**HERON SOCIETE ANONYME ENERGY SERVICES**

**85 Mesogeion Avenue, 115 26 Athens, Greece**

**General Electronic Commercial Registry No 005805601000**

# ANNUAL FINANCIAL REPORT

**For the year**

**January 1st to December 31st 2023**

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Share capital € 8,856,202.74
85, Mesogeion Ave., GR-115 26 Athens
General Electronic Commercial Registry (GCR) No. 005805601000
Societe Anonyme Registration No. 56860/01/B/04/254

**Board of Directors**

| | |
|---|---|
| Georgios Kouvaris | Chairman of the Board of Directors |
| Loukas Dimitriou | Chief Executive Officer |
| Penelope Lazaridou | Member of the BoD |
| Emmanouil Moustakas | Member of the BoD |
| Styliani Zacharia | Member of the BoD |
| Panagiotis Pervanas | Member of the BoD |

**Auditing Firm**

Grant Thornton Certified Auditors-Accountants and Business Consultants Société Anonyme

# ANNUAL MANAGEMENT REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2023

Dear Shareholders,

According to the provisions of Law 4548/2018 and of the Articles of Association of the Company, we are hereby submitting the Annual Management Report of the Board of Directors for the financial year from 01.01.2023 to 31.12.2023.

This Report discloses financial and non-financial information of the Company HERON SOCIETE ANONYME ENERGY SERVICES, for the year 2023 and the most important events that occurred before and after the financial statements reporting date. In addition, the major risks and uncertainties that the Company may face in 2024 are described and the important transactions between the Company and its related parties are also presented.

## (A) Financial Developments and Performance for the Financial Year 2023

### Performance of the economy during the year 2023

Despite ongoing geopolitical uncertainties in 2023, high inflation and the subsequent strict monetary policy, the Greek economy maintained and in 2023 a significant part of the growth dynamics of the previous year but at a milder pace compared to the pace of the post-pandemic period of the previous year. As a result, the real GDP of 2023 increased by 2% on an annual basis (compared to 5.9% in 2022), significantly surpassing the European average (estimated increase of 0.5%). It is worth noting that the growth rate exceeds the initial estimates of the Greek Government's budget for 2023, which had set the bar at 1.8%, indicative of the resilience and dynamism of the economy.

In terms of components contributing to the GDP growth in 2023, significant factors included: a) investments, mainly due to construction activity, b) the increase in exports, which was also supported by the strong impact of tourism, c) the increase in consumption, as a result of increased wages and pensions and d) the reduction of energy prices.

On the inflation front, the downward trend that started the end of 2022 continued, mainly as a result of the significant decline in international energy prices. Specifically, the Harmonized Consumer Price Index (CIP) fell to 4.2% in 2023 from 9.3% in 2022, lower than the corresponding average of 5.4% in the Eurozone according to the estimates of the Bank of Greece, for the period 2024 – 2025 is expected to decrease to 2.3% and 2% respectively.

In the fiscal sector, Greece achieved a primary surplus of 1.1% of GDP in 2023, surpassing the initial estimate of 0.7% for 2023, compared to 0.1% in 2022, with the main factor being the rational management of parameters positively affecting its course.

A significant event for the Greek economy in 2023 was the upgrade of the country's credit rating, which returned to investment grade after 13 years. During the second half of the year, credit rating agencies S&P (BBB-), Fitch (BBB-), DBRS (BBB low) and Scope (BBB-) upgraded the credit rating of the Greek government in the investment category. As a result of this upgrade, the yields on Greek government bonds have reduced borrowing costs compared to other Eurozone countries and at the same time, investment activity has increased due to lower interest rates.

The Greek economy is expected to maintain a growth rate higher than the European average in the coming years with the latest estimates from the Bank of Greece targeting a GDP increase of 2.3% for

2024 and 2.5% for 2025 (compared to 0.8%-1.5% for the Eurozone according to the ECB). The main drivers of the economy in the coming years are expected to continue to be investments, exports and private consumption.

Investments in the coming years are expected to increase significantly due to the fact that Greece is among the leaders in the EU in terms of absorbing funds from the Recovery and Resilience Mechanism, which provides a significant fiscal stimulus to the economy, having received 41% of the available funds (€15 billion, of which €7.7 billion in grants and €7.3 billion in low-interest loans) after completing the agreed goals/milestones of its program. Finally, it should be notes that, after the final revision of the national recovery and resilience plan, new investment projects have been incorporated to absorb additional resources from the European Repower EU program, totaling €5.8 billion. As a result, the total available resources have increased to €36 billion, of which €18.2 billion are for grants and €17.7 billion for loans.

It should be noted that the moderation of inflation in food items has not directly followed the general inflation index, exerting significant pressure on households' disposable income. However, all indications suggest that this particular inflation will also trend downwards, allowing for greater disposable income to be available for increased consumption.

The European Central Bank, in its effort to further reduce inflation, continues to implement measures to restrict liquidity, maintaining elevated interest rates, resulting in an increase in financial costs. Current indications from the ECB suggest that within 2024, it will make the first reduction in interest rates, without ruling out additional reductions, as long as the level of inflation continues to moderate. The anticipated decision by the ECB will have a direct impact on the growth rates of eurozone economies.

The potential deterioration of international trade conditions due to the ongoing hostilities in Ukraine, as well as a possible escalation of geopolitical tensions in the Middle East and the Red Sea, through which a significant portion of global trade flows, could slow growth and strengthen GDP of the Greek economy.

Despite the uncertainties due to structural weaknesses in the Greek economy (high public debt, high current account deficit), adverse geopolitical developments and the existence of extreme natural phenomena, the prospects for the Greek economy remain positive in the medium term due to the important projects that are implemented with a leading role: a) increased investments for i) the construction or improvement of infrastructure, ii)the production clean electricity through renewable energy sources (RES), iii) the increase of energy storage capacities and iv) the development of upgraded tourist accommodations, enabling Greece to capitalize on its comparative advantages over other countries (geographical location, climatic conditions, high level of worker education), b) the increase in exports supported by the strong impact of tourism, c) the reduction in energy prices and d) the increase in consumption resulting from higher wages and pensions.

In this changing economic and geopolitical environment, the GEK TERNA Group, one of the most significant Greek business groups and a leader in infrastructure and construction, clean energy, electricity generation and trading and concessions, is seamlessly implementing and expanding its investment program for "green development." This focus is primarily on Renewable Energy Sources, Concessions and Self-Financed projects as its capital structure remains strong and it continues to maintain a selective presence in countries outside Greece.

**Developments in the energy sector during the year 2023**

From the beginning of the year and the partial de-escalation of geopolitical pressures, the energy market has entered a phase of normalization with many parameters, however, remaining volatile, affecting visibility in the medium term. This, combined with lower demand due to high prices and milder temperatures during the winter season, led to a continued decline in energy prices observed at the end of 2022 and their further reduction throughout 2023. For instance, natural gas prices (TTF) dropped from an average of €133.7/MWh in 2022 to €44.3/MWh in 2023. Similarly, electricity prices in the wholesale market averaged €132.2/MWh for the year, compared to €306.6/MWh in 2022. Electricity demand in 2023 decreased by 2.3% on an annual basis, primarily influenced by the unusually high temperatures during the first months of the year (compared to particularly low temperatures during the same months in 2022) and by consumption reduction measures implemented by households and businesses. Notably, demand increased by 4.0% in the second half of the year. Reduced demand, combined with increased production from renewable energy sources (RES), led to a decline in production from thermal power plants in the interconnected system (19.2% decrease in lignite production, 18.5% decrease in natural gas production), while hydroelectric production increased marginally by 1.1%. Production from RES increased by 8.8% due to the rise in installed capacity, and net imports also increased, covering 9.9% of total demand (compared to 6.8% in 2022). Overall, RES covered 43.2% of demand (a historic high) compared to 38.8% for the same period in 2022. It is noteworthy that, including production from large hydroelectric plants, the total green energy production in the country covered 51.3% of demand in 2023 (compared to 46.7% in 2022).

In the field of RES and more specifically in the field of Photovoltaic systems based on the latest data for the whole country (HELAPCO-FEB 2024) 2023 was a record year with the addition of 1,574 MW of new photovoltaics being connected to the system compared to the end of 2022 (versus 1,397 MW additions for 2022), bringing the interconnected capacity to around 7,087 MW at the end of 2023. It is worth noting, however, that only 40.2% of the new installations were for projects above 1.0 MW. According to market estimates, a similar number of new PV plants as in 2023 are expected to be connected in 2024.

**Production, Supply of Electricity and Natural Gas**

In the Electricity Generation Sector, the Company managed to ensure the uninterrupted, competitive and flexible supply of its production stations, successfully facing the challenges arising from the volatility of international natural gas prices, the increased liquidity needs to ensure the supply, especially during the import of liquefied natural gas loads, but also the constantly changing competitiveness of the stations production costs, mainly in relation to the electricity clearing prices of the neighboring countries.

The total participation of the two energy production units of the Company, with a total capacity of 588 MW, was formed during the year 2023 at 11.3% of the production from natural gas units in Greece, constituting a strong pillar of ensuring the energy sufficiency of our country. The Company's production comes from the operation of the combined cycle unit of the HERON II plant and from the HERON I open cycle unit, which produced a total of 1,754 GWh during the 2023 fiscal year.

In the Electricity Supply Sector to final consumers, the gradual normalization of energy prices helped to stabilize the market. The Company managed to increase its market share to 10.70%, achieving its goal of establishing itself in the first positions of independent suppliers in terms of share, by 2023.

It should be noted that the risk of large sales contracts with a time horizon of more than one month is ensured through forward contracts for the purchase and sale of electricity and natural gas, so as to minimize the risk of changes in the purchase and sale of electricity. The existing experience in handling the trading of electricity and natural gas ensures the Company for the positive prospects of the operational sector of Electricity Production from Thermal Energy Sources and Energy Sales.

In the Natural Gas Supply Sector in terms of total sales of natural gas to industrial, commercial and residential customers, the Company maintained the share it held in the previous year. The Company for the year 2023 holds a market share of 10.20% achieving its goal of establishing itself in the first positions of independent suppliers in terms of share, by 2023.

The main financial data from continuing operations for 2023 based on International Financial Reporting Standards compared to the corresponding financial data for 2022 are as follows:

The Turnover from ongoing activities is €1,547,396 thousand compared to €2,294,901 thousand in the corresponding fiscal year 2022, marking a decrease of €747,505 thousand, i.e. a decrease of 33% compared to the previous fiscal year, mainly due to (a) the de-escalation of electricity prices following a reduction in Natural Gas prices in Europe and (b) the decrease in demand for electricity during the year 2023 due to milder weather conditions, but also from measures to limit consumption by households and businesses.

Earnings before interest, taxes, financing, investment results and depreciation (EBITDA) amounted to € 110,642 thousand in 2023 compared to € 105,416 thousand in the corresponding year of 2022.

Profits before taxes from continuing activities amounted to €107,207 thousand for 2023 compared to €91,768 thousand in the corresponding year of 2022.

Profits after taxes from continuing operations amounted to €82,620 thousand for 2023 compared to €65,152 thousand in the corresponding year of 2022.

The Total Assets of the Company on 31.12.2023 amounts to €705,646 thousand compared to €634,921 thousand on 31.12.2022.

The Company's Liabilities on 31.12.2023 amounted to €395,233 thousand compared to €537,446 thousand on 31.12.2022.

The investment costs for the fiscal year 2023 amounted to €2,241 thousand compared to €1,501 thousand in the corresponding fiscal year of 2022.

The Cash Available of the Company amounted to €60,958 thousand for 2023 and has been placed in bank deposits, compared to €102,661 thousand in the corresponding year of 2022.

HERON ENERGY SA is one of the three major private Electricity Producers and has the same structure as other players in the Energy Market. More specifically, the Company owns an Open Cycle Gas Turbine (OCGT) power plant. It has a Generation License for a nominal capacity of 147 MW and it is located 4 Km south of Thebes, in the Prefecture of Viotia. The plant has a substantial advantage for the Greek Interconnected Transmission System: immediate combustion and maximum capacity performance within only 20 minutes.

Also, the Company has CCPP (Combined Cycle Gas Turbine Power Plant). The nominal capacity, on the preparation date of the present financial statements, had settled at approximately 441 MW, while the Company's Commercial Activity Effective Date was August 4, 2010. The Company's Power Plant is based on one axis and specifically one air turbine and one steam turbine. The Plant operates exclusively on natural gas. The efficiency rate, compared to the average performance of natural gas/combustion plants operating in Greece, has placed to Company in a leading position regarding the classification of the selected technology. The high efficiency rate of the Power Plant also leads to reduced fuel consumption, thus to lower gas ($CO2$) emissions, a fact which renders HERON II as the most environment-friendly electricity generation producer after the RES (Renewable Energy Sources) operators.

The efficiency of the plant with the use of natural gas is high and amounts to 40% for the HERON I unit which is open cycle and 57% for HERON II which is closed cycle, in full load operation conditions. The actual average annual efficiency rate, taking into account the start-up and stop cycles, as well as the operation of units in partial load, reaches 38% for the HERON I unit and 53% for the HERON II unit.

The Company owns 5 land parcels in the area CHARAINTINI OF THEBES in which the electricity power plant is located.

## (B) Significant Events in the period 01.01 – 31.12.2023

In Fiscal Year 2023, the implementation of the extraordinary measures taken by the State in Fiscal Year 2022 to address the energy crisis continued. These measures are summarized below:

- The application of the "Temporary Mechanism of Return Part of Revenue from Day-Ahead Market" was maintained, which essentially imposed a "cap" on the revenues of electricity producers from energy markets (Day-Ahead Market and Intraday Market).
- The imposition of the special levy for each thermal megawatt-hour consumed by natural gas-fired power plants was maintained, with its calculation method adjusted in May 2023 to take into account the TTF index.
- The suspension of the submission of Balancing Energy Offers with negative prices by Balancing Service Providers was maintained.
- The application of the monthly announcement of electricity tariffs by Suppliers by the twentieth (20th) day of the month preceding the consumption was maintained.
- State subsidies from the Energy Transition Fund (ETF) to consumers were maintained.
- The application of the "Temporary Mechanism for the Return of Part of the Revenue of Electricity Suppliers" was maintained.
- The increased obligation to maintain a safety stock in the oil tanks of gas-fired power plants that can operate with DIESEL as an alternative fuel was maintained.

However, aside from maintaining emergency measures to address the energy crisis, it is notable that during Fiscal Year 2023, significant issues were not effectively addressed in the legislative and regulatory framework. This had a negative impact on (a) the uncertainties of the electricity supply activity, (b) the promotion of healthy competition in the retail market and (c) the balancing of the dominant company's position. Indicatively, the cumulative failure to establish effective provisions (a) to address energy tourism, (b) to prevent strategic defaulters from transitioning to the Universal Service with the consequent increase in its Customers, (c) to reduce non-technical losses in the Network and (d) to reduce the deficit of the Special Account for the Services of General Interest, which led to an increase in both the cost and risk of the final consumers' supply activity. At the same time, for the Fiscal Year 2023, the energy market continued to lack the power compensation mechanism for generation units, which will ensure the adequacy of resources for the safe operation of the Transmission System on the one hand and contribute to the efficient operation of the markets on the other.

Obviously, during Fiscal Year 2023, decisions were also made that improved the functioning of the energy market, such as the incorporation of the European Directive on self-consumption into our national framework, the provision of the possibility of operating direct lines and the conduct of tenders for the granting of investment and operational support to Electricity Storage Stations in order to expedite their integration into the markets.

### (i) ***Merger by absorption of the company HERON II VIOTIA S.A. by HERON ENERGY S.A. according to the provisions of laws 4601/2019, 4548/2018, and 2166/1993 and the act with protocol number 8996/11-12-2023 of the Notary Public of Athens Spyridon Konstantinos Vennis.***

On 21.12.2023, with the announcement of the decision of the GCR under number 3174416, the merger process was completed by the method of absorption of HERON II VIOTIAS S.A. by HERON ENERGY S.A

***HISTORY OF THE MERGER***

***The companies HERON II THERMOELECTRIC STATION VIOTIA S.A. ("the Absorbed Company") and HERON ENERGY SERVICES S.A. ("the Absorbing Company")*** mutually agreed and accepted the following: Initially, the Boards of Directors of the aforementioned companies, both Absorbing and Absorbed, by their resolutions dated 29.06.2023, approved the commencement of the merger process through the absorption of the Absorbed company under the name "HERON II THERMOELECTRIC STATION VIOTIA S.A." by the Absorbing company under the name "HERON ENERGY SERVICES SINGLE MEMBER S.A.", in accordance with the provisions of Laws 4601/2019, 4548/2018, and 2166/1993, as well as the preparation of the Draft Merger Agreement by absorption of "HERON II VIOTIA S.A."

By the same aforementioned decision of its Board of Directors, the Absorbed company set the transformation balance sheet date as June 30, 2023 and assigned to Certified Public Accountants of the auditing firm "MAZARS Certified Public Accountants Business Consultants S.A." (SOEL Reg. No.: 17) to ascertain the accounting value of the assets on its Transformation Balance Sheet, with the purpose of its absorption by the company under the name "HERON ENERGY SERVICES SINGLE MEMBER S.A." and the distinctive title "HERON ENERGY S.A.", in accordance with the provisions of Article 3 of Law 2166/1993. Furthermore, with the same decision of its Board of Directors, the Absorbed Company has assigned to Certified Public Accountants of the auditing firm "PKF Euroauditing S.A. Certified Public Accountants" (SOEL Reg. No.: 132) to examine the Draft Merger Agreement and to prepare a report on the fairness and reasonableness of the exchange ratio, in accordance with Article 10 of Law 4601/2019.

Subsequently, with the Minutes of the Boards of Directors dated 26.10.2023, the Boards of Directors, on the first item of the agenda, unanimously: a) approved the preliminary actions that had been taken until then for the merger by absorption, b) decided on the merger by absorption of the Absorbed company under the name "HERON II THERMOELECTRIC STATION VIOTIA S.A." and the distinctive title "HERON II VIOTIA S.A." by the Absorbing company under the name " HERON ENERGY SERVICES SINGLE MEMBER S.A." and the distinctive title "HERON ENERGY S.A." and c) approved the draft merger agreement as proposed in ANNEX I of the Minutes dated 26.10.2023 of the company under the name "HERON II THERMOELECTRIC STATION VIOTIA S.A." and in ANNEX II of the Minutes dated 26.10.2023 of the Absorbed company under the name "HERON II THERMOELECTRIC STATION VIOTIA S.A."

Following the decision taken with the minutes dated 26.10.2023 by the Boards of Directors of the merging companies to draft the merger agreement plans for the absorption of the second company by the first, in accordance with the provisions of Articles 7-21 of Law 4601/2019, Law 4548/2018, as well as the beneficial tax provisions of Articles 1-5 of Law 2166/1993 and the appointment of the representatives of the companies who would sign the relevant draft merger agreement for each of the merging companies, the draft merger agreement by absorption of 27.10.2023, with common elements, terms, agreements, conditions and results of the merger, was drawn up, signed and submitted to the publicity formalities provided for by the provisions of Article 13 of Law 4548/2018 and in conjunction with Article 26 of Law 4919/2022, were published and registered in the GCR, for the Absorbing Company on 31.10.2023 with registration code 3840880 and for the Absorbed Company on 31.10.2023 with registration code 3840795.

As a result of the above, on 21.12.2023, the GCR announced its decision with the protocol number 3174416, approving the completion of the merger process by the method of absorption.

**(ii)** ***Litigation with the Independent Power Transmission Operator (IPTO)***

The Company had filed on 23/11/2016 a lawsuit against Independent Power Transmission Operator S.A. (hereinafter "IPTO") at the Multimember Court of First Instance of Athens (hereinafter "MMCFI Athens"), requesting the payment of unpaid or late payment invoices (as per principal amount) as well as default interest of the above-mentioned invoices, which IPTO owed to the Company on the basis of IPTO obligations arising from Code of Management of the Power Transmission System (System Management Code of SMC). These invoices were issued from October 2011 to May 2015.

The amounts claimed had as follows: €7,851,652.64 for principal and €1,634,691.37 (if the SMC applies) or €1,826,483 (where the Civil Code applies) or 1,647,888 (if the provisions of commercial transactions apply) for default interest and €1,215,461 as compensation for material damage incurred to the Company according to the lawsuit.

The decision No 1121/2018 of the MMCFI which was issued on 23/3/2018 and presented to the Company on 29/5/2018 dismissed the Company's lawsuit.

The Company filed on 28/6/2018 the Appeal against the above-mentioned Decision.

The Company's appeal was heard on 10/10/2019. The Decision 2799/2020 of the Athens Court dismissed the Company's Appeal.

On 30.07.2020 the Company filed an appeal against IPTO before the Supreme Court as well as against the decision No. 2799/2020 of the Three-Member Court of Appeal of Athens.

Pursuant to the above Judgement No 2799/2020, the Company's appeal for the elimination of the Judgement No 1121/2018 was dismissed.

The above Appeal of the Company was heard on 21.02.2022 before the A1 Department of the Supreme Court and the Decision No. 1589/2022 of the Supreme Court was issued with a ruling "Rejected", which, however, has not yet been notified to the Company.

**(iii)** ***Lawsuit of HERON against HEDNO (Multimember Court of First Instance of Athens)***

On 9.06.2020, the Company filed a lawsuit in front of the MMCFI Athens against the company Hellenic Electricity Distribution Network Operator (hereinafter "HEDNO") with the following claims:

i. To acknowledge that HEDNO has systematically made illegal surcharges in the calculation of settlements in the Manual of Management of the Measurement and Periodic Settlement, that these surcharges are due to the fault of the defendant and, consequently, that the systematic calculation of energy losses at lower levels than the actual ones is illegal and culpable.
ii. To acknowledge that HEDNO incurred illegal and culpable damage during the period March 2017 – January 2018, which amounts to €2,366,585.92 and to be obliged to pay the said amount to the Company.

HEDNO proceeded at the invitation of the Regulatory Authority for Energy, Waste & Water (RAAEY), formerly known as RAE and IPTO.

On 19.10.2020, the parties filed their pleadings and on 3.11.2020 the Addendum to the Pleadings. In the said Addendum, the Company reformed its request to €1,362,751.03 and in any case, not less than €850,892.49.

In this case, a non-final decision of the MMCFI of Athens was issued (No. 2509/2022), which declared the discussion of the case inadmissible due to a violation of Article 3 § 2 of Law 4640/2019, i.e. due to the failure to submit the information form, regarding the obligation of the attorney to inform his client in writing about the possibility of mediation of the dispute before the appeal to the court, i.e. before the filing of the lawsuit.

The Company reinstated this case by filing an appeal for reinstatement of discussion with case numbers GAK 103044/2022 and EAK 1265/2022. The same request was discussed on February 1, 2024, and a decision is awaited.

### (iv) ***Significant events after the end of the year 01.01-31.12.2023***

From January 1, 2024 until the date of approval of the attached financial statements, the following significant events have occurred:

The Company is in discussions regarding the decision to Sell the Open Cycle Gas Turbine (OCGT) power plant with a nominal capacity of 147 MW, together with its components and annexes and the conclusion of a Private Sale and Transfer Agreement between the Company and the societe anonyme company named "TERNA TOURIST TECHNICAL AND MARITIME SOCIETE ANONYME" with the distinctive title "TERNA S.A.".

Apart from the above, no other significant events have occurred up to the date of this report.

### (v) ***Risk factors and Uncertainties***

The Company's activities is exposed to various risks and uncertainties, as the recurrence of macroeconomic uncertainty, the market risk, credit risk and liquidity risk, wind and weather conditions, the uncertainty of the results in relation to the effect of extraordinary natural events, which may have prolonged and unpredictable duration.

### 1. Financial Risks

The Company's activities expose it to various financial risks, such as market risk (including foreign exchange risk, interest rate risk and price volatility risk), credit risk and liquidity risk.

To address financial risks and limit their negative impact on the Company's financial results, the Company has a management program that aims to limit the negative effects on its financial results that may arise from the inability to forecast financial markets and fluctuations in cost and sales variables that affect financial results.

The financial products used by the Company mostly comprise bank deposits, long-term in principal and secondarily short-term loans, derivatives for hedging interest rate risk, trade debtors and creditors, other accounts receivable and payable. The impact of major risks and uncertainties to which the Company's activities are exposed is analyzed down below.

#### Credit risk

Credit risk entails the possibility that a counterparty will cause financial loss to the Company due to the breach of the counterparty’s contractual obligations.

The Company continuously monitors its receivables, either separately or per group and encompasses all the arising information into the credit audit. When deemed necessary, external reports or analyses related to effective or potential clients are used.

The Company is not exposed to significant credit risk arising from trade receivables for its activities, except in the trading of electricity. This is attributed, on the one hand, to the Company’s policy, which is focused on cooperation with reliable clients and, on the other hand, to the nature of the Company’s operations.

In particular, total receivables, whether related to the narrow or the broader public sector, or private sector clients with significant financial position in Greece and abroad, are under special monitoring and the Management constantly assesses the reliability of its customers, their financial sizes regardless of whether they are a broader public or private entity, for potential implications, in order to take the necessary measures to minimize any adverse effects for the Company.

The Company is exposed to credit risk from end consumers from the sale of electricity and natural gas. Controls to ensure the collectability of receivables are continuously monitored. Where required, adequate reserves are created through provisions to minimize potential adverse effects. In addition to the aforementioned measures, to further ensure collectability, monthly "advance" bills are issued for the estimated consumption per month, so that when the settlement bill is issued in the fourth month of consumption, there is no large balance to be settled. It should be noted that, at the beginning of the cooperation with customers, they are required to pay an amount equal to the indicative consumption cost for one month as a guarantee.

The credit risk regarding cash and cash available and other receivables is considered limited, given that the counterparties are reliable Banks with high quality capital structure, the Greek State or companies of the broader public sector and strong Groups of companies.

The Management assumes that all the financial assets, with the exception of those for which necessary impairment is calculated, are of high credit quality.

**Liquidity risk**

Liquidity risk entails the risk that the Company will be in no position to meet their financial obligations when required. The Company maintains its liquidity risk at a low level.

In particular, the Company's liquidity is considered satisfactory, as apart from the existing cash reserves, the cash flows generated from the production and sale of electricity are continuous.

