



# ANNUAL REPORT

# '16

JUNE 2016



ANNUAL  
REPORT  
'16

JANUARY 1<sup>ST</sup>, 2016 - DECEMBER 31<sup>ST</sup>, 2016





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PART **A**

# 1. SELECTED FINANCIAL DATA

## Summary Financials (€ mil.)

	GROUP			PARENT COMPANY		
	2016	2015	Δ%	2016	2015	Δ%
Total Revenues	5,257.1	5,735.7	-8.3%	5,155.2	5,675.4	-9.2%
EBITDA	1,063.7	828.4	28.4%	866.8	591.7	46.5%
EBITDA margin	20.2%	14.4%		16.8%	10.4%	
Profit/(Loss) before Taxes & Fin. expenses (EBIT)	331.4	90.7	265.4%	211.5	(71.5)	
EBIT margin (%)	6.3%	1.6%		4.1%	-1.3%	
Net Income/(Loss)	67.5	(102.5)		166.4	(152.5)	
EPS/(Loss) (in €)	0.29	(0.44)		0.72	(0.66)	
Number of Shares (mil.)	232	232		232	232	

## Summary Balance Sheet & Capex (€ mil.)

	GROUP			PARENT COMPANY		
	2016	2015	Δ%	2016	2015	Δ%
Total Assets	17,135.4	17,314.6	-1.0%	15,695.6	15,935.3	-1.5%
Net Debt	4,526.8	4,788.9	-5.5%	4,380.8	4,552.6	-3.8%
Total Equity	5,945.4	5,911.6	0.6%	5,871.6	5,723.2	2.6%
Capital Expenditure	867.6	753.6	15.1%	738.8	617.0	19.7%

## 2. COMPANY INFORMATION

### 2.1 GENERAL INFORMATION

PPC was incorporated as a Societe Anonyme on January 1<sup>st</sup> 2001, under the Liberalisation Law (2773/1999). Until January 2001, PPC was wholly owned by the Hellenic Republic.

The corporate seat is in the Municipality of Athens, Greece. PPC's executive offices are at 30, Chalkokondyli Street, 104 32 Athens, Greece.

In accordance with article 3 of the Articles of Incorporation, as in effect on 31.12.2016, the objective of the Company is:

- a. The engagement in commercial and industrial activities in the energy sector, in Greece and abroad. These activities shall include, but not be limited to:
  - the engagement in commercial and industrial activities in the electricity sector, in Greece and abroad,
  - the design, supervision, construction, exploitation, maintenance and operation of power plants,
  - the supply and sale of electricity as well as of energy products and services,
  - the extraction, production, supply and sale of energy raw materials,
  - the assignment to third parties, by virtue of contract, of any activity similar to those set forth herein above,
  - the operation or management of privately-owned vessels or vessels owned by third parties, under Greek or foreign flag having as sole objective the transportation of liquid fuels.
- b. The engagement in commercial and industrial activities in the telecommunications sector, the provision of services to third parties related to Projects' design, management and supervision, the provision of services to third parties related to training and occupational health and safety, the provision of services to third - party Companies on organization and information technology issues, the design, construction, maintenance, management, exploitation and operation of waste treatment units, including power generation from or/and in relation to waste management, as well as the development of all kinds of assets held by the Company.
- c. The establishment of companies, the participation in joint ventures, as well as the acquisition of shares of other companies, Greek or foreign, and, in general, the participation in enterprises pursuing aims similar to those under a) and b) of the present paragraph or the activities of which (enterprises) are directly or indirectly related to the objective of the company or whose objective is the profitable use of the movable or immovable assets of the company and the development of its resources, including the participation in public tendering procedures of Contracts for Public - Private Partnerships (PPPs), as well as the establishment or participation in the share capital of Special Purpose Companies within the framework and in execution of PPPs.

In order to attain the objectives referred to in the preceding paragraph, PPC S.A. may, in particular, a) sign any kind of contracts or agreements with domestic or foreign individuals or legal persons and inter-state organizations, b) participate in the share capital of existing companies or in the share capital of companies



to be established in the future, grant loans to the said companies and provide guarantees in their favor, c) issue any bond loans of any type whatsoever and participate in the share capital of companies to which the company has granted loans through the conversion or not of the bonds of the aforesaid loans into shares.

The company may engage in any other action or activity in order to fulfill its objectives within the scope of the Articles of Incorporation and of the standing provisions, in any commercial or other activity and perform any material or legal act, directly or indirectly connected with its objectives.

The Company has secured the trademark No. 160076 "Public Power Corporation Societe Anonyme" and "PPC S.A."

In accordance with the classification of the Hellenic Statistical Authority (EL.STAT - STAKOD 08), the economic activity of PPC S.A. comes under:

BRANCH OF ECONOMIC ACTIVITY (STAKOD 08)	TOTAL REVENUES 01.01.2016 - 31.12.2016
«Generation, transmission and distribution of electricity», 35.1	€ 5,257.1 mil.

PPC S.A.'s updated Articles of Incorporation is posted on the company's website:  
[Home Page / PPC / Investor Relations / Company Profile / Articles of Incorporation of PPC S.A.](#)

## 2.2 HISTORICAL BACKGROUND

PPC was established in 1950 having as purpose to generate, transmit and distribute electricity throughout the Greek territory. Prior to the establishment of PPC, the right to generate, transmit and distribute electricity had been assigned by the Greek Government to private and municipal electricity companies.

PPC started its operation in 1953 by generating and selling electricity to the abovementioned private and municipal electricity companies. During the period 1957-1963, the Company acquired the above electricity companies, including the Electric Company of Athens - Piraeus Ltd, which used to service the largest urban area of Greece and was generating a significant percentage of the total electricity consumed in the Greek market.

The Laws 1559 and 2244, which were enacted in the years 1985 and 1994 respectively, provided for a relevant exception from PPC's exclusive right in electricity generation mainly in order to give the right to industrial companies to generate electricity for their own consumption. Moreover, said legislation allowed individuals to generate electricity from renewable sources and cogeneration exclusively for commercial use.

By virtue of Law 2773/1999 concerning the liberalization of the electricity market and pursuant to the Presidential Decree 333/2000, PPC, as of January 1<sup>st</sup> 2001, was converted into a societe anonyme wholly owned by the Greek State having as main purpose the generation and supply of electricity.

In December 2001, following an increase of share capital and an offering of existing shares held by the Hellenic Republic, PPC's shares were listed on the Athens Stock Exchange. In parallel, GDRs were admitted to London Stock Exchange.

The Hellenic Republic further reduced its stake in PPC through secondary offerings in December 2002 and October 2003 and now controls, directly or indirectly through the Hellenic Republic Asset Development Fund (HRADF), 51.12% of the Company's share capital. The HRADF holds 17% of the Company's share capital, which is included in the aforementioned percentage held by the Hellenic Republic, since the HRADF is 100% owned by the Hellenic Republic.

After the spin-off of the Transmission and the Distribution segments, two 100% subsidiaries of PPC were created, namely IPTO S.A. (Independent Power Transmission Operator S.A.) and HEDNO S.A. (Hellenic Electricity Distribution Network Operator S.A.). IPTO S.A. is responsible for the management, operation, maintenance and development of the Hellenic Electricity Transmission System and its interconnections, while HEDNO S.A. is responsible for the management, operation, development and maintenance of the Hellenic Electricity Distribution Network.

## 2.3 OVERVIEW OF COMPANY'S ACTIVITIES

PPC is Greece's largest electricity generator and the principal supplier of electricity in Greece.

PPC holds assets in lignite mines, power generation, transmission and distribution. Its power portfolio consists of conventional thermal plants (lignite, gas and oil fired), and hydroelectric power plants, as well as Renewable Energy Sources (RES) installations, accounting for approximately 61.4% of the total installed capacity in the country.

Specifically PPC is the first company in Greece to install RES in 1982, and is active through its subsidiary company "PPC Renewables S.A." (PPCR), with a portfolio of wind farms, small scale hydroelectric plants and photovoltaics.

In 2016, PPC's generation of 30.3 TWh coupled with the 2 TWh that it imported, covered 54.5% of total demand. PPC's energy mix comprised of generation from lignite (49.3%), oil (15.3%), natural gas (18.5%), hydroelectric (16%) and renewable energy sources (0.9%).

The nearly 7.3 mil. customers of PPC, consumed 91.9% of the total electricity supplied to end-customers in Greece in 2016.

The Hellenic Electricity Transmission System, often referred to as the "Interconnected System", spreads over the mainland of Greece. The Ionian islands, along with certain Aegean islands in close proximity to the mainland, are also included in the Interconnected System, to which they are connected through submarine cables.

In the Interconnected System, approximately one third of the generation capacity is located in northwestern Greece, in close proximity to the lignite mines, which are the primary fuel source. In the last 3 years, two new, state of the art gas-fired plants were constructed, namely Aliveri V and Megalopolis V, in the southern part of the Interconnected System as well as the new hydroelectric power plant of Ilarion.

All remaining islands, which are referred to as the "Non-Interconnected Islands", are served by autonomous oil-fired power plants. In most of the islands, demand is also covered by RES. The largest power plants in the Non-Interconnected Islands are located in Crete and Rhodes (with total thermal capacity exceeding 1,000 MW).

The following table shows selected PPC's operating data for the years 2014, 2015 and 2016:

YEAR ENDED 31 <sup>st</sup> DECEMBER	2016	2015	2014
Installed Capacity (GW)	12.1	13.0	12.6
Percentage of Total Installed Capacity in Greece <sup>1</sup>	61.4%	64.0%	63.6%
Net Generation (TWh) <sup>2</sup>	30.3	34.1	35.3
Generation Market Share <sup>3</sup> (average annual)	62.7%	71.9%	74.9%
Electricity sold to end customers (TWh) <sup>4</sup>	46.4	49.2	49.5
Supply market share <sup>5</sup> (Average Annual)	91.9%	96.4%	97.9%
Customers (in mil.)	7.3	7.4	7.4
Number of employees on payroll	18,902	18,356	18,572

1. If installed capacity of PVs household installations is taken into account the relevant figures are 60.3% for 2016, 62.8% for 2015 and 62.5% for 2014.

2. Net electricity generation equals gross generation of electricity less energy consumed internally in the generating process.

3. Generation market share is defined as the percentage of the electricity generated by PPC over the total electricity generated in Greece each year.

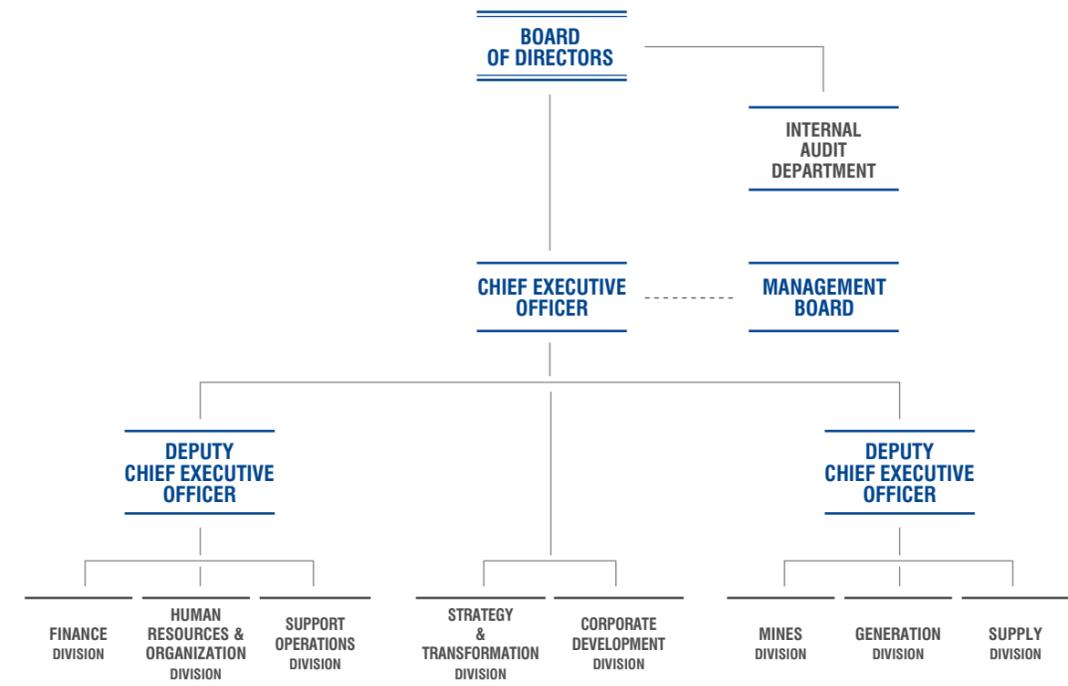
4. Including domestic sales and exports.

5. Supply market share is defined as the percentage of the electricity supplied by PPC to end-customers in Greece over the total electricity supplied to end-customers in Greece each year.



# 3. ORGANIZATIONAL STRUCTURE, MANAGEMENT - CORPORATE GOVERNANCE, EMPLOYEES

## 3.1 ORGANIZATIONAL STRUCTURE (on 31.12.2016)



PPC S.A.'s updated detailed organizational chart is posted on the company's website: [Home Page / PPC / Company profile / Organizational Structure](#)

### 3.2 MANAGEMENT - CORPORATE GOVERNANCE

The Corporate Governance constitutes a system of principles, based on which the optimum organization, management and operation of the Company is pursued along with transparency in its relations with the shareholders and more generally the safeguarding of corporate interests.

The corporate governance code, drafted and applied by PPC provides a description of the following:

- The composition, competence and functioning of the governing bodies, the Committees of the Board of Directors and their competences.
- The competence and functioning of the General Meeting of Shareholders, shareholders' rights, provision of information as well as data required in accordance with article 10, par. 1 of Directive 2004/25/EC of the European Parliament as incorporated in Law 3461/2006.
- The main characteristics of the Company's internal audit and risk management systems in relation with the procedure of financial statements' preparation.

The corporate governance code is posted on the web site of the Company:  
Home Page / PPC / Company profile / Corporate Governance

The Board of Directors on 31.12.2016 consisted of:

Name	Position
PANAGIOTAKIS Emmanouil	CHAIRMAN BoD - CEO - EXECUTIVE MEMBER
ANDRIOTIS George	VICE CHAIRMAN BoD INDEPENDENT - NON EXECUTIVE MEMBER
<b>Members</b>	
STATHAKIS Lazaros	EXECUTIVE MEMBER
ALEXAKIS Panagiotis	INDEPENDENT - NON EXECUTIVE MEMBER
VATALIS Aris	NON EXECUTIVE MEMBER
KARALEFTHIS Pantelis	NON EXECUTIVE MEMBER / REPRESENTATIVE OF EMPLOYEES
PAPAGEORGIOU Christos	INDEPENDENT - NON EXECUTIVE MEMBER
MANGOS Kyriakos	NON EXECUTIVE MEMBER
FOTOPOULOS Nikolaos	NON EXECUTIVE MEMBER / REPRESENTATIVE OF EMPLOYEES

It is noted that on December 31, 2016 two of the positions of the independent members of the BoD were vacant. Those positions were filled with the election by the Board of Directors on January 9, 2017 of Messrs. Vassilakis D. as Independent - Non Executive Member (in replacement of Mr. Chatziathanasiou V.) and Bitzas G. as Independent - Non Executive Member, representative of the Economic and Social Committee.

