect of allowances and income not subject to tax | (6.686) | 452.062 |
| 10% additional charge | - | 2.302 |
| Tax charge | 70.532 | 23.211 |

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

10. Tax (continued)

The corporation tax rate is 12,5%.

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

11. Financial instruments by category

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

31 December 2016

| | Available-for-sale financial assets € | Loans and receivables € | Total € |
|---|---|-------------------------------|-------------------|
| Assets as per statement of financial position: | | | |
| Trade and other receivables | - | 22.316.107 | 22.316.107 |
| Financial assets | 37.060.112 | - | 37.060.112 |
| Cash and cash equivalents | - | 3.286.851 | 3.286.851 |
| Total | 37.060.112 | 25.602.958 | 62.663.070 |

| | Borrowings and other financial liabilities € | Total € |
|--|---|------------------|
| Liabilities as per statement of financial position: | | |
| Borrowings | 654.740 | 654.740 |
| Trade and other payables | 8.020.402 | 8.020.402 |
| Total | 8.675.142 | 8.675.142 |

31 December 2015

| | Available-for-sale financial assets € | Loans and receivables € | Total € |
|---|---|-------------------------------|--------------------|
| Assets as per statement of financial position: | | | |
| Trade and other receivables | - | 22.614.228 | 22.614.228 |
| Financial assets | 81.998.326 | - | 81.998.326 |
| Cash and cash equivalents | - | 553.393 | 553.393 |
| Total | 81.998.326 | 23.167.621 | 105.165.947 |

| | Borrowings and other financial liabilities € | Total € |
|--|---|------------------|
| Liabilities as per statement of financial position: | | |
| Borrowings | 614.630 | 614.630 |
| Trade and other payables | 1.670.379 | 1.670.379 |
| Total | 2.285.009 | 2.285.009 |

12. 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 applicable) or to historical information about counterparty default rates:

| | |
|-------------|-------------|
| 2016 | 2015 |
| € | € |

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

12 Credit quality of financial assets (continued)

Fully performing other receivables

| | | |
|---------|-------------------|-------------------|
| Group 4 | 23.497.342 | 21.909.144 |
| Group 5 | 166.500 | 166.500 |
| Group 6 | - | 538.585 |
| | 23.663.842 | 22.614.229 |

Cash at bank and short term bank deposits

| | | |
|-------------|------------------|----------------|
| Ca | - | 1.501 |
| Caa1 | - | 3.757 |
| Caa2 | 3.836 | 264.619 |
| Baa2 | 251.334 | 283.438 |
| Caa3 | 3.031.681 | - |
| No rating | - | 78 |
| Baa2 | 3.286.851 | 553.393 |

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

Group 5 - Directors, shareholders and key management personnel.

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

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

13. Investments in subsidiaries

| | 2016 | 2015 |
|-------------------------------|---------------------|-------------------|
| | € | € |
| Balance at 1 January | 68.483.925 | 51.387.868 |
| Additions | 4.170.877 | 20.781.539 |
| Impairment charge | (42.677.669) | (3.685.482) |
| Balance at 31 December | 29.977.133 | 68.483.925 |

The details of the subsidiaries are as follows:

| <u>Name</u> | <u>Country of incorporation</u> | <u>Principal activities</u> | <u>Holding %</u> | 2016 | 2015 |
|-----------------------------------|---------------------------------|-----------------------------|------------------|-------------------|-------------------|
| | | | | € | € |
| Terna Bahrain Holding W.L.L. (1) | Bahrain | Services | 99,99 | 5.870.877 | 1.700.000 |
| Terna Qatar LLC (2) | Qatar | Services | 35 | 23.855.187 | 66.532.856 |
| Malcem Construction Materials Ltd | Malta | Construction | 75 | 250.000 | 250.000 |
| Terna Contracting W.L.L. (3) | Bahrain | Services | 0,01 | 169 | 169 |
| QE Energy Europe Ltd | Cyprus | Supply of gas | 90 | 900 | 900 |
| | | | | 29.977.133 | 68.483.925 |

(1) During the year, the Company increased its investment in the share capital of subsidiary Terna Bahrain Holding W.L.L. by contributing an amount of €4.170.877 that was previously recognised as a receivable from related party.

(2) During the year the Company recognised an impairment charge for the investment in subsidiary Terna Qatar LLC for the amount of €42.677.669.