The Company manages its liquidity needs by carefully monitoring the financial liabilities as well as the payments made daily. Liquidity needs are monitored in various time zones, on a daily and weekly basis, as well as in a rolling period of 30 days. Liquidity needs for the next 6 months and the following year are determined on a monthly basis.

***Market risks analysis***

**Foreign exchange risk**

Foreign exchange risk arises when the fair value or future cash flows of a financial instrument are subject to fluctuations due to changes in exchange rates. This type of risk may arise, for the Company, from foreign exchange differences at the valuation and conversion into the Company's currency (Euro) of financial assets, mainly financial receivables, and financial liabilities, related to transactions that are carried out in a currency other than the operating currency of the Company's entities. The transactions mainly concern purchases of fixed assets and inventories, commercial sales, investments in financial assets, loans, as well as net investments in foreign operations.

The Company operates mainly in Greece and is therefore not exposed to a high foreign exchange risk that may arise from Euro exchange rate with other currencies. To manage this risk category, the Company's Financial Management Department uses the financial instruments and offset the Company's exposure to foreign exchange risk on the basis of specific policies, whenever it is necessary.

Regarding the Company's transactions with foreign companies, these are usually carried out with European Groups, where the settlement currency is the euro. To reduce this risk, the Company utilizes the locally produced cash available in local currency to pay the expenses incurred, minimizing the creation of foreign exchange risk.

**Interest rate risk**

Interest rate risk is the probability that the fair value of a financial instrument's future cash flows will fluctuate due to changes in market interest rates.

The Company's short-term borrowing is in Euro with a floating interest rate linked to the euribor. Short-term loans are taken primarily as working capital. The Company's policy is the conversion of these loans into a long-term loans with fixed spread linked to euribor and where necessary given the repayment schedule, and with the aim of applying approved interest rate risk management policies through Interest Rate Swaps.

**Market risk analysis**

During its activity in the Market, the Company supplies all categories of customers with Electricity. Customers are divided into two major categories, B2C customers and B2B customers. The first category concerns customers of Low Voltage (Household consumers, small and medium-sized companies), who receive a standardized offer for programs that are already posted on the Company's site, while the second concerns customers of all Voltages [Low (store chains), Medium, High], who receive a specialized financial offer, which is based on the analysis of the energy characteristics of the specific facilities.

With regard to the tariffs offered and the charges in the competitive part thereof, based on the decisions taken at the level of the regulatory framework, in 2023 the exceptional measures adopted as of 1 August 2022 to mitigate the economic consequences of the energy crisis will continue, as described in article 138 of Law 4951/2022 (Government Gazette A' 129/04.07.2022): "Establishment of extraordinary transitional arrangements in the supply of electricity to mitigate the economic consequences of the energy crisis".

Specifically, for customers belonging to the B2C category (Household consumers, small and medium-sized companies), the Company owes, based on the extraordinary measures as described in article 138 of the law. 4951/2022 (Government Gazette A' 129/04.07.2022), regarding the "Establishment of extraordinary transitional arrangements in the supply of electricity to mitigate the economic consequences of the energy crisis" to post by the twentieth (20th) day of the previous month " M-1" before the month of implementation of "M", the Electricity Supply Charges & Fixed Charge of its commercial plans. In order for the Company to protect itself against the risk of an unforeseeable surge in the prices of the following month "M", since the prices are posted until the 20th of the previous month "M-1" for the month "M" it has switched to hedging of the B2C clientele, so that it is essentially indifferent to risk.

With reference to B2B customers, in article 138 of Law 4951/2022 (Government Gazette A' 129/04.07.2022), regarding the "Establishment of extraordinary transitional arrangements in the supply of electricity to mitigate the economic consequences of the energy crisis" it is stated that types of variable supply tariffs, whose billing terms are adjusted to the consumption characteristics of the customer's installation and to services agreed after negotiation between the customer and the supplier, in accordance with the Code for the Supply of Electricity to Customers, are still offered by the suppliers. Therefore, B2B customers, unlike B2C customers, have the option of either continuing to be billed based on a formula, as before the implementation of the extraordinary measures, effective from 1 August 2022, or receiving on a monthly basis, in the month of "M-1", as well as B2C customers update on the charges of the month "M". All of the Company's B2B customers have chosen to continue to be billed through a formula, which captures the individual costs borne by the Supplier during its activity in the Electricity Market plus a reasonable profit margin, as this option does not incorporate any risk for the

Supplier, which it would be translated to the Customer in increased charges for its compensation. Therefore, not even in the B2B customer category does the company present any risk.

In addition, the Company supplies natural gas to all categories of customers, industrial (B2B), commercial (B2C), and residential (B2C). For industrial (B2B) natural gas customers, the Company offers both variable and fixed price tariffs. Variable price tariffs are based on the Company's natural gas supply costs plus a reasonable profit margin, thus mitigating any risk from natural gas price fluctuations. Fixed price tariffs are covered by appropriate hedging activities conducted by the Company and are offered following an agreement with the end B2B customer. Consequently, there is no risk from price fluctuations in this tariff category either. For commercial and residential customers, the Company offers variable tariffs based on the monthly variable price of natural gas supplied by the Company plus a reasonable profit margin. Therefore, in this tariff category as well, the Company is not exposed to any risk from natural gas price fluctuations.

**Operational risks**

The main risks associated with the development of the Company's business activities could be related to material damage, business interruption, human resources and loss arising from systems or external events. In order to protect itself against operational risks, the Company has entered into agreements with reputed insurance companies for Material Damage Insurance, Suspension of Business Activity and Civil Liability Insurance.

## 2. Risks from the current economic conditions prevailing in Greece, but also in the global economy

The report on the Greek economy for the year 2023 was positive, since the achieved GDP growth rate settled at 2% following another positive growth in 2022 (5.9%) and according to estimates of the Bank of Greece GDP growth is expected to settle at 2.3% in 2024 and at 2.5% in 2025.

To date, with the existing expectations for continuation of the energy crisis, given the duration and intensity of hostilities in Ukraine, no potential favorable outcome appears to be in sight for the near future. Therefore, the lower supply of natural gas from Russia to the countries of the European Union and, to a significant extent, the substitution of natural gas by liquefied natural gas (LNG), will continue to affect the prices of the generated electricity, and the prices of all products affected by the use of electricity. This is the case despite the efforts that have already been made by government authorities to normalize prices and minimize these problems.

As a result of the above, inflation, based on the harmonized Consumer Price Index, settled at 4.2% in 2023, in relation to 9.6% in 2022, due to the upward trend in energy needs as well as due to price increases in food items.

The estimated inflation based on the harmonized Consumer Price Index for the period in the Eurozone for the period 2024-2025, is expected to settle at 2.3% and 2% respectively, mainly due to the anticipated decline in energy prices and also due to the negative effect on the comparison basis.

The European Central Bank's efforts to control inflationary pressures with consecutive interest rate hikes, which in September 2023 set the interest rate level at 4% to reduce increased demand, which is seen as the cause of inflationary pressures, have not has yet produced the desired results in reducing the inflation rate. On the contrary, however, the increase in financial costs results in a significant reduction in the growth of certain European countries.

The additional causes of uncertainty regarding the course of economic activity in Greece for the coming years that could work negatively or positively in terms of the achievement of development goals are listed below:

- Failure to enhance competitiveness, so that the economy becomes export-oriented and addresses the current account deficit.
- The delay in reducing the public debt ratio.
- The maintenance of high lending rates, which caused borrowers problems of not being able to repay the installments of the mortgage loans for the first residence and the agricultural land.
- The continued increase in the prices of consumer goods, which reduces the real disposable income and household purchasing power and deprives the ability to create savings for future investment.
- The weakening of disposable income of citizens, mainly in the European Union, will result in a reduction of revenues from tourism.
- The lack of acceleration towards the structural reforms and the government's inability for the timely disbursement of European funds and any obstacles in the implementation of the investment plans.
- The continuing delay in the administration of justice.
- The inability of certain sections of the Public Administration to overcome the bureaucracy for solving significant problems that require immediate actions and long-term planning (e.g. natural disasters, fires, climate change).

Despite the new conditions created by the geopolitical changes of the ongoing energy crisis and inflationary pressures and given that the Company has no activity in Russia, Ukraine, Belarus and the Middle East, the outlook for the Company remains positive in the medium and long term due to the following factors: a) The upgrading of the investment grade regarding the creditworthiness of the Greek economy, which entails more inflows of investment capital with favorable lending terms required for investments, b) Investments with long-term yields in the form of Concessions and PPPs, c) Significant signed and pending construction contracts for execution, d) The increase in the share of electricity generated in the Greek economy using natural gas as fuel, as well as the market share in electricity trading, e) the increase of investments for the production of clean energy through RES and f) the increase in energy storage capacity.

## 3. Risks related to the impact of pandemic (COVID-19)

The experience gained in protecting the population from virus transmission, the mass vaccination programs initiated since 2021 and the provision of new medicines to the patients have reduced the severity of the risk as well as the percentage of cases, resulting that a possible appearance of a new virus within the same category is no longer considered a significant threat.

## 4. Other risks and uncertainties

**Consequences of the war in Ukraine**

The ongoing and escalating hostilities between Ukraine and Russia with the indirect involvement of the European Union and the USA through the provision of support to the Ukrainian side resulted in the removal of the possibility of a ceasefire between the warring sides.

The adoption of restrictive measures by the European Union and the USA regarding the movement of funds of Russian origin, as well as additional restrictive measures in the same direction (asset freezes, convictions, etc.), as well as bans on the sale of Russian products in the European Union and other countries, have resulted taking countermeasures by Russia against the European Union, including a reduction in the quantities of natural gas sold.

It should be noted that the embargo against Russia did not provide the expected solution, resulting in the continuation of the war two years after its inception, with no estimation for an immediate resolution of the issues. At the same time, the generated electricity continues to be very expensive for the end consumer, fueling the existing inflation, in which the price of energy is one of the main factors in the cost of producing products.

Specifically, in the Construction operating segment there is an effect on construction costs from the geopolitical developments in Ukraine but given that in a large part of mainly important contracts, there is provision for price adjustments, the final effect on the Company is not expected to be significant. At the same time, for all the new projects in which we are the bidder or will participate in the tenders for their undertaking, the increased costs are included in the bid budgets.

In the operational segment of Electric Energy Production from Thermal Energy Sources, due to the nature of the activity and given that the selling price follows the purchase cost, typically there was no problem of substantial influence of the consequences of geopolitical developments.

The Company does not have direct operations in Russia, Ukraine and Belarus, however it constantly assesses the geopolitical risks it is exposed to, having formulated specific policies and procedures, so as to mitigate the risk to the extent possible.

**<u>Uncertainty due to hostilities in the Middle East</u>**

After the unprovoked attack by the Palestinian Islamist movement Hamas on October 7, 2023, in Israel, a counterattack by the Israeli army on the Gaza Strip was triggered, resulting in the loss of thousands of lives causing a humanitarian catastrophe for Gaza residents. In these hostilities, neighboring countries Lebanon and Yemen have also participated with the support of Iran, with the result that, among other things, problems have been created navigation and consequently in the transportation of goods. A possible direct involvement in the hostilities by Iran could further exacerbate the overall problems in the region and by extension in the global economy, indirectly affecting the Greek economy as well.

Despite this, the Company's prospects remain positive and not directly dependent on hostilities in the Middle East. However, due to the dynamics of hostilities, new risks may potentially arise. The Company's management, taking into account the existing uncertainty in the broader economic climate, seeks to assess any indirect consequences on the Company in a timely manner, in order to take necessary measures to minimize the consequences.

**<u>Cyber Security Risk</u>**

Potential violations in the security of networks, information and operating systems threaten the integrity of the Group's data, sensitive information, as well as the smooth operation of its business activities. Such a breach could adversely affect the Group's reputation and competitive position. Also, a possible occurrence of damages, release of fines or loss of business (including restoration costs) could have a significant negative impact on our financial position and operating results. In addition, managing cybersecurity breaches may require a significant investment of time by the management.

In order to avoid the Cyber Security risks, GEK TERNA Group has established and implements Cyber Security Policies and Procedures, with which all the executives and the external collaborators of the Group must comply. In cases where it is deemed necessary, the IT Department provides additional instructions and guidance.

(Amounts in Euro thousand, unless stated otherwise)

The Group is in continuous cooperation with companies providing specialized Cybersecurity services as well as with experienced consultants in the field, in order to provide full technical and organizational coverage in terms of Cybersecurity.

### (vi) *Others Operational Indicators*

**Net Debt / (Surplus)**

It is a ratio, through which the Management of the Company assesses the cash position of an operating segment at any given time. The ratio is defined as the total liabilities from loans and finance leases less cash and cash equivalents. From the respective ratio if restricted deposits are subtracted and the grants to be returned are added, the "Net Debt/ (Surplus) after restricted deposits and grants to be returned" is concluded.

The ratio is recorded as follows for 2023 and 2022:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Long-term loans (Note 20) | 0 | 182,500 |
| Liabilities from bank leases | 0 | 0 |
| Short-term loans (Note 20) | 69,127 | 62,717 |
| Long-term loan liabilities payable within the next fiscal year | 0 | 1,618 |
| **Total Loan Liabilities** | **69,127** | **246,835** |
| Less: Cash and cash equivalent (Note 14) | (60,958) | (102,661) |
| **Net Debt / (Surplus)** | **8,169** | **144,174** |
| Less: Restricted bank deposit accounts | 0 | 0 |
| Plus: Approved and collected grants to be returned | 0 | 0 |
| **Net Debt/(Surplus) with restricted deposits and grants to be returned** | **8,169** | **144,174** |

**EBITDA (Earnings Before Interest, Taxes Depreciation & Amortization)**

It is a ratio based on which Company's Management assesses the operational performance of an operating segment. The "EBITDA" ratio is defined as Earnings Before interest and Taxes "EBIT", plus depreciation of fixed assets and amortization, less the fixed assets grants, as presented in the accompanying financial statements.

EBITDA amounted to €110,642 thousand in 2023 and to €105,416 thousand in 2022 and is calculated as follows:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Gross profit | 130,236 | 150,687 |
| Administrative and selling expenses | (27,016) | (21,857) |
| Research and development expenses | 0 | 0 |
| Other income/(expenses) determining EBIT | (11,077) | (27,810) |
| **Earnings before interest and taxes (EBIT)** | **92,143** | **101,020** |
| Net depreciation for the year | 18,499 | 4,397 |

(Amounts in Euro thousand, unless stated otherwise)

| | | |
|---|---|---|
| **EBITDA** | **110,642** | **105,416** |

**(vii) *Non-Financial Data Report 2023***

**1. Introduction**

The current non-Financial report covers the fiscal year ended on the 31st of December 2023. Having taken into account the provisions of section 7 "Report (Statement) of Non-Financial Information" of the circular 62784/2017 of the Ministry of Economy and Development, in accordance with the provisions of the Law 4548/2018 (articles 151 and 154), the report contains information on all GEK TERNA Group’s activities with respect to the following areas:

• Supply chain issues

• Anti-corruption and anti-bribery

• Respect for human rights

• Labour issues

• Social issues

• Environmental issues

The statement presents relevant information on the required disclosures of Article 8 of the Taxonomy Regulation, as specified in Article 10 of the Delegated Regulation (EU) 2021/2178. The content of the report has been prepared taking into account the Global Reporting Initiative (GRI) international standards, the standards introduced by the Sustainability Accounting Standards Board (SASB) and the Athens Stock Exchange ESG Reporting Guide (ATHEX), with the aim of describing how the Group's most material impacts and the related risks identified are managed, taking into account how these risks are managed through Due Diligence Policies to identify, prevent and mitigate existing and potential adverse impacts.

The structure of this report is as follows:

• The Group's approach to Sustainable Development

• Corporate Governance and the Group's Basic Operating Principles

• Environmental issues

• Sustainable Supply Chain

• Social and labour issues

• Taxonomy Report

**Identification of financial/non-financial risks and management**

The risk management policy followed by the Group aims to limit the effects that may negatively affect its business activity, its financial performance, as well as the achievement of its strategic goals. The main sources of associated risks consist of the difficulty in predicting the performance of financial markets, the cost variations and sales trends, as well as the ambiguity linked to the prediction of meteorological data.

Regarding the financial risks for the Group, the most important factors are related to the persistence of macroeconomic uncertainty, market risks (fluctuations in exchange rates, interest rates, market prices, etc.), credit risk, and the risk liquidity. Regarding non-financial risks, these are categorized into risks related to Governance, Environment and Society issues. To deal with non-financial risks, the Group takes the necessary measures to identify them in time and implement mitigation policies.

## 2. The Group's approach to Sustainable Development

### ATHEX C-G4: Sustainability Policy

The Group's Sustainable Development Policy summarizes the way the Group approaches Sustainable Development issues. The Group's Sustainable Development Policy is inextricably linked to the needs of stakeholders (internal and external) considering both the current socio-economic trends and the scope of the Global Sustainable Development Goals. The main aim of implementing it is to strengthen the positive effects and limit the negative ones, through best practices, sustainable initiatives and reliable partnerships by enhancing dialogue and consultation processes among its stakeholders.

In the context of the Group's Sustainable Development Policy, corporate responsibility is aligned with ESG (Environmental-Social-Governance) criteria/principles and focuses on four (4) axes:

- Human Value Promotion
- Environmental Protection
- Strengthening our Social Footprint
- Shaping a Responsible Market

The Policy is monitored by the Corporate Social Responsibility and Sustainable Development Division and the ESG Committee and is subject to updates with final approval by the Board of Directors if required. In this context, the Corporate Social Responsibility and Sustainable Development Division serves as the center for strategic planning and proposal submission to the ESG Committee and the Group's Management regarding matters related to the environment, society, and governance. It is responsible for the Group's Annual Sustainable Development Report and monitors specific sustainable development goals/indicators with the aim of continuous improvement, adjusting or revising as required.

The Group's Policy reflects its goals for Sustainable Development and is based on the dialogue with the stakeholders to identify, evaluate and prioritize the most important effects that its activity creates or may create on the environment, society, and the economy.

To establish mutual trust and constructive cooperation with all stakeholders, the Group has established distinct communication channels with each group and promotes timely and open dialogue with them. Its primary concern is recognizing the diverse expectations and needs of each group. The Group acknowledges as stakeholders, those groups that affect and are directly or indirectly affected by its activities. Stakeholders belong either to the Group's internal environment (such as shareholders, employees) or external environment (suppliers, customers, business partners, financial institutions etc.).

Stakeholder mapping is revised every year to determine consultation channels and methods as well as the respective frequency and main topics of interest. It is pointed out that the Group recognizes and prioritizes its stakeholders according to the degree of their impact and influence on its operations and vice versa.

### ATHEX C-S1: Stakeholder engagement, ATHEX C-G3: Materiality

To enhance transparency and facilitate regular stakeholder engagement, the Group's performance on ESG topics is published in the annual Sustainable Development Report and in the current Statement.

(Amounts in Euro thousand, unless stated otherwise)

Furthermore, it should be noted that the Group, with an emphasis on transparency, accountability and sustainable business practices, is expected to incorporate the "double materiality" assessment into the Sustainable Development Report from 2024 onwards. The aim is to inform stakeholders about the impacts it creates or may create on the environment, people, and the economy. Specifically, within the context of "double materiality", the Group will record, measure, set targets, and assess relevant risks associated with:

• The impact of all its activities on the Environment, Society, People, and the Economy.

• The impact/effect that the external environment in which the Group operates on its activities and its ability to develop responsibly with the goal of sustainable development.

To conduct the "double materiality" assessment, the Group will invite stakeholders to participate in surveys to assess the material sustainability issues, the results of which will be utilized in shaping the Group's Sustainable Development report.

## 3. Transactions with related parties

Transactions, as well as the balances of the Company with the related parties for the period that ended on 31.12.2023 and 31.12.2022 are analyzed as follows:

**Financial Year 31.12.2023**

| Related party | Income | Purchases | Debit balances | Credit balances |
|---|---|---|---|---|
| Parent company GEK TERNA | 647 | 2,160 | 159 | 105 |
| Other related parties | 26,336 | 53,016 | 19,738 | 13,437 |
| **Total** | **26,983** | **55,176** | **19,897** | **13,542** |

**Financial Year 31.12.2022**

| Related party | Income | Purchases | Debit balances | Credit balances |
|---|---|---|---|---|
| Parent company GEK TERNA | 258 | 1,732 | 27 | 41,277 |
| HERON II VIOTIA S.A. | 520,300 | 24,158 | 3,859 | 127,526 |
| Other related parties | 33,344 | 24,431 | 12,989 | 42,004 |
| **Total** | **553,902** | **50,322** | **16,875** | **210,807** |

Remuneration of the members of the Board of Directors and senior managers of the Company recognized on December 31st 2023, as well as the respective balances have as follows:

| | **1.1-31.12.2023** | **1.1-31.12.2022** |
|---|---|---|
| Services fee | 366 | 150 |
| Payroll | 1,535 | 230 |
| Total | **1,901** | **380** |

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Liabilities | 0 | 0 |
| Receivables | 0 | 0 |

Athens, 3 June 2024
For the Board of Directors

The Chairman of BoD
Georgios Kouvaris

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# Independent Auditor's Report

(This report has been translated from Greek original version)

To the Shareholders of "HERON ENERGY S.A."

## Report on the Financial Statements

**Opinion**

We have audited the accompanying financial statements of "HERON ENERGY S.A." (the Company), which comprise the statement of financial position as at December 31st, 2023, the income statement and statements of comprehensive income, changes in equity and cash flows statement for the year then ended, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company "HERON ENERGY S.A." as at December 31st, 2023, and its financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards that have been adopted by the European Union.

**Basis for opinion**

We performed our audit in accordance with International Standards on Auditing (ISAs) as these have been integrated to the Greek Legislation. Our responsibilities, under those standards are described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. During our audit, we remained independent of the Company, in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as incorporated in Greek Legislation and the ethical requirements relevant to the audit of financial statements in Greece and we have fulfilled our responsibilities in accordance current legislation requirements and the requirements of the aforementioned IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matter**

We draw your attention to the note 4.19 of the financial statements where reference is made to the fact that the financial statements of the Company, following the approval of the GEMI Service on 21.12.2023 of the merger of the companies "HERON ENERGY SA" and " HERON II VIOTIAS SA" with the absorption of the latter by the former, integrate the data of the absorbed company, as well as in the accounting policy of integration of these data. Our opinion is not qualified in respect of this matter.

**Other information**

Management is responsible for the other information. The other information is included in the Board of Directors Report, also referred to in the section "Report on Other Legal and Regulatory Requirements", the Representations of the Members of the Board of Directors, but does not include the financial statements and our auditor's report thereon.

Our opinion on financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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**Responsibilities of the management for the financial statements**

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

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

**Auditor's responsibilities for the audit of financial statements**

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

As part of an audit in accordance with ISAs as incorporated into in Greek Law, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting methods and policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

**1. Report of the Board of Directors**

Taking into consideration the fact that under the provisions of Par. 5, Article 2 (part B), Law 4336/2015, management is responsible for the preparation of the Board of Directors' Report, the following is to be noted:

a) In our opinion, the Board of Directors' Report has been prepared in compliance with the effective legal requirements of Article 150, L. 4548/2018, and its content corresponds to the accompanying financial statements for the year ended as at 31/12/2023.

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b) Based on the knowledge we obtained from our audit, for the Company “HERON ENERGY S.A.” and its environment, we have not identified any material misstatements to the Board of Directors’ report.

## 2. Unbundled Financial Statements

Management is responsible for the preparation of the Company’s unbundled financial statements in accordance with the provisions of Article 141, Law 4001/2011 and No. 301/2017 approving decision of the Regulatory Authority of Energy (RAE) as well as for those internal controls that the Management determines as necessary, in order to enable the preparation of the unbundled balance sheet as of December 31, 2023 and the Company’s unbundled Income Statements before tax for the period from January 1, 2023 to December 31, 2023, that are free from material misstatement, whether due to fraud or error. The methodology used for the preparation of the Company’s unbundled financial statements is described in Attachment I to the separate financial statements.

Based on our audit, we established that the Company’s unbundled Financial Statements as of December 31, 2023, as presented in Attachment I to the separate financial statements, have been prepared in accordance with the provisions of Article 141 of Law 4001/2011 and No. 301/2017 approving decision of the Regulatory Authority for Energy (RAE).

Athens, 3 June, 2024

The Certified Public Accountant

George Panagopoulos

SOEL Reg. No 36471

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# ANNUAL FINANCIAL STATEMENTS AS AT DECEMBER 31ST 2023

**(January 1st – December 31st 2023)**
**In accordance with the International Financial Reporting Standards**

The Financial Statements were approved by the Board of Directors of “HERON SOCIÉTÉ ANONYME ENERGY SERVICES” (the "Company") on June 3th, 2024 and have been published online at the website of the Company, www.heron.gr , where they will remain available for at least a 5-year period from the date they were prepared and published. It is noted that the attached Financial Statements are subject to the approval of the Annual Ordinary General Meeting of the Shareholders of the Company. The Annual Ordinary General Meeting of the Shareholders of the Company has the authority to amend the attached Financial Statements.