PPC S.A.'s updated Board of Directors composition is posted on the company's website:  
Home Page / PPC / Investor Relations / Company Organization / PPC S.A. Board of Directors

### 3.3 EMPLOYEES

PPC's Group full time employees on the 31<sup>st</sup> of December of the years 2016 and 2015, are presented by company and activity on the following table:

	2016	2015
<b>PPC S.A.</b>		
Mines	3,433	3,424
Generation	4,671	4,680
Supply	971	950
Administration	1,515	1,377
<b>TOTAL on the 31<sup>st</sup> of December</b>	<b>10,590</b>	<b>10,431</b>
IPTO S.A.	1,395	1,408
HEDNO S.A.	6,854	6,494
PPC RENEWABLES S.A.	63	23
<b>TOTAL on the 31<sup>st</sup> of December (GROUP)</b>	<b>18,902</b>	<b>18,356</b>

## 4. SHARE CAPITAL - DIVIDEND

### 4.1 SHARE CAPITAL

PPC's share capital on the 31<sup>st</sup> of December 2016 amounted to € 1,067,200,000, divided into 232,000,000 ordinary registered shares of a nominal value of € 4.60 each.

In the past five years there has been no change in the share capital of the Company.

The Company's shares are traded in the Main Market of the Athens Stock Exchange (ATHEX), while in the London Stock Exchange they are traded in the form of Global Depository Receipts (GDRs).

The company's shares are included in a number of indices such as: GD, DOM, FTSE, SAGD, FTSEA, DKO, GT30P, GT30R, GT30TP, GT30TR, FTSETR, HELMSI, SBBMGLU.

### 4.2 SHAREHOLDING STRUCTURE

The Company's shareholding structure as of the 31<sup>st</sup> of December 2016 was as follows:

SHAREHOLDERS	PERCENTAGE
Greek State <sup>1</sup>	34.12%
Hellenic Republic Asset Development Fund (HRADF)	17.00%
IKA-ETAM/TAP-PPC and TAYTEKO/TEAPAP-PPC (PPC's Pension Funds)	3.81%
Institutional Investors & general public <sup>2</sup>	45.07%
<b>TOTAL</b>	<b>100%</b>

1. The Hellenic Republic controls, directly and indirectly through HRADF (which is wholly owned by the Hellenic Republic), 51.12% of ordinary registered shares of PPC S.A. On April 8, 2014, the Greek ministerial committee for restructurings and privatizations decided the transfer, without consideration, of 39,440,000 ordinary shares with voting rights corresponding to 17% of the existing share capital of PPC S.A, by the Hellenic Republic to the HRADF, pursuant to the provisions of Law 3986/2011. The transfer was concluded following execution of an over-the-counter transaction effected on April 9, 2014.

2. Including the total holdings of the company "Silchester International Investors LLP" as of December 8, 2011 amounting to 32,024,558 shares or 13.8% of PPC's voting rights, in its capacity as investment manager for its following clients:

- Silchester International Investors International Value Equity Trust,
- Silchester International Investors International Value Equity Taxable Trust,
- Silchester International Investors International Value Equity Group Trust,
- Silchester International Investors Tobacco Free International Value Equity Trust,
- The Calleva Trust.

On 31.12.2016, the Company was not aware of any shareholders, other than the "Greek State", "HRADF", the "Silchester International Investors LLP" and jointly "IKA - ETAM/ TAP - PPC" and "TAYTEKO / TEAPAP - PPC" (PPC's Pension Funds) and which held directly an amount greater than or equal to 3% of its share capital.

On 31.12.2016 the Members of the Board did not hold PPC shares.

### 4.3 DIVIDEND

The Board of Directors will propose to the General Meeting of Shareholders not to distribute a dividend for 2016.

## 5. SUBSIDIARIES AND ASSOCIATES

The following table presents the participation of PPC S.A. in other companies as of 31.12.2016:

PPC S.A.	Ownership 31.12.2016
IPTO S.A.	100%
HEDNO S.A	100%
PPC RENEWABLES S.A.	100%
PPC FINANCE PLC	100%
PPC BULGARIA JSCo	85%
PPC ELEKTRIK TEDARIK VE TICARET A.S.	100%
LARCO S.A.	11.45%
WASTE SYCLO S.A.	49%
PPC SOLAR SOLUTIONS S.A.	49%
PPC RENEWABLES S.A.	Ownership 31.12.2016
ARKADIKOS ILIOS ENA S.A.	100%
ARKADIKOS ILIOS DIO S.A.	100%
ILIAKO VELOS ENA S.A.	100%
ILIAKO VELOS DIO S.A.	100%
ILIAKA PARKA DITIKIS MAKEDONIAS ENA S.A.	100%
ILIAKA PARKA DITIKIS MAKEDONIAS DIO S.A.	100%
PHOIBE ENERGIAKI PHOTOVOLTAIKA S.A.	100%
SOLARLAB S.A.	100%
PPC RENEWABLES TERNA ENERGIAKI S.A.	49%
PPC RENEWABLES ROKAS S.A.	49%
PPC RENEWABLES NANKO ENERGY – MYHE GITANI S.A.	49%
PPC RENEWABLES MEK ENERGIAKI S.A.	49%
PPC RENEWABLES EDF EN GREECE S.A.	49%
PPC RENEWABLES ELTEV – AEIFOROS S.A.	49%
AIOLIKO PARKO LEFKIVARI S.A.	49%
AIOLIKO PARKO AGIOS ONOUFRIOS S.A.	49%
AIOLIKO PARKO KILIZA S.A.	49%
AIOLIKO PARKO LOUKO S.A.	49%
AIOLIKO PARKO MBAMBO VIGLIES S.A.	49%
RENEWABLE ENERGY APPLICATIONS LTD	49%
EEN VOIOTIA S.A.	46.6%



PART **B**



# 1. FINANCIAL REPORT

JANUARY 1<sup>st</sup>, 2016 - DECEMBER 31<sup>st</sup>, 2016

The attached Financial Report of the fiscal year 2016, has been established according to article 4 of Law 3556/2007, has been approved by the Board of Directors of "Public Power Corporation S.A." on April 7<sup>th</sup>, 2017, and is available for the investors, on the internet, at the web site address [www.dei.gr](http://www.dei.gr), for at least the next 10 (ten) years.

**Public Power Corporation S.A.**

General Commercial Registry : 786301000  
30, Chalkokondyli str. - 104 32 Athens

**A.**

**STATEMENT OF MEMBERS  
OF THE BOARD OF DIRECTORS**

**STATEMENT OF MEMBERS OF THE BOARD OF DIRECTORS**  
**(According to article 4, par. 2 of Law 3556/2007, as amended and in force)**

1. Emmanuel Panagiotakis, Chairman and C.E.O. of P.P.C. S.A.
2. Panagiotis Alexakis, Member of the Board of Directors,
3. Christos Papageorgiou, Member of the Board of Directors,

hereby

**DECLARE**

that, to the best of our knowledge:

- α. the accompanying Financial Statements of the Parent Company and the Group, for the year ended December 31<sup>st</sup>, 2016, which were prepared according to the International Accounting Standards -currently in effect- as adopted by the European Union, are truthfully depicting assets, liabilities, equity and the statement of income of Public Power Corporation S.A., as well as the companies included in the consolidation, according to the provisions of article 4 of Law 3556/2007, as amended and in force, and,
- β. the accompanying Board of Directors' Report, truthfully depicts the evolution, performance and position of Public Power Corporation S.A. and the companies included in the consolidation, as well as a description of the major risks and uncertainties that they have to deal with.

Athens April 7<sup>th</sup>, 2017

<b>Chairman and C.E.O.</b>	<b>Member of the Board</b>	<b>Member of the Board</b>
Emmanuel Panagiotakis	Panagiotis Alexakis	Christos Papageorgiou

**B.**

EXECUTIVE SUMMARY  
OF THE BOARD OF DIRECTORS

## EXECUTIVE SUMMARY OF THE BOARD OF DIRECTORS OF PUBLIC POWER CORPORATION S.A. (PPC S.A.) AND GROUP PPC FOR THE FISCAL YEAR 2016

Dear Shareholders,

Following the end of the Public Power Corporation's fifteenth fiscal year as a Societe Anonyme, we have the honor to submit for approval, according to the Company's statutes, the financial statements for the year ended 31.12.2016, as well as, our comments on the respective statements. Furthermore, we submit for approval the unbundled financial statements for the year 2016 (Appendix I of the annual financial statements) according to the provisions of L. 4001/2011 art. 141 and the approved by the Regulatory Authority of Energy, methodology of accounting unbundling.

The Group's subsidiaries which are consolidated in the Group's financial statements are the following: "IPTO S.A.", "PPC Renewables S.A.", "Hellenic Distribution Network Operator SA or HEDNO SA", "Arkadikos Ilios 1 S.A.", "Arkadikos Ilios 2 S.A.", "Iliako Velos Ena S.A.", "Iliako Velos Dio S.A.", "Solarlab S.A.", "Iliaka Parka Ditikis Makedonias 1 S.A.", "Iliaka Parka Ditikis Makedonias 2 S.A.", "PPC FINANCE PLC", "PPC Bulgaria JSCo", "PPC Elektrik Tedarik ve Ticaret Anonim Şirketi", and, "Phoibe Energiaki Photovoltaika S.A.".

Based on L. 2190/1920 article 134, PPC S.A. prepared the financial statements for the year ended 31.12.2016 (fifteenth fiscal year), in accordance with the International Financial Reporting Standards (IFRS), as endorsed by the European Union.

### **Amendments in the current legal framework during 2016**

All detailed amendments in the current legal framework are presented in Note 2 to the Financial Statements.

### **Group Summary Financial Results Including IPTO S.A.**

	2016	2015
Turnover	€ 5,257.1 m.	€ 5,735.7 m.
Turnover adjusted for one-off items <sup>1</sup>	€ 5,257.1 m.	€ 5,765.7 m.
EBITDA	€ 1,063.7 m.	€ 828.4 m.
EBITDA margin	20.2%	14.4%
EBITDA adjusted for one-off items <sup>2</sup>	€ 1,149.8 m.	€ 892.4 m.
EBITDA margin adjusted for one-off items <sup>1,2</sup>	21.9 %	15.5%
Pre-tax profits/(Losses)	€ 169.1 m.	(€ 106.6 m.)
Pre-tax profits/(Losses) adjusted for one-off items <sup>2</sup>	€ 255.2 m.	(€ 42.6 m.)
Net income/(Loss)	€ 67.5 m.	(€ 102.5 m.)
Net income/(Loss) adjusted for one-off items <sup>2</sup>	€ 128.6 m.	(€ 57.1 m.)

1. It is noted that, revenues from electricity sales in 2015 had decreased by € 30 m due to the refund of the fixed charge to residential customers who pay on time, which, on a cash basis, impacted 2016 financial results.

2. The Group's operating profitability (EBITDA) in 2016 was negatively impacted by (i) an additional expense of € 63.5 m for the cover of the deficits created in the Day-Ahead Schedule in the past and by (ii) a one-off expense of € 22.6 m due to the revision of the natural gas procurement cost of DEPA by BOTAS for the years 2012-2015.

The Group's operating profitability in 2015 had been impacted by the aforementioned one-off item of € 30 m, as well as by (i) an expense of € 16.4 m for the compensation of rooftop photovoltaics in the non interconnected islands which relate to previous years (2011-2014), as the relevant expenses had not been billed to PPC until December 2015 and by (ii) a provision of € 17.6 m which referred to the Special Consumption Tax for own-consumption of electricity generation for the period May 2010 – December 2014, following a relevant administrative act of Customs Authorities.

### Group Summary Financial Results from Continuing Operations Excluding IPTO S.A.

	2016	2015
Pre-tax profit/(Losses) <sup>1</sup>	€ 226.4 m.	(€ 148.2 m.)
Net income/(Loss) <sup>1</sup>	€ 181.6 m.	(€ 117.7 m.)

1. PPC 2016 figures include as revenue a net amount of € 92.9 m which refers to the capital return from IPTO to PPC (cash upstream), which was decided by the General Meeting of Shareholders of IPTO in 2016. It is noted that, on a cash flow basis, the capital return will be realized in 2017.

**Note:** For further information regarding financial results from continuing operations, please refer to Note 12 of the Financial Statements of 2016.

In 2016, EBITDA increased by € 235.3 m. compared to 2015, with the respective margin amounting to 20.2% compared to 14.4%, mainly due to lower provisions.

Group's operating profitability for 2016 has been negatively impacted by the following items:

- € 63.5 m. for the cover of the deficits created in the Day-Ahead Schedule (DAS) market during 2011 and 2012 by third party suppliers that exited the market. Following the final settlement by LAGIE, the total one-off expense amounted to € 111.8 m., out of which € 48.3 m. had already negatively impacted 2014 results.
- € 28.4 m. from the new charge of electricity suppliers, which started in the last quarter of 2016 in order to cover the deficit of the Special Account for Renewables, also following RAE's Decisions 149 and 150 of 2017.
- € 22.6 m. one-off expense due to the revision of the natural gas procurement cost of DEPA by BOTAS for the years 2012-2015, following the decision by the International Arbitration Court, with respect to the dispute between the two companies.

Excluding the impact of aforementioned items, EBITDA improved by € 257.4 m., an improvement which is actually attributed to lower provisions by € 512.2 m.

Pre-tax profits amounted to € 169.1 m. in 2016 compared to losses of € 106.6 m. in 2015.

Net profit amounted to € 67.5 m. compared to losses of € 102.5 m., respectively.

### Revenues

Group turnover decreased by € 478.6m. (8.3%) to € 5,257.1 m. in 2016 from € 5,735.7 m. in 2015.

Said reduction is attributed to the decline of revenues from electricity sales by € 549.4 m. due to:

- the reduction of PPC's average market share (in GWh) in the retail electricity market and the consequent deterioration of sales mix, due to cherry picking by its competitors,
- the new tariff policy for commercial and industrial customers in Low and Medium Voltage and the reward of these customers who pay on time as well as of the residential customers who pay on time, by providing tariff discounts, as well as
- the impact of the increase in the percentage of losses owed to power thefts.

As a result of market share loss, revenues from Third Party Distribution- Transmission network fees and Public Service Obligations (PSOs) have increased by € 54.8 m. compared to 2015 (from € 60.3 m. in 2015 to € 115.1 m. in 2016).

Finally, turnover includes an amount of € 60 m regarding network users' participation for their connection to the network compared to € 56.3 m. in 2015.

In detail:

- Total electricity demand increased by 0.7% in 2016 to 59,209 GWh compared to 58,772 GWh in 2015, while electricity demand excluding exports and pumping remained practically stable at 56,972 GWh.

Specifically, as far as 4Q2016 is concerned, the corresponding figure posted a 4.7% increase mainly due to bad weather conditions.

However, in 4Q2016, total electricity demand (including exports and pumping) increased by 8.8%, since bad weather conditions across Europe, combined with the capacity shortage stemming from the maintenance of nuclear units in France resulted to significant increase of electricity prices in Europe, which eventually led to increased exports from third parties through interconnections in northern Greece towards Central Europe electricity markets.

PPC's sales declined by 5.8% in 2016, as a result of the average retail market share reduction of PPC. Specifically, PPC's estimated average retail market share in the country, in terms of GWhs and not in terms of number of clients, declined to 91.9% in 2016 from 96.4% in 2015. Especially in the Interconnected System, the respective share declined to 91.1% in 2016 from 96% in 2015. According to LAGIE data, the respective market share was contained to 88.6% in February 2017 from 93.3% in February 2016. According also to the same data, PPC's market share per Voltage was approximately 98.6% in High Voltage, 74.4% in Medium Voltage and 92.1% in Low Voltage, figures that confirm cherry-picking by third party electricity suppliers.