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

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

14. Investments in associates

| | 2016 € | 2015 € |
|-------------------------------|------------------|-------------------|
| Balance at 1 January | 13.514.401 | 13.514.401 |
| Additions | 257.072 | - |
| Impairment charge | (6.688.494) | - |
| Balance at 31 December | 7.082.979 | 13.514.401 |

The details of the investments are as follows:

| Name | Country of incorporation | Principal activities | Holding % | 2016 € | 2015 € |
|--------------------|-----------------------------|----------------------|--------------|------------------|-------------------|
| Icon Borovets EOOD | Bulgaria | Real estate | 33,96 | 2.120.714 | 7.674.849 |
| Icon EOOD | Bulgaria | Real estate | 16,47 | 4.962.265 | 5.839.552 |
| | | | | 7.082.979 | 13.514.401 |

15. Trade and other receivables

| | 2016 € | 2015 € |
|--|-------------------|-------------------|
| Trade receivables | 147.508 | - |
| Contract retentions | 213.952 | - |
| Amount due from customers for contract work | 1.925.563 | - |
| Receivables from own subsidiaries (Note 22.2) | 9.914.257 | 12.198.965 |
| Receivables from related companies (Note 22.2) | 9.945.480 | 10.243.451 |
| Receivables from parent (Note 22.2) | 166.500 | 166.500 |
| Deposits and prepayments | 4.355.460 | 50.000 |
| Deferred expenses | 259.887 | - |
| Other receivables | 2.847 | 5.312 |
| Refundable VAT | 41.915 | 7.515 |
| | 26.973.369 | 22.671.743 |

The Company does not hold any collateral over the trading balances.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the financial statements.

16. Cash and cash equivalents

Cash balances are analysed as follows

| | 2016 € | 2015 € |
|--------------------------|------------------|----------------|
| Cash at bank and in hand | 3.286.851 | 553.393 |
| | 3.286.851 | 553.393 |

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

17. Share capital and share premium

| Issued and fully paid | Number of shares | Share capital € | Share premium € | Total € |
|--|---------------------|--------------------|-----------------------|-------------------|
| Balance at 1 January 2015 | 349.255 | 3.492.550 | 80.098.650 | 83.591.200 |
| Issue of shares in 2015 | 42.525 | 425.250 | 9.780.750 | 10.206.000 |
| Balance at 31 December 2015/ 1 January 2016 | 391.780 | 3.917.800 | 89.879.400 | 93.797.200 |
| Issue of shares in 2016 | 8.000 | 80.000 | 1.840.000 | 1.920.000 |
| Balance at 31 December 2016 | 399.780 | 3.997.800 | 91.719.400 | 95.717.200 |

Authorised capital

On 23 June 2016 the authorised share capital of the Company was increased from 391.780 ordinary shares of €10 each to 394.280 ordinary shares of €10 each.

On 7 November 2016 the authorised share capital of the Company was increased from 394.780 ordinary shares of €10 each to 399.780 ordinary shares of €10 each.

Issued capital

On 23 June 2016, the Company issued 2.500 additional ordinary shares of nominal value €10 each (additional share capital €25.000) at a premium of €230 each (additional share premium €575.000).

On 7 November 2016, the Company issued 5.500 additional ordinary shares of nominal value €10 each (additional share capital €55.000) at a premium of €230 each (additional share premium €1.265.000).

18. Borrowings

| | 2016 € | 2015 € |
|-------------------------------|----------------|----------------|
| Balance at 1 January | 614.630 | 576.630 |
| Repayments | - | (2.000) |
| Interest charged | 40.110 | 40.000 |
| Balance at 31 December | 654.740 | 614.630 |

| | 2016 € | 2015 € |
|--|-----------|-----------|
| Non-current borrowings | | |
| Loans from related companies (Note 22.4) | 654.740 | 614.630 |

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

19. Trade and other payables

| | 2016 | 2015 |
|---|--------------------|-------------|
| | € | € |
| Trade payables | 3.470.926 | 1.670.379 |
| Prepayments from clients | 7.000.000 | - |
| Social insurance and other taxes | 3.783 | 1.481 |
| Payables to parent (Note 22.3) | 3.555.652 | 3.527.744 |
| Subcontractors retentions | 297.393 | - |
| Accruals | 103.635 | 182.442 |
| Other creditors | - | (2.628) |
| Payables to related companies (Note 22.3) | 993.824 | 974.716 |
| | 15.425.213 | 6.354.134 |
| Less non-current payables | (4.549.476) | (4.502.460) |
| Current portion | 10.875.737 | 1.851.674 |

20. Current tax liabilities

| | 2016 | 2015 |
|-----------------|----------------|---------|
| | € | € |
| Corporation tax | 408.489 | 417.688 |
| | 408.489 | 417.688 |

21. Recent volatility in global financial markets

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

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

22. Related party transactions

The Company is controlled by Terna S.A., incorporated in Greece, which owns 100% of the Company's shares.