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(Amounts in Euro thousand, unless stated otherwise)

## STATEMENT OF FINANCIAL POSITION

| | Note | 31.12.2023 | 31.12.2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 5 | 1,657 | 2,114 |
| Tangible Assets | 6 | 95,998 | 9,598 |
| Right-of-use assets | 7 | 2,546 | 1,288 |
| Participations in subsidiaries | 8 | 44,321 | 0 |
| Investments in equity securities | 9 | 15 | 0 |
| Receivables from Derivatives | 24 | 21,865 | 14,419 |
| Other long-term receivables | 10 | 24,447 | 22,554 |
| Deferred tax assets | 23 | 0 | 12,712 |
| **Total non-current assets** | | **190,849** | **62,685** |
| **Current assets** | | | |
| Inventory | 11 | 10,128 | 5,415 |
| Trade receivables | 12 | 382,724 | 395,366 |
| Other receivables | 13 | 44,874 | 43,444 |
| Income tax receivables | | 6,026 | 0 |
| Short-term receivables from derivatives | 24 | 10,087 | 25,350 |
| Cash and cash equivalents | 14 | 60,958 | 102,661 |
| **Total current assets** | | **514,797** | **572,236** |
| **TOTAL ASSETS** | | **705,646** | **634,921** |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | 21 | 8,856 | 2,416 |
| Reserves | 22 | 2,252 | 811 |
| Share premium account | | 23,350 | 0 |
| Retained earnings | | 275,955 | 94,248 |
| **Total Equity** | | **310,413** | **97,475** |
| **Non-current Liabilities** | | | |
| Long-term loans | 20 | 0 | 182,500 |
| Liabilities from leases | 19 | 1,923 | 886 |
| Liabilities from derivatives | 24 | 12,758 | 6,959 |
| Provision for staff retirement indemnities | 15 | 154 | 76 |
| Other Provisions | 16 | 2,331 | 417 |
| Deferred tax liabilities | | 16,316 | 0 |
| Long-term liabilities from contracts with customers | | 4,898 | 3,697 |
| **Total non-current liabilities** | | **38,380** | **194,535** |
| **Current liabilities** | | | |
| Short-term loans | 20 | 69,127 | 62,717 |
| Long-term loans payable in the following financial year | 20 | 0 | 1,618 |
| Short-term part of liabilities from leases | 19 | 828 | 423 |
| Short-term part of liabilities from derivatives | 24 | 5,345 | 28,991 |
| Suppliers | 17 | 65,099 | 65,331 |
| Accrued and other liabilities | 19 | 216,454 | 151,316 |
| Income tax payable | | 0 | 32,515 |
| **Total current liabilities** | | **356,853** | **342,911** |
| **TOTAL EQUITY AND LIABILITIES** | | **705,646** | **634,921** |

The accompanying notes constitute an integral part of the present Annual Financial Statements.

(Amounts in Euro thousand, unless stated otherwise)

## STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD

### January 1st to December 31st 2023

| | Note | 1.1-31.12.2023 | 1.1-31.12.2022 |
|---|---|---|---|
| **Results for the year** | | | |
| Revenue | 25 | 1,547,396 | 2,294,901 |
| Cost of goods sold | 26 | (1,417,160) | (2,144,214) |
| **Gross profit / (loss)** | | **130,236** | **150,687** |
| Administrative and distribution expenses | 26 | (27,016) | (21,857) |
| Other income / (expenses) | 29 | (11,077) | (27,810) |
| Financial income / (expenses) | 31 | 6,905 | (9,252) |
| Income / (Losses) from participations and other securities | 30 | 8,159 | 0 |
| **Earnings before income tax** | | **107,207** | **91,768** |
| Income tax | 23 | (24,587) | (26,616) |
| **Earnings after income tax** | | **82,620** | **65,152** |
| **Other comprehensive income** | | | |
| *Other comprehensive income not carried forward to FY results of future periods:* | | | |
| Actuarial gains / (losses) | 15 | 5 | 4 |
| Tax corresponding to the above result | 23 | (1) | (1) |
| | | **4** | **3** |
| **TOTAL COMPREHENSIVE INCOME** | | **82,624** | **65,155** |

The accompanying notes constitute an integral part of the present Annual Financial Statements.

(Amounts in Euro thousand, unless stated otherwise)

## STATEMENT OF CASH FLOWS
**31st December 2023**

| | Note | 1.1-31.12.2023 | 1.1-31.12.2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Earnings for the period before income tax** | | **107,207** | **91,768** |
| *Adjustments for reconciliation of net cash flows from operating activities* | | | |
| Depreciation | 5, 6, 7 | 18,499 | 4,397 |
| Impairment of trade receivables | 12 | 13,981 | 34,784 |
| Provisions | | 78 | 194 |
| Interest and related income | 31 | (5,976) | 0 |
| Interest and other financial income | 31 | 9,100 | 13,159 |
| (Profit)/Loss from derivatives | | (10,029) | (3,908) |
| Results from participations and securities | 30 | (8,159) | |
| Expenses/(Income) of the period corresponding to payments/collections for derivatives | | 0 | 0 |
| **Operating profit before any changes in working capital** | | **124,701** | **140,394** |
| *(Increase)/Decrease in:* | | | |
| Inventory | | (632) | (3,170) |
| Trade receivables | | 7,520 | (76,771) |
| Prepayments and other receivables | | 4,172 | (37,282) |
| *Increase /(Decrease) in:* | | | |
| Suppliers | | 21,236 | (50,178) |
| Accrued and other liabilities | | (17,817) | (109,708) |
| Income tax payments | | (79,087) | 0 |
| Income tax reimbursement/(payments) | | 0 | (75) |
| **Net cash flows from operating activities** | | **60,093** | **(136,790)** |
| **Cash flows from investing activities** | | | |
| Purchases of tangible fixed assets | 5, 6 | (2,242) | (1,501) |
| Proceeds from interest and other financial income | | 383 | 0 |
| Receipts of Dividends | 30 | 8,159 | 0 |
| Cash reserves of company which was absorbed / consolidated for the first time or excluded from consolidation | | 73,678 | 0 |
| **Cash flows from investing activities** | | **79,978** | **(1,501)** |
| **Cash flows from financing activities** | | | |
| Payments from changes in subsidiaries without loss of control | | (20,121) | 0 |
| (Payments for capital refund) | | (40,000) | 0 |
| Collections from issued long-term loans | 20 | 0 | 160,000 |
| Repayment of long-term loans | | (110,020) | (7,500) |
| Payment of liabilities from financial leases | 19 | (735) | (469) |
| Proceeds from undertaken short-term loans | 20 | 0 | 80,000 |
| Repayment of short-term loans | | (2,800) | (30,000) |
| Interest & related expenses paid | | (8,097) | (10,786) |
| **Cash flows from financing activities** | | **(181,774)** | **191,245** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(41,703)** | **52,954** |
| **Cash and cash equivalents at the beginning of the period** | | **102,661** | **49,707** |
| **Cash and cash equivalents at the end of the period** | | **60,958** | **102,661** |

The accompanying notes constitute an integral part of the present Annual Financial Statements.

(Amounts in Euro thousand, unless stated otherwise)

## STATEMENT OF CHANGES IN EQUITY

**31st December 2023**

| | | Share Capital | Share Premium | Reserves | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| **January 1st 2022** | | **2,416** | **0** | **808** | **29,096** | **32,320** |
| Total comprehensive income | | - | - | 3 | 65,152 | **65,155** |
| **December 31st 2022** | | **2,416** | **0** | **811** | **94,248** | **97,475** |
| **January 1st 2023** | | **2,416** | **0** | **811** | **94,248** | **97,475** |
| Total comprehensive income | | - | - | 4 | 82,623 | **82,627** |
| Capitalization of reserves | 21 | 40,000 | (40,000) | - | - | **0** |
| Return of share capital | 21 | (40,000) | - | - | (200) | **(40,200)** |
| Absorption of Company (Note 4.19) | | 6,440 | 63,350 | 1,437 | 99,284 | **170,511** |
| **December 31st 2023** | | **8,856** | **23,350** | **2,252** | **275,955** | **310,413** |

The accompanying notes constitute an integral part of the present Annual Financial Statements.

# NOTES ON THE FINANCIAL STATEMENTS

## 1. ESTABLISHMENT AND COMPANY ACTIVITY

HERON SOCIÉTÉ ANONYME ENERGY SERVICES (HERON ENERGY S.A.) was incorporated in Greece in 2001 at first as a general partnership and it was later transformed into a société anonyme in 2004. Its registered office is in Athens, at 85 Mesogeion Avenue and its duration is set to fifty (50) years.

The Company is registered in the Registry of Sociétés Anonyme with Reg. No 56860/01/B/04/254 and General Commercial Registry (GCR) No 005805601000. Its main activity is the construction, installation and operation of open-cycle thermoelectric power plants (using gas and fuel oil) of one plant, as well as combined cycle (using natural gas as fuel).

The company operates a combined cycle power plant with a power capacity of 441 MW in the industrial area of Thebes at the location of Charaintini and has put the station into operation since August 2010.

On 21.12.2023, a merger was completed via the absorption of company HERON II THERMOELECTRIC STATION VIOTIAS SA by the company HERON ENERGY SA. From the exchange taking place between old and new shareholders, it emerged that the company TERNA SA which held 25% of the shares of HERON II THERMOELECTRIC STATION VIOTIAS SA, will now own an equity stake of 13.82% of HERON ENERGY S.A. whereas the company GEK TERNA will own the remaining equity stake of 86.18%.

The attached Financial Statements of the Group for the year ended 31 December 2023 were approved by the Board of Directors on 3/6/2024 and are subject to the final approval of the General Meeting of Shareholders. The financial statements are consolidated on the basis of equity method in the financial statements of GEK TERNA S.A., which has its registered office in Greece.

### 1.1. Merger Process

The merger of HERON II THERMOELECTRIC STATION VOITIAS SA and HERON ENERGY SA was carried out in accordance with a) the provisions of Law No. 4601/2019 and the provisions of Law No. 2166/1993 and with the act number 8996/11-12-2023 of the Notary Public of Athens Spyridon Konstantinos Vennis.

By the Resolution of the Extraordinary General Meeting of Shareholders of 07.12.2023, it was decided to merge the Company through the absorption of the societe anonyme company "HERON II THERMOELECTRIC STATION VOITIAS SA" (hereinafter referred to as the "Absorbed Company"). The date of the transformation/merger balance sheet was set as 30 June 2023. A relevant valuation report 2of the Absorbed Company was prepared by an independent Certified Public Accountant dated 13.10.2023 in order to merge through absorption by "HERON ENERGY SA" in accordance with the provisions of Law 4601/2019.

On 21.12.2023, the GCR announced its decision under number 3174416, by which it approved the completion of the merger process by the method of absorption.

In the context of the merger, the share capital of the Company is increased by an amount equal to the amount of the capital of the Absorbed Company, which amounts to six million four hundred and forty thousand euros (€6,440,000.00), plus the amount of one hundred and two euros and seventy-four cents (€102.74), which was paid in cash by the shareholders of the Absorbed Company for rounding purposes, i.e. an increase in the Company's share capital by the total amount of six million four hundred and forty thousand one hundred and two euros and seventy-four cents (€6,440,102.74) through the issuance of fifty-nine thousand seven hundred twenty (59,720) new common registered shares, with a nominal value of eighty-one euros and ninety-seven cents (€81.97) each. Upon completion of the merger, the share capital of the Absorbing Company will amount to €6,440,102.74, divided into 59,720 new ordinary shares.

# 2. BASIS FOR THE PRESENTATION OF THE FINANCIAL STATEMENTS

## 2.1 Basis for the presentation of the Financial Statements

The Company's Financial Statements as of 31st December 2023 covering the annual period starting on January 1st until December 31st 2023 have been prepared according to the International Financial Reporting Standards (IFRS), which have been issued by the International Accounting Standards Board (IASB), as well as their interpretations, which have been issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the European Union until December 31st, 2023.

The Company applies all the International Accounting Standards, International Financial Reporting Standards, and their Interpretations, which apply to the Company's activities. The relevant accounting policies, a summary of which is presented below in Note 3, have been applied consistently in all the periods presented.

## 2.2 Going concern

The Company's management estimates that the Company has sufficient resources that secure the smooth continuance of its operation as a "Viable Financial Unit" (Going Concern) in the foreseeable future.

The decision of the Management to use the going concern principle is based on the estimates related to potential effects of the war conflict that is raging both in the wider region of Ukraine and in the Middle East.

The Management has estimated that there is no material uncertainty regarding the continuation of the activity of the Company, thus implementing the framework for preparing the financial statements for the financial year ended on 31.12.2023.

## 2.3 Basis of measurement

The attached Financial Statements as of December 31st, 2023, have been prepared according to the principle of historical cost, apart from the cases of investment property, investments in equity securities, derivative financial instruments, financial assets recorded at fair value through profit or loss, and contingent consideration liabilities, which are measured at fair value.

## 2.4 Presentation currency

The presentation currency is Euro (the currency of the Group's parent domicile) and all the amounts are presented in thousand Euro unless otherwise mentioned.

## 2.5 Comparability

The comparative items of the Financial Statements for the year ended 31.12.2023 have not been revised.

## 2.6 Use of estimates

The preparation of the Financial Statements according to IFRS requires the use of estimates and judgments on the application of the Company's accounting policies. Judgments, assumptions and estimates of the Management affect the amount of valuation of several asset and liability items, the amount recognized during the year regarding specific income and expenses as well as the presented estimates of contingent liabilities.

Assumptions and estimates are assessed on an on-going basis according to historic experience and other factors, including expectations of future event outcomes, considered reasonable given the current conditions. The estimates and assumptions relate to the future and, consequently, the actual results may differ from the accounting calculations.

The areas that require the highest degree of judgment as well as the areas in which estimates and assumptions have a significant effect on the Financial Statements are presented in Note 3 of the Financial Statements.

### 2.7 New standards, Interpretations and amendments of Standards

The accounting principles applied during the preparation of the Financial Statements are the same as those followed for the preparation of the Group's and the Company's Financial Statements for the period ended on December 31, 2022, except for the adoption of new standards and interpretations, whose application is mandatory in the European Union for the fiscal years from January 1st 2023 onwards (see Notes 2.7.1 and 2.7.2).

#### 2.7.1 New Standards, Interpretations, revisions and amendment of existing Standards which have entered into force and have been adopted by the European Union

The following new Standards, Interpretations and amendments of Standards have been issued by the International Accounting Standards Board (IASB), have been adopted by the European Union and their application is mandatory from 01.01.2023 or at a later date.

**Amendments to the IAS 1 "Presentation of Financial Statements" (applies for annual periods starting on or after 01.01.2023)**

In February 2021, the IASB issued narrow-scope amendments that pertain to accounting policy disclosures. The objective of these amendments is to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of financial statements. More specifically, companies are required to disclose their material accounting policy information rather than their significant accounting policies. The amendments affect the consolidated and separate Financial Statements. The above have been adopted by the European Union with effective date of 01.01.2023.

**Amendments to the IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates" (applies for annual periods starting on or after 01.01.2023)**

In February 2021, IASB issued limited purpose amendments that distinguish the difference between changing an accounting estimate and changing an accounting policy. This distinction is important, since the change of an accounting estimate applies only to future transactions and other future events, in contrast with the change in accounting policy which applies retrospectively and applies also to past transactions and other past events. The amendments have no impact on the consolidated and separate Financial Statements. The above have been adopted by the European Union, with effective date on 01.01.2023.

**Amendments to IAS 12 "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (effective for annual periods starting on or after 01.01.2023)**

In May 2021, the IASB issued targeted amendments to the IAS 12 in order to clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations – transactions in which companies simultaneously recognize assets and liabilities. In specific cases, entities are exempted from the recognition of deferred tax when they recognize assets and liabilities for the first time. The amendments clarify that the said exemption does not apply and companies are required to recognize the deferred tax in these transactions. The amendments have no impact on the consolidated and separate Financial Statements. The above have been adopted by the European Union, with effective date on 01.01.2023.

**Amendments in IAS 12 "Income Taxes" - International Tax Reform - Pillar II Model Rules (effective immediately and for annual periods beginning on or after 01.01.2023)**

In May 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 12 "Income Taxes": International Tax Reform - Pillar Two Model Rules. The amendments introduced a) a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes and b) targeted disclosure requirements for affected entities. Companies may apply the temporary exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023. Given the above exception, the amendments have no impact on the consolidated and company financial statements. The tax legislation for the application of the rules of the Pillar II Model is expected to enter into force in Greece in 2024. The Group is in the process of assessing the impact that may arise from the adoption of the Rules. The above have been adopted by the European Union with effective date of 01.01.2023.

**Amendments to IFRS 16 "Leases: Lease Liability in a Sale and Leaseback" (applicable for annual periods beginning on or after 01.01.2024)**

In September 2022, the IASB issued limited-purpose amendments to IFRS 16 "Leases" which add requirements on how a company accounts for a sale and leaseback after the date of the respective transaction. A sale and leaseback is a transaction in which, a company sells an asset and leases the same asset back for a period of time from the new owner. IFRS 16 includes requirements regarding the accounting treatment of a sale and leaseback at the date when the transaction takes place. However, the Standard had not specified specify how to measure the transaction after that date. The issued amendments add to the requirements of IFRS 16 regarding sale and leaseback, thus supporting the consistent application of the accounting standard. These amendments will not change the accounting treatment for leases other than those arising from a sale and leaseback transaction. The Group will consider the impact of all the above on its Financial Statements, although they are not expected to have any. The above have been adopted by the European Union with effective date of 01.01.2024.

**Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (applies for annual periods starting on or after 01.01.2024)**

In January 2020, the IASB issued amendments to the IAS 1 that affect the requirements on the presentation of liabilities. More specifically, the amendments clarify one of the classification criteria of a liability as non-current, the requirement for an entity to be entitled to defer the liability for at least 12 months after the reporting period. These amendments include: a) clarification that the right of an entity to defer the settlement must have been established by the reporting date, b) clarification that the classification of the liability is not affected by the intentions or expectations of the management in relation to the exercise of the right to defer the settlement, c) explanation of how the borrowing conditions affect the classification, and d) clarification of requirements regarding the classification of the liabilities of an entity which is going to or will possibly conclude a settlement via the issuance of equity instruments. Moreover, in July 2020, the IASB issued an amendment for the deferral by one year of the effective date of the initially issued amendment to the IAS 1, as a result of the outbreak of the COVID-19 pandemic. However, in October 2022, the IASB issued an additional amendment aimed at improving the information provided by companies about long-term debt obligations. IAS 1 requires a company to classify a loan as non-current only if the company can avoid settling the loan within 12 months after the reporting date. However, a company's ability to do so often depends on compliance with its commitments. The amendments to IAS 1 specify that commitments to be met after the reporting date do not affect the classification of the loan as short-term or long-term at the reporting date. Instead, the amendments to the standard require a company to disclose information about these commitments in the notes to the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2024, while early adoption is also permitted. The Group will consider the impact of all the above on its Financial Statements. The above have been adopted by the European Union with effective date of 01.01.2024.

### 2.7.2 New Standards, Interpretations, Revisions and Amendments to existing Standards which have not yet entered into force or have not been adopted by the European Union until 31.12.2023

The following new Standards, Interpretations and amendments to Standards have been issued by the International Accounting Standards Board (IASB), but either have not yet entered into force or have not been adopted by the European Union.

**Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures": Supplier Finance Arrangements (effective for annual periods beginning on or after 01.01.2024)**

In May 2023, the International Accounting Standards Board (IASB) issued Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The IASB issued Supplier Finance Arrangements to require an entity to provide additional disclosures about its supplier finance arrangements. The amendments require additional disclosures that complement the existing disclosures in these two standards. They require entities to provide users of financial statements with information that enable them a) to assess how supplier finance arrangements affect an entity's liabilities and cash flows and b) to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. The amendments to IAS 7 and IFRS 7 are effective for accounting periods on or after 1 January 2024. The Group will examine the impact of the above on its Financial Statements, though it is not expected to have any. The above have not been adopted by the European Union.

**Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (effective for annual periods starting on or after 01.01.2025)**

In August 2023, the International Accounting Standards Board (IASB) issued amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" that require entities to provide more useful information in their financial statements when a currency cannot be exchanged into another currency. The amendments introduce a definition of currency exchangeability and the process by which an entity should assess this exchangeability. In addition, the amendments provide guidance on how an entity should estimate a spot exchange rate in cases where a currency is not exchangeable and require additional disclosures in cases where an entity has estimated a spot exchange rate due to a lack of exchangeability. The amendments to IAS 21 are effective for accounting periods on or after 1 January 2025. The Group will examine the impact of the above on its Financial Statements, though it is not expected to have any. The above have not been adopted by the European Union.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND MANAGEMENT ASSESSMENTS

Preparation of Financial Statements in accordance with the International Financial Reporting Standards (IFRS) requires the Management to make judgments, estimates and assumptions which affect assets and liabilities, contingent receivables and liabilities disclosures, as well as revenue and expenses during the presented periods.

In particular, the amounts included in or affecting the financial statements, as well as the related disclosures, are estimated through making assumptions about values or conditions that cannot be known with certainty at the time of preparation of the financial statements and, therefore, actual results may differ from what has been estimated. An accounting estimate is considered significant when it is material to the financial position and income statement of the Company and requires the most difficult, subjective, or complex judgments of the Management. Estimates and judgments of the Management are based on past experience and other factors, including expectations for future events, judged to be reasonable in the circumstances. Estimates and judgments are continually reassessed on the basis of all the available data and information.

Key estimates and evaluations referring to the data whose development could affect the financial statements items in the upcoming 12 months are as follows:

### 3.1 Significant judgments of the Management

The significant accounting estimates and assumptions concerning future and other key sources of uncertainty at the date of the financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**i) Acquisition of “business” according to the definition provided in IFRS 3 or acquisition of assets**

In accordance with IFRS 3 "Business Combinations", the Management determines whether a transaction or other event constitutes a business combination in accordance with the relevant definition of the Standard, i.e. whether the assets acquired and liabilities assumed constitute a "business". In the event the acquired assets do not constitute a business, then the Group manages the transaction or other event as an acquisition of an asset. According to IFRS 3, the term "business" is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants.

**ii) Energy sector revenue recognition (non-invoiced revenue)**

The Company estimates the consumption of electricity and natural gas, which has not yet been invoiced for retail customers. In particular, the Company measures and records specific revenues from sales for which final clearances have not been received from IPTO and the Natural Gas Distribution Administrators. Such revenues are calculated using historical data and forecasts for the consumption of electricity and natural gas for each energy consumption meter.

### 3.2 Uncertainty of estimates and assumptions

Specific amounts that are either included or affect the Financial Statements and the related disclosures are estimated, necessitating to make assumptions about values or conditions that cannot be known with certainty during the period of the Financial Statements preparation. An accounting estimate is considered significant when it is material to the financial position and the income statement of the Group and requires most difficult, subjective or complex judgments of the Management. The Company assesses such estimates on an ongoing basis, based on historical results and experience, through meetings with specialists, applying trends and other methods considered reasonable in the circumstances, as well as making projections regarding potential changes in the future.

**i) Recognition of deferred tax assets**

The extent, to which deferred tax assets are recognized for unused tax losses, is based on the judgment regarding the extent, to which it is probable that sufficient taxable profits will be offset with these tax losses. In order to determine the amount of a deferred tax asset that can be recognized, significant judgments and estimates of the Group’s Management are required, based on future taxable profits, combined with future tax strategies to be pursued, as well as the uncertainties dominating in various tax frameworks, within which the Group operates (for further information please refer to Note 23).

**ii) Impairment of non-financial assets and goodwill**

Non-financial assets are tested for impairment whenever events or changes in the effective conditions indicate that their book value may not be recoverable. Goodwill, intangible assets with indefinite economic lives and intangible assets with finite economic lives for which amortization has not yet begun are tested for impairment at least annually.

### iii) Useful lives of depreciated assets

For the purpose of calculating depreciation, the Group examines the useful life and residual value of tangible and intangible assets in every reporting period in the light of technological, institutional and economic developments as well as the experience of their exploitation. It is noted that during the financial year, the sub-group TERNA ENERGY decided to extend the useful life of the Wind Farms from 25 to 30 years, based on new estimates that emerged during the evaluation of the conditions that have developed in the operation and in general in the technological development of the wind turbines. This change was based on a careful analysis of the sub-group's data, as well as studies and industry practices, according to which the economic life of individual wind turbines or wind power plants as a whole can be safely redefined to 30 years without significant changes in their operation and maintenance strategy. The Management of the sub-Group considers that the extension of the useful life carried out during the financial year will protect the fair presentation of the financial statements by adjusting the depreciation period closer to reality. This change in accounting estimate resulted in a decrease in depreciation expense for the year by the amount of 2,510 compared to the depreciation that would have been incurred had the extension of useful life had not taken place. This effect will decrease in the following years, as the sub-group's older parks approach their originally defined twenty-five-year life, while from the moment of the end of their initially defined useful life and for the additional five years of its extension, the above positive effect will turn into a negative one. As at 31.12.2023 the Management estimated that the economic life of the other depreciable assets represents their expected useful value.

### iv) Fair value measurement

The Management uses valuation techniques to determine the fair value of financial instruments (when no active market prices are available) and non-financial assets. This procedure involves making estimates and assumptions about the consideration that market participants would pay to acquire these financial instruments.

The Management bases its assumptions on observable data, but it is not always feasible. In such cases, the Management uses the best available information for its estimates, based on its past experience, also taking into account the available information. Estimated fair values may differ from the actual values that would be made in the context of an ordinary transaction at the reporting date of the financial statements.

The Company uses derivative financial instruments to manage a range of risks including interest rate and commodity prices risks. For the purpose of determining an effective hedging rate, the Company requires both - to declare its hedging strategy and to estimate that the hedge will be effective throughout the term of the hedging instrument (derivative). Further information regarding the use of derivatives is provided in Note 24.

### v) Inventory

To facilitate valuation of inventories, the Company estimates, based on statistical valuation reports and market conditions, the expected selling prices and the costs of processing and disposing the items per inventory category.

### vi) Provision for income tax

Provision for income tax based on IAS 12 is calculated by estimating the taxes to be paid to tax authorities and includes the current income tax for every financial year and a provision for additional taxes that might arise during tax inspections.

The Company is subject to various income taxation legislations. Significant estimates are required in order to determine the total provision for income tax, as presented in the Statement of Financial Position.

The final tax determination is uncertain in respect of specific transactions and calculations. The Company recognizes liabilities for the projected tax issues based on the calculations as to the extent to which additional taxation will arise. In cases where the final tax result differs from the initially recognized amount, the differences affect the provisions for income tax and deferred tax for the period when it had been determined (for further information please refer to Note 23).

**vii) Provisions for rehabilitation of environment**

The Company makes provision for its related obligations to dismantle the technical equipment of facilities and restoration of the environment resulting from the applicable environmental legislation or from binding practices of the Company. Provision for rehabilitation of environment reflects the present value, as at the reporting date (based on the appropriate discount rate) of the rehabilitation obligation less the estimated recoverable amount of the materials, estimated to be disposed of and sold (further information is provided in Note 16).