- PPC's electricity generation and imports covered 54.5% of total demand in 2016 (51.3% in the Interconnected System), while the corresponding percentage in 2015 was 63.4% (61.2% in the Interconnected System). PPC's market share in electricity generation, as a percentage of the total load in the Interconnected System was 47.6% in 2016 compared to 55.2% in 2015.

Said reduction is mainly attributed to the substitution of lignite fired generation from natural gas fired generation, mainly from third parties and to a lesser extent from PPC. Specifically, lignite fired generation decreased by 23.3% (4,520 GWh), while on the other hand, natural gas fired generation from third parties increased by 102.3% (4,057 GWh) and PPC's natural gas fired generation increased by 26.7% (1,179 GWh). In addition, a reduction was recorded for both hydro generation and PPC's imports by 10.2% (548 GWh) and 37.1% (1,184 GWh) respectively. On the contrary, third parties' Renewables generation increased by 6.5% (610 GWh) and third parties imports by 9.6% (788 GWh).

### Operating Expenses

Operating expenses before depreciation, decreased by € 713.9 m. (14.5%) from € 4,907.3 m. in 2015 to € 4,193.4 m., primarily due to aforementioned lower provisions and secondarily due to the reduction of energy mix expenses.

More specifically:

#### Energy mix expenditure

- Expenditure for liquid fuel, natural gas, third parties fossil fuel, CO<sub>2</sub> and energy purchases decreased by € 342.2 m., or by 13.7% compared to 2015.

In detail:

- Liquid fuel expense decreased by € 101.6 m. (17.4%), from € 582.8 m. in 2015 to € 481.2 m. in 2016 and is attributed to the reduction of heavy fuel oil and diesel prices, expressed in Euros, by 21.4% and 13.4% respectively.

The expense for the Special Consumption Tax on liquid fuel, which is included in the total liquid fuel expense, remained practically stable at € 145.3 m. from € 144.4 m. in 2015 due to the fact that said expense is only driven by fuel quantities, which remained practically stable both for diesel and heavy fuel oil.

- Natural gas expense decreased by € 60.8 m. (18,6%), from € 326.5 m. in 2015 to € 265.7 m. in 2016,

despite the aforementioned increased natural gas generation by 1,179 GWh (26.7%) due to the reduction of natural gas prices by 35% and the abolition of the Special Consumption Tax for electricity generation, since 1.6.2016.

The corresponding expense for the Special Consumption Tax on natural gas, which is also only volume driven and is not affected by commodity price, amounted to € 20.5 m. for the first five months of 2016 from € 54.1 m. in 2015.

- Third parties fossil fuel expense decreased by € 30.2 m. and settled at € 27.4 m.

- Energy purchases expense from the System and the Network remained practically stable from € 1,142.3 m. in 2015 to € 1,145.2 m., despite increased energy purchases volume by 14.5%, following the aforementioned reduction of lignite and hydro generation, mainly due to the significant reduction of the average SMP to € 42.8/MWh from € 51.9/MWh. It should be noted however, that, since the beginning of the implementation of the new charge of suppliers for the cover of the RES deficit, which started in the last quarter of 2016, PPC was burdened with the amount of € 28.4 m.

Energy purchases expense includes an amount of € 48.5 m., which is the net impact from the Transitory Capacity Payment Mechanism, effective as of 1.5.2016.

- Expenditure for PPC electricity imports, excluding expense for interconnection rights, settled at € 52.5 m. decreased by € 79.6 m. (60.3%), as a result of both the reduction in the volume of imports by 1,184 GWh (37.1%) and of imports' prices by 8.6%. Due to the lower volume of imports, the expense for interconnection rights decreased to € 5.6 m. in 2016 from € 15.1 m. in 2015.

- Expenditure for CO<sub>2</sub> emission rights settled at € 178.2 m., that is a reduction of € 72.9 m. compared to 2015, due to the reduction of CO<sub>2</sub> emissions in volume terms by 17.2% to € 28.4 m. tonnes in 2016 from 34.3 m. tonnes, as a result of lower lignite fired generation.

#### Payroll cost

- The total payroll cost, including capitalized payroll and payroll of seasonal personnel, remained practically stable at € 976.6 m. in 2016 compared to € 970 m. in 2015 (or € 741.3 m. and € 741.6 m. respectively, excluding employers' contributions).

The number of permanent employees on payroll increased by 546 to 18,902 on 31.12.2016 from 18,356 on 31.12.2015, due to the fact that we have started the implementation of highly necessary hirings, which were pending for many years. The payroll of permanent employees amounted to € 931.3 m. in 2016 compared to € 922.6 m. in 2015 (or € 704.4 m. and € 704.3 m. respectively, excluding employers' contributions).

#### Provisions

- In 4Q2016, the decline of bad debt provisions for Low and Medium Voltage customers intensified, marking an increase of € 15.6 m. compared to an increase of € 91.1 m. in 3Q2016 and an increase of € 156.9 m. in 2Q2016.

The result of this declining trend was an increase in provisions for Low and Medium Voltage customers by € 403.3 m. in 2016, which was lower than the corresponding one recorded in 2015, which was € 780.8 m.

For High Voltage customers, the corresponding provisions, excluding the provision for ALOUMINION and LARCO, settled at € 15 m. in 2016 versus € 12.9 m. in 2015. The provision for ALOUMINION, which was included in 2015 figures, was € 25.7 m., whereas for 2016, due to the contractual settlement for the pricing of electricity supply for the period 1.1.2014 – 30.6.2016: a) a reversal of a total provision of € 47.2 m. was recorded for the period 1.1.2014 – 31.12.2015 and b) a reversal of a € 12.5 m. provision was recorded in the second half of 2016, which had been initially recorded in the first half of 2016, therefore resulting in a neutral overall effect in provisions in 2016. Regarding LARCO, the corresponding provisions included in 2015 figures, was € 51.6 m., whereas for 2016, the respective figure was € 36.3 m., as a result of the contractual agreement for the pricing of electricity supply for 2016. Therefore total provisions for High Voltage Customers stood at € 4.1 m. in 2016 compared to € 90.2 m. in 2015.

Adding provisions for litigation and slow moving materials, total provisions settled at € 438.2 m. in 2016

compared to € 950.4 m. in 2015. In any case, it should be noted that the abovementioned amount, although significantly reduced compared to 2015, still remains at an especially high level for the Company, especially if compared to the pre-economic crisis level, when it did not exceed € 100 m., on an annual basis.

#### In conclusion

- In 2016, 40.4% of total revenues were expensed for fuel, CO<sub>2</sub> and energy purchases compared to 42.5% in 2015. Regarding the evolution of provisions, these represent 8.3% of total revenues compared to 16.6% last year. The corresponding percentage for payroll increased to 16.8% compared to 15.3% last year, due to aforementioned turnover reduction.

#### Other Financial Information

- Depreciation expense in 2016 marked a slight reduction settling at € 732.3 m. compared to € 737.7 m. in 2015.
- Net financial expenses, decreased by € 44.2 m., settling at € 154.2 m. compared to € 198.4 m. in 2015.

#### Capex

Capital expenditure in 2016 increased by € 114 m. or 15,1% and amounted to € 867.6 m. compared to € 753.6 m. in 2015, an increase which to a large extent is attributed to increased capex for Mining projects due to the compensation of the beneficiaries for the expropriation of the Pontokomi village.

Capital expenditure also includes network users' participation for their connection to the network, which amounted to € 60 m. in 2016 versus € 56.3 m.

Net capex of PPC Group, that is capital expenditure excluding aforementioned participations, increased by € 110.3 m. or 15.8% amounting to € 807.6 m. in 2016 compared to € 697.3 m. in 2015.

The composition of the main net capex (in million euros) is as follows:

	2016	2015	Δ
Mining projects	226	127	99
Conventional Generation & RES projects	325	312	13
Transmission network	124	129	(5)
Distribution network	126	121	9

#### Net Debt/PPC Overdue Payables

- Net debt amounted to € 4,526.8 m., a reduction of € 262.1 m. compared to 31.12.2015 (€ 4,788.9 m.) given that debt repayments in 2016 amounted to € 409,1 m. while we proceeded with the drawdown of € 180 m.

For the Parent Company net debt amounted to € 4,380.8 m., a reduction of € 171.8 m. compared to 31.12.2015, given that debt repayments in 2016 amounted to € 382 m. while we proceeded with the drawdown of € 145 m. It must be noted however, that despite the reduction of net debt of the Parent Company, mainly as a result of debt repayments, a € 184 m. increase of total overdues towards third parties was recorded in 2016, a development that demonstrates the pressure on the liquidity of the Company. Specifically, at the end of 2016, all kinds of total overdue payables amounted to € 759 m. compared to € 575 m. at the end of 2015.

Given the significant undertaken commitments for new investments, as well as the Parent Company's cash requirements, the Board of Directors will propose to the Shareholders' General Meeting not to pay a dividend for the year 2016.

### Capital Expenditure Program of Business Units

Total capital expenditure for the Parent Company amounted to € 739 mil. and was allocated as follows: € 225.7 mil. to Mines, € 324 mil. to Generation, € 182 mil. to Distribution's Network, € 2.8 mil. to the Supply and € 4.2 mil. to activities of the Administrative Divisions. Capital expenditure for the Parent Company for the year 2016 has increased by € 121.7 mil., compared to 2015, representing an increase by 19.74%.

Total Capital expenditure of the Group for 2016 amounted to € 867.6 mil. and includes Capital expenditure for PPC RENEWABLES S.A. amounting to € 1.26 mil., IPTO S.A. amounting to € 123.8 mil. and HEDNO S.A. amounting to € 3.7 mil. Capital expenditure of the Group for the year 2016 increased by € 113.9 mil., compared to 2015, representing an increase by 15%.

### Mines Business Unit

Capital expenditure for 2016 amounted to € 225.7 mil. approximately.

An amount of € 5.1 m. has been expended in Megalopolis, out of which € 1.7 mil. was spent on retrofitting installations, € 2.0 mil. on belt conveyor's extensions and € 0.4 mil. on technical projects.

An amount of € 214.5 mil. has been expended in Western Macedonia, out of which € 14.4 mil. was spent on belt conveyor's extension and constructions, € 2.2 mil. on equipment upgrades, € 157 mil. on land expropriations (€ 144.5 mil. for Pontokomi village, € 5 mil. on archaeological excavations costs in Amyntaio and € 3.5 mil. on archaeological excavations in other mines), € 6.1 mil. on other technical projects (civil engineering projects, berm floor construction, road asphaltting) € 4.4 mil. on new ash conveyor equipment in the South Field and € 29.0 mil. on pre-operational earthworks. An additional € 1.4 mil. was spent on the construction of the lignite belt conveyor system that will interconnect Main Field Mine and Kardia Field Mine.

Also € 1.4 mil. was spent on infrastructure constructions by IPTO and HEDNO and € 4.7 mil. on the purchase of auxiliary equipment.

The remaining expenses relate to smaller projects.

Total excavations in PPC Mines amounted to 226.0 mil. cubic meters and lignite production to 31.4 mil. tones.

It is also noted:

- The continuation of the structural and electromechanical works for the operation of the new conveyors' belt distribution point took place in the South Field Mine of the West Macedonia Lignite Center. Three excavators and three spreaders have already been connected with it.
- The excavation works have been almost completed in the area of the new unit of Ptolemaida Power Plant (Unit V). The completion is expected to take place in March 2017.
- The continuation of archaeological excavation taking place in the region of the Amynteo mine caused significant delays in the operation of excavators for overburden materials.

### Generation Business Unit

#### Exploitation

- During 2016 total net production of GD's Power Stations amounted to 29.98 TWh decreased by 11.3%

compared to 2015 (33.8 TWh). This reduction relates to the increase of third parties production and the subsequent reduction of PPC's share of production from 71.9% to 62.7% for the years 2015 and 2016 respectively.

- The most notable change, in comparison with 2015, relates to lignite Power Stations' reduced electricity generation by 4.5 TWh (23.3%). This major change, despite the increased availability of Lignite Fired Power Units in comparison with 2015 (77.4% to 74.8%), is due to the decreased usage of lignite Units (just 44.7%) within the electricity Market's operation in conjunction with the reduced natural gas prices which led to an increase of 143% for third parties natural gas units' production (while the increase of GD's natural gas units' production increased by just 27%). Decreased lignite electricity production was not offset by the hydroelectric production which was at the level of 4.8 TWh, decreased by 10.2% in comparison with 2015.
- In order to cover the increased summer electricity demand in 2016, a leased capacity of 25 MW, at maximum, for Rhodes and approximately 5 MW for the other Non-Interconnected Islands (NII) was added.
- After the issue of RAE's Decision 405/2016 according to which seven more Power Units were decommissioned the total installed capacity decommissioned in the IS amounted to approximately to 2.180 MW from which 913 MW correspond to lignite, 730 MW to oil and 537 to natural gas Power Units.

#### Investments

Total Investments during 2016 amounted to Euro 324.1 million.

In the context of PPC S.A.'s Strategic Priorities Plan, the General Division of Generation (GD) has undertaken the implementation of Investment Projects in order to replace obsolete Units with new ones, which are environmentally friendly, of modern technology and higher performance. Concerning the projects' progress during 2016 it is noted that:

- Thermal Units:

- *Megalopoli Natural Gas Combined Cycle Unit No V, of 811 MW net capacity at reference conditions:*

The Unit's commercial operation begun on January 27<sup>th</sup> 2016 and ended on June 9<sup>th</sup> 2016. The Unit's Performance tests have already been executed and The Third Party's relevant Performance Report has been recently submitted to PPC. The Procedure for the Temporary Acceptance of the Unit begun on November 30<sup>th</sup> 2016.

- *Steam Electric Unit V, of Ptolemaida Station, of 660 MW (+140 MWth for District Heating) installed capacity, using pulverized lignite fuel:*

The Installation License of the Project was issued, by the Ministry of Reconstruction of Production Environment and Energy, on April 24<sup>th</sup> 2015 while the Building Permit was issued on July 1<sup>st</sup> 2015.

PPC, in accordance with the contractual provisions, has already paid to the Contractor two advance payments, of approximately € 198 mil., each, against relevant Letters of Guarantee of Advance Payment, of approximately € 227 mil., each respectively.

The Civil Works of the Project are in progress while an updated Second Stage Execution Schedule of the Project, submitted by the Contractor, is under consideration.

- Hydros:

- *Messochora HydroElectric Project (HEP 160+1.6 MW):*

By L. 3481/2006 the environmental terms and limitations relating to the construction and operation of the Works of Upper Acheloos River Flow for its partial Diversion to Thessaly, in which Messochora HEP is included, were approved. The observance of these terms and limitations was a prerequisite for the implementation of the above said Works as well as an obligation for the entity responsible for their construction and operation.

After the issuance of the Council of State's Suspension Committee's Decision 141/2010 all works related to the completion and operation of Messochora Project, conducted according to Law 3481/2006, were suspended.

Furthermore, the issuance of the Council of State's Decision 26/2014 resulted in the inability to continue,

complete and operate Messochora HEP.

PPC considers that Messochora HEP is independent from the Acheloos River Diversion to Thessaly Scheme and therefore it should not be affected from the above mentioned issues.

In the context of examining the possibility of disengaging this Project from the Acheloos River Diversion to Thessaly Scheme, in order to be considered as an autonomous Project and be environmentally licensed independently of other Projects related to the Diversion Scheme, and after the approval and publication of Management Plans for Rivers Outflow Basins of the Western Sterea Hellas and Thessaly Water Districts, PPC submitted an updated Environmental Impact Assessment (EIA) to the Directory of Environmental Permits (DEP) of the Ministry of Environment, Energy and Climate Change (now Ministry of Environment and Energy) in order to advance the procedures regarding the EIA Common Ministerial Decision.