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 in the Athens Stock Exchange.

The following transactions were carried out with related parties:

22.1 Directors' remuneration

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

| | 2016 | 2015 |
|-----------------|--------------|-------|
| | € | € |
| Directors' fees | 1.200 | 2.400 |
| | 1.200 | 2.400 |

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

22. Related party transactions (continued)

22.2 Receivables from related parties (Note 15)

| <u>Name</u> | <u>Nature of transactions</u> | 2016 € | 2015 € |
|----------------------------------|-------------------------------|-------------------|-------------------|
| Malcem Construction Material Ltd | Finance | 76.819 | 76.819 |
| Terna Qatar LLC | Trade + Finance | 2.430.181 | 1.391.722 |
| Terna Bahrain Holding WLL | Finance | 6.391.830 | 9.762.707 |
| QE Energy Europe Ltd | Finance | 740.749 | 693.039 |
| Icon Borovets Eood | Finance | 274.677 | 274.677 |
| Terna S.A. Libya Branch | Finance | 533.272 | 533.272 |
| Icon Eood | Finance | 141.187 | 141.187 |
| Terna S.A. Abu Dhabi Branch | Finance | - | 44.482 |
| Terna S.A. Ogranak | Trade | 7.027.970 | 7.501.745 |
| Terna Energy Overseas Ltd | Finance | - | 674 |
| Terna S.A. Branch Bulgaria | Finance | 238.780 | 98.780 |
| Terna S.A. Iraq Branch | Finance | 2.004.272 | 1.923.312 |
| Terna S.A. Greece | Finance | 166.500 | 166.500 |
| | | 20.026.237 | 22.608.916 |

22.3 Payables to related parties (Note 19)

| <u>Name</u> | <u>Nature of transactions</u> | 2016 € | 2015 € |
|--------------------------|-------------------------------|------------------|------------------|
| Valeplus Ltd | Finance | - | 16.994 |
| Terna SA Sharjah Branch | Finance | 992.923 | 956.822 |
| Terna S.A. Greece | Finance | 3.555.653 | 3.527.744 |
| QE Energy Europe Limited | Finance | 900 | 900 |
| | | 4.549.476 | 4.502.460 |

22.4 Loans from related undertakings (Note 18)

| | 2016 € | 2015 € |
|---------------------------|----------------|----------------|
| Terna Energy Overseas Ltd | 654.740 | 614.630 |
| | 654.740 | 614.630 |

The loan bears interest at the rate of 8% and is repayable by 31 December 2015.

22.5 Shareholders' current accounts - debit balances (Note 15)

| | 2016 € | 2015 € |
|------------|----------------|----------------|
| Terna S.A. | 166.500 | 166.500 |
| | 166.500 | 166.500 |

The shareholders' current accounts are interest free, and have no specified repayment date.

22.6 Shareholders' current accounts - credit balances

| | 2016 € | 2015 € |
|------------|------------------|------------------|
| Terna S.A. | 3.555.652 | 3.527.744 |
| | 3.555.652 | 3.527.744 |

The shareholders' current accounts are interest free, and have no specified repayment date.

23. Parent company

The Company is controlled by Terna S.A., incorporated in Greece, which owns 100% of the Company's shares.

TERNA OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

24. Contingent liabilities

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

25. Commitments

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

26. Events after the reporting period

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

Independent auditor's report on pages 3 and 4

TERNA OVERSEAS LIMITED

DETAILED INCOME STATEMENT

31 December 2016

| | Page | 2016 € | 2015 € |
|---|------|---------------------|-------------|
| Revenue | | | |
| Rendering of services | | 6.353.193 | 5.849.578 |
| Cost of sales | 28 | (5.754.450) | (5.613.286) |
| Gross profit | | 598.743 | 236.292 |
| Gross profit from contract work | 29 | 53.488 | - |
| Gross profit | | 652.231 | 236.292 |
| Operating expenses | | | |
| Administration expenses | 30 | (86.564) | (51.400) |
| | | 565.667 | 184.892 |
| Other operating expenses | | | |
| Impairment charge - investments in subsidiaries | | (42.677.670) | (3.685.482) |
| Impairment charge - investments in associates | | (6.688.494) | - |
| Operating loss | | (48.800.497) | (3.500.590) |
| Finance income | 31 | 274.855 | 314.892 |
| Finance costs | 31 | (328.946) | (263.523) |
| Net loss for the year before tax | | (48.854.588) | (3.449.221) |