**viii) Contingent liabilities and receivables**

The existence of contingent liabilities and receivables requires the management to make assumptions and judgments on on-going basis about the probability that future events will occur or not occur as well as the possible consequences that these events may have on the Company’s operations. Determining contingent liabilities and receivables is a complex procedure that includes judgments regarding future events, laws, regulations, etc. Changes in judgements or interpretations are likely to lead to an increase or decrease in the Company's contingent liabilities in the future. When additional information becomes available, the Company's Management reviews the facts, based on which it may also have to review its estimates.

**ix) Provisions for expected credit losses from receivables from clients**

The Company apply the simplified approach under the provisions of IFRS 9 for calculation of expected credit losses. Under the aforementioned approach, provision for impairment is measured at an amount equal to the expected lifetime loss for the receivables from customers and the contractual assets. The Company have made provisions for bad receivables in order to adequately cover the loss that can be reliably estimated and arises from these receivables. In every reporting period, the provision that has been made is adjusted and the changes are recognized in the income statement.

**x) Acquisition of a company or business**

At initial recognition, the assets as well as the liabilities of the acquired company are included in the consolidated financial statements at their fair values. In measuring fair values, Management uses estimates of future cash flows, however the actual results may differ. Any change in the measurement after initial recognition affects the measurement of goodwill.

**xi) Valuation of cash flow hedging agreements**

The Company uses financial derivatives and specifically it enters into interest rate swaps to hedge its risk linked to fluctuations of interest rates and into contracts to hedge the risks associated with volatile energy sale prices. The swap agreements are valued according to market estimations regarding the trend of relevant interest rates for periods up to thirty years and with regard to the course of energy prices accordingly in each case. Based on these estimates, the cash flows are discounted in order to determine the liability or asset at the reporting date of the financial statements.

# 4. SUMMARY OF KEY ACCOUNTING PRINCIPLES

**Significant Accounting Principles**

The key accounting principles adopted during the preparation of the attached financial statements are the following:

## 4.1 Intangible Assets

Intangible assets mostly comprise the software sales cost and all expenses realized in order to render the software operational. Depreciations of software are calculated based on the straight-line depreciation method for a period of three (3) years.

Upon initial recognition, the intangible assets acquired separately are recorded at cost. Intangible assets acquired as part of business combinations are recognized at fair value at the acquisition date.

Following initial recognition, the intangible assets are measured at cost less accumulated amortization and any impairment loss. Amortization is recorded based on the straight-line method during the useful life of the said assets.

The period and method of amortization is redefined at least at the end of every reporting period. Changes in the expected useful life of each intangible asset are accounted for as a change in accounting estimates.

**(a) Software**

Maintenance of software programs is recognized as an expense when the expense is realized. On the contrary, the costs incurred for improving or prolonging the return of software programs beyond their initial technical specifications, or respectively the costs incurred for the modification of the software, are incorporated in the acquisition cost of the intangible asset, only if they can be measured reliably.

## 4.2 *Tangible Fixed Assets*

Tangible fixed assets are recognized in the financial statements at acquisition values, less accumulated depreciation and any potential impairment losses. The acquisition cost includes all directly reimbursable costs incurred for the acquisition of these assets.

Subsequent expenses are recorded as an increase in the book value of tangible assets or as a separate asset only to the extent that the said expenses increase the future economic benefits, expected to arise from the use of the fixed asset and that their cost can be measured reliably.

Repairs and maintenance are booked as expenses during the year in which they are incurred.

Tangible fixed asset items are eliminated from the balance sheet on disposal or withdrawal or when no further economic benefits are expected from their continued use. Gains or losses resulting from the elimination of an asset from the balance sheet are included in the income statement of the fiscal year in which the fixed asset in question is eliminated.

Tangible fixed assets under construction include fixed assets under construction and are depicted at cost. Tangible fixed assets under construction are not depreciated until the fixed asset is completed and put into operation.

Depreciation of tangible assets is calculated according to the straight-line method using rates that approximate the relevant useful life of the respective assets. Useful life per category of fixed asset has as follows:

| Tangible Assets | Useful life (in years) |
|---|---|
| Buildings and technical works | 20-25 |
| Machinery and technical facilities | 4-20 |
| Means of transportation | 5 |
| Furniture and fixtures | 1-10 |

The useful lives of property, plant and equipment are subject to review at least at each end of every use.

### 4.3 *Leases*

***Recognition and initial measurement of the right-of-use asset***

The Company applies a single recognition and measurement approach for all leases (including short-term and low-value leases). The Company recognizes lease liabilities for lease payments and right-of-use assets representing the right to use the underlying assets.

At the lease period commencement date, the Company recognizes a right-of-use asset and a lease liability, measuring the right-of-use asset at cost, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of a low-value underlying asset. For these leases, the Company recognizes rentals as operating expenses using the straight-line method over the lease term.

The cost of the right-of-use asset comprises:

- the amount of the initial measurement of the lease liability (see below)
- any lease payments made at or before the commencement date, less any lease incentives received,
- the initial direct costs incurred by the lessee, and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company undertakes the obligation for those costs either at the lease period commencement date or as a consequence of having used the leased asset during a particular period.

***Initial measurement of the lease liability***

At the lease period commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. When the interest rate implicit in the lease can be readily determined, the lease payments shall be discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company shall use the Group's incremental borrowing rate.

At the lease period commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right-of-use asset during the lease term that are not paid at the lease commencement date:

1. fixed payments less any lease incentives receivable,
2. any variable lease payments that depend on the future change in index or a rate, initially measured using the index or rate as at the lease period commencement date
3. amounts expected to be payable by the Group under residual value guarantees,
4. the exercise price of a purchase option if the Company is reasonably certain to exercise that option and
5. payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

***Subsequent measurement***

***Subsequent measurement of the right-of-use asset***

After the lease period commencement date, the Company measures the right-of-use asset applying a cost model.

The Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any subsequent measurement of the lease liability.

The Company applies the requirements set in IAS 16 regarding the depreciation of the right-of-use asset, which it reviews for potential impairment.

***Subsequent measurement of the lease liability***

After the lease period commencement date, the Company measures the lease liability by:

1. increasing the carrying amount to reflect financial cost on the lease liability,
2. reducing the carrying amount to reflect the lease payments made, and
3. re-measuring the carrying amount to reflect any lease reassessment or modification.

Financial cost of a lease liability is allocated over the lease term in such a way that it results in a constant periodic rate of interest on the remaining balance of the liability.

After the lease period commencement date, the Company recognizes in profit or loss, (unless the costs are included in the carrying amount of another asset applying other applicable Standards), both:

1. financial cost of the lease liability, and
2. variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

***The Company as lessor***

Leases in which the Company is the lessor are classified as either finance or operating leases. When the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the lease is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessee, it accounts for the master lease and sublease as two separate contracts. A sublease is classified as either a finance lease or an operating lease depending on the right-of-use asset arising from the headlease.

Revenue from operating leases is recognized on a straight-line basis over the term of the lease. The initial direct costs of negotiating and arranging an operating lease agreement are added to the carrying amount of the underlying asset and recognized using the straight-line method over the lease term.

Amounts due from lessees under finance leases are recognized as receivables in the amount of the Company's net investment in the finance lease. The finance income from the lease is allocated to the reporting periods to reflect the Company's constant periodic rate of return on its remaining net investment in the finance leases.

When the lease includes both leasehold and non-leasehold elements, the Company applies IFRS 15 in order to allocate the contract price to each element separately.

The aforementioned transactions bear the characteristics of an alternative form of sale, where the Company acknowledges the following:

- Income from the sale, which is recognized at the beginning of the lease period at the lower value between the fair value and the present value of the receivables to which the Company is entitled, discounted at an interest rate deemed appropriate based on market standards.

- Financial income recognized throughout the lease period from the subsequent measurement of the receivable at amortized cost.

The receivables recognized, as a result of the above contracts, are included in their long-term part in the "Other long-term financial receivables" fund and in their short-term part in the "Advances and other receivables" item. At the same time, the collections of the related receivables and of the corresponding interest income are presented as inflows from investment activities.

### 4.4 *Impairment of Non-Financial Assets*

The book values of long-term assets are reviewed for impairment purposes when facts or changes in circumstances imply that the book value may not be recoverable. When the book value of an asset exceeds its recoverable amount, the respective impairment loss is recorded in the net earnings. The recoverable amount is defined as the largest between the fair value minus the sale cost and the value in use.

The fair value minus the sale cost is the plausible income from the sale of an asset, in which all parties have full knowledge and willingness, after the deduction of each additional direct sales cost for the asset, while the value in use consists of the net present value of future estimated cash flows expected to occur from the continuous use of the asset and from the income expected to arise from its sale at the end of its estimated useful life. In order to determine the impairment, the assets are grouped at the lowest level for which cash flows can be recognized separately.

Reverse entry of an impairment for the value of assets accounted for in previous years, takes place only when there are sufficient indications that such impairment no longer exists or it has been reduced. In these cases, the above reversal is treated as income in net profits.

The Management estimates that no impairment of the value of the assets of the Company will occur, consequently it has not calculated any recoverable amounts for its assets.

### 4.5 *Inventory*

Inventory includes spare parts and other material. Inventory is valued at the lower of cost and net realizable value.

Appropriate provisions are formed for obsolete inventory, if necessary. Impairment of inventory in net realizable value and other losses from inventory are recognized in profit or loss for the period in which they are incurred.

### 4.6 *Financial instruments*

#### I. Recognition and de-recognition

Financial assets and financial liabilities are recognized in the Statement of Financial Position when and only when the Company becomes a party to the financial instrument.

The Company ceases to recognize a financial asset when and only when the contractual rights in the cash flows of the financial asset expire or when the financial asset is transferred and all the risks and benefits associated with the specific financial asset are substantially transferred. A financial liability is de-recognized from the Statement of Financial Position when, and only when, it is repaid that is, when the commitment set out in the agreement is fulfilled, canceled or expires.

#### II. Classification and initial recognition of financial assets

With the exception of trade receivables that do not include a significant finance item and are measured at the transaction price in accordance with IFRS 15, other financial assets are initially measured at fair value by adding the relevant transaction cost except in the case of financial assets measured at fair value through profit or loss.

Financial assets, except those defined as effective hedging instruments, are classified into the following categories:

- Financial assets at amortized cost,
- Financial assets at fair value through profit & loss, and
- Financial assets at fair value through other comprehensive income without recycling cumulative profit and losses on de-recognition (equity instruments)

Classification of every asset is specified according to:

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

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

**III. Subsequent measurement of financial assets**

***Financial assets at amortized cost***

A financial asset is measured at amortized cost when the following conditions are met:

I. Financial asset management business model includes holding the asset for the purposes of collecting contractual cash flows.
II. Contractual cash flows of the financial asset consist exclusively of repayment of capital and interest on the outstanding balance (“SPPI” criterion).

Following the initial recognition, these financial assets are measured at amortized cost using the effective interest method. In cases where the discount effect is not significant, the discount is omitted.

The measurement at amortized cost category includes non-derivative financial assets such as loans and receivables with fixed or pre-determined payments that are not traded on an active market, as well as cash and cash equivalents, trade and other receivables.

***Financial assets measured at fair value through profit or loss***

Financial assets measured at fair value through profit or loss include the financial assets held for trade, the financial assets specified on the initial recognition at the fair value through profit or loss or the financial assets which must mandatorily be measured at their fair value.

Financial assets are classified as held for trade if they are acquired for sale or buy-back purposes in the near future. Derivatives, including incorporated derivatives are also classified as held for trade, unless they are defined as effective hedging instruments.

Financial assets with cash flows that don not only comprise payments for principal amount and interest are classified and measured at their fair value through profit or loss, regardless of the business model.

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

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

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

**IV. Impairment of financial assets**

The adoption of the IFRS 9 led to a change in the accounting treatment of impairment losses for financial assets, as it replaced the treatment of IAS 39 for recognition of realized losses by recognizing the expected credit loss. Impairment is defined in IFRS 9 as an Expected Credit Loss (ECL), which is the difference between the contractual cash flows attributable to the holder of a particular financial asset and the cash flows expected to be recovered, i.e. cash deficit arising from default events, discounted approximately at the initial effective interest rate of the asset.

The Group and the Company recognize provisions for impairment for expected credit loss for all financial assets except those measured at fair value through profit or loss. The objective of the IFRS 9 impairment provisions is to recognize the expected credit loss over the lifetime of a financial instrument whose credit risk has increased since initial recognition, regardless if the assessment is made at a collective or individual level, using all the information that can be collected on the basis of both historical and present data, as well as data relating to reasonable future estimates of the financial position of customers and the economic environment.

In order to apply the above approach, a distinction is made among:

- Financial assets whose credit risk has not deteriorated significantly since initial recognition or which have a low credit risk at the reporting date (Stage 1) and for which the expected credit loss is recognized for the following 12 months,
- Financial assets whose credit risk has deteriorated significantly since initial recognition and which have no low credit risk (Stage 2). For these financial assets, the expected credit loss is recognized up to their maturity.
- Financial assets for which there is objective evidence of impairment at the reporting date (Stage 3) and for which the expected credit loss is recognized up to maturity.

***Trade receivables, other receivables and receivables under customers agreements***

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

### 4.7 *Cash and Cash Equivalents*

The Company considers term deposits and other highly liquid investments with an initial maturity less than three months, as cash and cash equivalents.

For the purposes of preparing the cash flow statements, cash and cash equivalents consist of cash, banks savings accounts and cash and cash equivalents as defined above.

### 4.8 *Financial Liabilities*

Financial liabilities are recognized on the Statement of Financial Position when, and only when, the Company becomes a party to the financial instrument.

As the accounting requirements for financial liabilities remained similar to a great extent to those set in IAS 39, the Company's accounting policies regarding financial liabilities were not affected by the adoption of IFRS 9.

The Company's financial liabilities include mainly loan obligations under lease agreements, suppliers and other liabilities. Financial liabilities are initially recognized at cost, which is the fair value of the consideration received outside borrowing costs. After initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method.

Financial liabilities are classified as current liabilities unless the Company has the unconditional right to transfer the settlement of the financial liability for at least 12 months after the financial statements reporting date.

### 4.9 *Provision for staff retirement indemnities*

According to Greek labor law, each employee is entitled to a lump-sum indemnity in case of dismissal or retirement. The amount of the indemnity depends on the length of service with the company and the employee's wages the day he/she is dismissed or retires. Employees that resign or are justifiably dismissed are not entitled to such an indemnity.

The indemnity payable in case of retirement in Greece is equal to 40% of the indemnity calculated in case of dismissal. According to the practices in the countries where the subsidiaries of the Group are operating in, staff indemnity programs are usually not funded.

Estimates for staff indemnity liabilities were determined through an actuarial study. The following tables present an analysis of the net expenditure for the relevant provisions recorded in the consolidated Statement of Comprehensive Income for the year ended on 31 December 2023 and the change of the relevant provision accounts for staff indemnities presented in the attached consolidated Statement of financial position for the year ended on 31 December 2023.

Further analysis of the provision for staff indemnity is provided in note 15.

### 4.10 *Staff Pension Plans*

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

### 4.11 *Income Tax (Current and Deferred)*

Income tax burden for the year consists of current tax, deferred tax and tax differences from previous years.

**Current Income Tax**

Current tax is calculated on the basis of the tax Statements of Financial Position of every company, included in the consolidated Financial Statements, according to the tax regulation effective in Greece or other tax frameworks under which the foreign subsidiaries operate. Expenditure on current income tax includes income tax that is based on the profits of each company as restated in its tax returns and provisions for additional taxes and is calculated according to the statutory or substantially statutory tax rates.

**Deferred Income Tax**

Deferred taxes are taxes or tax relief related to financial burdens or benefits accruing in the year but already been accounted for or to be accounted for by the tax authorities in different years.

Deferred income taxes are calculated using the liability method in temporary differences at the date of the financial statements between the tax base and the carrying amount of assets and liabilities. Deferred tax liabilities are recognized for taxable temporary differences.

Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, when the transaction took place, did not affect either the accounting or the tax profit or loss.

Deferred tax assets are recognized to the extent that there will be a future taxable profit for the utilization of the temporary difference that gives rise to the deferred tax asset.

Deferred tax assets are measured at every reporting date of the financial statements and are reduced to the extent that it is unlikely that there will be sufficient taxable profits against which part or all of the deferred income tax assets may be used.

Deferred tax assets and obligations are calculated at the tax rates expected to be effective for the year in which the asset is incurred or the liability will be settled and are based on the tax rates (and tax laws) that are in effect or effectively in force as at the financial statements reporting date. In the event the time of reversing temporary differences cannot be clearly identified, the tax rate applicable on the next FY date of the Statement of Financial Position will be applied.

Income tax related to items, recognized in other comprehensive income, is also recognized in other comprehensive income.

### 4.12 *Provisions, Contingent Liabilities and Contingent Assets*

Provisions are recognized when the Company has present legal or imputed liabilities as a result of past events; their settlement is possible through resources' outflow and the exact liability amount can be reliably estimated. The provisions are reviewed on the reporting date of the Financial Statements and are reviewed and adjusted accordingly on evert financial statements reporting date to reflect the present value of the expense expected for the settlement of the liability.

When the effect of the time value of money is significant, the provision is calculated as the present value of the expenses expected to be incurred in order to settle this liability.

If it is no longer probable that an outflow will be required in order to settle a liability for which a provision has been made, then it is reversed.

In cases where the outflow of economic resources due to current commitments is considered improbable or the provision amount cannot be reliably estimated, no liability is recognized in the financial statements. Contingent liabilities are not recognized in the financial statements but are disclosed unless the probability of an outflow of resources incorporating financial benefits is minimal. Potential inflows from economic benefits for the Group which do not meet the criteria of an asset are regarded as contingent assets and are disclosed when the inflow of the economic benefits is probable.

**Provisions for rehabilitation of natural landscape**

Concerning restoration of natural landscapes, the Company recognizes the provisions for dismantling of plants and the restoration of the surrounding area. Decommissioning and remediation provisions reflect the present value at the reporting date of the estimated cost less the estimated residual value of the recoverable materials. Provisions are reviewed at every reporting date of the Statement of Financial Position and are adjusted in order to reflect the present value of the expense, expected to be disbursed for settling the lability regarding decommissioning and remediation. The related provision is recognized as an increase in the acquisition cost of wind turbines and is depreciated on a straight-line basis over the 25-year term of the energy production contract. Amortization and disposal of the capitalized decommissioning and restoration costs is included in the Statement of Comprehensive Income together with depreciation of Wind Farms. Any changes in estimates with respect to the estimated cost or the discount rate are added to or deducted from, respectively, the cost of the asset. The effect of discounting the estimated cost is recognized in the income statement as an interest expense.

**Emissions obligation**

Emissions are recognized based on the net obligation method according to which the Company recognizes an obligation from emissions when the actual emissions exceed the emission rights allocated by the European Union. The amount is measured at fair values to the extent that the Company has the obligation to cover the deficit through purchases. Rights purchased in excess of those required to cover deficits are recognized as intangible assets at cost.

### 4.13 *Revenues recognition*

Revenues are recognized to the extent that it is possible that the economic benefits will result for the Company and that the relevant amounts can be accurately measured. The following specific recognition criteria must also be met for the recognition of revenue.

*(i)* *Revenues from the sale of Electricity & Natural Gas.*

It refers to revenue from contracts with customers arising from performance commitments that are fulfilled over time. Revenues from the sale of Electricity & Natural Gas are considered within the year they are realized. During the preparation of the financial statements, they are considered to be payable non-invoiced revenues from the sale of electricity to the INDEPENDENT POWER TRANSMISSION OPERATOR (IPTO) and the ENERGY EXCHANGE GROUP (ENEX), as well as the revenues from electricity purchased by IPTO and EnEx, which have not yet been invoiced.

In order to reduce its exposure to the changes in energy prices in the specific market, the Company uses derivative instruments. The product of the settlement of these derivatives is included in the income from the sale of electricity.

*(ii)* *Dividends*

Dividends are accounted for, when the right to collect them is finalized. It is possible that the financial benefits associated with the transaction will flow to the entity and the amount of revenue can be calculated reliably.

*(iii)* *Interest*

Revenues from interest are recognized on an accrual basis.

*(iv)* *Income from rentals*

It refers to income from contracts with customers and arises from implementation commitments that are fulfilled over time. Rental income (operating leases) is recognized using the straight-line method according to the terms of the lease.

### 4.14 *Agreement acquisition cost*

According to the IFRS 15, the costs for acquiring an agreement is the cost undertaken by an entity in order to acquire an agreement with a customer. To the extent the entity is expected to recover such costs, they it can recognize an asset and amortize according to the recovery rate of the benefits of the agreement with the customer. In any different case, these costs are entered as expenses in the fiscal year. In performance of the above, the Company capitalizes the agent's procurement cost, also known as "Agency costs". More specifically, the Company uses agents/intermediaries in order to promote sales. First-connection success fees are capitalized and amortized with regard to the annual customers-recycling rate. This sum is depicted in the Long-term receivables in the Statement of Financial Position.

### 4.15 *Derivative financial instruments (derivatives) and hedging accounting*

In the context of risk management, the Company uses:

- derivatives for the hedging the risk of electricity and natural gas price changes (electricity options, forward contracts)
- fixed for floating swap contract derivatives for the hedging of risks associated with the future fluctuation of income variables.

These derivatives are initially recognized at their fair value on the date of the contract and are later measured at their fair value. Changes in the derivatives fair value are recognized on each reporting date in the Statement of Comprehensive Income.

On the transaction date, the Company records the ratio between the hedging tool and the hedging object, as well as the purpose of the risk management process and the strategy for implementing hedging transactions.

Derivatives are valuated at their fair value on the reporting date the changes are recognized in the results. The fair value of the said derivatives is mostly specified based on the market value and is confirmed by third independent parties.

A hedging relation is suitable for the hedging accounting when the following criteria are met:

- the hedging relation includes only eligible hedging instruments and eligible hedging assets.
- upon the commencement of the hedging relation, such relation is officially specified and documented, along with the objective of the risk management process of the entity and its strategy for the implementation of hedging. Documentation includes the specification of the hedging instrument, the object subject to hedging, the nature of the risk subject to hedging and the manner in which the entity will evaluate whether and to what extent the hedging relation covers the efficiency requirements (including the analysis on the efficiency sources of the hedging and the manner the hedging rate will be specified).
- The hedging relation meets the entirety of the following efficiency requirements: (a) there is a financial relation between the asset and the instrument of hedging, (b) the effect of credit risk is not higher than the changes in value deriving from this financial relation and (c) the hedging rate of the hedging relation is the same that derives from the quantity of the hedged asset which is actually hedged by the entity and the quantity of the hedging instrument actually used by the entity in order to compensate for the said quantity of the hedged asset.

### 4.16 *Share capital, reserves and distribution of dividends*

Common registered shares are recorded as equity. Costs directly attributable to a component of equity net of tax effect, are monitored as a deduction to the Balance of Retained Earnings in equity. Otherwise, this amount is recognized as an expense in the period in question.

In cases when the Company or its subsidiaries acquire part of the Company's share capital (treasury shares), the amount paid, including any expense, net of tax, is deducted from equity until the shares are cancelled or sold. The number of treasury shares held by the Company does not reduce the number of shares in circulation but affects the number of shares included in the calculation of earnings per share. Treasury shares held by the Company do not incorporate a right to receive a dividend.

In particular, the reserves are divided into:

**Statutory reserve**

In compliance with the Greek Commercial Law, companies shall transfer at least 5% of their annual net profits to a statutory reserve until such reserve equals 1/3 of the paid-up share capital. This reserve cannot be distributed during the Company's operations.

**Other reserves**

The category of other reserves comprises:

(1) Actuarial gains/(losses) from defined benefit pension schemes arising from (a) empirical adjustments (the effect of differences between previous actuarial assumptions and those eventually occurring) and (b) changes in actuarial assumptions.

(2) Changes in fair value of investments classified as equity investments.

(3) Reserves formed based on the expenses recognized by the Company and the Group from services acquired in exchange for shares (equity settled transactions) or stock options.

### 4.17 *Government grants*

Government grants are recognized at fair value, when there is reasonable assurance that the grant will be collected and the Company will comply with all relevant conditions.

Government grants related to the grants for tangible fixed assets are recognized, when there is reasonable assurance that the grant will be collected and all relevant conditions will be met. These grants are recognized as deferred income and are transferred to the income statement during the period based on the expected useful life of the asset, for which the grant was received.

Government grants, relating to expenses, are recorded in transit accounts and recognized in the income statement over the period necessary to balance the expenses they are intended to compensate.

### 4.18 *Employee benefits*

**Short-term benefits:** Short-term employee benefits (except for termination of employment benefits) in cash and in kind are recognized as an expense when deemed accrued. Any unpaid amount is recorded as a liability, whereas in case the amount already paid exceeds the benefits' amount, the entity identifies the excessive amount as an asset (prepaid expense) only to the extent that the prepayment shall lead to a future payments' reduction or refund.

**Retirement Benefits:** Benefits following termination of employment include lump-sum severance grants, pensions and other benefits paid to employees after termination of employment in exchange for their service. The Group's liabilities for retirement benefits cover both defined contribution plans and defined benefit plans. The defined contribution plan's accrued cost is recognized as an expense in the period to which it relates. Pension plans adopted by the Group are partly financed through payments to insurance companies or state social security funds.

**Defined Benefit Plan (non-funded)**

Under Laws 2112/20 and 4093/2012, the Company must pay compensation to its employees upon their dismissal or retirement. The amount of compensation paid depends on the years of service, the level of wages and the way of leaving service (dismissal or retirement). The entitlement to participate in these plans is carried out through the distribution of benefits in the last 16 years until the date of retirement of employees following the scale of Law 4093/2012.

The liability recognized in the Statement of Financial Position for defined benefit plans is the present value of the liability for the defined benefit less the plan assets' fair value (reserves from payments to an insurance company), the changes deriving from any actuarial profit or loss and the previous service cost. The defined benefit commitment is calculated on an annual basis by an independent actuary through the use of the projected unit credit method. Regarding FY 2023 the selected interest rate follows the tendency of European Bonds of 10-year maturity as at December 31 2023, which is regarded as consistent with the provisions of IAS 19, i.e. is based on bonds corresponding to the currency and the estimated term relative to employee benefits as well as appropriate for long-term provisions.