DEP sent the EIA to competent bodies for consultation. The Thessaly Region and the Western Greece Water Directorate of Decentralized Administration of Peloponnese, Western Greece and the Ionian Sea have judged positively for said EIA. It is estimated that the procedure for the publication of the Environmental Terms Decision for the Project will be completed within the first half of 2017.

After the publication of the Environmental Terms Decision, the construction of the remaining works and the procedure for expropriation of the land still to be acquired will proceed, in order to make it possible to start the operation of the Project, in the first half of 2020.

*- Ilarionas HEP (157MW):*

The HEP Units' operation tests have been completed and the procedure for registering them in the Independent Power Transmission Operator's (IPTO) Units Registry is in progress and estimated to be completed within the first half of 2017.

*- Metsovitiko HEP (29 MW):*

Civil works construction is in progress. The Tender for the procurement, installation and operation of Electromechanical Equipment is in the final stage and signing of relevant Contract is programmed to be done within the first half of 2017.

The operation of the Project is estimated to begin within the second half of 2019.

• Non-Interconnected Islands (Crete, Rhodes, Other):

*- New South Rhodes Station, 115.4 MW, consisting of seven similar Generating Sets (G/S) with four-stroke Diesel engines:*

Civil Works, as well as the installation works of the engines and the rest of the electromechanical equipment, are in full progress. The piping installation works at the onshore facilities, which had been stopped during the summer period due to relative provision of the Environmental Impact Assessment, have been restarted on October 18<sup>th</sup> 2016.

*- Other Non-Interconnected Islands:*

• Ongoing Tender for the procurement and installation of 3 G/S, of Nominal Power 3.5-4 MW each, at the Autonomous Power Station of Karpathos.

• Ongoing Tender for the procurement and installation of 2 Dual Fuel G/S, of Nominal Power 10-12 MW each, at the Autonomous Power Station of Lesvos.

• Contract Sign for the procurement and installation of G/S for the Local Power Stations of Othonoi (1G/S x 180 kW), Ereikousa (1G/S x 180 kW), Anafi (2 G/S x 250kW), Donousa (2 G/S x 250 kW) and Megisti (1G/S x 250 kW).

• Completion of Tender for the procurement and installation of G/S for the Local Power Stations of Ikaria, Skyros and Sifnos of 1.3 MW each, which are expected to be installed by the end of 2017.

**Environmental Management/Health and Security**

With regard to the improvement of GD's Power Generation Units environmental behavior, during 2016:

- A total of 19 Steam and Hydro Electric Stations (SES and HES) have maintained their certificates of Environmental Management Systems (EMS) following the successful completion of relative surveillance audits, by Independent Certification Bodies.
- Two (2) Power Stations have certified their EMS: SES Linoperamata and Local Power Station of Skyros.
- The preparation, development and implementation of the EMS in SES Rhodes has been completed and relevant Certification is expected in 2017.
- The procedure of extending the EMS Certification Program in Autonomous and Local Power Stations: Lesvos, Chios, Limnos, Samos, Milos, Santorini and Karpathos, Symi as well in N. Plastiras HES is in progress.
- Four (4) courses/seminars have been conducted in the field of EMS (ISO 14001:2015). The training programs were aimed at the training and certification of Company's employees, which are involved or will be involved in any way, with aspects of EMS.
- In accordance to the provisions of Article 32 of Directive 2010/75/EU, a Transitional National Emissions Reduction Plan (TNERP) for the period 2016-2020 was prepared and officially submitted by the Greek Authorities to the EU in the end of 2012. The TNERP was approved by the EU on November 26, 2013. In December 2013, PPC submitted to the competent authority an application for several changes to the TNERP, along with its declaration to use the limited life-time derogation (Article 33) for certain Power Plants. After the approval by the competent authority, the revised TNERP was resubmitted on March 18, 2014 by the Greek Authorities and was approved by the EU on July 07, 2014. The Joint Ministerial Decision for the TNERP was issued in August 2015 (Decision 34062/957/E1032017/2015). According to the above, Aghios Dimitrios, Meliti and Megalopolis A and B SESs are included in the TNERP, while Amyntaion and Kardias SESs will follow the limited life-time derogation.
- Within the context of lignite Power Stations environmental adaptation according to the provisions of the above mentioned Directive 2010/75/EE as well as the compliance with the targets set in TNERP we note the following:
  - The Contract DMKTH - 11 13 5251 (where DMKTH stands for Thermal Projects Engineering – Construction Department), for the Project: "Upgrading Boiler of Unit V of Aghios Dimitrios SES to Reduce NOx Emissions by Primary Measures" was signed on June 24<sup>th</sup> 2014.  
The Unit, after the completion of the upgrading works, was put into commercial operation on December 19<sup>th</sup> 2016.
  - The Contract DMKTH - 11 14 5202, for the Project "Upgrading Boilers of Units I and II of Aghios Dimitrios SES to Reduce NOx Emissions by Primary Measures", was signed on November 23<sup>th</sup> 2015 and its implementation is in progress.
  - The implementation of the Contract DMKTH - 11 14 5203, for the Project "Upgrading Boilers of Units III and IV of Aghios Dimitrios SES to Reduce NOx Emissions by Primary Measures", which was signed on November 12<sup>th</sup> 2015, is in progress.
  - The evaluation of the bids of the Tender DMKTH - 11 15 5251, for the Project "Aghios Dimitrios SES Unit V "Procurement and Installation of Desulfurization Plant" has been completed, and the Evaluation Committee has submitted to DMKTH the relevant Protocol.

With regard to Health and Safety, during 2016:

- Recertification of Health and Safety Management Systems, by Independent Certification Bodies and according to OHSAS 18001(ELOT - 1801), was successfully completed for all our Thermoelectric Power Plants.

## Supply Business Unit

The investments of the Supply Division arose to 2.8 million euros for 2016.

In particular, these concern:

- The New Billing - Customer Care System (SAP-ISPU)  
Invoices of the delivery of the project are attached.
- The PPC offices design in accordance with a uniform visual identity.  
Customer Service offices are being designed in accordance with a unified visual identity aiming at developing a consistent corporate identity which matches the customer-oriented philosophy of the company, in a pleasant and modern environment.

### The actions of the Supply Division within 2016 were focused on the following

- Purchase of Electric Energy
  - Expression of the positions of the Supply Division in more than 25 Public consultations with direct or indirect economic impact for the Company.
  - Escalation to the Ministry of Environment, Energy and Climate Change of pending regulatory issues concerning the readjustment of the unit charges in favor of Public Utility Services and the partial recovery of the compensation owed to PPC for the period 2012-2015.
  - Technical support to legal actions in progress.
  - Targeted training of employees in issues concerning Energy stock market.
  - Participation in auctions of Interrupted Load Service for the Mines Business Unit.
  - Assisting Ministry of Energy in writing a Ministerial decision towards institutionalization of «virtual energy clearing».
  - Fulfillment of obligations arising under the European Regulation 1227/2011 on the integrity and transparency of wholesale energy market (REMIT).
  - Starting of certification Sector activities according to ISO 9001 in cooperation with the Mines Central Support Department.
  - Participation of electric energy sector in the European project «Research-Create-Innovate» in cooperation with Aristotle University of Thessaloniki, to improve Load Forecasting software.
- Energy Services
  - Promotion of the Greenpass certification to MV clients and signing supplementary agreement on the existing electricity supply contracts, for the purpose of certificating the origin of the supplied electricity from Renewable Energy Sources and sublicense the use of Greenpass certification to them, for the electricity consumption of year 2016.
  - Energy Services market reasearch potential partnerships.
  - Completion and continuous updating of PPC Energy Services website.
- Tariff Policy
  - In the context of the new competitive environment and in order to retain the share of the customers who are of vital interest, new competitive tariffs were implemented for the new group of corporate customers (important LV and MV customers) for whom there have been implemented customized tariffs based on the criteria of consumption and consistency in payments.
  - Moreover, a new tariff policy for HV customers is in progress.
  - The Supply Division has implemented the new discount policy for Large Customers and the provision of incentives to consistent customers, for the large group of Residential Customers, by returning double

the value of fixed charges of the 2016 bills to customers which have paid on time their 2015 bills.

- At the same time the Supply Business Unit maintains its social role, by substantially contributing to the relief of the most vulnerable groups through the enforcement of the law on extreme poverty, the free supply of 1200 KWh per four month periods and the free reconnection of service.

### • Actions for Liquidity Improvement

The Supply Division implement a comprehensive program of complementary and escalating actions in order to improve the collectability of receivables. In 2016 these actions were intensified.

The main actions to this end are:

1. Sending disconnection orders to HEDNO and orders for immediate disconnection for customers with high overdues.
2. Flexible settlement programs with favorable terms for customers, in order to pay their bills and installments on time.
3. Targeted legal action for customers with high and long-term debts.
4. Telephone Notification Service (soft calls) in customers with at least one overdue bill.
5. Specific actions for government entities in order to settle their debts.
6. Extended incentive policy program to residential and business customers with 15% discount to their bills from July 1<sup>st</sup> 2016, if they pay their bills on time.
7. Pilot program of prelegal and legal actions by law firms for the Attica customers with debts over € 3,000.
8. Actions for the promotion of the settlement and the incentive programs.

### Support Operations General Division

During 2016 investments of the Support Operations Division were of small scale and primarily concerning construction works, purchasing of land for Distribution substations, as well as equipment.

However, the following points are worth mentioning:

- Improvement of Data Centers with new servers, new and larger data storage and new email archiving system.
- Installation of 170 POS in 115 Branches.
- Establishment of a new IT security framework, new more secure intranet and digital signatures.
- Commencement of pilot use for the on-line system for tenders, SAP/SRM.
- Reduction of diesel oil transportation cost to the Island Power Plants using time-chartered vessels.
- Market opening concerning mining equipment (rollers, rubber covering of drums).
- Two new accredited tests at the Testing, Research & Standards Center.

The challenges for 2017 include:

- International Tender for the supply of spot diesel cargos.
- Eleven new additional tests at the Testing, Research & Standards Center.
- Integration of significant building projects (Geraniou, Kallithea's, Green Building, Chalandri, Visual Identity of Sales Stores).
- Launching an open tender procedure for the architectural design of the PPC Headquarters, to be built on the former Faliron Generation Plant.
- Actions for the rehabilitation/exploitation of the former Faliron Generation Plant.

## HEDNO S.A.

### Development & Operation of Networks

In 2016, the length of distribution lines increased by 460 km in the Medium Voltage grids, by 640 km in the low-voltage grids, while an additional 690 Low/Medium transformers were installed and 2,800 commutations were made.

Therefore, the Medium Voltage network extends to 111,590 km and the Low Voltage network extends to 125,800 km while transformers stand at 163,040.

Active users of the Distribution network totaled 7,465,528 of which 11,487 in the medium voltage.

Taking into consideration the total cost of construction of the projects or parts of projects completed in 2016 and invoiced to the Parent Company, total investment in 2016 for the Distribution activity reached €182 million, of which approximately €12 million were invested for the realization of big projects. The most significant ones are:

- A. The completion of the new 150/20 kV Ampelokipi Distribution Centre (D/C), with 300 MVA installed capacity.
- B. The completion of the new underground 150 kV cable line between Eleytheria D/C - Ampelokipi D/C.

### Turnaround Times of New Connections

In 2016, the average time for the design and construction of basic power supplies was 17 days, while for supplies requiring network construction it was 31 days and 33 days for commutation requests.

### Environmental Issues

1,860km of twisted cables have been installed at the Low Voltage network under the generalized use in place of stripline, with positive effects on the environment.

### Significant events for the period 01.01.2016 - 31.12.2016

Significant events for the year 2016 are presented in detail in Note 40 of the Financial Statements.

## Major Risks - Uncertainties

The Group's and the Parent Company's activities are subject to various risks. Any of the following risks could have a material adverse effect on the Group's and the Parent Company's business, financial condition or results of operations and cash flows. The risks described below are not the only risks that the Group and the Parent Company face. Additional risks and uncertainties not currently known to the Group and the Parent Company or that are currently deemed to be of minor importance may also have a materially adverse effect on the Group's and the Parent Company's financial condition, business, results of operations and cash flows.

### Macroeconomic conditions in Greece - Imposition of Capital Controls

By the Legislative Act of 06/28/2015 (GG 65 A / 06.28.2015) a bank holiday was declared while capital controls were imposed. The bank holiday ended on 07.20.2015, while capital controls remain in effect. Capital controls include limitations on cash withdrawals and restrictions on payments abroad, consequently, affecting domestic transactions and transactions with foreign suppliers and creditors. Due to the fact that the Group and the Parent Company are almost exclusively operating in Greece, any change and development at the macro and micro environment of the country, directly and very significantly affects their activities, operating results, financial condition and cash flows.

### Credit Risk

The Group's and the Parent Company's business, results of operations, financial condition, cash flows and prospects depend highly on the social and macroeconomic conditions in Greece, as practically almost of the Group's assets and economic activities are in Greece. Despite the fact that, electricity sales are dispersed over a large number of customers with a wide and diversified range of operations, the Group's and the

Parent Company's business activities, results of operations and cash flows are highly dependent on their customers' ability to repay their obligations. The current economic environment, the imposition of capital controls and the recent intense recession had a material adverse impact on the Group's and the Parent Company's liquidity, mainly resulting from:

- Difficulties in payment and increases in delayed payments, by Low and Medium voltage customers as well as High voltage customers. Despite the fact that a large number of the Parent Company's customers have concluded favorable settlements for the payment of their overdue electricity bills and the granting of a uniform discount of 15% to all Low and Medium Voltage residential and business consumers, provided they timely pay their current bills and observe any settlement concluded or to be concluded, the Parent Company cannot estimate the number of customers that will observe the terms of the settlement already in effect.
- A sizeable number of enterprises, especially small and medium sized which cease their operations due to the economic conjuncture and leave behind unpaid bills.
- The prospective increase of the Social Solidarity Tariff (SRT) beneficiaries along with the increased difficulty that these customers face in paying their electricity bills.
- The fact that some customers under the pretext of the current economic downturn are not fulfilling their obligations or delay their payments, despite the fact that they afford to do so.

The Group and the Parent Company may also face difficulties or delays in their ability to collect payments from their customers as a result of additional new measures that burden electricity bills with new or increased charges in favor of third parties, such as the Renewables levy (ETMEAR).

This might extend the delay of collecting electricity bills and create additional needs of working capital for the Parent Company, bearing also in mind that ETMEAR, amongst others, is paid to the competent authorities regardless of whether it has been collected from the Parent Company's customers.

Additionally, the Parent Company's collection enforcement mechanisms may be affected by legislation or other administrative acts, (for example by restricting disconnections for non-payment of electricity bills for certain categories of customers), which can adversely affect the Parent Company's business activities, results of operations, financial condition and cash flows.

### Liquidity Risk

The current macroeconomic and financial environment in Greece, especially after the imposition of capital controls, which remains volatile, may have a considerable adverse effect on the Group's and the Parent Company's business activity, financial position and prospects. Currently, the economic situation in Greece has directly affected the capital levels, liquidity and financial position of the Greek financial system, which highly affect the Group's and the Parent Company's liquidity and access to credit as well as the liquidity of the Greek economy as a whole and the Group's as well as the Parent Company's customers' ability to access credit. In addition, access to foreign financial markets is limited. Liquidity risk is connected with the need to ensure adequate cash flows for the financing of the Group's and the Parent Company's operations, including working capital needs, capital expenditure, as well as the servicing of the Group's and the Parent Company's debt.