TERNA OVERSEAS LIMITED

COST OF SALES

31 December 2016

| | 2016 € | 2015 € |
|-------------------------|------------------|-----------|
| Cost of sales | | |
| Direct costs | | |
| Salaries | 1.503.343 | 2.514.532 |
| Social insurance | 6.892 | 4.320 |
| Social cohesion fund | 1.499 | 884 |
| Telephone and postage | 719 | 3.034 |
| Subcontracted work | - | 42.162 |
| Services received | 4.143.938 | 2.954.256 |
| Transportation expenses | 71.551 | 88.848 |
| Financial charges | 26.508 | 5.250 |
| | 5.754.450 | 5.613.286 |

TERNA OVERSEAS LIMITED

PROJECTS FOR THIRD PARTIES

31 December 2016

| | 2016 € | 2015 € |
|--|----------------------|-----------|
| Projects for Third Parties | | |
| Work certified on uncompleted projects: | | |
| At the end | 2.139.515 | - |
| Work in progress: | | |
| At the end | <u>(2.086.027)</u> | - |
| | <u>53.488</u> | - |
| Gross profit from contract work | <u><u>53.488</u></u> | - |

TERNA OVERSEAS LIMITED

SELLING AND DISTRIBUTION EXPENSES

31 December 2016

| | 2016 € | 2015 € |
|---|---------------|---------------|
| Administration expenses | | |
| Rent | 4.800 | 13.524 |
| Annual levy | 350 | 350 |
| Electricity | 586 | 631 |
| Insurance | 40.115 | - |
| Repairs and maintenance | - | 50 |
| Sundry expenses | 19.087 | 12.107 |
| Courier expenses | 284 | 248 |
| Stationery and printing | 340 | 930 |
| Subscriptions and contributions | 430 | 430 |
| Certification and legalisation expenses | 1.580 | 1.105 |
| Auditors' remuneration | 5.000 | 5.000 |
| Accounting fees | 9.314 | 6.372 |
| Other professional fees | 3.478 | 8.153 |
| Directors' fees | 1.200 | 2.400 |
| Inland travelling and accommodation | - | 100 |
| | 86.564 | 51.400 |

TERNA OVERSEAS LIMITED

FINANCE INCOME/COST

31 December 2016

| | 2016 € | 2015 € |
|------------------------------------|-----------------------|-----------------------|
| Finance income | | |
| Bank interest | 1.199 | - |
| Realised foreign exchange profit | - | 4.592 |
| Unrealised foreign exchange profit | <u>273.656</u> | <u>310.300</u> |
| | <u>274.855</u> | <u>314.892</u> |
| Finance costs | | |
| Interest expense | | |
| Loan interest | 40.110 | 40.000 |
| Sundry finance expenses | | |
| Bank charges | 11.965 | 11.891 |
| Net foreign exchange losses | | |
| Realised foreign exchange loss | 55.212 | - |
| Unrealised foreign exchange loss | <u>221.659</u> | <u>211.632</u> |
| | <u>328.946</u> | <u>263.523</u> |

TERNA OVERSEAS LIMITED

COMPUTATION OF CORPORATION TAX

31 December 2016

| | Page 27 | € | € |
|---|------------|------------|-----------------------|
| Net loss per income statement | | | (48.854,588) |
| <u>Add:</u> | | | |
| Impairment charge - investments in subsidiaries | | 42.677.670 | |
| Impairment charge - investments in associates | | 6.688.494 | |
| Financial charges | | 26.508 | |
| Disallowance of non-statutory administration expenses | | 22.960 | |
| FX not relating to trading FX | | 3.215 | |
| | | | <u>49.418.847</u> |
| Chargeable income for the year | | | <u><u>564.259</u></u> |

Calculation of corporation tax

| | Income € | Rate % | Total € c |
|-----------------------------|----------------|-----------|-------------------------|
| Tax at normal rates: | | | |
| Chargeable income as above | <u>564.259</u> | 12,50 | 70.532,38 |
| Tax paid provisionally | <u>452.160</u> | | <u>(56.520,00)</u> |
| TAX PAYABLE | | | <u><u>14.012,38</u></u> |