A defined benefit plan establishes, based on various parameters, such as age, years of service and salary, the specific obligations for payable benefits. Provisions for the period are included in the relative staff costs in the accompanying separate and consolidated Income Statements and comprise the current and past service cost, the relative financial cost, the actuarial gains or losses and potentially arising additional charges. Regarding unrecognized actuarial gains or losses, the revised IAS 19 is applied, which includes a number of changes to accounting treatment of defined benefit plans, including as follows:

i. recognition of actuarial gains/losses in other comprehensive income and their permanent exclusion from the Income Statement,
ii. non-recognition of the expected returns on the plan investment in the Income Statement but recognition of the relative interest on net liability/(asset ) of the benefits calculated based on the discount rate used to measure the defined benefit obligation,
iii. recognition of past service cost in the Income Statement at the earliest between the plan modification date or when the relative restructuring or terminal provision are recognized,
iv. other changes include new disclosures, such as quantitative sensitivity analysis.

### 4.19 *Accounting Policy for Business Combinations*

According to the 27.10.2023 Draft Merger Agreement and based on the 26.10.2023 decisions of the Boards of Directors, the companies "HERON SINGLE-MEMBER S.A. ENERGY SERVICES" (HERON ENERGY S.A.) and "HERON II THERMOELECTRIC STATION VIOTIA S.A." (HERON II VIOTIA S.A.) approved the Draft Merger Agreement with the absorption of "HERON II VIOTIA S.A." by "HERON ENERGY S.A." in accordance with the provisions of Law 4601/2019 and Law 2166/1993 and pursuant to notarial deed number 8996-11/12/2023.

By virtue of decision no. 14288/21-12-2023 of the GEMI Service with Registration Code Number 3947441, and in accordance with the provisions of Law 4601/2019, Law 4548/2018, and Law 2166/1993, the merger of HERON ENERGY S.A. and HERON II VIOTIA S.A., with the absorption of the latter by the former, was approved.

The business combination of HERON ENERGY S.A. and HERON II VIOTIA S.A., with the absorption of the latter by the former and the amendment of the absorbing company's Articles of Association, does not result in a change of control of the companies by the parent company. Therefore, the corporate transformation (merger of companies) is considered a transaction between entities under common control and is excluded from the scope of IFRS 3.

Management in accordance with paragraphs 10 to 12 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," which, among other things, state that "In the absence of a standard or interpretation that specifically applies to a transaction or other event or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is relevant to the users financial decision-making needs and reliable."

The Company has chosen the merger accounting method or pooling of interests method. Based on this handling, the Financial Position Statements of the merging companies are added up, using the accounting values of the assets and liabilities without further calculation of fair values.

More specifically, based on the accounting method of consolidation of interests, it is noted that:

a. The assets and liabilities of the absorbed entity are recognized at their accounting values with appropriate adjustments to achieve uniform accounting policies. The accounting values used are derived from the financial statements of the absorbed company.
b. Intangible assets and contingent liabilities are recognized only to the extent they were recognized in the financial statements of the absorbed company.

(Amounts in Euro thousand, unless stated otherwise)

c. Goodwill is not recognized. The difference between the cost of acquisition of the investment and the net assets of the acquired (absorbed) company is recognized in the "Retained Earnings" account of Shareholders' Equity.
d. Transaction costs are recognized directly as expenses in the Income Statement.

The Company did not proceed with a reformation of the comparative data presented.

The receivables, liabilities, and equity items that entered the Company as a result of the merger as of January 1, 2023, are analyzed as follows:

| | **01.01.2023** |
|---|---|
| **ASSETS** | |
| **Non-current Assets** | |
| Intangible Assets | 36 |
| Right-of use assets | 1,168 |
| Tangible fixed assets | 101,333 |
| Participations in subsidiaries | 24,200 |
| Other investments | 10 |
| Other long-term assets | 100,113 |
| **Total non-current asset** | **226,860** |
| **Current Assets** | |
| Inventories | 4,081 |
| Trade receivables | 33,007 |
| Other receivables | 9,005 |
| Income tax receivables | 0 |
| Cash and Cash Equivalents | 73,678 |
| **Total current asset** | **119,771** |
| **TOTAL ASSETS** | **346,631** |
| **EQUITY AND LIABILITIES** | |
| **EQUITY** | |
| Share Capital | 6,440 |
| Share premium account | 63,296 |
| Reserves | 1,437 |
| Retained earnings | 99,338 |
| **Total Equity** | **170,511** |
| **Non-current liabilities** | |
| Long-term Loans | 27,520 |
| Liabilities from leases | 1,123 |
| Provision for staff retirement indemnities | 36 |
| Provision for decommissioning | 1,723 |
| Deferred Tax Liabilities | 19,833 |
| **Total Long-term Liabilities** | **50,235** |
| **Current liabilities** | |
| Short-term loans | 8,401 |
| Long-term liabilities payable in the next financial year | 0 |
| Short-term part of liabilities from leases | 108 |
| Suppliers | 8,930 |
| Accrued and other short-term liabilities | 83,320 |
| Income tax payable | 25,126 |

(Amounts in Euro thousand, unless stated otherwise)

| | |
|---|---|
| **Total current liabilities** | **125,885** |
| **TOTAL EQUITY & LIABILITIES** | **346,631** |

## 5. INTANGIBLE ASSETS

The intangible assets of the Company and their movement for the periods 1 January to 31 December 2023 and 2022, presented in the attached financial statements, are analyzed as follows:

| **Acquisition Value** | **2023** | **2022** |
|---|---|---|
| **Balance 1st January** | **6,045** | **5,309** |
| Amount of adsorbed company (Note 4.19) | 388 | 0 |
| Transfers | 926 | 736 |
| **Balance 31st December** | **7,359** | **6,045** |
| **Accumulated amortization and impairments** | | |
| **Balance 1st January** | **(3,931)** | **(2,673)** |
| Amount of adsorbed company (Note 4.19) | (351) | 0 |
| Amortization | (1,420) | (1,258) |
| **31st December** | **(5,702)** | **(3,931)** |
| **Balance 31st December** | **1,657** | **2,114** |

Amortization in the current financial year has been recognized by €1,405 thousand in the Cost of goods sold and by €15 thousand in the Administrative and Distribution Expenses account (€1,253 thousand and €5 thousand respectively for the FY 2022).

## 6. TANGIBLE ASSETS

The tangible assets of the Company and their movement for the periods January 1 to December 31, 2023 and 2022, in the attached financial statements, are analyzed as follows:

| | **Land-Plots** | **Buildings** | **Machinery** | **Vehicles** | **Other** | **Fixed assets under construction** | **Total** |
|---|---|---|---|---|---|---|---|
| **Acquisition cost** | | | | | | | |
| **Balance 1st January 2023** | **2,385** | **16,909** | **53,418** | **22** | **2,049** | **282** | **75,065** |
| Amounts of absorbed company (Note 4.19) | 0 | 18,304 | 268,997 | 0 | 715 | 0 | 288,016 |
| Additions | 0 | 0 | 0 | 0 | 0 | 2,241 | 2,241 |
| Transfer from/to tangible fixed assets | 0 | 251 | 796 | 0 | 474 | (1,520) | 0 |
| Transfer from/to intangible fixed assets | 0 | 0 | 0 | 0 | 0 | (927) | (927) |

(Amounts in Euro thousand, unless stated otherwise)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cost of goods sold/tangible assets write-off | 0 | (47) | 0 | 0 | 0 | 0 | (47) |
| **Balance 31st December 2023** | **2,385** | **35,417** | **323,211** | **22** | **3,238** | **76** | **364,349** |
| | | | | | | | |
| **Accumulated depreciation and impairments** | | | | | | | |
| **Balance 1st January 2023** | **0** | **(15,712)** | **(47,918)** | **(22)** | **(1,816)** | **0** | **(65,468)** |
| Depreciation amounts of absorbed company (Note 1) | 0 | (9,351) | (138,277) | 0 | (550) | 0 | **(148,178)** |
| Depreciation | 0 | (982) | (14,950) | 0 | (339) | 0 | **(16,272)** |
| Impairments from company absorption (Note 4.19) | 0 | 0 | (38,504) | 0 | 0 | 0 | **(38,504)** |
| Transfer (from)/to right-of use assets | 0 | 0 | 0 | 0 | 47 | 0 | **47** |
| Cost of goods sold/tangible assets write-off | 0 | 22 | 0 | 0 | 0 | 0 | **22** |
| **Balance 31st December 2023** | **0** | **(26,024)** | **(239,648)** | **(22)** | **(2,658)** | **0** | **(268,351)** |
| | | | | | | | |
| **<u>Net book value</u>** | | | | | | | |
| **Balance 31st December 2023** | **2,385** | **9,393** | **83,563** | **0** | **580** | **76** | **95,998** |

| | Land-Plots | Buildings | Machinery | Vehicles | Other | Fixed assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Acquisition cost** | | | | | | | |
| **Balance at 1st January 2022** | **2,385** | **16,889** | **52,793** | **22** | **1,913** | **298** | **74,300** |
| Additions | 0 | 0 | 0 | 0 | 0 | 1,501 | 1,501 |
| Transfer from / to tangible fixed assets | 0 | 20 | 625 | 0 | 136 | (781) | 0 |
| Transfer from / to intangible fixed assets | 0 | 0 | 0 | 0 | 0 | (736) | (736) |
| Transfer from assets under construction | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cost of goods sold / tangible assets write-off | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Balance 31st December 2022** | **2,385** | **16,909** | **53,418** | **22** | **2,049** | **282** | **75,065** |
| | | | | | | | |
| **Accumulated depreciation and impairments** | | | | | | | |
| **Balance 1st January 2022** | **0** | **(15,429)** | **(45,763)** | **(22)** | **(1,614)** | **0** | **(62,828)** |
| Depreciation | 0 | (283) | (2,154) | 0 | (202) | 0 | **(2,639)** |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Termination of contracts | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Balance 31st December 2022** | **0** | **(15,712)** | **(47,918)** | **(22)** | **(1,816)** | **0** | **(65,468)** |

(Amounts in Euro thousand, unless stated otherwise)

| **Net book value** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Balance 31st December 2022** | **2,385** | **1,197** | **5,500** | **0** | **233** | **0** | **9,598** |

Depreciation in the fiscal year 2023 correspond to €16,272 thousand (€2,639 thousand in 2022) and has been recorded in the Statement of Comprehensive Income in the Cost of goods sold by €16,128 thousand (€2,577 thousand in the year 2022) and by €144 thousand (€62 thousand in the year 2022) in the Administration and Distribution Expenses. The Company, for the calculation of depreciation, examines the useful life and residual value of tangible assets at each reporting period, considering technological, institutional and economic developments, as well as experience from their exploitation. In this context, in the fiscal year 2022, the Company reduced the useful life of the open-type thermal power plant from 25 to 20 years based on new estimates that emerged during the evaluation of the conditions formed in the operation and technological development of these infrastructures in general. The change in the useful life resulted in an increase in depreciation by €3,038 thousand for the fiscal year 2022, which was recorded in the Cost of goods account and led to an equivalent charge to the results of the fiscal year.

For these properties, no real encumbrances or liens were registered for the fiscal years 2023 and 2022.

## 7. RIGHT-OF USE ASSETS

The right-of-use fixed assets and their movement for the periods 1 January to 31 December 2023 and 2022, presented in the attached financial statements, are analyzed as follows:

| | **Fields-Plots** | **Buildings-Facilities** | **Vehicles** | **Other** | **Total** |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| **Balance 1st January 2023** | **0** | **2,407** | **603** | **339** | **3,349** |
| Amounts of the absorbed company (Note 4.19) | 980 | **584** | **103** | **0** | **1,667** |
| Additions | 0 | 516 | 333 | 96 | **945** |
| **Balance 31st December 2023** | **980** | **3,507** | **1,039** | **435** | **5,961** |
| **Accumulated depreciation and impairments** | | | | | |
| **Balance 1st January 2023** | **0** | **(1,264)** | **(506)** | **(290)** | **(2,061)** |
| Amounts of accumulated depreciation of the absorbed company (Note 4.19) | (101) | (328) | (70) | 0 | **(499)** |
| Depreciation | (25) | (600) | (112) | (71) | **(808)** |
| Transfers | 0 | 0 | 0 | (47) | **(47)** |

(Amounts in Euro thousand, unless stated otherwise)

| | | | | | |
|---|---|---|---|---|---|
| **Balance 31st December 2023** | **(126)** | **(2,192)** | **(688)** | **(408)** | **3,415** |
| **Acquisition cost** | | | | | |
| **Balance 31st December 2023** | **854** | **1,315** | **351** | **27** | **2,546** |

| | Fields-Plots | Buildings & Facilities | Means of transport | Other | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| **Balance 1st January 2022** | **0** | **1,137** | **552** | **339** | **2,028** |
| Additions | 0 | 1,270 | 51 | 0 | **1,321** |
| Termination of contracts | 0 | 0 | 0 | 0 | **0** |
| **Balance 31st December 2022** | **0** | **2,407** | **603** | **339** | **3,349** |
| | | | | | |
| **Accumulated depreciation and impairments** | | | | | |
| **Balance 1st January 2022** | **0** | **(932)** | **(407)** | **(223)** | **(1,562)** |
| Depreciation | 0 | (332) | (99) | (68) | **(499)** |
| Termination of contracts | 0 | 0 | 0 | 0 | **0** |
| **Balance 31st December 2022** | **0** | **(1,264)** | **(506)** | **(290)** | **(2,061)** |
| | | | | | |
| **Net book value** | | | | | |
| **Balance 31st December 2022** | **0** | **1,143** | **97** | **49** | **1,288** |

Depreciation in the financial year 2023 corresponds to €808 thousand (€499 thousand in 2022) and have been recorded in the Statement of Comprehensive Income by €192 thousand (€167 thousand in 2022) in the Cost of goods sold and by €616 thousand in the Administrative and Distribution Expenses (€332 thousand for 2022).

## 8. PARTICIPATIONS IN SUBSIDIARIES

**Analysis of movements in investments in subsidiaries for the year 2023**

The change in the book value of investments in subsidiaries presented in the attached financial statements is analyzed as follows:

(Amounts in Euro thousand, unless stated otherwise)

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **Balance 1st January** | **0** | **0** |
| Amounts of absorbed company (Note 4.19) | **24,200** | **0** |
| Additions | 20,121 | 0 |
| **Balance 31st December** | **44,321** | **0** |

The additions of €20,121 thousand made within the 2023 financial year, concern in particular:

- The increase of the Share Capital through the issuance of 2,000,000 common registered voting shares, with a nominal value of ten euros (€10) each, of the limited liability company named "Terna Energy Trading LTD" with a total value of €20,000 thousand.
- The establishment of a new company in Albania named "FIER HELIOS SH.P.K." with 100% shareholder the company named "HERON II THERMOELECTRIC STATION VIOTIA S.A." which merged with HERON SOCIETE ANONYME ENERGY SERVICES by absorbing HERON II VIOTIA S.A. into HERON ENERGY S.A. (see note 1) with an initial capital contribution of €1,000 and an increase in Share Capital amounting to €120 thousand, making a total contribution of €121 thousand.

## 9. INVESTMENTS IN EQUITY SECURITIES

The investments in equity securities presented in the attached financial statements pertain to participation in the non-profit Hellenic Association of Independent Power Producers (HAIPP), which aims to collectively promote all issues related to the production and sale of electricity by independent producers. This company was established in March 2010 and the Company participates with a 16.67% share in its capital. Additionally, the Company holds participation in the non-profit Hellenic Association of Energy Suppliers (ESPEN) with a contribution amount of €5 thousand.

## 10. OTHER LONG-TERM RECEIVABLES

The account "Other long-term receivables" as of 31.12.2023 and 31.12.2022 in the attached financial statements is analyzed as follows:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Agents' commission cost | 24,219 | 22,456 |
| Guarantees granted | 143 | 98 |
| Prepaid leases | 86 | 0 |
| **Total** | **24,448** | **22,554** |

The account "Agents' commission cost" relates to the cost of commission of agents, also known as brokerage fees. The change of the account "Agents cost of commission" account is analyzed as follows:

| **Agents' commission cost** | 2023 | 2022 |
|---|---|---|
| **Balance at 1st January** | 22,456 | 17,724 |
| Capitalized cost | 7,671 | 9,434 |
| Cost recognized as expenses (see Note 26) | (5,908) | (4,702) |
| **Balance at 31st December** | **24,219** | **22,456** |

(Amounts in Euro thousand, unless stated otherwise)

The prepaid lease payments concern a plot of land owned by a third party (non-related party) where drilling will occur for water extraction to be used in the production process. The lease is long-term for 25 years with 10 years remaining.

## 11. INVENTORY

The Account "Inventory" on December 31st 2023 and on 31st December 2022 in the attached financial statements is analyzed as follows:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Fixed assets spare parts | 7,917 | 1,704 |
| Consumables (mainly oil) | 3,635 | 3,686 |
| Merchandise | 24 | 25 |
| Impairment | (1,448) | 0 |
| **Total** | **10,128** | **5,415** |

The amount of €3,079 thousand in "Consumables (mainly oil)" (€3,079 thousand for 2022) concerns oil stock storage in accordance with the amendment of RAE Decision No. 672/2022.

As of December 31, 2023, there was no need to create an additional provision for depreciated or slow-moving inventory. The existing provision was formed as a result of the merger of HERON II THERMOELECTRIC STATION VIOTIA S.A. absorbed by HERON SOCIETE ANONYME ENERGY SERVICES (see Note 1).

The inventories are not burdened with liens

## 12. TRADE RECEIVABLES

The "Trade receivables" of the Company on 31.12.2023 and 31.12.2022 in the attached financial statements, are analyzed as follows:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Customers – Public Entities (Operators) | 9,977 | 26,796 |
| Customers – Individuals and private companies | 248,819 | 285,044 |
| Post-dated cheques receivable | 8,449 | 10,408 |
| Unbilled receivables - Individuals and private companies | 111,425 | 125,384 |
| Unbilled receivables – Public Entities | 85,200 | 15,088 |
| Impairment loss on trade receivables | (81,146) | (67,354) |
| **Total** | **382,724** | **395,366** |

The above trade receivables also include receivables from related parties amounting to €14,700 thousand (€8,875 thousand on 31/12/2022).

The receivables, invoiced by public companies include receivables from the Independent Power Transmission Operator (IPTO) of a total value of €1,173 thousand (€788 thousand on 31/12/2022), from the Renewable Energy and Guarantees of Origin Administrator (DAPEEP, former LAGIE) of a total value of €2,432 thousand (€24,269 thousand on 31/12/2022), from the Hellenic Electricity Distribution Network Operator (HEDNO) of a total value of €2,948 thousand (€1,585 thousand on 31/12/2022), from the Operator of the National Natural Gas System Operator (DESFA) of a total value of €2,045 thousand (€0 thousand on 31/12/2022) and receivables from other public entities of a total value of €454 thousand (€154 thousand on 31/12/2022). The other receivables concern private customers in the categories of low, medium and high voltage electricity as well as other services.

(Amounts in Euro thousand, unless stated otherwise)

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

Given the application of the simplified approach of the IFRS 9, the Company calculates the expected credit loss always at an amount that represents cash flows shortfalls throughout the lifetime of financial receivables, weighed against the risk of default. Consequently, trade receivables and other short-term receivables are classified either at stage 2 or at stage 3.

To measure the expected credit loss (ECL), trade and other short-term receivables have been grouped based on the credit characteristics and their ageing (days past due) on the reporting date. Measurement of ECL is based on specific credit risk metrics (i.e. Probability of Default-PD, Loss Given Default-LGD), which are calculated based on historical data, existing market conditions as well as forward looking estimates at the end of each reporting period.

Before accepting any new customer, the Company uses an external credit scoring system to assess the potential customer’s credit worthiness and solvency and thus to define such customer's credit limits. Credit limits are reviewed on a periodical basis.

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

The following tables depict the credit risk profile of trade receivables and other short-term receivables based on the Company's provision matrix. As the Company’s historical credit loss experience does not show significantly different loss patterns for different customer segment, the provision for expected credit loss is based on the days past due status and is not distinguished at a further level.

| **31 December 2023** | **Non-past due balance** | **0-180 days** | **181-365 days** | **365 days and more** | **Total** |
|---|---|---|---|---|---|
| Expected credit loss rate | 5.96% | 11.26% | 24.75% | 75.25% | 17.49% |
| Expected amount to be collected | 267,861 | 95,076 | 42,511 | 58,422 | **463,870** |
| Lifetime Expected credit loss | (15,952) | (10,707) | (10,523) | (43,965) | **(81,146)** |
| **Total** | **251,909** | **84,370** | **31,988** | **14,457** | **382,724** |

| **31 December 2022** | **Non-past due balance** | **0-180 days** | **181-365 days** | **365 days and more** | **Total** |
|---|---|---|---|---|---|
| Expected credit loss rate | 5.07% | 16.26% | 48.25% | 75.66% | 14.56% |
| Expected amount to be collected | 307,984 | 97,214 | 27,662 | 29,859 | **462,719** |

(Amounts in Euro thousand, unless stated otherwise)

| | | | | | |
|---|---|---|---|---|---|
| Lifetime Expected credit loss | (15,608) | (15,810) | (13,346) | (22,590) | **(67,354)** |
| **Total** | **292,376** | **81,404** | **14,316** | **7,269** | **395,366** |

The Company applies the simplified approach of IFRS 9 in order to calculate the expected credit loss of trade and other short-term receivables, which it classifies either at Stage 2 or at Stage 3.

| | **31.12.2023** | |
|---|---|---|
| | **Stage 2** | **Stage 3** |
| Expected credit loss percentage | 13.18% | 78.72% |
| Expected amount to be collected | 433,355 | 30,515 |
| Lifetime Expected credit loss | 57,124 | 24,022 |

| | **31.12.2022** | |
|---|---|---|
| | **Stage 2** | **Stage 3** |
| Expected credit loss percentage | 10.34% | 75.66% |
| Expected amount to be collected | 432,860 | 29,859 |
| Lifetime Expected credit loss | 44,764 | 22,590 |

The movement of impairment of trade receivables in the fiscal year is analyzed as follows:

| | **2023** | **2022** |
|---|---|---|
| Balance 1st January | **67,354** | **34,811** |
| Readjusted balance | 0 | 0 |
| Impairment of trade receivables from company absorption (Note 4.19) | 14 | 0 |
| Gain / (Loss) from trade receivables impairment (Note 29) | 13,778 | 32,543 |
| Balance at 31st December | **81,146** | **67,354** |

The Company, in order to safeguard its operations against contingent losses from trade receivables, receives prepayments from its customers. The amount of such prepayments in the year 2023 settled at €23,404 thousand (€19,076 thousand in 2022 – see Note 18).

## 13. OTHER RECEIVABLES

"Other receivables" on 31 December 2023 and 31 December 2022 in the attached financial statements are analyzed as follows:

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| VAT to be refunding - offsetting | 19,511 | 7,528 |
| Prepaid expenses | 4,464 | 6,066 |
| Other receivables | 20,899 | 29,850 |
| **Total** | **44,874** | **43,444** |

(Amounts in Euro thousand, unless stated otherwise)

The account Other Receivables mainly include advances paid to suppliers of the amount of €16,728 thousand (€28,472 thousand in 2022).

## 14. CASH AND CASH EQUIVALENTS

The Cash and cash equivalents of the Company on December 31, 2023 and December 31, 2022 in the attached financial statements, are analyzed as follows:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Cash at hand | 6 | 14 |
| Sight deposits | 60,952 | 87,647 |
| Term deposits | 0 | 15,000 |
| **Total** | **60,958** | **102,661** |

## 15. PROVISION FOR PERSONNEL INDEMNITIES

According to the Greek labor law, every employee is entitled to a lump-sum indemnity in case of dismissal or retirement. The amount of indemnity depends on the past service time and the salary of the employee on the day of his dismissal or retirement. Employees that resign or are justifiably discharged are not entitled to any indemnity. The indemnity payable in case of retirement in Greece is equal to 40% of the amount which would be payable upon dismissal without justifiable cause.

Estimates for staff retirement indemnities were determined through an actuarial study where the Projected Unit Credit Method was used. The tables below present the composition of the expenditure for the relevant provision recognized in the statement of comprehensive income of the year ended on December 31st 2023 and the movement of the relevant provisions account for staff retirement indemnities presented in the attached Statement of Financial Position of the year ended on December 31st, 2023.

The expense for staff retirement indemnities was recognized in the Income Statement and is analyzed as follows:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Current service cost | 44 | 29 |
| Financial cost (Note 31) | 3 | 0 |
| Cost of terminal benefits | 36 | 165 |
| Recognition of actuarial (profit)/loss | (5) | (4) |
| **Total** | **78** | **190** |

The movement of the relevant provision in the Statement of Financial Position is as follows:

| | 2023 | 2022 |
|---|---|---|
| **Balance 1st January** | **76** | **51** |
| Amount of absorbed company (Note 4.19) | **36** | **0** |
| Provision recognized in the results for the year | 82 | 194 |
| Provision recognized in other comprehensive income | (5) | (4) |

(Amounts in Euro thousand, unless stated otherwise)

| | | |
|---|---:|---:|
| Benefits paid within the current year | (35) | (165) |
| **Balance 31st December** | **154** | **76** |

The main actuarial assumptions for the fiscal years 2023 and 2022 have as follows:

| | 2023 | 2022 |
|---|---|---|
| Discount rate | 2.98% | 2.90% |
| Future wage increases | 2.50% | 2.50% |
| Inflation | 2.10% | 2.80% |
| Movement of salaried / wage-based workers (departure under their own will) | Table 1 | Table 1 |
| Mortality | EVK 2000 | EVK 2000 |

| Years of Service | Rate of Exit |
|---|---|
| From 0 to 1 year | 1.50% |
| From 1 to 5 years | 1.00% |
| From 5 to 10 years | 0.50% |
| From 10 years and above | 0.00% |

## 16. OTHER PROVISIONS

The Company has formed a provision for the dismantling expenses of the electricity power plant that are expected to occur after the termination of the plant's operation, based on its contractual obligation. The estimated provision is based on the expected cash flows required for fulfilling this obligation at the year end. This amount was then increased by the average estimated expected rate of inflation and discounted according to the necessary discount rate. This provision is increased from last year due to a one-year maturity and there was no change in the amount of the future flow.