The Group's and the Parent Company's working capital needs may increase due to a number of factors, including:

- The increased delays in the payment or even non-payment of electricity bills.
- The obligation to pay Renewables levy (ETMEAR), Special Consumption Tax on electricity as well as VAT when due, irrespective of whether relevant amounts have been collected from the Group's and the Parent Company's customers.
- The burden associated with the collection of taxes and levies that are not related to the sale of electricity, such as municipal taxes and levies that are currently collected through electricity bills and the inability to pay for the electricity consumption amounts without paying in the same time amounts due to third parties.

- The continuous increase in the number of disadvantaged citizens included in the register of vulnerable customers that based on decisions of the State enjoy special privileges regarding a) longer repayment periods for paying their bills. b) The settlement of their debts, through an increased number of installments and the privilege not to have electricity disconnected due to debt, in their residence, almost throughout the year.
- Regulatory measures on the operation of the wholesale market, which burden the cost of purchasing electricity for PPC as a Supplier (new charges for the RES Account).
- Potential increase of commercial losses (non-technical losses), i.e. increase of incidents of electricity thefts and arbitrary reconnection of electricity supply in cases of electricity disconnection due to debt.

The above factors may have a material adverse impact on the Group's and the Parent Company's liquidity as well as their ability to finance new or ongoing projects. It should also be noted that the Group's and the Parent Company's borrowing costs for accessing and finding liquidity (for refinancing existing debt and/or new liquidity) on both domestic and international level are affected by the state of the Greek economy in recent years.

#### **Risk from Exposure to the Banking Sector**

The Group and the Parent Company may be exposed to risks arising for the Greek banking sector.

It should be noted that as of December 31<sup>st</sup> 2016 the Group's and the Parent Company's debt obligations towards the Greek banking sector amounted to 38% and 34.8% respectively of their total loan obligations.

#### **Interest Rate Risk and Foreign Currency Risk**

The Group's and the Parent Company's debt obligations consist of bank loans, bonds and overdrafts. It is the Group's and the Parent Company's policy to have a balanced distribution of the loan portfolio between fixed and variable interest rates according to the prevailing conditions and to hedge on a case by case basis through derivatives, solely to mitigate risk, against the fluctuation of floating interest rates and/or foreign currency exchange rates affecting their debt portfolio.

As of December 31<sup>st</sup> 2016 no derivative transactions exist for loans or debt hedging.

Furthermore, the fluctuation of the Euro against the U.S. dollar exchange rate may adversely impact the prices of the Parent Company's liquid fuel purchases (diesel and heavy fuel oil). As oil prices are expressed in U.S. dollars, the Parent Company is exposed to foreign currency risk in the event of an appreciation of the U.S. dollar against the euro. In order to mitigate the foreign currency risk arising from liquid fuel purchases, the Parent Company examines the possibility of undertaking, on a case by case basis and according to the prevailing market liquidity circumstances, hedging transactions for this risk. It should be noted that a) any undertaken hedging transactions may not provide full or adequate protection against these risks and b) capital controls and Greece's as well as the greek banking sector's economic situation significantly limit the ability of the Parent Company in undertaking derivative hedging transactions to cover currency risk.

#### **Credit Rating Risk**

The Group's and the Parent Company's ability to access capital markets and other forms of financing (or refinancing), and the costs associated with such activities, depend in part on their credit rating which is closely related to that of the Greek State as well as to the greek banking sector's credit rating.

Following the financial crisis, international rating agencies apply stricter criteria in the area of liquidity adequacy, and, as a result, even if a company has ensured, among other things, a reliable coverage plan for its capital needs, it faces the risk of a rating downgrade in the event that it does not fulfil the new stricter criteria.

In the event that the Group's and the Parent Company's credit or debt ratings are lowered by the rating agencies, the Group and the Parent Company may not be able to raise additional indebtedness on terms similar to their existing indebtedness or at all, and their ability to access credit and bond markets as well as other forms of financing (or refinancing) could be limited.

#### **Commodity Price Risk and Risk from the Electricity Market**

The Parent Company is exposed to the risk of an increase in prices of oil, natural gas, electricity purchased from the System and the Network, CO<sub>2</sub> emission rights as well as electricity prices of direct PPC imports. The Parent Company has established a policy of oil hedging transactions, based on which the implementation of specific hedging transactions is decided on a case by case basis and according to the prevailing circumstances. It should be noted that any undertaken hedging transactions, may not provide full or adequate protection against this risk. The Parent Company has not established a hedging policy against the risk arising from the volatility of natural gas prices.

Currently, and taking into consideration that a large proportion of the Parent Company's supplier of natural gas (DEPA) imports are from GAZPROM through a pipeline that passes through Ukraine, there is a potential risk that problems may arise for the continuation of natural gas' supply to power generating units using natural gas as a fuel, as well as increases in electricity production costs or/and increases in the SMT. These additional costs might not be fully recoverable through electricity bills, adversely affecting the Group's and the Parent Company's operational results and liquidity.

In terms of the risk arising from increased electricity purchase prices, it is hedged less and less by the Parent Company's vertical integration (internal hedge), since PPC's average share in the wholesale market as of December 31<sup>st</sup> 2016 amounted to 51.3%, while at the same period, PPC Supply's average share in the retail market amounted to 91.1%.

Additionally, prices of the main materials (metals, etc.), except fuel, used by the Group and the Parent Company for their operation and development are determined on the international commodity markets, resulting to the Group's and the Parent Company's exposure to the risk of fluctuation of the relevant prices as well as to foreign currency risk.

#### **CO<sub>2</sub> Emission Rights**

The Group's and Parent Company's generation business is subject to EU Directives 2003/87/EC and 2009/29/EC, which established the European Emissions Trading System (EU ETS). In order to operate its bound thermal power plants, PPC is required to acquire and deliver CO<sub>2</sub> emission rights under the EU ETS (the "EU Allowances" or "EUAs") to cover CO<sub>2</sub> emissions.

Since 2013, PPC is no longer allocated free CO<sub>2</sub> emission rights (with the exception of small quantities corresponding to thermal power generation for district heating) and as its thermal power plants currently emit 30 Mt of CO<sub>2</sub> approximately on an annual basis, increased prices of CO<sub>2</sub> emission rights will affect its operating costs. As PPC must acquire sufficient amounts of CO<sub>2</sub> emission rights per year, there can be no assurance on the price level that such CO<sub>2</sub> emission rights will be obtained in any future year. For the period from 2013 to 2020, the Parent Company expects to acquire the required CO<sub>2</sub> emission rights from both the European and international markets, either through Exchange transactions or through bilateral agreements. Although the Parent Company attempts to manage the risk arising from potentially increasing CO<sub>2</sub> emission rights prices by monitoring markets and developments in Europe, it is not possible to guarantee that this risk will be completely offset.

Despite adverse economic conditions and the capital controls imposed in Greece during the summer of 2015, the Parent Company has managed to carry out its emission rights policies, kept its buying schedule on track and covered its needs for 2016 as planned.

The exposure of the Parent Company to the risk of increasing CO<sub>2</sub> emission rights prices is linked to its ability to fully incorporate these increases in its electricity tariffs. Therefore, any increase in CO<sub>2</sub> emission rights prices could materially, directly or indirectly, affect the Group's and the Parent Company's financial condition, results of operations and cash flows.

It should also be noted that there is an on-going dialogue in the European Union (EU) concerning the reform of the EU Emissions Trading System (EU-ETS) for the period 2021-2030. CO<sub>2</sub> rights prices and the Company's compliance cost will be affected by the outcome of this dialogue, as well as by the already adopted regulations amending the EU-ETS (i.e. the withdrawal of significant quantities from CO<sub>2</sub> rights auctions (backloading) in the early years of the period 2013-2020, and the Market Stability Reserve (MSR) which aims to actively control the supply of CO<sub>2</sub> rights from 2019 onwards).

### Risk of Exposure in Competition

The Parent Company faces intense competition mainly in the wholesale market where share loss is due to IPPs' power plants and the increased penetration of Renewables units in the System and the Network, as well as to increased electricity imports from the neighboring countries. In the current situation of very low gas prices and very low wholesale electricity prices in most energy Exchanges in neighboring countries, competition in the wholesale market in Greece is very strong, with high loading of the gas fueled thermal units and a very high volume of electricity imports. Adverse changes in the competitive environment through the continuation of existing and/or creation of new regulatory or/and legislative mechanisms (i.e. after the completion of the second evaluation of the Greek Republic's Funding Program) in the electricity market which strengthen the Group's competitors may have a negative impact on its results of operations and cash flows.

For instance, RAE recently introduced into public consultations a new transitory Capacity Assurance Mechanism, as well as a proposed new Variable Cost Recovery Mechanism for electricity generation units. For the variable cost recovery, L. 4336/2015 provides that "Until September 2015 the Authorities shall modify the regulations of the electricity market in order to prevent the necessity of plants' operating below their variable cost", while for the Capacity Assurance Mechanism, the same Law provides that «Until September 2015 the Authorities will apply a regime for the temporary and permanent capacity payments' system». RAE put into effect a new "Variable Cost Recovery Mechanism" with its decision 392/2015 and specified the mechanism implementation details by its decision 468/2015. Regarding the Capacity Assurance Mechanism (both temporary and permanent), final results and decisions on the permanent mechanism are pending (a set of RAE's proposals is under public consultation from 27/7/2016) while the temporary mechanism is already in effect. The transitory capacity assurance mechanism, which for the time being is called the "Transitional Flexibility Assurance Mechanism", was enacted with L. 4389/2016 and its implementation details were determined with RAE's decision 284/2016. Its duration will be 12 months at the most from the date of its enactment (01/05/2016) and compensates only natural gas fueled thermal units and part of hydroelectric ones (lignite fueled units are excluded). This treatment creates a competitive disadvantage for PPC's electricity generation portfolio (mainly lignite units) in relation to its competitors in the wholesale market (exclusively gas units). The Unique Compensation Price for the provision of flexible capacity was set to € 45/kW for a 12 month period, with an upper compensation limit of Euro fifteen (€ 15) mil. per production unit, while the total annual compensation amount of the mechanism has been set to Euro two hundred twenty five (€ 225) mil. All the above mentioned mechanisms (variable cost recovery, transitional flexibility assurance and permanent capacity assurance) may have a considerable impact on the Group's and the Parent Company's operation, cash flows and financial results.

### Tariff Risk for the Competitive Activities

Following the liberalization of High and Medium Voltage tariffs, Low Voltage tariffs are fully liberalized from July 1<sup>st</sup> 2013 for end customers, excluding vulnerable ones.

However a number of factors affect the Parent Company's ability and freedom to increase the competitive component of tariffs, in order to be cost effective, such as the ability of customers to cope with new possibly increased tariffs, initiatives of the Greek Government, decisions of the Regulator etc., especially in view of the current socioeconomic condition in Greece.

Furthermore, the Parent Company may face difficulties incorporating a potentially increased commodity cost, as well as costs related to electricity and CO<sub>2</sub> emission rights to electricity bills, through increased tariffs.

With respect to HV customers:

There were several tariff disputes, between ALOUMINION of Greece (ALOUMINION) and PPC since the termination of the initial (dating back to 1960) electricity supply contract of the said customer. The dispute about electricity price between the two parties was submitted before the Arbitration Court at RAE, which issued its decision on October 31<sup>st</sup>, 2013, setting the sale price of the energy component of the electricity at € 36.6/MWh for the time period from July 1<sup>st</sup> 2010 to December 31<sup>st</sup> 2013. PPC has filed an appeal for the annulment of the Arbitration Decision and a complaint to the European Commission (Commission) for

state aid due to the price set by the arbitration court. The Commission subsequently issued on 25/03/2015 a decision which found that PPC's complaint required no further investigation because no state aid existed. PPC appealed (on June 29<sup>th</sup> 2015) before the General Court against this decision. Regarding PPC's petition for annulment, the Athens Court of Appeal issued on February 18<sup>th</sup> 2016 a decision, which did not accept PPC's petition. PPC has the option to appeal to the Supreme Court against the Court of Appeal's decision. Despite the discount approved on HV tariffs by the Extraordinary General Meeting of PPC's Shareholders of February 28<sup>th</sup> 2014, ALOUMINION only paid part of the electricity bills amounts.

Given that PPC proceeded on January 2<sup>nd</sup> 2015 to an order for the deactivation of ALOUMINION's load meters and invited IPTO to proceed to all necessary actions, ALOUMINION has filed to RAE (on January 9<sup>th</sup> 2015) a complaint-application for interim measures PPC, which was notified to IPTO. RAE, by a letter addressed to all parties postponed the discussion and the taking of a decision on the application. On March 20<sup>th</sup> 2015 a document of the Competition Committee (CC) was notified to PPC, by which CC asked the submission of PPC's views on a memo submitted by ALOUMINION. At the set date of the hearing (September 25<sup>th</sup> 2015), CC interrupted the discussion of the case for October 14<sup>th</sup> 2015 (its next Meeting date) and granted to PPC a deadline for submitting a commitment proposal under the provisions of Law 3959/2011.

After the discussion of the case, PPC submitted the relevant commitments Note undertaking that: a) within ten (10) days of the notification of the CC's decision, PPC would proceed in recalling the order for the deactivation of ALOUMINION's load meters which has been sent by PPC to ALOUMINION and IPTO SA. and b) that it will continue to supply electricity to ALOUMINION under the current terms and conditions, until the issue of ALOUMINION's electricity tariffs, will be resolved through either direct negotiation between the parties or by any other means. The above mentioned PPC's commitments were accepted by the CC, which issued the relevant decision (621/2015). Abiding by its commitments, PPC recalled the order for the deactivation of ALOUMINION's load meters. Negotiations between the two parties to reach an agreement on tariff policy for ALUMINION for the period from January 1<sup>st</sup> 2014 onwards had not yet been resolved when The «Electricity Supply Agreement between PPC S.A. and ALOUMINION OF GREECE S.A» agenda item was introduced at the 14<sup>th</sup> Annual General Meeting of PPC's Shareholders dated July 11<sup>th</sup> 2016, which decided to postpone its decision on the matter for the next General Meeting. On September 13<sup>th</sup> 2016 PPC's BoD decided to convene an Extraordinary General Meeting of PPC's Shareholders on October 5<sup>th</sup> 2016. On the latter's agenda the above mentioned matter was included.

The Extraordinary General Meeting of PPC's Shareholders approved on October 5<sup>th</sup> 2016 ALOUMINION's pricing terms for the period July 1<sup>st</sup> 2016 – December 31<sup>st</sup> 2020, as well as the pricing terms for the period January 1<sup>st</sup> 2014 – June 30<sup>th</sup> 2016. In accordance with the EGM's decisions, a Supply Agreement was signed on October 20<sup>th</sup> 2016 between ALUMINION and PPC. Under the signed agreement, ALOUMINION proceeded to a prepayment of Euro 100 mil. for future electricity bills for the period July 1<sup>st</sup> 2016 to June 30<sup>th</sup> 2017.

Furthermore, LARCO, the Parent Company's largest outstanding debtor, is liable for sums due and payable to PPC related to the consumption of electricity and currently pays only a small part of its electricity consumption bills. Given that LARCO has challenged electricity tariffs for the period from July 1<sup>st</sup> 2010 to December 31<sup>st</sup> 2013, both parties had resorted to arbitration to determine the price of electricity for the said period, as well as the settlement of LARCO's debts to PPC. The Arbitration Court with its Decision No 13/15.02.2017 the supply electricity price for LARCO to € 43.41/MWh plus the CO<sub>2</sub> emission rights charges, the regulated charges as well as other taxes and fees

In the meantime, PPC' BoD added on the agenda of PPC's Shareholders Extraordinary General Meeting of January 12<sup>th</sup> 2017 for approval, LARCO's pricing terms, as well as the settlement of LARCO's debts from previous years. PPC's Shareholders EGM approved LARCO's pricing terms for the period January 1<sup>st</sup> 2016 to December 31<sup>st</sup> 2020, as well as the settlement of LARCO's debts for the period July 1<sup>st</sup> 2010 to December 31<sup>st</sup> 2016. LARCO's Shareholders General Meeting respectively, approved the aforementioned electricity supply contract in order to proceed to signing it.

Similarly, other industrial customers do not fully pay their electricity consumption bills alleging either lack of liquidity due to the adverse economic environment or non – acceptance of the competitive charges of the relevant tariffs. Although LARCO's Management has implemented measures and actions (with the support of greek government) in order to prepare a new business plan, aiming to improve its economic situation,

there is no assurance that LARCO or such other industrial customers will discharge their debts for the amounts billed in relation to their electricity consumption. Especially for LARCO, after the Arbitration Court's decision concerning the electricity supply price for the period July 1<sup>st</sup> 2010 to December 31<sup>st</sup> 2013, together with the adjustment of invoiced electricity quantity and taking into account the inclusion of a clause in the new electricity supply contract to further safeguard the collection of future electricity bills (with a lien on the company's bank account), it is expected that its ability to pay electricity bills will improve.

Any such events as described above may have a material adverse effect on the Parent Company's business, results of operations and financial condition.

PPC offers from January 1<sup>st</sup> 2016 to HV customers seven (7) new tariffs for Competitive Charges, which practically correspond to the distinct consumption profiles of these customers. These tariffs are applicable for electricity consumption for the period January 1<sup>st</sup> 2016 up to December 31<sup>st</sup> 2017 and customers are entitled to choose between a monthly and a ten day period billing.

These new tariffs are accompanied by incentives (discounts) to HV customers for high electricity consumption during the Minimum Load Zone (nights, weekends and holidays).

In addition to the above, the Extraordinary General Meeting of PPC's Shareholders of December 7<sup>th</sup> 2015 decided on the duration period for the new tariffs, on the provision of volume discounts for the competitive load and energy charges based on the total annual HV electricity consumption for individual Companies or Group of companies. Out of nineteen (19) HV customers representing, in terms of consumption, more than 99% of the total of High Voltage consumption, fourteen (14) of them have already signed an Electricity Supply Contract or a Supplementary Electricity Supply Contracts, while one (1) is in the process of signing a Supplementary Electricity Supply Contract (after the appointment of a new liquidator, since the company in question is in liquidation). From the remaining four (4) customers, the case of LARCO has already been discussed, while there are also three additional customers with considerable overdue debts. For the other HV customers, having forty two (42) renewable energy installations, Supplementary Electricity Supply Contracts have been signed.

#### **Risk from Regulated Rates of Return on Network Activities**

The regulated rates of return on Network investments combined with the approved by the Regulator asset base on which depreciation and returns are calculated, may have a negative impact on the Groups' profitability and value, if they do not provide for a reasonable return on the invested capital and an adequate additional incentive for future strategic investments. As a result, any changes in regulated charges that may affect the Group's revenues from electricity transmission and distribution could have a material adverse effect on the Group's business, results of operations and financial condition, as well as to hamper the Group's ability to raise equity or loans for funding investment plans of Transmission and Distribution.

#### **Risks from the Implementation of Law 4412 /08.08.2016 (integration of the EU Directives 2014/24/EU and 2014/25/EU provisions)**

From August 8<sup>th</sup> 2016 Law 4412/2016 (Procurement Works, Supplies and Services), has come into effect, which applies, in accordance with the specific provisions in it, on the procurement and project implementation contract procedures of PPC.

Since according to the above mentioned Law. the activities of PPC Group fall within its provisions, the «Regulation on Works, Supplies and Services acquired by PPC (Board Decision 206/30.09.2008)» are included in the repealed provisions of the said Law, some chapters of the law have not come yet into force, while some provisions of it need to be further clarified probably via ministerial decrees, there is a possibility that delays will occur concerning Procurement and Contract execution, resulting to an adverse impact on the Group's and the Parent Company's smooth running of their business activities.

#### **Regulatory Risk**

Potential modifications to the regulatory and legislative framework governing the electricity market, such as the implementation of EU legislation, the Memorandum of Economic and Financial Policy, as well as decisions by RAE concerning the regulation and functioning of the Greek electricity market in general, as well as any restructuring or other changes to the Group's business due to the compliance to the regulatory

framework, may have a materially adverse effect on the Group's and the Parent Company's business, financial condition, results of operations and cash flows.

The Group's and the Parent Company's business and capital investment activity program are subject to decisions of numerous national, international and European Union institutions, as well as to regulatory and administrative authorities. Such authorities may issue decisions that restrict or significantly affect the Group's and the Parent Company's operations without taking into account and weigh all the relevant factors and interdependences which affect the Group's and the Parent Company's business and operations and may adversely impacting the Group's and the Parent Company's business, results of operations and financial condition.

In addition, given the increased human, technical and financial resources needed to respond to decisions by the Regulator or other national or international institutions, the Group and the Parent Company cannot give any assurance that they will be at all times in a position to fully and timely satisfy the regulatory, environmental, financial, and any other requirements imposed by the above mentioned authorities.

#### **Risk from Providing Public Service Obligations (PSOs)**

The PSOs for which the Parent Company is entitled to compensation relate to (i) the supply of electricity to the Non-Interconnected Islands at the same tariffs as those in the Interconnected System, (ii) the supply of electricity at special rates to families with more than three children, (iii) the supply of electricity to the beneficiaries of the Social Residential Tariff ("SRT") which is currently provided to persons of low income, families with three or more children, long-term unemployed, people with special needs and people on life support and (iv) the supply of electricity at special rates to public welfare entities. PSO compensation is based on the relevant costs incurred by PPC and other electricity suppliers providing PSOs and is calculated according to a methodology published by RAE.

With RAE's Decision 14/2014 (for implementation in 2012), the PSO compensation calculation methodology was determined for the Non - Interconnected Islands. According to the Decision, the PSO compensation for suppliers of electricity active in the Non-Interconnected Islands will cover any excess cost in which they are subject to, compared to their costs on the Interconnected System, in order to ensure uniform tariff rate by customer category.

In addition, with RAE's Decision 356/2014, the annual PSO compensation for the years 2012 and 2013 was determined, namely PSO compensation for the non-Interconnected Islands, for families with three or more children, as well as the compensation for the SRT.

Furthermore, with RAE's Decision 357/2014, the Last Resort Supplier compensation that PPC will receive for providing the service, was determined for the period 25/01/12 to 30/04/2013 according to L. 4001/2011 Art.56 par 4.

Finally, with RAE's decision 457/2015 the compensation for the SRT for the year 2014 was determined.

Despite the fact that with RAE's decision, the PSO compensation for 2012 and 2013 was determined, in order for unit charges per customer category to be integrated to electricity bills a legislative act is required. Such legislative act has not been effected till now from the Ministry of Environment and Energy, resulting in the partial recovery of the total PSO compensation. PPC has raised this issue with the competent Ministry.

In Addition, PPC raised objections on the proper application, from RAE's part, of the calculation methodology used to determine PSO calculation for 2012 and 2013 for the Non Interconnected Islands resulting, according to PPC's estimation, to a reduced PSO compensation of € 52 mil.

Due to the above, PPC has filed a petition for Annulment to the State Council against RAE's decision 356/2014. The additional claimed amount from PCC's part (for the years 2012 and 2013), according to its estimation, amounts to € 450 mil.

Although no PSO compensation amount has been approved for the years 2014 and 2015, according to available data (December 31<sup>st</sup> 2016), the aggregate unrecoverable amount of PSO compensation for the period 2012 - 2015 (according to PPC's estimation) amounts to € 715 mil. approximately.

Potential changes in compensation rights for the existing PSOs that PPC provides, or changes in the

calculation methodology of such PSO compensation, which do not allow the full recovery of PPC's costs, or partial recovery of PSO compensation for previous years, or a potential introduction of new PSOs for which PPC may not be entitled to full compensation may have an adverse effect on the Group's and the Parent Company's costs, financial position, results of operations and cash flows.

Finally, the opening of the retail electricity market for Crete and Rhodes poses the risk of compensating alternative suppliers for the provision of PSO's to their clients, prior to PPC, as provided by the NII Code as applicable.

#### **Other Regulatory Risks – Uncertainties**

Given the fact that the wholesale energy market model and certain Decisions issued by RAE are transitional, the framework of the energy market remains volatile, with constantly new regulatory decisions and related developments, which may have an adverse impact on PPC's business and financial condition.

For example, the introduction of certain regulatory measures in the Greek wholesale electricity market in the past has benefited certain new power producers at the expense of existing market participants. These include measures such as the Variable Cost Recovery Mechanism (VCRM), the transitional and permanent Capacity Assurance Mechanism (CAM) and the introduction of measures to promote Renewables penetration mainly through the provision of fixed feed-in tariffs for Renewables, as well as the new methodology for calculating the price paid by suppliers to RES generators in the wholesale market.

Although some of these measures are transitional – like the transitional CAM (the “Transitional Flexibility Assurance Mechanism” according to L. 4389/2016), there can be no assurance that replacement regulatory measures which may create new distortions or market effects that are unfavourable to PPC will not be introduced. To the extent that such measures remain, or similar new measures are implemented, the Group's results of operations and profitability may be negatively affected.

Furthermore, the deficit of HEMO for Renewables which is due to the fact that the total income of the relevant Renewables account with HEMO does not cover the regulated fixed feed-in tariff paid to Renewables producers creates uncertainty and related cash flow issues in the market. The primary sources of income for this account are the amounts that Suppliers pay for Renewables generated electricity, the special Renewables levy paid by Customers (ETMEAR), which as already mentioned limits their ability for the timely payment of their electricity bills and various other smaller amounts according to the relevant legislation.

According to L. 4111/2013, the deficit should have been reduced to zero by the end of 2014 and since this was not possible, additional measures were put into effect.

More specifically according to L. 4152/2013, the price that Suppliers paid to purchase electricity generated from Renewables from the Pool, was determined in such a way as to reflect at the minimum the average variable cost of conventional thermal power plants, which had an adverse impact on the Parent Company's results of operations and cash flows.

Furthermore, additional measures have been taken under the provisions of L. 4254/2014 to reduce the deficit.

Because the above measures have not led to the achievement of a zero deficit, according to the provisions of Article 23 of Law 4414/2016 (New operating aid scheme for RES) a new charge was imposed on Load Representatives (electricity suppliers), in order for the deficit of HEMO's RES Account to be reduced to zero by the end of 2017. In particular, Load Representatives are required to pay a charge on the total energy absorbed by them from the wholesale market for their customers (excluding exports) multiplied by the difference between the System Marginal Price (SMP) in the wholesale market and the SMP that would have existed if the RES did not enter to the system. Specifically, the Load Representatives will be charged gradually as follows: for fourth quarter of 2016 the charge amounts to 50% of the charge resulting from the application of the above methodology and for 2017 and onwards the charge amounts to 100%. This charge will materially and adversely impact the Group's and the Parent Company's financial results and cash flows.

There is also no assurance that the Greek State will no further increase the cost of purchasing Renewables

energy by Suppliers in the future, which could have a material adverse effect on the Group's results of operations and financial condition.

EMO is operating at a considerable deficit, in part caused by the due and unpaid obligations of two major alternative energy suppliers who exited the market in 2012. Following RAE's Decision 285/2013, the deficit created by the exit of the aforementioned electricity suppliers was allocated to wholesale conventional generators, proportionally to their market share.

EMO applying the transitional provisions of Article 92 of the Electricity Trade Code initially allocated the account deficit to electricity generators. The total amount of Euro 96.6 mill. corresponding to PPC's generation activity was divided in seven monthly installments of Euro 13.8 mill. each, starting in August 2013.

PPC considered that EMO's alleged claim violates fundamental principles of law, while simultaneously neither the amount nor the reasons for this claim are substantiated. In addition, the relevant RAE Decision was contested in court. In particular, PPC had already filed an application for annulment of RAE's Decision 285/2013, before the Council of State, as well as, an action for suspension of such Decision, until a final judgment is issued by the Council of State. The hearing for the application for the annulment took place on March 18<sup>th</sup>, 2014. In the meantime, the Council of State had issued an interim Decision (n. 62/2014), which suspended the payment of 50% of the amount of Euro 96.6 mil., which is attributable to PPC.

At the same time, EMO has filed a lawsuit in the Multimember Court of First Instance for an amount of Euro 55 mil. which is the equivalent of 4 equal installments out the total amount of Euro 96.6 mil. The hearing of this lawsuit has been scheduled after postponement for June 7, 2017. The above mentioned case depended on the State Council's decision for the validity of RAE's Decision 285/2013, which constitutes the legal basis of the dispute in the court.

PPC, following the State Council's interim decision, has recognized in its books since 2014 a provision of 50% of the amount of Euro 96.6 mil. due to the uncertainty of the recoverability of this amount in the future. In September 2016, PPC's application for annulment was rejected by the State Council (Section D', decision 1761/2016). As a consequence, PPC recognized the remaining 50% of the above amount in the results for the six month period ended on June 30<sup>th</sup> 2016.

However, after the issuance of such final decision of the State Council, EMO implementing the provisions of Article 61 of the Electricity Trade Code, allocated the whole deficit amounting to Euro 129,277,769.18 to Electricity Suppliers (Load Representatives) taking into account their share in the electricity supply market at the time the deficit arose. The allocated to PPC deficit amounted to Euro 126,385,001.02. PPC reserving all its legal rights, approved the payment of the remaining deficit of Euro 71,766,679.78 in 12 equal interest free installments starting in January 2017.

This or any similar decisions by RAE in the future, addressing electricity market deficits, through allocation of these obligations to other parties, for example by prohibiting by setting off amounts the Group and the Parent Company owe to HEMO with amounts owed to the Group and the Parent Company by HEMO may have a material adverse effect on their financial condition, cash flows and cash.

#### **Risk from the Potential Implementation of Measures Relating to the Electricity and Natural Gas Market Harmonization to the European Legislation and Practices**

Negotiation between the Hellenic Republic, the European Union, the European Central Bank, the European Stability Mechanism and the International Monetary Fund for reviewing the terms for Greece's financing program provides for decisions and relevant actions for the electricity market. The unsuccessful analytical planning and/or implementation of these actions may create significant risks for the Group and the Parent Company. Any potential modification or/and additions of the electricity market legislation and regulatory framework, in order to implement the European Union legislation as well as for the implementation of Law 4336/2015 (Pension provisions - Ratification of the Agreement Plan for the Financial Assistance from the European Stability Mechanism and Arrangements for the implementation of the Funding Agreement), of Law 4389/2016 (Urgent Provisions for the implementation of the Financial Targets and Structural Reforms Agreement and other provisions) and Law 4414/2016 (New operating aid scheme for RES), may have a significant impact on the Group's and the Parent Company's activities, contractual commitments and financial results.

### **Risks Relating to IPTO's Ownership Unbundling**

Law 4336/2015 provides that «... the authorities: a) will take irreversible measures (including the announcement of the date for the submission of binding offers) for the privatization of the electricity transmission business, IPTO, unless an alternative plan, with equivalent effects on competition and investment prospects, according to the best European practices and in agreement with the Institutions to achieve full ownership unbundling of IPTO (standard delivery) is proposed».