The movement of the relevant other provisions in the Statement of Financial Position for the years 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---:|---:|
| **Balance at 1st January** | **417** | **379** |
| Amounts of absorbed company (Note 4.19) | **1,723** | **0** |
| Provision recognized in the results | 73 | 0 |
| Interest from provisions recognized in results | 118 | 38 |
| **Balance 31st December** | **2,331** | **417** |

## 17. SUPPLIERS

The account "Suppliers" is analyzed as follows on December 31st 2023 and on December 31st 2022, in the attached financial statements.

| | 31.12.2023 | 31.12.2022 |
|---|---:|---:|
| Electricity and natural gas suppliers | 42,922 | 56,146 |
| Electricity production suppliers | 2,912 | 1,521 |

(Amounts in Euro thousand, unless stated otherwise)

| | | |
|---|---|---|
| Electricity local portfolio management suppliers | 15,173 | 2,504 |
| Other suppliers | 4,092 | 5,160 |
| **Total** | **65,099** | **65,331** |

Suppliers mainly include liabilities to the Independent Power Transmission Operator (IPTO) of €4,016 thousand (€3,535 thousand in 2022), the Renewable Energy and Guarantees of Origin Administrator (DAPEEP, former LAGIE) of a total value of €4,707 thousand (€3,288 thousand in 2022), the Athens Stock Exchange Clearing Company SA of a total value of €2,082 thousand (€1,368 thousand in 2022), the Hellenic Electricity Distribution Network Operator (HEDNO) of an amount of approximately €18,218 thousand (€18,445 thousand in 2022) and to the Deposits & Loans Fund of an amount of €105 thousand (€0 thousand in 2022). Also, the account includes an amount of €7,696 thousand that the Company owes to municipalities and which concerns municipal fees, with the corresponding liability of 2022 having settled at €96 thousand.

## 18. ACCRUED AND OTHER LIABILITIES

The accrued and other liabilities (long-term and short-term) on December 31, 2023 and December 31, 2022 in the attached financial statements are analyzed as follows:

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Sundry Creditors | 48,458 | 37,713 |
| Customer Advances | 23,404 | 19,076 |
| Liabilities from taxes-duties | 3,810 | 2,481 |
| Insurance agencies | 404 | 299 |
| Other short-term liabilities | 144 | 2,613 |
| Purchases under arrangement | 1,822 | 0 |
| Accrued Expenses | 138,412 | 89,134 |
| | **216,454** | **151,316** |

"Sundry Creditors" include Municipal duties of€42,247 thousand (€32,768 thousand in 2022) and reciprocal charges paid to ERT of €5,824 thousand (€4,699 thousand in 2022) which the Company collects from low, medium and high voltage customers and pays to Municipalities and ERT respectively. It also includes personnel salaries payable of €452 thousand (€293 thousand in 2022) and other various creditors of €65 thousand (€47 thousand in 2022).

"Customers Advances" include guarantees received from retail customers €23,174 thousand (€18,766 thousand in 2022). "Accrued Expenses" include: Natural Gas accrued cost of €9,334 thousand (€9,454 thousand in 2022), charges from IPTO of €2,995 thousand (€56,833 thousand in 2022), charges from DAPEEP of €3,303 thousand (€3,467 thousand in 2022), charges from HEDNO of €69,403 thousand (€11,844 thousand in 2022), charges from EnExClear (Clearing and Settlement Company) of €10,232 thousand (€3,891 thousand in 2022), charges from agents of €819 thousand (€991 thousand in 2022) and other accrued expenses of €4,854 thousand (€2,529 thousand in 2022), as well as accrued production costs amounting to €37,471 thousand related to accrued costs of CO2 emission rights.

(Amounts in Euro thousand, unless stated otherwise)

## 19. LIABILITIES FROM LEASES

Liabilities from leases on December 31, 2023 and December 31, 2022 in the attached financial statements are analyzed as follows:

| **2023** | **Long-term part** | **Short-term part** |
|---|---|---|
| **Balance 1st January** | 886 | 423 |
| Amount of the absorbed company (Note 4.19) | 1,123 | 108 |
| Liabilities under new contracts | 946 | 0 |
| Transfer of short-term part of long-term liabilities | (1,032) | 1,032 |
| Outflows / (payments) for capital | 0 | (735) |
| Interest payments | 0 | (126) |
| Interest for the period | 0 | 126 |
| **Balance 31st December** | **1,923** | **828** |

| **2022** | **Long-term part** | **Short-term part** |
|---|---|---|
| **Balance 1st January** | 244 | 212 |
| Liabilities under new contracts | 1,322 | 0 |
| Transfer of short-term part of long-term liabilities | (680) | 680 |
| Outflows / (payments) for capital | 0 | (469) |
| Interest payments | 0 | (69) |
| Interest of the period (Note 26) | 0 | 69 |
| **Balance 31st December** | **886** | **423** |

The repayment period of the liabilities from financial leases is analyzed in the following table:

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Up to 1 year | 828 | 423 |
| 2-5 years | 1,923 | 886 |
| Over 5 years | 0 | 0 |

## 20. LOAN LIABILITIES

***LONG-TERM LOAN LIABILITIES***

The Company received within the financial year under consideration, i.e. on July 1st, 2022, a loan of 100 million euros from the affiliated company "HERON II THERMOELECTRIC STATION VIOTIA SA". There have been already 7 disbursements made, amounting to 5, 20, 20, 10, 25, 10 and 10 million Euros, which took place on July 4, 2022, August 3, 2022, August 8, 2022, August 19, 2022, August 29, 2022, September 1 and September 12, 2022 respectively. The loan in question with the merger that took place on 21.12.2023 between "HERON II THERMOELECTRIC STATION VIOTIA S.A." and "HERON SOCIETE ANONYME ENERGY SERVICES" ceases to exist in question (see Note 1).

(Amounts in Euro thousand, unless stated otherwise)

Also, during the financial year 2022, i.e. on February 11, 2022, the Company received a loan of 60 million Euros from "GEK TERNA HOLDING REAL ESTATE CONSTRUCTION SOCIETE ANONYME" (hereinafter GEK TERNA S.A.) and "TERNA TOURIST TECHNICAL AND MARITIME SOCIETE ANONYME". During the financial year 2023, part of the above loan was repaid, i.e. in the amount of € 52.5 million.

The following table presents the movement of long-term loans in the period:

| | 2023 | 2022 |
|---|---|---|
| **Balance 1st January** | **184,118** | **30,000** |
| Amounts of the absorbed company (Note 4.19) | 27,520 | 0 |
| Outflows / (payments) for capital | (110,020) | 152,500 |
| Interest for the period (Note 31) | 2,395 | 5,221 |
| Payments of interest for the period | (2,395) | (3,602) |
| Adjustment due to the elimination of intragroup loans of the absorbed company | (101,618) | 0 |
| **Balance 31st December** | **0** | **184,118** |

Within March 2023, the Company repaid in full an intra-group loan of €30 million that it had received within the financial year 2021 from the company "TERNA TOURIST TECHNICAL AND MARITIME SOCIETE ANONYME ".

In October 2023, the Company repaid the intra-group loan of €34.5 million that it had received in the fiscal year 2021 from the parent company GEK TERNA S.A., the amount repaid amounted to €27.5 million.

***SHORT-TERM LOAN LIABILITIES***

Within the financial year 2022, the Company has received a short-term loan of 50 million Euros from a credit institution, with compounding interest period of six months based on a Euribor rate equal to the duration of the compounding interest period, plus a margin of 2.40% with the option of reduction to 2.15%.

The following table presents the movement of short-term loans in the period:

| | 2023 | 2022 |
|---|---|---|
| **Balance 1st January** | **62,717** | **12,000** |
| Amounts of the absorbed company (Note 4.19) | 8,401) | 0 |
| Outflows / (payments) for capital | (2,800) | 50,000 |
| Interest for the period (Note 31) | 4,230 | 1,648 |
| Payments within the period | (3,421) | (931) |
| Transfer from / (to) other short-term liabilities | 0 | 0 |
| **Balance 31st December** | **69,127** | **62,717** |

(Amounts in Euro thousand, unless stated otherwise)

The capital repayments concern the short-term loan that has come from the granting of Credit by Optima Bank SA to an open mutual account. The interest rate of the short-term loan is 3-month Euribor plus margin (3.5%) plus Charge Factor (0.60%).

## 21. SHARE CAPITAL

The Share Capital of the Company amounts to eight million eight hundred and fifty-six thousand two hundred and two Euros and seventy-four cents (€8,856,202.74) and is divided into one hundred and eight thousand and forty-two (108,042) ordinary registered shares, with a nominal value of eighty-one Euro and ninety-seven cents (€81.97) each.

The Share Capital belongs to 86.18% of the company GEK TERNA S.A. (44,790 shares) which is listed on the Athens Stock Exchange and by 13.82% in the company TERNA TOURIST TECHNICAL AND MARITIME SOCIETE ANONYME (14,930 shares), which is a subsidiary of the company GEK TERNA S.A.

**Corporate events of the year 2023**

By decision dated December 7, 2023, of the Extraordinary General Meeting of Shareholders, it was decided to merge the Company by absorption with the anonymous company named "HERON II THERMOELECTRIC STATION VIOTIA S.A." and distinctive title "HERON II VIOTIA S.A." (hereinafter the "Absorbed Company").

As part of the merger, an increase in the Company's share capital is executed equal to the capital of the Absorbed Company, amounting to six million four hundred forty thousand euros (€6,440,000.00), plus one hundred two euros and seventy-four cents (€102.74), which was paid in cash by the shareholders of the Absorbed Company for rounding purposes. This results in an increase in the Company's share capital by a total amount of six million four hundred forty thousand one hundred two euros and seventy-four cents (€6,440,102.74) through the issuance of fifty-nine thousand seven hundred twenty (59,720) new common registered shares, with a nominal value of eighty-one euros and ninety-seven cents (€81.97) each.

On May 8, 2023, the Extraordinary General Meeting of Shareholders of the Company decided to increase the share capital by forty million euros (€40,000,000) through the capitalization of a portion of its special reserve from the account "share premium" and the issuance of four hundred thousand (400,000) new shares, with a nominal value of one hundred euros (€100) each. Simultaneously, it decided to decrease the Company's share capital by forty million euros (€40,000,000) through the cancellation of four hundred thousand (400,000) shares, each with a nominal value of one hundred euros (€100).

## 22. RESERVES

The Company's reserves at the end of the financial year are analyzed to a statutory reserve of amount of €2,244 thousand (€805 thousand in year 2022) and a reserve from actuarial cases of €8 thousand (€6 thousand, which is the revised amount for the financial year 2022).

| | Ordinary Reserve | Reserves of actuarial income / losses from defined benefit plans | Total |
|---|---|---|---|
| **1st January 2023** | **805** | **6** | **811** |
| Aggregate total income | 0 | 4 | 4 |

(Amounts in Euro thousand, unless stated otherwise)

| | | | |
|---|---|---|---|
| Addition from company absorption | 1,439 | (2) | 1,437 |
| **31st December 2023** | **2,244** | **8** | **2,252** |

| | Ordinary Reserve | Reserves of actuarial income / losses from defined benefit plans | Total |
|---|---|---|---|
| **1st January 2022** | **805** | **3** | **808** |
| Aggregate total income | - | 3 | 3 |
| **31st December 2022** | **805** | **6** | **811** |

The formation of statutory reserve is being determined by the Law 4548/2018 and is obligatory up to the level of one third (1/3) of the paid-up share capital. The purpose of this reserve is to offset future losses.

The formation of such reserves is recognized by a decision of the regular general meeting based on annual profits after taxes at a rate of 5%.

## 23. INCOME TAX

With the enactment of Law 4799/2021 which amended paragraph 1 of article 58 of Law 4172/2013, the tax rate imposed on the income of legal entities in Greece for the year 2023 was set at 22%, which is the same as the previous year 2022.

The effective tax rate is different from the nominal rate. Several factors affect the calculation of the effective tax rate, the most important of which being the non-tax deductibility of certain expenses, the differences in depreciation rates arising between the useful life of fixed assets and the rates defined by Law 4172/2013 and the ability of companies to form tax-free discounts and reserves.

***(a) Income tax expense***

The income tax in the statement of comprehensive income is analyzed as follows:

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| Current income Tax | 15,343 | 32,647 |
| Tax adjustments of previous years | 49 | 4 |
| Expense/(Income) from income tax | 9,195 | (6,035) |
| **Total expense / (income) from income tax** | **24,587** | **26,616** |

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

| | **2023** | **2022** |
|---|---|---|
| **Earnings/(loss) before taxes** | **107,207** | **91,768** |
| Nominal Tax Rate | **22%** | **22%** |
| **Income Tax Expense / (Income) based on applicable nominal tax rate** | **23,586** | **20,189** |
| *Adjustments attributed to:* | | |

| | | |
|---|---|---|
| Expenses not included in the tax calculation | 0 | 0 |
| Tax adjustments of previous years | 486 | 926 |
| Effect of net temporary taxable differences for which no Deferred tax is recognized | (939) | 5,279 |
| Effect of permanent tax differences | 1,454 | 222 |
| Effect of change in the tax rate | 0 | 0 |
| **Actual tax expenditure** | **24,587** | **26,616** |
| Effective tax rate | 23.00% | 29.00% |

Tax return statement is submitted annually. The Company has been audited by the tax authorities until the year 2018. Due to POL (Joint Ministerial Decision) 1154/2017, POL 1191/2017, POL 1192/2017, POL 1194/2017 and POL 1208/2017, the Governor of the Independent Public Revenue Authority issued directions on the uniform application of what was accepted from the decisions of the Council of the State (CoS) 1738/2017, CoS 2932/2017, CoS 2934/2017 and CoS 2935/2017, as well as the no. 268/2017 Opinion of the State's Legal Council. From the aforementioned decisions a five-year limitation period on the basis of the general rule – is provided for, for the fiscal years from 2012 and onwards, as well as for the fiscal years that the Code of Tax Procedure – CTP (from 2014 onwards), except for the specific exceptions specified in the relevant provisions of CTP.

Consequently, and in accordance with the provisions of POL 1192/2017, the right of the State to charge a tax up to and including the fiscal year 2016 is time-barred unless the specific provisions on 10-year, 15-year and 20-year lapse periods apply.

*Tax compliance certificate – Tax compliance report*

For the fiscal years 2011-2012-2013, the Company is subject to the tax audit by Certified Auditors Accountants as defined by the provisions of article 82 par. 5 of L. 2238/1994 (MD 1159/26/7/2011), whereas for the years 2014, 2015, 2016, 2017, 2018, 2019 and 2020 the Company is subject to the tax audit by Certified Auditors Accountants as defined by the provisions of article 65A, par. 1, Law 4174/2014 (Min. Dec. 1124/22/6/2015).

For the years 2021 and 2022, the Company has been subject to the tax audit of the Certified Auditors Accountants provided by the provisions of article 65A, paragraph 1 of Law 4174/2013 (POL 1124/22/6/2015). The 2021 and 2022 audit is in its final stages of completion while the FY 2023 audit is ongoing and the corresponding tax certificates are expected to be issued after the publication of the respective FY 2023 financial statements.

The Company's tax liabilities for these years have not been finalized and therefore additional contingencies may arise when the relevant tax audits are carried out.

The Management estimates that the taxes which may arise from the audit by the tax authorities will not have a material effect on the Financial Statements.

***(b) Deferred tax***

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

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Net deferred tax** | **(16,316)** | **12,712** |

(Amounts in Euro thousand, unless stated otherwise)

| asset/(liability) | | |
|---|---|---|
| **Balance 1st January** | **12,712** | **6,677** |
| Amount of absorbed company (Note 4.19) | (19,833) | 0 |
| (Expense) / Income recognized in the net earnings | (9,194) | 6,036 |
| (Expense) / Income recognized in other comprehensive income | (1) | (1) |
| **Balance 31st December** | **(16,316)** | **12,712** |

The deferred tax assets and liabilities for the fiscal years 2023 and 2022 are analyzed as follows:

| | 01.01.2023 | Acquisition, sale of Subsidiary | Net profit (Debit) / Credit | Other comprehensive income (Debit) / Credit | 31.12.2023 |
|---|---|---|---|---|---|
| **Deferred tax asset** | | | | | |
| Expensing of intangible fixed assets | 206 | (7,387) | 78 | 0 | (7,103) |
| Recognized tax losses | 0 | 0 | 0 | 0 | 0 |
| Provision for staff retirement indemnities | 16 | 8 | 10 | (1) | 33 |
| Recognition of restoration provisions | 83 | 0 | 0 | 0 | 83 |
| Other provisions (accrued income, impairment of receivables) | 6,429 | 2,697 | (8,042) | 0 | 1,084 |
| Accrued expenses | 7,538 | 0 | (876) | 0 | 6,662 |
| Leases | 7 | 14 | 16 | 0 | 37 |
| Differences from method of the depreciated on borrowing liabilities | 0 | 0 | (1,140) | 0 | (1,140) |
| Difference from valuation of derivatives | (841) | 0 | (2,205) | 0 | (3,046) |
| **Deferred tax liability** | | | | | |
| Depreciation differences | (726) | (15,164) | 2,965 | 0 | (12,925) |
| **Net deferred tax asset/(liability)** | **12,712** | **(19,833)** | **(9,194)** | **(1)** | **(16,316)** |

| | 01.01.2022 | Acquisition, sale of Subsidiary | Net profit (Debit) / Credit | Other comprehensive income (Debit) / Credit | 31.12.2022 |
|---|---|---|---|---|---|
| **Deferred tax asset** | | | | | |
| Expensing of intangible fixed assets | 130 | 0 | 76 | 0 | 206 |
| Recognized tax losses | 5,104 | 0 | (5,104) | 0 | 0 |

(Amounts in Euro thousand, unless stated otherwise)

| | | | | | |
|---|---|---|---|---|---|
| Provision for staff retirement indemnities | 10 | 0 | 7 | (1) | 16 |
| Recognition of restoration provisions | 83 | 0 | 0 | 0 | 83 |
| Other provisions (accrued income, impairment of receivables) | 1,425 | 0 | 5,004 | 0 | 6,429 |
| Accrued expenses | 1,051 | 0 | 6,487 | 0 | 7,538 |
| Leases | 3 | 0 | 4 | 0 | 7 |
| Difference from valuation of derivatives | 19 | 0 | (860) | 0 | (841) |
| **Deferred tax liability** | | | | | |
| Depreciation differences | (1,148) | 0 | 422 | 0 | (726) |
| **Net deferred tax asset/(liability)** | **6,677** | **0** | **6,036** | **(1)** | **12,712** |

## 24. ASSETS AND LIABILITIES FROM DERIVATIVES

Information on the Company's derivatives on 31.12.2023 and 31.12.2022 is presented below:

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| **Receivables from derivatives** | | |
| *- Hedging against fair value change* | | |
| Fixed for floating swap contracts for sale of electricity to TERNA ENERGY (Note 24.1) | 6,269 | 13,516 |
| Fixed for floating swap contracts for sale of electricity to third parties (Note 24.1) | 12,802 | 6,346 |
| Electricity forward contracts (Note 24.2) | 12,881 | 15,659 |
| Natural gas forward contracts (Note 24.2) | 0 | 4,248 |
| **Total Assets from Derivatives** | **31,952** | **39,769** |
| *- Long-term receivables from derivatives* | *21,865* | *14,419* |
| *- Short-term receivables from derivatives* | *10,087* | *25,350* |

| | **31.12.2023** | **31.12.2022** |
|---|---|---|
| **Liabilities from derivatives** | | |
| *- Hedging against fair value change* | | |
| Fixed for floating swap contracts for sale of electricity to TERNA ENERGY (Note 24.1) | 3,359 | 0 |
| Fixed for floating swap contracts for sale of electricity to third parties (Note 24.1) | 10,899 | 8,253 |
| Electricity forward contracts (Note.24.2) | 2,090 | 13,483 |

(Amounts in Euro thousand, unless stated otherwise)

| | | |
|---|---|---|
| Natural gas forward contracts (Note.24.2) | 1,755 | 14,214 |
| **Total Liabilities from Derivatives** | **18,103** | **35,950** |
| *- Long-term receivables from derivatives* | *12,758* | *6,959* |
| *- Short-term receivables from derivatives* | *5,345* | *28,991* |

All the above financial instruments are measured at their fair value.

More specifically within the financial year 2023, from the above derivatives a total loss of €10,029 thousand (31.12.2022: total loss of €3,908 thousand) was recognized in the Statement of Comprehensive Income due to changes in fair value, which is included in "Net financial income/(expenses)" as analyzed in Note 31 in the line "Valuation result from derivatives". Moreover, the cost for the servicing of derivatives of the amount of €11,220 thousand is depicted in the Revenue of the Statement of Comprehensive Income (31.12.2022: 13,168 thousand).

More analytically:

### 24.1. Fixed for floating swap contract HERON EN. A with TERNA ENERGY and to third parties / conclusion of long-term power purchase agreements (PPA) with RES producers

On 25/01/2021, the Company, in collaboration with TERNA ENERGY S.A. introduced in the Greek market the plan "HERON EN. A", an integral part of which is the agreement with TERNA ENERGY S.A. to sell the production of Renewable Energy Sources (RES) to HERON ENERGY for 25 years. In addition, on 20/09/2021, HERON ENERGY S.A. started to implement the first RES-generated electricity long-term sale with final consumers, which it continued into the 2023 financial year and in this context, it concluded with TERNA ENERGY the "HERON EN. A BUSINESS", through which, TERNA ENERGY S.A. has agreed upon the sale of RES output to HERON ENERGY S.A. for 20 years. Based on the above agreements, the Company will be paying fixed cash flows from the EN. A plan to TERNA ENERGY S.A., while it will be receiving floating cash flows (Proxy Market Revenues) from TERNA ENERGY S.A. (fixed for floating swap contract).

Respectively, in the context of the plans "HERON EN. A" and "HERON EN. A BUSINESS", the Company receives from the contracted energy consumers fixed cash flows, while it pays to them the floating cash flows (Proxy Market Revenues) it receives under the respective agreements with TERNA ENERGY SA. The Company offers its customers who are under contract in the above programs a fixed energy cost in the form of discounts in their final bill (fixed for floating swap contract). The term of the plan "HERON EN. A" between the Company and the final consumers is set at 20 years, with the Company's option to further extend them, while for "HERON EN. A BUSINESS" plan the relevant agreements between the Company and large energy consumers based on the typical form of virtual power purchase agreements, VPAA) have a suggestive term of 7 years.

At the same time, within the financial year of 2023, started the commercial liquidation of the first long-term power purchase agreements (PPA) with third-party renewable energy producers that the Company had entered into during the fiscal year 2022. These agreements concern energy that will be produced by new photovoltaic plants that will gradually be put into full commercial operation by the end of 2024 and have contributed essentially to their financing of the plants. For the Company, these agreements further strengthen its leading role in the new era of PPAs in the Greek market and ensure the supply of green energy, as well as the related Guarantees of Origin, with predictable fixed costs over a long-time horizon that reaches up to 12 years. With regard to the Company, the agreements will form the basis for offering relevant green programs and long-term VPPA to end consumers in the coming years.

In the same context of providing energy cost stabilization solutions to its customers, within the fiscal year 2023 the Company was the first supplier to offer bilateral physical delivery of energy from RES to energy-intensive industries, responding to the opportunity given by the relevant modification of the market regulatory framework. Thanks to the physical delivery of energy, the corresponding bilateral energy sales contracts were exempted from the application of the administratively determined energy sales price for RES plants, which significantly benefited the end customers - energy-intensive industries in the direction of reducing their energy costs.

During the year 2023, from the above-mentioned derivatives, a total loss of €6,795 thousand (€12,830 thousand in 2022) was recognized in Statement of Comprehensive Income from changes in fair value, which is included in "Net financial income/(expenses)".

### 24.2. Forward contracts for the purchase and sale of natural gas and electricity for commercial purposes

***Forward contracts for the purchase and sale of gas and electricity***

In the context of its operation in the financial year 2023, the Company has entered into forward contracts for the sale and purchase of natural gas and electricity either for hedging risks from differences in prices in the market or for gaining profit. More specifically, the majority of the relevant contracts concerns hedging risk from differences in price of natural gas and of electricity so as to minimize the relevant financial risk that relates to the purchase cost of natural gas and electricity for the purposes of the procurement and availability of such commodities to final customers. These transactions support either the direct offer of a fixed natural gas and electricity price to final customers who distinctively wish to be protected against the fluctuations of the wholesale market and undertake respective commitments for remaining in relevant fixed price contracts or these transactions take place so as to stabilize and potentially reduce the average wholesale cost for the purchase of energy of the overall supply portfolio, supporting the creation of relevant competitive products for final consumers.

From August 2022 onwards, a new regulatory framework was introduced regarding the obligation of suppliers to offer low voltage programs with a predetermined price and a validity of one (1) month, which are publicly announced by the 20th day of the previous month and have superseded the previous price offer mechanism with an adjustment clause. In this context, a number of hedging transactions are carried out by the Company through electricity and natural gas forward contracts, so that the price offered to consumers is as cost-oriented as possible and with the least financial risk for the Company, especially in the event of abrupt or unexpected in international energy prices. To a lesser extent, the conclusion of forward contracts for the purchase and sale of electricity and natural gas supports the activity of electricity trading, allowing the stabilization of the cost of purchasing or selling energy when the Company wishes to submit competitive offers to sell or buy energy respectively.

Within the financial year 2023, from the above-mentioned derivatives, a total valuation a total valuation gain of €6,927 thousand (€8,921 in year 2022) was recognized in the results of the financial year from changes in fair value, which is included in the item "Net financial income/(expenses)".

***Future contract of electric energy VPPA***

During the current fiscal year, the Company signed a Virtual Power Purchase Agreement (VPPA) with the associated company (joint venture) Thermoelectric Komotini S.A. The duration of the contract is 10 years. This contract is considered a financial instrument, similar to a contract for differences (CFD), as it is agreed to exchange the difference of cash flows on a fixed energy price and correspondingly variable energy prices. For this derivative from its measurement at fair value, a gain of €9,897 thousand was recognized in the item "Net financial income/expenses)" as it is analyzed in note 30 in the section "(C) Results of derivatives valuation on the line". The said net financial claim for the period amounted to € 9,897 thousand. To calculate the present value of the virtual Power Purchase Agreement (VPPA), the discounted cash flow (DCF) method was chosen.