With Law 4389/2016 «Urgent Provisions for the implementation of the Financial Targets and Structural Reforms Agreement and other provisions», as amended and in force, and in particular with articles 142-149 and 152, the provisions for the implementation of IPTO's ownership unbundling from PPC were determined. More specifically, the Law provides that with PPC's Shareholders' General Meeting decision, PPC shall:

- Create a holding company, to which it will transfer 51% of IPTO's Shares. PPC will be initially the sole shareholder of that company and later on PPC will transfer all shares of the company to its shareholders. Upon the completion of the transfer by PPC to its shareholders of the shares held in the holding company, the company requests without undue delay its listing in the Athens Stock Exchange, having taken all necessary steps to this end.
- Sell, through an international tender, at least 20% and up to max. 24% of IPTO's shares in a strategic investor which will be either a) a European Transmission System Operator or a Transmission System Operator participating in a European Transmission System Operator, or b) a consortium in which a Transmission System Operator, as a) above, will be participating. The public invitation will be announced within one month from the above mentioned PPC's Shareholders' General Meeting and the preferred strategic investor must be announced within four (4) months from the above mentioned PPC's Shareholders' General Meeting. Within eight months from the aforementioned General Meeting, PPC will enter into a share purchase agreement with the preferred strategic investor.
- Sell at least 25% of IPTO's shares in a Greek public company (named Public Holding Company of IPTO). The price per share for that sale will be determined after a valuation of this stake as an independent stake, by an independent valuator.

The above mentioned PPC's Shareholders' General Meeting was convened on June 30<sup>th</sup> 2016, interrupted and met again on July 11<sup>th</sup> 2016. The General Meeting decided to launch the above ownership unbundling procedures and that the stake of IPTO shares to be sold to a strategic investor will be 24% and that the stake to be sold to a Public Holding Company of IPTO will be 25%. By virtue of PPC's Board of Directors resolution of October 31<sup>st</sup> 2016, as this was ratified by PPC's Shareholders' General Meeting of November 24<sup>th</sup> 2016, State Grid International Development Limited was announced as the preferred strategic investor and the share sale and purchase agreement was signed on December 16<sup>th</sup> 2016.

Following the imposed new shareholder structure, IPTO's financial figures will no longer be consolidated in the financial statements of PPC Group. More specifically:

- Fixed assets of a value of Euro 1,582 mil., as well as loan liabilities amounting to Euro 498 mil., as of December 31<sup>st</sup> 2016, will not be included henceforth.
- Operating profitability (EBITDA) of the new PPC Group will be reduced by about € 174 mil. on an annual basis (the average EBITDA of the last four years), as IPTO, being a regulated electricity transmission company enjoys an especially high amount of operational profitability, as well as a very high EBITDA margin.

At the same time, specific financial indicators might not be met in the future, due to both the significant reduction in the profitability as well as the capital structure change of the new PPC Group, leading to the possibility of early repayment of existing loans which include the relevant indicators and in any case creating additional difficulties in the Group's future financing and development.

### **Risk Relating to Forward Electricity Products Auctions**

Under the provisions of Law 4336/2015, PPC's market share both in the wholesale electricity market as well as in the retail electricity market should be immediately reduced by 25%, while from January 1<sup>st</sup> 2020 no entity will be allowed to either generate or import -directly or indirectly- energy quantities greater than

50% of the total energy quantity either generated or imported, annually in the country. The Competition Commission will assess the possibility of achieving the above mentioned objective by 01/01/2019 and in case of failure to achieve it, will propose appropriate measures. In case of the companies' non-compliance, fines amounting to 5% up to 10% on the annual turnover of the previous year will be imposed. The new Law 4389/2016 as well as Decisions 35 and 38 of the Government's Council for the Economic Policy determine PPC's share market levels in the retail market for the period 2016 – 2019 (87.24% for 2016, 75.24% for 2017, 62.24% for 2018 and 49.25% for 2019) as well as other key features for Regulated Forward Electricity Products Auctions, including cost elements that should be taken into account for the calculation of the Auctions' starting price.

The first auction of forward electricity products was scheduled to take place by the end of September 2016 and the physical deliveries to start in the fourth quarter of 2016. Beneficiaries of forward products would be licensed suppliers (which would be registered in a special register solely for forward electricity products purposes) with the exception of PPC and other industrial electricity consumers who may not buy forward products unless they maintain or develop a separate electricity supply activity. Eventually, the first auction took place on October 25<sup>th</sup> 2016 for 460 MW of electricity for a twelve (12) month period, from December 1<sup>st</sup> 2016 to November 30<sup>th</sup> 2017. The second auction took place on January 31<sup>st</sup> 2017 for 145 MW of electricity for a twelve (12) month period, from March 1<sup>st</sup> 2017 to February 28<sup>th</sup> 2018.

With the Joint Ministerial Decision FIN.182348 (OG B' 2848/07.09.16) the methodology for the determination of the starting forward products auction's prices was established as well as the therefrom resulting price for the first period of implementation of the mechanism, which amounted to € 37.37/MWh. The abovementioned price was set considering the total lignite and hydroelectric production for 2015 as well as PPC's variable costs as further defined in this Joint Ministerial Decision. The abovementioned starting price was applicable for the first two forward products auctions.

The quantities, the price and the other characteristics of regulated forward electricity products auctions may have a significant impact on the financial position, operating results, liquidity and prospects of the Parent Company. Especially in terms of quantities -and despite the fact that Law 4389/2016 and the aforementioned Joint Ministerial Decisions clearly define the quantities of forward electricity products to be auctioned each year (as a percentage of the annual demand of 8% for 2016, 12% 2017 and so on)- the eventual establishment of cumulative percentages for the annual quantities of forward electricity products to be auctioned (e.g., 8% for 2016, 20% in 2017 and so on) will have a particularly adverse effect on the liquidity, the financial results and the prospects of the Parent Company.

The Parent Company is already facing strong competition in the retail electricity market, after the liberalization of tariffs for Low Voltage customers due to the operation of third party electricity suppliers, in the a situation of very low prices in the wholesale electricity market. Competition in the retail market is expected to intensify as a result of the implementation of forward electricity products auctions, as well as due to the other provisions of Laws 4336/2015 and 4389/2016.

More specifically the Parent Company is expected to face increasing competition in the retail electricity market if compelled to sell energy to its competitors (alternative suppliers) at low prices, in order for them to increase their share in the retail market and PPC reduce its own share respectively so that PPC has less than 50% of the Interconnected System by the end of 2019. Profit margins of alternative electricity suppliers are expected to increase due to the introduction of forward products regulated auctions, making them more aggressive in attracting new customers, since they will be able to secure a long term (1-4 years) low wholesale electricity price.

Should the alternative suppliers target the most trustworthy and profitable PPC's clients to develop their business, then PPC will suffer a substantial loss of revenue, profitability and additional cash flow pressures.

But the retail market's structure requires a serious analysis and assessment of the customer groups which objectively can be the object of competition and in any case requires the exclusion of SRT and HV customers when calculating PPC's market share.

Unless there are reforms in the regulatory framework to ensure the correction of existing distortions in

the wholesale market, setting conditions of healthy competition and balanced development of suppliers in the market and promotion of competitive tariffs without cross-subsidization, a further increase in the competition in the supply electricity sector could have a material adverse effect on the Group's and the Parent Company's business, prospects, financial condition and results of operations.

Similarly the Group and the Parent Company will be adversely affected if the price of forward products, as will be set within the relevant auctions, does not cover the full cost of electricity generation but only part of these costs. This risk appears particularly high, since the already set starting auction price for auctions is based only on variable cost of lignite and hydroelectric production, and specifically only on the variable costs of lignite mines, so it is uncertain whether the remaining fixed costs can be recovered through auctions (capital costs, salaries, depreciation, etc. of the production units and lignite mines). Finally, if the sale price of forward products, as this will be set within the relevant actions, is less than the System Marginal Price (as the latter is being set from the Day Ahead Schedule), the participating PPC's power plants in forward products (lignite and hydro power units) will undergo significant revenue losses, and as a result the Group's and the Parent Company's business, financial condition, operating results and prospects will be adversely impacted.

If the resulting Forward Products Auction prices are substantially below the SMP, which will lead PPC generation to excessive losses, it will constitute a cross subsidization of alternative suppliers, with all that this entails for free competition

Indicatively, the final weighted average settlement price of the two auctions of October 2016 and January 2017 was € 37,39/MWh and € 41,14/MWh respectively, namely the prices were too close to the starting price of € 37,37/MWh and significantly lower than both the System Marginal Price and PPC's production costs.

#### **Other Risks Relating to Law 4336/14.08.2015**

Apart from the above provisions, Law 4336/14.08.2015 introduces provisions for the energy and natural gas market in relation to the following:

- RAE's jurisdiction on monitoring the account of entities operating in the energy and the natural gas sectors as well as the account of the Transmission System and Distribution Network's Operators, ensuring that there will be no cross subsidies between generation, transmission, distribution and supply of electricity.
- The obligation of the Authorities to enact regulations concerning the offsetting of debts between PPC and the market operator. They will implement discontinuation contracts as adopted by the European Commission (intermittent load auctions have already been implemented following Ministerial Decision OG B' / 2861 / 28-12-2015). The obligation of the Authorities to introduce a new plan for the upgrade of electricity networks, in order to improve performance, enhance interoperability and reduce costs for consumers.
- The action map for the electricity market should be completed by December 2017. In this context, the balancing market should be completed by June 2017. Law 4425/2016 enacted the reorganization of the Greek electricity market, implementing the legislative framework for the integration of the European electricity market and in particular the transition to the European Target Model. Following Law 4425/2016, RAE on December 5<sup>th</sup> 2016 put into public consultation the Draft Guidelines and Instructions to the competent Market Operators, for the drafting up of those Markets Codes.
- The Authorities' obligation, by October 2015, to review energy's taxation as well as to reinforce RAE's financial and operational independence.
- The Authorities' obligation, by December 2015, to approve a new framework for the support of the Renewable Energy Sources, preserving their economic viability; establish a new scheme for the upgrading of the energy Networks and to initiate the implementation of the roadmap for the harmonization of the energy market with the European Target Model by December 2017. By Law 4414/2016 the new framework for the support of RES was enacted.

In Addition, by Law 4336/14.08.2015 the Greek State had committed to proceed with the ongoing privatization program. The Hellenic Republic Asset Development Fund's (HRADF) BoD has already approved

the Asset Development Plan (ADP) which provides for the privatization of assets already held by HRADF by December 31<sup>st</sup> 2014. With Decision 33/2016 of the Government Council for Economic Policy, the Business Plan of HRADF was approved.

Currently and since the second evaluation of the Greek Republic Funding Program has not yet been completed, it is not possible to accurately assess the potential impact on the Greek economy and on the activities, the operating results, the financial condition and cash flows of the Group and the Parent Company from the application of the provisions of Law 4336/2015.

#### **Risk from the Absence of Fixed Asset Insurance**

Currently, the Group and the Parent Company do not maintain insurance against the usual risks associated with their power plants, transmission and distribution assets, property and equipment. Only major information technology equipment is insured. Moreover, materials and spare parts as well as liabilities against third parties are not insured. This has been primarily due to the high costs associated with obtaining insurance against these risks comparing to the cost for remediating the damage should any of these risks occur, and the dispersed network of power plants. Additionally, the Group does not insure third party liabilities with respect to distribution networks. During construction, major assets (except for networks) are insured by EPC contractors for their construction period. Cash in offices and agencies or in transfer is insured against theft and transports of liquid fuels are also insured.

Any severe damage to key power plants, transmission and distribution assets or mining equipment could have a significant adverse impact on the Group's and the Parent Company's business, financial condition or results of operations. Additionally, business interruptions due to labor disputes, strikes, earthquakes, fires, and adverse weather conditions, among other factors, could potentially, depending on their severity and duration, result in a loss of revenues or increased costs for the Group.

#### **Hydrologic Conditions**

The evolution of hydrologic conditions is a completely unpredictable factor and has a very significant impact on the Group's and the Parent Company's profitability, taking into account, of course, that PPC has an accumulated experience and expertise that allows managing in the best possible way the water resources in its reservoirs.

#### **Lignite Mining Risks and Availability of Lignite Reserves**

Lignite mining is subject to inherent risks and is dependent upon a number of conditions beyond the Group's and the Parent Company's control that can affect costs and production schedules at particular mines.

While the Parent Company estimates that lignite reserves are adequate to cover long term levels of supply required for power generation by lignite-fired thermal power plants, such estimates may lack complete precision and depend to some extent on statistical and geological inferences. Furthermore exploitable reserves are not considered as such unless they can be economically and legally extracted.

Increased production costs, increased stripping ratios, changes in the regulatory regime governing the Parent Company's mining operations, the adoption of political decisions both by the EU and Greece, contributing to the reduction of the country's carbon footprint and the reduction of the exploitation of fossil fuels to generate electricity, the significant decline in oil prices and consequently natural gas prices and the increase in the price of CO<sub>2</sub> emission rights burdening lignite fired electricity plants costs may result in a revision of reserve data from time to time or may render exploitable reserves uneconomical to exploit or unexploitable in the future.

Restrictions imposed by national legislation on the Parent Company's ability for new recruitments may result in the future in a shortage of skilled and qualified personnel in mining operations to operate and support its equipment and may adversely affect lignite production through the Parent Company's own resources.

#### **EPC Related Risk**

The Group and the Parent Company face risks relating to the construction of electricity generation facilities, including risks relating to the availability of equipment from reliable suppliers, availability of

building materials and key components, availability of key personnel, delays in construction timetables and completion of the projects within budget and to required specifications. They may also encounter various setbacks such as adverse weather conditions, difficulties in connecting to electricity transmission grids, construction defects, delivery failures by suppliers, unexpected delays in obtaining zoning and other permits and authorizations or legal actions brought by third parties.

Additionally, adverse macroeconomic developments, as well as financial or operating problems of main suppliers and contractors especially after the imposition of capital controls, may have a negative impact on the Group's and the Parent Company's ability to purchase liquid fuels, spare parts and materials, have engineering, procurement and construction ("EPC") contracts completed in a timely manner and may increase the Group's and the Parent Company's operating and maintenance costs as well as planning times.

#### **Risk from Potential Undertaking of Social Security Liabilities**

Despite the fact that under the current legislation the Group and the Parent Company do not have any obligation to cover in the future any deficit whatsoever between income and expenses (deficit) to PPC's personnel Social Security Funds, there can be no assurance that this regime will not change in the future.

#### **Litigations Risk**

The Group and the Parent Company are involved in several legal proceedings arising from their operations, and any adverse outcome against PPC or any other of the Group's companies may have a negative impact on their business, financial condition and reputation.

In addition, as a majority state owned utility, the Group is subject to laws, rules and regulations designed to protect the public interest, such as of public procurement or environmental protection. Violation of legislation, rules or regulations, entail, among others, criminal sanctions for the Board of Directors members and executive officers as well as the employees of the companies and utilities that are subject to those rules.

Simultaneously, the Group is one of the largest industrial groups in Greece, with complex activities and operations across the country. In the ordinary course of its business, from time to time, competitors, suppliers, customers, owners of property adjacent to the Group's properties, media outlets, activists, and ordinary citizens, raise complaints (even to public prosecutors) about the Group's operations and activities, to the extent they feel that such activities and operations cause or are likely to cause economic damage to their views and/or interests, businesses or properties and, in the context of advancing those complaints, they often file criminal complaints against the Group with the public prosecutor on a variety of grounds and allegations or make public allegations in the press, which the public prosecutor is obligated to investigate further before they decide further actions, including the closing of the case for lack of any conclusive evidence. These practices have intensified during the recent economic crisis, as public prosecutors and the general public have generally become more sensitive to similar allegations, especially against companies in which the Hellenic Republic is a major shareholder and are viewed as operating in the public interest.