(Amounts in Euro thousand, unless stated otherwise)

## 25. REVENUE

The turnover of the Company for the years 2023 and 2022, in the attached financial statements, is analyzed as follows:

| **Analysis per category** | **01.01-31.12.2023** | **01.01-31.12.2022** |
|---|---|---|
| Revenue from electricity trade | 1,122,325 | 1,629,258 |
| Revenue from electricity production | 285,655 | 6,171 |
| Revenue from natural gas | 108,610 | 659,472 |
| Other Income | 30,806 | 0 |
| **Total** | **1,547,396** | **2,294,901** |

| **Breakdown per customer category** | **01.01-31.12.2023** | **01.01-31.12.2022** |
|---|---|---|
| Public entities | 397,383 | 747,328 |
| External customers | 1,123,721 | 1,120,043 |
| Affiliated companies | 26,292 | 427,530 |
| **Total** | **1,547,396** | **2,294,901** |

The total of "Revenue from electricity production" amounting to € 285,655 thousand came from public bodies. The amount of Total Revenue concerns transfers of goods which take place at a given time.

The change in the "Income from electricity trade" account from is mainly due to (a) the de-escalation of electricity prices following the reduction of Natural Gas prices in Europe as well as (b) the decrease in demand for electricity during the year 2023 due to milder weather conditions, but also due to measures to limit consumption by households and businesses.

## 26. COST OF GOODS SOLD, ADMINISTRATIVE AND DISTRIBUTION EXPENSES

The cost of goods sold for the years 2023 and 2022, in the attached financial statements, is analyzed as follows:

| **Cost of goods sold** | **01.01-31.12.2023** | **01.01-31.12.2022** |
|---|---|---|
| Cost of services and purchase of electricity | 978,966 | 1,445,046 |

(Amounts in Euro thousand, unless stated otherwise)

| | | |
|---|---:|---:|
| Electricity trade cost | 78,970 | 42,269 |
| Capitalized agents' costs | 7,784 | 4,702 |
| Depreciation | 17,724 | 3,998 |
| Personnel cost | 6,689 | 3,792 |
| Diesel/Natural gas | 253,354 | 641,966 |
| Cost of CO2 emission rights | 57,070 | 0 |
| Repairs and maintenance | 3,825 | 0 |
| Taxes - Duties | 11,586 | 0 |
| Other expenses | 1,192 | 2,442 |
| **Total** | **1,417,160** | **2,144,215** |

Cost of Services and Purchase of Electricity amounted to €978,966 thousand and included mostly charges from IPTO for the amount of €29,124 thousand (2022: €60,681 thousand), from DAPEEP for the amount of €47,963 thousand (2022: €42,373 thousand) and from the EnEx for the amount of €657,270 thousand (2022: €1,129,566 thousand). Finally, it included charges from HEDNO (Hellenic Electricity Distribution Network Operator – DEDDIE) for the amount of €201,588 thousand (2022: €163,940 thousand).

In the "Taxes-duties", an amount of €11,118 thousand concerns a special contribution in favor of the Energy Transition Fund for the months of January to December 2023, in accordance with article 62 of Law 4986/2022 (Government Gazette 204A/28.10.2022), the which is imposed on each distributed unit of electricity production with fuel natural gas.

The administration and distribution expenses for the years 2023 and 2022, in the attached financial statements, are analyzed as follows:

**Administrative and selling expenses**

| | **01.01-31.12.2023** | **01.01-31.12.2022** |
|---|---:|---:|
| Professional fees | 9,269 | 9,072 |
| Personnel cost | 5,292 | 4,624 |
| Taxes – duties | 108 | 53 |
| Promotion and advertising expenses | 6,166 | 5,461 |
| Telecom expenses | 1,125 | 1,020 |
| Depreciation | 774 | 399 |
| Auditors' fees | 128 | 63 |
| Other expenses | 4,154 | 1,165 |
| | **27,016** | **21,857** |

## 27. PERSONNEL COST

The expenses for personnel on December 31st, 2023, are analyzed as follows:

| | **01.01-31.12.2023** | **01.01-31.12.2022** |
|---|---:|---:|
| Personnel salaries and benefits | 9,991 | 7,112 |
| Social security fund contributions | 1,911 | 1,274 |
| Provision for staff retirement indemnities | 79 | 29 |
| **Total Expenses** | **11,981** | **8,415** |

(Amounts in Euro thousand, unless stated otherwise)

Total personnel cost for the year 2023 amounted to €11,981 thousand (€8,415 thousand in 2022) and is recorded in the Financial Statements by the amount of €6,689 thousand (€3,792 thousand in 2022) in the Cost of goods sold and by the amount of €5,292 thousand (€4,624 thousand in 2022) in the Administrative and Distribution Expenses (see Note 26).

## 28. AUDITORS' FEES

| | 01.01-31.12.2023 | 01.01-31.12.2022 |
|---|---|---|
| Fees for regular and tax compliance audit | 117 | 61 |
| Fees for eligible non-audit services | 11 | 2 |
| | **128** | **63** |

The above fees concern the regular audit, tax audit and other services allowed by the auditing company. For the fiscal year that ended on December 31, 2023, the corresponding fees related to the Absorbing Company have been included in the fees, i.e. €36 thousand.

## 29. OTHER INCOME/(EXPENSES)

The Other Income/(Expenses) on 31st December 2023 presented in the attached Financial Statements are analyzed as follows:

| | 01.01-31.12.2023 | 01.01-31.12.2022 |
|---|---|---|
| ***Other Income:*** | | |
| Default interest for delayed customer payments | 0 | 3,501 |
| Income from leases | 179 | 185 |
| Income from the resale of CO2 emission allowances | 13,141 | 0 |
| Other revenues | 3,358 | 4,187 |
| | 16,678 | 7,873 |
| | **01.01-31.12.2023** | **01.01-31.12.2022** |
| ***Other Expenses:*** | | |
| Taxes - duties | (111) | (2) |
| Costs of purchasing CO2 allowances (for resale) | (13,136) | 0 |
| Provision for doubtful receivables (Note 9) | (13,956) | (34,784) |
| Amortization of tangible fixed assets | (25) | 0 |
| Other expenses | (527) | (897) |
| | (27,755) | (35,683) |
| **Total Income /(Expenses)** | **(11,077)** | **(27,810)** |

## 30. GAINS/(LOSSES) FROM PARTICIPATIONS AND OTHER EQUITY INSTRUMENTS

The gains/(losses) from participations and other equity instruments, for the years 2023 and 2022, in the attached financial statements, are analyzed as follows:

(Amounts in Euro thousand, unless stated otherwise)

| | 01.01-31.12.2023 | 01.01-31.12.2022 |
|---|---|---|
| Dividends of subsidiaries | 8,159 | 0 |
| | **8,159** | **0** |

The "Dividends of subsidiaries" account mainly includes an amount of €8,159 thousand from the subsidiary company OPTIMUS ENERGY S.A.

## 31. FINANCIAL INCOME/(EXPENSES)

The financial income/(expenses) for the years 2023 and 2022, in the attached financial statements, are analyzed as follows:

| | 01.01-31.12.2023 | 01.01-31.12.2022 |
|---|---|---|
| ***(A) Financial Income:*** | | |
| Interest on bank deposits | 383 | 0 |
| Default interest for delayed payments | 5,593 | 0 |
| | **5,976** | **0** |

| ***(B) Financial Expenses:*** | 01.01-31.12.2023 | 01.01-31.12.2022 |
|---|---|---|
| Interest and charges for short-term financing | (4,230) | (1,648) |
| Interest and charges for long-term financing | (2,395) | (5,221) |
| Financial costs from lease contracts | (126) | (69) |
| Commissions and other financial expenses | (2,149) | (2,192) |
| Default interest for delayed customer payments | (9) | (3,993) |
| Discounting expense relating to provision for dismantlement of machinery equipment | (191) | (37) |
| | **(9,100)** | **(13,160)** |

| ***(C) Results from derivatives' valuation:*** | 01.01-31.12.2023 | 01.01-31.12.2022 |
|---|---|---|
| Profit/(losses) from valuation of derivatives at fair value | 10,029 | 3,908 |
| | **10,029** | **3,908** |
| | | |
| **Net financial income / (expenses) (A) + (B) + (C)** | **6,905** | **(9,252)** |

The change in the net financial income/(expenses) of the Company is mainly due to the positive valuations of derivatives in the amount of € 10,029 thousand compared to the fiscal year 2022 which amounted to € 3,908 thousand, due to the valuation on 31.12.2023 of the Virtual Power Purchase Agreement (VPPA) with the associated company (joint venture) Thermoelectric Komotini S.A., as well as in the reclassification of the "Default interest for delayed payments" account in the Financial income section compared to the previous fiscal year of 2022 which was classified in the Other income section. (see note 29).

(Amounts in Euro thousand, unless stated otherwise)

## 32. TRANSACTIONS WITH RELATED PARTIES

The Company's Transactions and Balances with related parties for the financial years 2023 and 2022 are analyzed as follows:

| **2023** | **Sales** | **Purchases** | **Debit balance** | **Credit balance** |
|---|---|---|---|---|
| Affiliated company of GEK TERNA Group (trading of electricity and natural gas) | 23,172 | 46,302 | 19,897 | 8,464 |
| Affiliated company of GEK TERNA Group (Borrowing) | 0 | 2,395 | 0 | 0 |
| Affiliated company of GEK TERNA Group (hedging of risk) | 3,204 | 5,959 | 0 | 3,745 |
| Affiliated company of GEK TERNA Group (other services) | 607 | 520 | 0 | 1,333 |
| **Total** | **26,983** | **55,176** | **19,897** | **13,542** |

| **2022** | **Sales** | **Purchases** | **Debit balance** | **Credit balance** |
|---|---|---|---|---|
| HERON II VIOTIA SA (trading of electricity and natural gas) | 495,042 | 0 | 2,826 | 983 |
| HERON II VIOTIA SA (Borrowing) | 0 | 1,618 | 0 | 101,618 |
| HERON II VIOTIA SA (hedging of risk) | 24,416 | 21,992 | 0 | 23,312 |
| HERON II VIOTIA SA (administrative services) | 732 | 548 | 908 | 1,613 |
| HERON II VIOTIA SA (other services) | 55 | 0 | 68 | 0 |
| HERON II VIOTIA SA (leases) | 55 | 0 | 57 | 0 |
| Affiliated company of GEK TERNA Group (trading of electricity and natural gas) | 33,495 | 22,403 | 12,542 | 732 |
| Affiliated company of GEK TERNA Group (Borrowing) | 0 | 3,602 | 0 | 82,500 |
| Affiliated company of GEK TERNA Group (other services) | 107 | 159 | 474 | 49 |
| **Total** | **553,902** | **50,322** | **16,875** | **210,807** |

**Remuneration paid to the members of the Board of Directors and top executives of the Company:**
The remuneration paid to the members of the Board of Directors and top executives of the Company which were recognized on December 31$^{st}$ 2023, in relation to the previous period, have as follows:

| | 01.01-31.12.2023 | 01.01-31.12.2022 |
|---|---|---|
| Fees for services received | 1,902 | 380 |

## 33. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities are exposed to various risks and uncertainties, as the recurrence of macroeconomic uncertainty, the market risk, credit risk and liquidity risk, wind and weather conditions, the uncertainty of the results in relation to the effect of extraordinary natural events, which may have prolonged and unpredictable duration.

1. **Financial risks**

The Company's activities expose it to various financial risks, such as market risk (including foreign exchange risk, interest rate risk and price volatility risk), credit risk and liquidity risk.

To address financial risks and limit their negative impact on the Company's financial results, the Company has a management program that aims to limit the negative effects on its financial results that may arise from the inability to forecast financial markets and fluctuations in cost and sales variables that affect financial results.

The financial products used by the Company mostly comprise bank deposits, long-term in principal and secondarily short-term loans, derivatives for hedging interest rate risk, trade debtors and creditors, other accounts receivable and payable. The impact of major risks and uncertainties to which the Company's activities are exposed is analyzed down below.

**Credit Risk**

Credit risk entails the possibility that a counterparty will cause financial loss to the Company due to the breach of the counterparty’s contractual obligations.

The Company continuously monitors its receivables, either separately or per group and encompasses all the arising information into the credit audit. When deemed necessary, external reports or analyses related to effective or potential clients are used.

The Company is not exposed to significant credit risk arising from trade receivables for its activities, except in the trading of electricity. This is attributed, on the one hand, to the Company’s policy, which is focused on cooperation with reliable clients and, on the other hand, to the nature of the Company’s operations.

In particular, total receivables, whether related to the narrow or the broader public sector, or private sector clients with significant financial position in Greece and abroad, are under special monitoring and the Management constantly assesses the reliability of its customers, their financial sizes regardless of whether they are a broader public or private entity, for potential implications, in order to take the necessary measures to minimize any adverse effects for the Company.

The Company is exposed to credit risk from end consumers from the sale of electricity and natural gas. Controls to ensure the collectability of receivables are continuously monitored. Where required, adequate reserves are created through provisions to minimize potential adverse effects. In addition to the aforementioned measures, to further ensure collectability, monthly "advance" bills are issued for the estimated consumption per month, so that when the settlement bill is issued in the fourth month of consumption, there is no large balance to be settled. It should be noted that, at the beginning of the cooperation with customers, they are required to pay an amount equal to the indicative consumption cost for one month as a guarantee.

(Amounts in Euro thousand, unless stated otherwise)

The credit risk regarding cash and cash available and other receivables is considered limited, given that the counterparties are reliable Banks with high quality capital structure, the Greek State or companies of the broader public sector and strong Groups of companies.

The Management assumes that all the financial assets, with the exception of those for which necessary impairment is calculated, are of high credit quality.

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Other long-term receivables – Guarantees granted (Note 10) | 143 | 98 |
| Trade receivables (Note 9) (Note 12) | 382,724 | 395,366 |
| Other receivables (Note 13) | 20,899 | 29,850 |
| Cash and cash equivalents | 60,958 | 102,661 |
| **Total** | **464,724** | **527,975** |

**<u>Foreign exchange risk</u>**

Foreign exchange risk arises when the fair value or future cash flows of a financial instrument are subject to fluctuations due to changes in exchange rates. This type of risk may arise, for the Company, from foreign exchange differences at the valuation and conversion into the Company’s currency (Euro) of financial assets, mainly financial receivables, and financial liabilities, related to transactions that are carried out in a currency other than the operating currency of the Company’s entities. The transactions mainly concern purchases of fixed assets and inventories, commercial sales, investments in financial assets, loans, as well as net investments in foreign operations.

The Company operates mainly in Greece and is therefore not exposed to a high foreign exchange risk that may arise from Euro exchange rate with other currencies. To manage this risk category, the Company’s Financial Management Department uses the financial instruments and offset the Company's exposure to foreign exchange risk on the basis of specific policies, whenever it is necessary. Regarding the Company’s transactions with foreign companies, these are usually carried out with European Groups, where the settlement currency is the euro. To reduce this risk, the Company utilizes the locally produced cash available in local currency to pay the expenses incurred, minimizing the creation of foreign exchange risk.

**<u>Interest rate risk</u>**

Interest rate risk is the probability that the fair value of a financial instrument's future cash flows will fluctuate due to changes in market interest rates.

The Company's short-term borrowing is in Euro with a floating interest rate linked to the euribor. Short-term loans are taken primarily as working capital. The Company's policy is the conversion of these loans into a long-term loans with fixed spread linked to euribor and where necessary given the repayment schedule, and with the aim of applying approved interest rate risk management policies through Interest Rate Swaps.

**<u>Market risk analysis</u>**

During its activity in the Market, the Company supplies all categories of customers with electricity. Customers are divided into two major categories, B2C customers and B2B customers. The first category concerns customers of Low Voltage (Household consumers, small and medium-sized companies), who receive a standardized offer for programs that are already posted on the Company's site, while the second concerns customers of all Voltages [Low (store chains), Medium, High], who receive a specialized financial offer, which is based on the analysis of the energy characteristics of the specific facilities.

With regard to the tariffs offered and the charges in the competitive part thereof, based on the decisions taken at the level of the regulatory framework, in 2023 the exceptional measures adopted as of 1 August 2022 to mitigate the economic consequences of the energy crisis will continue, as described in article 138 of Law 4951/2022 (Government Gazette A' 129/04.07.2022): "Establishment of extraordinary transitional arrangements in the supply of electricity to mitigate the economic consequences of the energy crisis".

Specifically, for customers belonging to the B2C category (Household consumers, small and medium-sized companies), the Company owes, based on the extraordinary measures as described in article 138 of the law. 4951/2022 (Government Gazette A' 129/04.07.2022), regarding the "Establishment of extraordinary transitional arrangements in the supply of electricity to mitigate the economic consequences of the energy crisis" to post by the twentieth (20th) day of the previous month " M-1" before the month of implementation of "M", the Electricity Supply Charges & Fixed Charge of its commercial plans. In order for the Company to protect itself against the risk of an unforeseeable surge in the prices of the following month "M", since the prices are posted until the 20th of the previous month "M-1" for the month "M" it has switched to hedging of the B2C clientele, so that it is essentially indifferent to risk.

With reference to B2B customers, in article 138 of Law 4951/2022 (Government Gazette A' 129/04.07.2022), regarding the "Establishment of extraordinary transitional arrangements in the supply of electricity to mitigate the economic consequences of the energy crisis" it is stated that types of variable supply tariffs, whose billing terms are adjusted to the consumption characteristics of the customer's installation and to services agreed after negotiation between the customer and the supplier, in accordance with the Code for the Supply of Electricity to Customers, are still offered by the suppliers. Therefore, B2B customers, unlike B2C customers, have the option of either continuing to be billed based on a formula, as before the implementation of the extraordinary measures, effective from 1 August 2022, or receiving on a monthly basis, in the month of "M-1", as well as B2C customers update on the charges of the month "M". All of the Company's B2B customers have chosen to continue to be billed through a formula, which captures the individual costs borne by the Supplier during its activity in the Electricity Market plus a reasonable profit margin, as this option does not incorporate any risk for the Supplier, which it would be translated to the Customer in increased charges for its compensation. Therefore, not even in the B2B customer category does the company present any risk.

In addition, the Company supplies natural gas to all categories of customers, industrial (B2B), commercial (B2C), and residential (B2C). For industrial (B2B) natural gas customers, the Company offers both variable and fixed price tariffs. Variable price tariffs are based on the Company's natural gas supply costs plus a reasonable profit margin, thus mitigating any risk from natural gas price fluctuations. Fixed price tariffs are covered by appropriate hedging activities conducted by the Company and are offered following an agreement with the end B2B customer. Consequently, there is no risk from price fluctuations in this tariff category either. For commercial and residential customers, the Company offers variable tariffs based on the monthly variable price of natural gas supplied by the Company plus a reasonable profit margin. Therefore, in this tariff category as well, the Company is not exposed to any risk from natural gas price fluctuations.

**Liquidity risk analysis**

The Company manages its liquidity needs by carefully monitoring the financial liabilities as well as the payments made daily. Liquidity needs are monitored in various time zones, on a daily and weekly basis, as well as in a rolling period of 30 days. Liquidity needs for the next 6 months and the following year are determined on a monthly basis.

(Amounts in Euro thousand, unless stated otherwise)

The Company maintains sufficient cash reserves in banks to cover liquidity needs for a period of up to 30 days.

| | 0 to 12 months | 1th -5 th year | After the 5 th year |
|---|---|---|---|
| Long-term loans | 0 | 0 | 0 |
| Short-term loans | 69,127 | 0 | 0 |
| Lease liabilities | 828 | 1,923 | 0 |
| Suppliers | 65,099 | 0 | 0 |
| Accrued and other liabilities | 186,870 | 0 | 0 |
| **Total** | **321,924** | **1,923** | **0** |

The respective maturity of the financial liabilities on December 31st, 2022 is analyzed as follows:

| | 0 to 12 months | 1th -5 th year | After the 5 th year |
|---|---|---|---|
| Long-term loans | 0 | 182,500 | 0 |
| Short-term loans | 62,717 | 0 | 0 |
| Lease liabilities | 423 | 886 | 0 |
| Suppliers | 65,331 | 0 | 0 |
| Accrued and other liabilities | 126,847 | 0 | 0 |
| **Total** | **255,318** | **183,386** | **0** |

## 34. PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES PER CATEGORY

Financial assets and financial liabilities on the date of the Financial Statements can be classified as follows:

| | 31.12.2023 | 31.12.2022 |
|---|---|---|
| *Non-current Assets* | | |
| Other long-term financial receivables at amortized cost | 143 | 98 |
| **Total** | **143** | **98** |
| *Current Assets* | | |
| Trade receivables at amortized cost | 382,724 | 395,366 |
| Other financial receivables at amortized cost | 20,899 | 29,850 |
| Bank deposits | 60,958 | 102,661 |
| **Total** | **464,581** | **527,877** |
| Non-current liabilities | | |
| Long-term Loans | 0 | 182,500 |
| Liabilities from leasers at amortized cost | 1,923 | 866 |
| **Total** | **1,923** | **183,366** |
| Current Liabilities | | |

| | | |
|---|---|---|
| Suppliers at amortized cost | 65,099 | 65,331 |
| Accrued and other liabilities at amortized cost | 186,870 | 126,847 |
| Short-term loans at amortized cost | 69,127 | 62,717 |
| Liabilities from leases at amortized cost | 828 | 423 |
| **Total** | **321,924** | **255,318** |
| **Financial liabilities at amortized cost** | **323,847** | **438,684** |

## 35. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The objectives of the Company in relation to capital management are the following:

- To ensure its ability to continue its operation (going-concern) and
- To ensure a satisfactory return for its shareholders, by pricing products and services proportionally to the risk level undertaken.

The Company specifies the level of capital proportionally to the risk of activities, monitors developments in the economic environment and their effect on risk characteristics, manages capital structure (debt to equity ratio), the issuance of new shares or the capital repayment to the shareholders, the adjustment of dividends payable and/or the sale of individual assets or groups of assets.

## 36. EXISTING ENCUMBRANCES AND OTHER LIENS

Contingent liabilities for letter of guarantees assuring the good performance and operation of the Company amount to €55,008 thousand (€78,757 thousand in 2022). There are no liens or other encumbrances written on the Company's assets.

## 37. COMMITMENTS AND CONTINGENT LIABILITIES

### 37.1. Tax unaudited years

For the unaudited tax years, it is possible that additional taxes and surcharges can be imposed at the time when they are examined and finalized. The Company makes an annual estimate of the contingent liabilities that are expected to arise from the tax audit of past years, making relevant provisions were deemed necessary. The Management considers that in addition to the provisions made, any tax amounts that may arise will not have a material impact on equity, results and cash flows of the Company.

Pursuant to the relevant tax provisions of: a) paragraph 1 of article 84 of Law 2238/1994 (unaudited income tax cases), b) paragraph 1 of article 57 of Law 2859/2000 (unaudited VAT cases) and c) par. 5 of article 9 of Law 2523/1997 (imposition of fines for income tax cases), the State's right to impose the respective taxation for the years up to and including 2017 has time elapsed until 31.12.2023, with the reservation of special or exceptional provisions that may provide for a longer lapse period and under the conditions specified by such provisions.

In addition to the above, in the absence of a statute of limitations in the Code of Laws on Stamp Duties, the relevant claim of the State for imposition of stamp duties is subject to the twenty-year statute of limitations in accordance with the article 249 of the Civil Code for cases created up to the fiscal year 2013. From 1.1.2014 and after the entry into force of Law 4174/2013, the statute of limitations for the imposition of stamp duty is limited to 5 years, given that the procedures for imposing and collecting the stamp duty are now part of the provisions of Tax Procedures Code.

***Tax Compliance Report***

For the years 2011, 2012 and 2013 the Company has been subject to the special tax audit by the Certified Public Accountants provided by the provisions of Article 82 par. 5 of Law 2238/1994 (Circ. No. 1159/26/7/2011) while for the years 2014 to 2020 they have been subject to the said tax audit by the Certified Public Accountants provided for by the provisions of Article 65A par. 1 of law 4174/2014 (Circ. No. 1124/22/6/2015).

For the financial years 2021 and 2022 the Company has been subject to the tax audit of the Certified Public Accountants provided for by the provisions of article 65A par. 1 of law 4174/2013 (Circ. No. 1124/22/6/2015). The audit for 2021 and 2022 is in its final stage of completion, while the audit for 2023 is in progress and the respective tax certificates are expected to be issued after the publication of the financial statements for 2023.

The Company's tax liabilities for these years have not become final and therefore it is possible that additional charges may arise, when the relevant audits are carried out by the Tax authorities.

The Management estimates that the taxes that may arise from an audit of the Company by the tax authorities will not have a material effect on the financial statements.

It should be noted that, according to the issues mentioned in the Circ. No. 1192/2017, the right of the State for a tax charge up to and including the year 2017 has lapsed unless the specific provisions on 10-year, 15-year and 20-year limitation periods apply.

### 37.2. Litigations

In the context of the performance of its operations, the Company may have to face possible litigations initiated by third parties. According to the Management and the Director of the Legal Department of the Company, any such claims are not expected to materially affect the operation and the financial position of the Company on December 31st, 2023.

***Litigation with the Independent Power Transmission Operator (IPTO)***

The Company had filed on 23/11/2016 a lawsuit against Independent Power Transmission Operator S.A. (hereinafter “IPTO”) at the Multimember Court of First Instance of Athens (hereinafter “MMCFI Athens”), requesting the payment of unpaid or late payment invoices (as per principal amount) as well as default interest of the above-mentioned invoices, which IPTO owed to the Company on the basis of IPTO obligations arising from Code of Management of the Power Transmission System (System Management Code of SMC). These invoices were issued from October 2011 to May 2015.

The amounts claimed had as follows: €7,851,652.64 for principal and €1,634,691.37 (if the SMC applies) or €1,826,483 (where the Civil Code applies) or 1,647,888 (if the provisions of commercial transactions apply) for default interest and €1,215,461 as compensation for material damage incurred to the Company according to the lawsuit.

The decision No 1121/2018 of the MMCFI which was issued on 23/3/2018 and presented to the Company on 29/5/2018 dismissed the Company's lawsuit.

The Company filed on 28/6/2018 the Appeal against the above-mentioned Decision.

The Company's appeal was heard on 10/10/2019. The Decision 2799/2020 of the Athens Court dismissed the Company's Appeal.

On 30.07.2020 the Company filed an appeal against IPTO before the Supreme Court as well as against the decision No. 2799/2020 of the Three-Member Court of Appeal of Athens.

Pursuant to the above Judgement No 2799/2020, the Company's appeal for the elimination of the Judgement No 1121/2018 was dismissed.

The above Appeal of the Company was heard on 21.02.2022 before the A1 Department of the Supreme Court and the Decision No. 1589/2022 of the Supreme Court was issued with a ruling "Rejected", which, however, has not yet been notified to the Company.

***Lawsuit of HERON against HEDNO – Hellenic Electricity Distribution Network Operator (Multimember Court of First Instance of Athens)***

On 9.06.2020, the Company filed a lawsuit in front of the MMCFI Athens against the company Hellenic Electricity Distribution Network Operator (hereinafter "HEDNO") with the following claims:

- To acknowledge that HEDNO has systematically made illegal surcharges in the calculation of settlements in the Manual of Management of the Measurement and Periodic Settlement, that these surcharges are due to the fault of the defendant and consequently, that the systematic calculation of energy losses at lower levels than the actual ones is illegal and culpable.
- To acknowledge that HEDNO incurred illegal and culpable damage during the period March 2017 – January 2018, which amounts to €2,366,585.92 and to be obliged to pay the said amount to the Company.

HEDNO proceeded at the invitation of the Regulatory Authority for Energy, Waste & Water (RAAEY), formerly known as RAE and IPTO.

On 19.10.2020 the parties filed their pleadings and on 3.11.2020 the Addendum to the Pleadings. In the said Addendum, the Company reformed its request to €1,362,751.03 and in any case, not less than €850,892.49.

In this case, a non-final decision of the MMCFI of Athens was issued (No. 2509/2022), which declared the discussion of the case inadmissible due to a violation of Article 3 § 2 of Law 4640/2019, i.e. due to the failure to submit the information form, regarding the obligation of the attorney to inform his client in writing about the possibility of mediation of the dispute before the appeal to the court, i.e. before the filing of the lawsuit.

The Company reinstated this case by filing an appeal for reinstatement of discussion with case numbers GAK 103044/2022 and EAK 1265/2022. The same request was discussed on February 1, 2024, and a decision is awaited.

## 38. EVENTS AFTER THE REPORTING DATE OF THE STATEMENT OF FINANCIAL POSITION

From 01.01.2024 until the date of approval of the attached financial statements, no significant event occurred.

## 39. ANNEX I – SEGREGATED FINANCIAL STATEMENTS OF THE INTEGRATED COMPANY OF PRODUCTION AND SUPPLY OF ELECTRICITY

**HERON ENERGY SOCIETE ANONYME**
**SEGREGATED BALANCE SHEET OF THE FULLY INTEGRATED COMPANY**
**31/12/2023**

| (Amounts in € thousand) | ENERGY GENERATION | ENERGY SUPPLY | NATURAL GAS SUPPLY | OTHER | COMPANY TOTAL |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | **87,380** | **98,325** | **3,005** | **2,139** | **190,849** |
| Tangible Assets | 95,588 | 290 | - 31 | 151 | 95,998 |
| Intangible Assets | 18 | 1,002 | 623 | 14 | 1,657 |
| Right-of use assets | 1,174 | 1,139 | 74 | 159 | 2,546 |
| Receivables from derivatives | 0 | 21,865 | - | - | 21,865 |
| Participations in subsidiaries | 8,285 | 30,001 | 1,910 | 4,125 | 44,321 |
| Investment in equity interests | 3 | 10 | 1 | 1 | 15 |
| Other Long-term Receivables | 123 | 24,314 | 3 | 7 | 24,447 |
| Deferred tax assets | (17,811) | 19,704 | 425 | (2,318) | - |
| | | | - | - | |
| **Current Assets** | **43,273** | **404,614** | **26,557** | **40,353** | **514,797** |
| Inventory | 10,104 | 23 | - | 1 | 10,128 |
| Trade and Other Receivables | 7,486 | 378,101 | 16,440 | 25,571 | 427,598 |
| Income tax receivables | (1,026) | 5,903 | 364 | 785 | 6,026 |
| Short-term part of receivables from derivatives | - | 7,204 | - | 2,883 | 10,087 |
| Cash and Cash Equivalents | 26,709 | 13,383 | 9,753 | 11,113 | 60,958 |
| **TOTAL ASSETS** | **130,653** | **502,939** | **29,562** | **42,492** | **705,646** |
| **EQUITY** | | | | | |
| Share Capital | 2,220 | 5,060 | 977 | 599 | **8,856** |

(Amounts in Euro thousand, unless stated otherwise)

| | | | | | |
|---|---|---|---|---|---|
| Share premium-based difference paid-up | 4,365 | 15,806 | 1,006 | 2,173 | **23,350** |
| Reserves | 2,244 | 7 | - | 1 | **2,252** |
| Retained earnings | 177,821 | 56,387 | 19,927 | 21,820 | **275,955** |
| **Total Equity** | **186,650** | **77,260** | **21,910** | **24,593** | **310,413** |
| | | | | | |
| **Capital Contribution per Business Unit** | **(124,034)** | **127,368** | **(6,556)** | **3,222** | **-** |
| **LIABILITIES** | | | | | |
| **Non-current Liabilities** | **6,528** | **29,491** | **747** | **1,614** | **38,380** |
| Liabilities from leases | 1,099 | 694 | 41 | 89 | **1,923** |
| Provision for staff retirement indemnities | 48 | 97 | 3 | 6 | **154** |
| Deferred Tax Liabilities | 3,050 | 11,044 | 703 | 1,519 | **16,316** |
| Liabilities from Derivatives | - | 12,758 | - | - | **12,758** |
| Other provisions | 2,331 | - | - | - | **2,331** |
| Long-term liabilities from contracts with customers | - | 4,898 | - | - | **4,898** |
| Long-term loans | - | - | - | - | **-** |
| **Current Liabilities** | **61,509** | **268,820** | **13,461** | **13,063** | **356,853** |
| Suppliers and Other Liabilities | 48,463 | 204,860 | 9,577 | 18,653 | **281,553** |
| Short-term part of liabilities from derivatives | - | 16,543 | 881 | -12,079 | **5,345** |
| Short-term part of liabilities from leases | 123 | 625 | 25 | 55 | **828** |
| Provisions | - | - | - | - | **-** |
| Short-term loans | 12,923 | 46,792 | 2,978 | 6,434 | **69,127** |
| Long-term loans payable in the following financial year | - | - | - | - | **-** |
| Income tax payable | - | - | - | - | **-** |
| **Total Liabilities** | **68,037** | **298,311** | **14,208** | **14,677** | **395,233** |
| | | | | | |
| **TOTAL EQUITY & LIABILITIES** | **130,653** | **502,939** | **29,562** | **42,492** | **705,646** |

**HERON ENERGY SOCIETE ANONYME**

**SEGREGATED BALANCE SHEET OF THE FULLY INTEGRATED COMPANY**

**31/12/2022**

| **(Amounts in € thousand)** | **ENERGY GENERATION** | **ENERGY SUPPLY** | **ATURAL GAS SUPPLY** | **OTHER** | **COMPANY TOTAL** |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | **8,867** | **55,481** | **645** | **- 2,308** | **62,685** |
| Tangible Assets | 8,855 | 179 | 216 | 348 | 9,598 |
| Intangible Assets | 6 | 1,898 | 208 | 2 | 2,114 |
| Right-of use assets | 4 | 943 | 64 | 277 | 1,288 |
| Liabilities from Derivatives | 0 | 14,419 | - | - | 14,419 |
| Other Long-term Receivables<br>Deferred tax assets | 20 | 22,523 | 2 | 9 | 22,554 |
| | (18) | 15,519 | 155 | (2,944) | 12,712 |
| Deferred tax assets | | | - | - | |
| **Current Assets** | **4,639** | **547,778** | **191,496** | **- 171,677** | **572,236** |
| Inventory | 5,391 | 23 | - | 1 | 5,415 |
| Trade and Other Receivables | 2,770 | 394,106 | 28,584 | 13,350 | 438,810 |
| Income tax receivables | - | - | - | - | - |
| Short-term part of receivables from derivatives | - | 7,648 | - 216 | 17,918 | 25,350 |
| Cash and Cash Equivalents | (3,522) | 146,001 | 163,128 | (202,946) | 102,661 |
| **TOTAL ASSETS** | **13,506** | **603,259** | **192,141** | **- 173,985** | **634,921** |
| **EQUITY** | | | | | |
| Share Capital | 1,016 | 700 | 700 | - | **2,416** |
| Share premium-based difference paid-up | - | - | - | - | **-** |
| Reserves | 805 | 5 | - | 1 | **811** |
| Retained earnings | 37,127 | 33,108 | 14,598 | 9,415 | **94,248** |

(Amounts in Euro thousand, unless stated otherwise)

| | | | | | |
|---|---|---|---|---|---|
| **Total Equity** | **38,948** | **33,813** | **15,298** | **9,416** | **97,475** |
| | | | | | |
| **Capital Contribution per Business Unit** | **(29,148)** | **142,565** | **149,907** | **(263,324)** | **-** |
| **LIABILITIES** | | | | | |
| **Non-current Liabilities** | **975** | **138,721** | **10,230** | **44,609** | **194,535** |
| Liabilities from leases | 3 | 646 | 44 | 193 | **886** |
| Provision for staff retirement indemnities | (11) | 70 | 3 | 14 | **76** |
| Deferred Tax Liabilities | - | - | - | - | **-** |
| Liabilities from Derivatives | - | 6,959 | - | - | **6,959** |
| Other provisions | 417 | - | - | - | **417** |
| Long-term liabilities from contracts with customers | - | 3,697 | - | - | **3,697** |
| Long-term loans | 566 | 127,349 | 10,183 | 44,402 | **182,500** |
| **Current Liabilities** | **2,731** | **288,160** | **16,706** | **35,314** | **342,911** |
| Suppliers and Other Liabilities | 2,429 | 191,349 | 11,256 | 11,613 | **216,647** |
| Short-term part of liabilities from derivatives | - | 28,977 | 14 | - | **28,991** |
| Short-term part of liabilities from leases | 1 | 346 | 14 | 62 | **423** |
| Provisions | - | - | - | - | **-** |
| Short-term loan liabilities | 194 | 43,764 | 3,500 | 15,259 | **62,717** |
| Long-term loan liabilities payable in the next fiscal year | 5 | 1,129 | 90 | 394 | **1,618** |
| Income tax payable | 102 | 22,595 | 1,832 | 7,986 | **32,515** |
| **Total Liabilities** | **3,706** | **426,881** | **26,936** | **79,923** | **537,446** |
| | | | | | |
| **TOTAL EQUITY & LIABILITIES** | **13,506** | **603,259** | **192,141** | **- 173,985** | **634,921** |

**HERON ENERGY SOCIETE ANONYME**
**SEGREGATED BALANCE SHEET OF THE FULLY INTEGRATED COMPANY**
**31/12/2023**

| **(Amounts in € thousand)** | **ENERGY GENERATION** | **ENERGY SUPPLY** | **NATURAL GAS SUPPLY** | **OTHER** | **COMPANY TOTAL** |
|---|---|---|---|---|---|
| **SALES** | | | | | |
| Electric Energy Sales - Production | 285,656 | 0 | 0 | 0 | **285,656** |
| Electric Energy Sales – Supply | 2 | 981,813 | 0 | 0 | **981,815** |
| Natural Gas Sales | 2,614 | 0 | 66,669 | 39,327 | **108,610** |
| Revenue from Utilities | 0 | 55,402 | 0 | 0 | **55,402** |
| Revenue from Utilities Charges Consideration | 0 | 0 | 0 | 0 | **-** |
| Revenue from Import of Electric Energy | 3 | 9,852 | 0 | 46,759 | **56,614** |
| Export of Electric Energy | 0 | 0 | 0 | 22,961 | **22,961** |
| Derivatives | 442 | 20 | 0 | 28,856 | **29,318** |
| Other Revenue | 560 | 343 | 0 | 6,118 | **7,020** |
| **Total Sales** | **289,277** | **1,047,429** | **66,669** | **144,021** | **1,547,396** |
| **EXPENSES & PURCHASES** | | | | | |
| Natural Gas Cost | (162,798) | 0 | (53,689) | (12,527) | **(229,013)** |
| Expenses from Purchases of Electric Energy - Production | (5,617) | 0 | 0 | 0 | **(5,617)** |
| Electric energy Supply | (1,671) | (705,572) | 0 | (735) | **(707,978)** |
| Electric energy Imports | 0 | (10,360) | 0 | (76,164) | **(86,524)** |
| Natural Gas Imports | (1,011) | 0 | (2,161) | (21,131) | **(24,303)** |
| Expenses from Exports of Electric Energy | 0 | 0 | 0 | (22,905) | **(22,905)** |
| Derivatives | 0 | (24,405) | (1,626) | 1,715 | **(24,316)** |
| Performance of Utility Charges | (16) | (51,439) | 0 | 0 | **(51,456)** |
| Performance of System Usage Charges | (50) | (27,700) | 0 | 0 | **(27,750)** |
| Performance of Network Usage Charges | 0 | (70,910) | 0 | 0 | **(70,910)** |
| Performance of Special Duty of Greenhouse Gas Emissions Reduction (ETMEAP) Charges | (9) | (49,713) | 0 | 0 | **(49,722)** |
| Emission rights – Purchase of CO2 Rights | (57,070) | 0 | 0 | 0 | **(57,070)** |
| Consumption of Inventory | (518) | (33) | (0) | 0 | **(551)** |
| Personnel Fees & Expenses | (2,792) | (7,636) | (266) | (1,444) | **(12,138)** |

| | | | | | |
|---|---|---|---|---|---|
| Third Party Fees | (8,235) | (18,997) | (1,775) | (1,660) | **(30,667)** |
| Repairs & Maintenance | (655) | (75) | (4) | (9) | **(743)** |
| Other Expenses / (Income) | (13,119) | (7,303) | (248) | (465) | **(21,135)** |
| GAINS/LOSSES FROM DERIVATIVES VALUATION | 0 | 13,637 | (652) | (2,956) | **10,029** |
| INCOME FROM PARTICIPATIONS AND OTHER INVESTMENTS | 2,636 | 5,223 | 150 | 150 | **8,159** |
| Depreciation | (16,034) | (2,162) | (204) | (98) | **(18,499)** |
| Provision of bad receivables | 0 | (12,956) | (1,000) | 0 | **(13,956)** |
| Financial Expenses | (1,761) | (6,286) | (316) | (737) | **(9,100)** |
| Financial Income | 72 | 5,759 | 110 | 36 | **5,976** |
| **Total Expenses & Purchases** | **(268,647)** | **(970,927)** | **(61,680)** | **(138,931)** | **(1,440,186)** |
| **PROFIT (LOSS) BEFORE TAXES** | **20,630** | **76,502** | **4,989** | **5,090** | **107,210** |

**HERON ENERGY SOCIETE ANONYME**
**SEGREGATED INCOME STATEMENT OF THE FULLY INTEGRATED COMPANY**
**31/12/2022**

| **(Amounts in € thousand)** | **ENERGY GENERATION** | **ENERGY SUPPLY** | **NATURAL GAS SUPPLY** | **OTHER** | **COMPANY TOTAL** |
|---|---|---|---|---|---|
| **SALES** | | | | | |
| Electric Energy Sales - Production | 6,534 | - | - | - | **6,534** |
| Electric Energy Sales – Supply | (16) | 1,541,644 | - | 44 | **1,541,672** |
| Natural Gas Sales | - | - | 125,592 | 530,881 | **656,473** |
| Revenue from Utilities Charges | - | 8,024 | - | - | **8,024** |
| Revenue from Consideration for Provision of Utilities | - | - | - | - | **-** |
| Revenue from Import of Electric Energy | - | 22,363 | - | 14,545 | **36,908** |
| Export of Electric Energy | - | - | - | 6,156 | **6,156** |
| Derivatives | - | 27,273 | 2,895 | 8,536 | **38,704** |
| Other Revenue | 592 | 7,483 | 42 | 185 | **8,302** |
| **Total Sales** | **7,110** | **1,606,787** | **128,530** | **560,347** | **2,302,773** |
| **EXPENSES & PURCHASES** | | | | | |
| Natural Gas Cost | (1,618) | - | (110,860) | (505,066) | **(617,545)** |

(Amounts in Euro thousand, unless stated otherwise)

| | | | | | |
|---|---|---|---|---|---|
| Expenses from Purchases of Electric Energy - Production | (326) | - | 0 | 0 | **(326)** |
| Electric energy Supply | (79) | (1,231,978) | 0 | (102) | **(1,232,159)** |
| Electric energy Imports | - | (25,503) | 0 | (13,326) | **(38,830)** |
| Natural Gas Imports | (57) | - | (9,877) | (14,808) | **(24,742)** |
| Expenses from Exports of Electric Energy | - | - | 0 | (1,332) | **(1,332)** |
| Derivatives | - | (33,301) | (2,842) | (4,431) | **(40,573)** |
| Performance of Utility Charges | - | (48,524) | - | - | **(48,524)** |
| Performance of System Usage Charges | - | (18,712) | - | - | **(18,712)** |
| Performance of Network Usage Charges | - | (52,323) | - | - | **(52,323)** |
| Performance of Special Duty of Greenhouse Gas Emissions Reduction (ETMEAP) Charges | - | (43,186) | - | - | **(43,186)** |
| Emission rights – Purchase of CO2 Rights | (347) | - | - | - | **(347)** |
| Consumption of Inventory | (106) | (115) | - 0 | 1 | **(220)** |
| Personnel Fees & Expenses | (16) | (6,964) | (498) | (1,297) | **(8,775)** |
| Third Party Fees | (90) | (18,856) | (1,429) | (3,711) | **(24,086)** |
| Repairs & Maintenance | (173) | (14) | (1) | (4) | **(191)** |
| Other Expenses / (Income) | (2,121) | (7,720) | (194) | (706) | **(10,741)** |
| Depreciation | (2,311) | (1,903) | (82) | (101) | **(4,397)** |
| Bad Debt Provision | - | (32,633) | (2,151) | 0 | **(34,784)** |
| Financial Expenses | (25) | (9,696) | (308) | 815 | **(9,214)** |
| Financial Income | - | 0 | 0 | 0 | **0** |
| **Total Expenses & Purchases** | **(7,269)** | **(1,531,427)** | **(128,242)** | **(544,067)** | **(2,211,005)** |
| **PROFIT (LOSS) BEFORE TAXES** | **(160)** | **75,360** | **288** | **16,280** | **91,768** |

## A. Introduction

According to the provisions of Directive 2009/72/EC No 31 and of article 141 of Law 4001/2011, as currently in force, Integrated Electricity Companies:

i. Shall keep segregated accounts for each of the activities of Generation, Transmission, Distribution, Supply to eligible customers and Supply to non-eligible customers and the provision of services of general interest, precisely as they would be required to do if these activities were carried out by different undertakings, with a view to avoiding discrimination, cross-subsidization and distortion of competition. These accounts, Balance Sheet and Profit and Loss Statement must clarify the income derived from ownership of the transmission system (ESMIE) and distribution system (EDDIE).

ii. These undertakings shall keep consolidated accounts for other, non-electricity activities.

iii. Integrated undertakings shall clarify the rules for allocating assets and liabilities and income and expenditure used to prepare the segregated accounts mentioned in the previous paragraph.

RAAEY approves the principles and rules of allocation, which apply to these companies, as well as the amendment thereof, in order to ensure non-discrimination, cross-subsidization and distortion of competition.

Based on the above, the Company HERON ENERGY SERVICES SINGLE NUMBER S.A. (hereinafter the "Company" or "HERON") must keep segregated accounts for each of its electricity-related activities, Production and Supply.

By virtue of decision no. 14288/21-12-2023 of the GEMI Service with Registration Code Number 3947441, and in accordance with the provisions of Law 4601/2019, Law 4548/2018, and Law 2166/1993, the merger of HERON ENERGY S.A. and HERON II VIOTIA S.A., with the absorption of the latter by the former, was approved (Note 4.19).
Therefore, as of December 31, 2023, the separate Financial Statements are equal to and agree with the Company's Balance Sheet and Income Statement, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and in which they have integrate the balances and transactions of the absorbing company HERON II VIOTIAS SA.

**B. Rules and Principles for the Allocation of Assets - Liabilities, Expenses – Income**

**1. General Principles and Methodology**

The Company prepares, submits for audit and publishes according to the IFRS[1] annual financial statements in accordance with the relevant provisions of C.L. 4548/2018 and Laws 3229/2004 and 3301/2004. The Company, being an integrated company took into account the provisions of Law 4001/2011 as amended and the Directive 2009/72/EC, no. 31 on the separation of the accounts of Integrated Electricity Companies and maintains segregated accounts, Balance Sheet and Income Statement, for the activity of Generation and Supply (Trading) in the Electricity Market in Select Customers and for the activity of Supply of Utilities Services. The remaining Company activities, besides electricity, are kept in consolidated accounts (Others).

At the end of the financial year, the Company prepares and publishes in conformity with the IFRS, its segregated Balance Sheet and Income Statement (Profit and Loss Account) per activity. The sum of the segregated accounts are equal and in agreement with the Balance Sheet and Income Statement of the Company that have been prepared under the IFRS as adopted by the European Union, with the exemption of Income Tax, since the segregated Financial Statements are presented in the pretax stage. The above statements are contained in the notes of the annual financial statements of the Company, which are approved and signed according to the law and include a certificate by the auditors, where reference is made to the rules which are approved by RAE, as mentioned in Article 141, paragraph 4 of Law 4001/2011.

**2. Methods and Rules of Allocation**

Methods and accounting rules applied by the Company are dictated by the general accounting principles and the IFRS, which the Company must mandatorily comply with. The reporting of segregated accounts and the preparation of segregated financial statements (income statement and balance sheet) per activity, is supported by the Company's Internal Planning System (SAP) which it operates. More specifically, the mandatory recording of all accounting entries per Business Area (in SAP) is applied, and the Business Areas defined are:

[1] International Financial Reporting Standards

(a) Business Area / Activities

- Electricity generation
- Electricity supply
- Natural Gas supply
- Other activities apart from electricity (Other).

(b) Business Area not activities

- Management

In each system entry of a document or transaction, as well as in any other entry, the amounts are characterized by "business area" and then the corresponding accounts of Expenditure - Income, Assets - Liabilities are automatically updated. The program has a security key based on which no entry is allowed without the above classification.

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

In particular, each activity includes the following:

*a) Electricity generation*

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

*b) Supply of electricity*

This activity includes Income, Expenditure and Assets and Liabilities, which derive from the wholesale and retail sales of electricity. More specifically, purchases concern the procurement of Electricity from LAGIE and domestic and foreign companies, the rights to import and export Electricity and other services rendered from ADMIE and, the network usage from Hellenic Electricity Distribution Network Operator S.A. (HEDNO). Expenses mainly relate to personnel fees and costs, third party fees, financial and miscellaneous expenses.

*c) Activities other than electricity*

These activities include income from related activities. Expenses include fees, expenditure, depreciation, financial and extraordinary results or losses which relate to the other activities of the Company besides the Electricity Generation and Supply, as these are mentioned above.

## 3. Segregated Income Statement

### 3.1 Direct Income and Expenses

Tax documents and transactions which solely relate to one of the Company's activities or separately mention amounts per activity, immediately update upon entry the segregated accounts of each Activity/Business Area (a).

### 3.2 Indirect Income and Expenses

Tax documents and transactions that do not separately set out the activity to which they relate, update upon entry the Business Area (b),” Management” account.

At the end of each month, the balance of the Business Area (b), "Management" account is allocated on a cost-plus basis to each of Activity/Business Area (a) with allocation key being the participation percentage of each of them to the total income of the Company during the relevant financial year.

Following, the Company prepares the annual income statement for each financial year per activity.

## 4. Segregated Balance Sheet

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

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

i. Cash,
ii. Financial products
iii. Tax assets and liabilities
iv. Provisions,
v. Deferred tax

## C. Verification of Regulatory Information

RAEEY may proceed into extraordinary inspections in order to ascertain the implementation by the Integrated Company "HERON SOCIÉTÉ ANONYME ENERGY SERVICES" and/or auditors engaged by it, of the provisions of Article 141 of Law 4001/2011 regarding the obligation to maintain distinct Balance Sheet and Income Statement accounts for each activity and the proper application of the Rules and Principles for the Allocation of Assets and Liabilities, Income and Expenses for the preparation of these segregated accounts.

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

The Rules and Principles for the Allocation of Assets and Liabilities, Income and Expenses that apply to the preparation of the segregated accounts of each of the Company's business activities are fixed and may be amended upon RAEEY, approval upon a justified request from the Company.

## D. Publication of Segregated Financial Statements

The Company communicates to RAEEY, within fifteen (15) business days from the approval of the financial statements from the General Meeting of its Shareholders, the Annual Financial Statements which include the segregated Financial Statements along with the Auditor's Certificate and all explanatory notes as well as the auditor's report which relate to the application of the Rules and Principles for the Allocation of Assets and Liabilities, Income and Expenses.

## E. Annexes

The Annexes of the Rules and Principles for the Allocation of Assets and Liabilities, Expenses and Income for the Preparation of Segregated Annual Accounts of the Activities of the Integrated Undertaking "HERON SOCIÉTÉ ANONYME ENERGY SERVICES" constitute an integral part therewith and are amended via the same process.

| | |
|---|---|
| **CHAIRMAN OF THE BoD** | **MEMBER OF THE BoD** |
| GEORGIOS KOUVARIS | LOUKAS DIMITRIOU |
| **CHIEF FINANCIAL OFFICER** | **HEAD OF THE ACCOUNTING DEPARTMENT** |
| EMMANOUIL FAFALIOS | AVRAAM VASILEIADIS |