As a result, the Group and the Parent Company, their Board of Directors members and directors, are presently and from time to time, and could be in the future, subject to various criminal or other investigations at various stages of procedural advancement on a variety of grounds arising in connection with their activities in the ordinary course of business. These investigations and legal proceedings may be disruptive to the Group's and the Parent Company's daily operations to the extent that the officers and directors involved need to spend time and resources in connection therewith. They may also adversely affect the Group's and the Parent Company's reputation. To date, none of the proceedings initiated against the Group and the Group's officers or directors has resulted in any criminal convictions.

#### **Risk from Tax and Other Regulations**

The taxation regime for corporations in Greece is frequently revised and the Group may be subject in the future to increased taxation rates. The imposition of any new taxes, or changing interpretations or application of tax regulations by the tax authorities as well as the harmonization of Greek and EU tax law

and regulation may result in additional amounts being payable by the Group and the Parent Company, which could have a material adverse effect on their business, results of operations, financial condition and cash flows.

In addition, PPC pays a special levy for the development of areas where electricity is generated from lignite, equal to 0.5% of its annual turnover. Additionally, since 2012, the Parent Company has been subject to a special levy for lignite generated electricity equal to € 2.00/MWh and a special tax on natural gas (which was abolished from June 1<sup>st</sup> 2016). Currently, the Group does not pay any royalty, concession fee or other fee for lignite extraction or for water used on its hydropower plants. The application of any new royalty regime may require the abolishment of the current regime and the Group cannot guarantee that any form of royalties, concession fees or other fees on its lignite or hydropower production will not be introduced by the Greek Government in the future.

Additionally, due to the current recession in Greece, even if the effect of any new taxes, levies, etc. is passed onto the Group's and the Parent Company's customers, such taxes, levies, etc. may impact collection rates for PPC's electricity bills or result in a loss of market share due to competition. Conversely, if the Group and the Parent Company do not increase tariffs to match an increase in taxation, an adverse impact on their financial results will follow.

#### **The Group and PPC are subject to certain laws and regulations generally applicable to companies of the broader public sector**

As long as the Hellenic Republic, as the major shareholder of PPC, holds 51% of its share capital, the Company shall, in some respects, continue to be considered a public sector company in Greece. Therefore, its operations shall continue to be subject to certain laws and regulations generally applicable to public sector, affecting thus specific procedures, including but not limited to personnel salaries, maximum level of salaries, recruitments of employees, as well as the procurement policies etc.

The said laws and regulations, particularly within the framework of the current financial conjecture and the relevant decisions of the Central Administration, which are not expected to be applicable to the Parent Company's current and future competitors, may limit the Parent Company's operational flexibility and may also have significant negative impact on its financial results, cash flow and on business risk management.

It should be noted that the Group did not have for several years (till today) the ability to recruit experienced personnel in the range of its business activities while, today's average personnel age is approximately 49 years. The Group's inability to recruit specialized personnel negatively affects the ability of the new PPC Group to elaborate and implement its strategy in the new competitive and financial environment, as well as to adequately staff basic supportive operations at the level of new subsidiaries. Finally, there is a risk of losing managers and experienced personnel to the competition mainly because of restrictions on remuneration policies. The viability and development of PPC Group in the new business environment notably depend on the ability to attract and maintain skilled and specialized personnel and executives. According to L. 3833/2010 and L. 4057/2012, concerning the recruiting of permanent staff an approval of the Interministerial Committee is necessary (AIC 33/2006), as well as an allocative act of the Minister of the Interiors and Administrative reorganization according to the 1:5 ratio (a recruitment for every five employees leaving). By the above mentioned and introduced by law hiring procedure, the Parent Company's recruitment needs are significantly hindered, creating critical lack of personnel and managers and may have a negative impact on the implementation of the Groups' activity.

#### **Organization and Risk Management**

The Group has defined risk as an occurrence of uncertain and non-predictable conditions that may negatively affect its overall operations, business activity, financial performance, as well as the execution of its strategy and the achievement of its goals.

The Parent Company has established but hasn't staffed the Risk Management Department yet, as a result of the lack of experienced staff due to constraints in hiring. Till today its line management, on a case by case basis, is engaged in identifying and primarily assessing risks in order to submit recommendations to the

Board of Directors regarding the design and approval of specific risk management procedures and policies. The Group and the Parent Company can provide no assurance that such procedures and policies provide full protection against the risks that they face.

#### The Group may face strikes

Most of the Group's and the Parent Company's employees are members of labour unions. Extensive labour unrest may have a significant negative impact on the Group's business activity.

#### Health, Safety at Work and Environmental Laws and Regulations

The Group's and the Parent Company's operations are subject to National as well as European laws and regulations regarding employees' health and safety as well as environmental issues.

The cost for complying with such legislation and regulations may require major investments and/or significant expenses for actions regarding the environmental compliance, upgrade and rehabilitation. Changes in the environmental legislation may increase the compliance cost and eventually, may have an impact on the Group's and the Parent Company's profitability as well as its cash flow program.

Furthermore, due to the nature of their operations, the Group and the Parent Company are involved in a number of environmental proceedings that arise in the ordinary course of business. These proceedings may not involve financial penalties and therefore cannot be quantified. Future related costs as a result of enforcement actions and/or third party claims for environmental damage and/or insurance cost for environmental liability could have a material adverse effect on the Group's and the Parent Company's business, results of operations and financial position.

The Group and the Parent Company are also required to obtain environmental and safety permits for their operations from various governmental authorities. Certain permits require periodic renewal or review of their environmental terms as well as continuous monitoring and reporting of compliance with such terms. The Group and the Parent Company cannot give any assurance that they will be able to renew such permits or that material changes to their permits requiring significant expenditures on its end will not be imposed.

Environmental, health and safety laws are complex, change frequently and tend to become more stringent over time. As a result, the Group and the Parent Company may not at all times be in full compliance with all such applicable laws and regulations.

Additionally, as an owner and operator of generation and distribution facilities, the Group and the Parent Company may incur in the future costs and expenses in connection with the decommissioning of such facilities, which the Group and the Parent Company estimate to be to a large extent recoverable from the sale of decommissioned equipment, materials and scrap.

#### Information Technology (IT) Security

A large portion of the Group's and the Parent Company's operations are based on information systems. Therefore they are exposed to the risk of non-availability, data integrity corruption and unauthorized access to these systems. In order to minimize these risks, the Group and the Parent Company take measures for the enhancement of their IT security.

The Group and the Parent Company believe that they currently have adequate security policies in place to cover risks associated with the operation and maintenance of their IT infrastructure and perform regular audits of their systems. However, there can be no assurances that they will be able to prevent technology failures or IT security breaches in a timely manner or continue to have adequate insurance coverage to compensate for related losses (including litigation claims, liability and data loss), which could disrupt their operations or harm their reputation and have a materially adverse effect on their business.

#### Extraordinary Events

Unexpected events, including natural disasters, fires, war, terrorist activities, strikes, etc., may lead to a breakdown or the interruption of the operation of the Group's and the Parent Company's mines, the generation function and electricity transmission and distribution. Additionally, adverse macroeconomic developments, as well as financial and operating problems of basic suppliers, service providers and contractors may have a negative impact on the Group's and the Parent Company's ability to purchase liquid fuels, spare parts and materials and may increase their operating costs.

The Group's and the Parent Company's operations are susceptible to industrial accidents, and employees or third parties may suffer bodily injury or death as a result of such accidents. In particular, while the Group and the Parent Company believe that their equipment has been well designed and manufactured and is subject to rigorous quality control tests, quality assurance tests, and is in compliance with applicable health and safety standards and regulation, the design and manufacturing process is ultimately controlled by their equipment suppliers or manufacturers or EPC contractors rather than by the them, and there can be no assurance that accidents will not result during the installation or operation of this equipment. Furthermore, the consequences of these events may create significant and long-lasting environmental or health hazards and pollution and may be harmful or a nuisance to neighboring residents. The Group and the Parent Company may be required to pay damages or fines, clean up environmental damage or dismantle power plants in order to comply with environmental or health and safety regulations.

The Group and the Parent Company may also face civil liabilities or fines in the ordinary course of their business as a result of damages to third parties caused by the natural and man-made disasters mentioned above. These liabilities may result in the Group and the Parent Company being required to make indemnification payments in accordance with applicable laws.

#### Licensing Risk

The procedures for obtaining and renewing authorizations and permits for the Group's and the Parent Company's activities can be protracted and complex. Obtaining these authorizations is not routine and the conditions attached to obtaining them are subject to change and may not be predictable. As a result, the Group and the Parent Company may incur significant expenses in order to comply with the requirements associated with obtaining or renewing these authorizations. Failure to obtain or renew the necessary licenses and permits might result in interruptions to some of the Group's and the Parent Company's operations, including also the ability to obtain funding for their activities.

Any failure to obtain, maintain, renew, amend or extend all the administrative authorizations and licenses necessary for the operation of their business and execution of their strategy, could have a material adverse effect on the Group's and the Parent Company's business, strategic and financial planning, results of operations, financial condition and cash flows.

#### Risk from Impairment of Assets

In relation to the value of their participation in the share capital of subsidiaries and associates and the value of their tangible assets, the Group and the Parent Company are exposed to the following risks:

- The risk from a significant change or/and the non-recoverability of the value of the Parent's Company, participation in the share capital of subsidiaries and associates
- The risk from a significant change in the fair value of their tangible assets in the context of their periodic reassessment.

#### Provision of Guarantee to Subsidiaries

The Parent Company has a policy of reviewing on a case by case basis and only after the Decision of its Board of Directors to provide guarantees or intercompany loans only to subsidiaries or associates. It is noted that, pursuant to article 23<sup>a</sup> of L. 2190/20, the provision of guarantees in favor of subsidiaries is subject to the (prior or subsequent) approval of the General Meeting of Shareholders.

### Balances and Transactions With Related Parties

PPC balances with its subsidiaries and its associates as of December 31<sup>st</sup>, 2016 and 2015 are as follows:

	December 31, 2016		December 31, 2015	
	Receivables	(Payables)	Receivables	(Payables)
<b>Subsidiaries</b>				
IPTO S.A.	152,844	(807,989)	65,468	(824,137)
PPC Renewables S.A.	1,260	-	1,741	-
HEDNO S.A.	599,981	(1,028,540)	89,441	(347,258)
PPC Finance PLc	-	(6,173)	-	(6,169)
PPC Elektrik	542	(86)	239	(96)
PPC Bulgaria JSCO	38	(1,524)	-	(709)
	<b>754,66</b>	<b>(1,844,312)</b>	<b>156,889</b>	<b>(1,178,369)</b>
<b>Associates</b>				
Larco S.A. (energy, lignite and ash)	242,709	-	272,163	-
	<b>242,709</b>	<b>-</b>	<b>272,163</b>	<b>-</b>

PPC's transactions with its subsidiaries and its associates as of December 31<sup>st</sup>, 2016 and 2015 are as follows:

	2016		2015	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
<b>Subsidiaries</b>				
IPTO S.A.	204,939	(1,217,093)	129,011	(1,367,353)
PPC Renewables S.A.	3,280	-	3,419	-
HEDNO S.A.(former PPC Rhodes S.A.)	1,144,839	(1,820,297)	1,247,817	(1,982,423)
PPC Finance PLc	-	(37,061)	-	(37,125)
PPC Elektrik	2,550	(833)	1,184	(3,300)
PPC Bulgaria JSCO	45	(32,532)	-	(6,379)
	<b>1,355,653</b>	<b>(3,107,816)</b>	<b>1,381,431</b>	<b>(3,396,580)</b>
<b>Associates</b>				
Larco S.A.	61,767	(6,396)	66,550	(4,907)
	<b>61,767</b>	<b>(6,396)</b>	<b>66,550</b>	<b>(4,907)</b>

#### Guarantee in favor of the subsidiary PPC Renewables S.A.

As of December 31<sup>st</sup> 2016, the Parent Company has guaranteed total loans of Euro 8 mil., through account credit agreements. As of December 31<sup>st</sup> 2016 PPC Renewables S.A. has used Euro 947,91, concerning letters of guarantee.

#### Guarantee in favor of the subsidiary IPTO S.A.

As of December 31<sup>st</sup> 2016 the Parent Company had provided guarantees for bilateral loans amounting to Euro 325 mil. The provision of said guaranties has been approved by the Parent Company's General Shareholders Meeting.

### Transactions and balances with other government owned entities

The following table presents purchases and balances with government owned entities Hellenic Petroleum ("ELPE") and National Gas Company ("DEPA"), which are PPC's liquid fuel and natural gas suppliers, respectively and into which the Hellenic Republic participates. Additionally, purchases and balances with EMO, the Electricity Market Operator, are presented.

	PURCHASES		BALANCE	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
ELPE, purchases of liquid fuel	-	107,837	85	8,176
DEPA, purchases of natural gas	265,499	324,493	105,314	67,632
	<b>265,499</b>	<b>432,330</b>	<b>105,399</b>	<b>75,808</b>
	December 31, 2016		December 31, 2015	
	Receivables	(Payables)	Receivables	(Payables)
EMO S.A.	173,764	(128,312)	165,547	(57,891)
	December 31, 2016		December 31, 2015	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
EMO S.A.	1,384,468	(2,013,545)	1,945,418	(2,565,727)

Further to the above, PPC enters into transactions with many government owned or- nonprofit entities within its normal course of business (sale of electricity, services received, etc.). All transactions with government owned entities are performed at arm's length terms.

### Management Remunerations

Management's remunerations (Board of Directors and General Managers) for the year ended December 31<sup>st</sup>, 2016 and 2015 are as follows:

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
<b>Remuneration of Board of Directors' members</b>				
Remuneration of executive members	346	318	57	88
Remuneration of non-executive members	37	51	-	-
Compensation/Extraordinary fees	80	30	-	-
Employer's Social Contributions	95	62	19	-
Other Benefits	108	97	106	82
	<b>666</b>	<b>558</b>	<b>182</b>	<b>170</b>
<b>Remuneration of Deputy Managing Directors and General Managers</b>				
Regular remuneration	638	653	492	539
Employer's Social Contributions	184	201	137	163
Compensation/Extraordinary fees	14	-	14	-
	<b>836</b>	<b>854</b>	<b>643</b>	<b>702</b>
	<b>1,502</b>	<b>1,412</b>	<b>825</b>	<b>872</b>

Remuneration to members of the Board of Directors does not include standard salaries and employer's social contribution, relating to the representatives of employees that participate in the Parent Company's Board of Directors. Also, it does not include the benefit of the electricity supply based on the PPC personnel tariff to the executive members of the Board of Director, the Deputy Managing Directors and the General Managers.

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

### Non-financial Report

#### Sustainable Development Policy

PPC's strategic goal is to assure its sustainable operation and development satisfying, at the same time, the requests of all interested parties in a balanced way, providing integrated, innovative, high quality services and products to its customers, excellent work environment to its employees, mutual benefit relations to suppliers and collaborators, creation of new financial values to shareholders, respect and protection of the environment, as well as economic growth and social prosperity to society.

For the achievement of its strategic goal, PPC is committed to make constant efforts for the improvement of its economic, environmental and social performance.

For this purpose, PPC is aiming at long-term enhancement of its economic value, through good corporate governance, acting with transparency in all procedures and actions of its institutions. The Corporation's Administration participates in identifying hazards and substantial issues of sustainable growth with the aim to deal with them in time and efficiently, while the Strategy Department is responsible for the planning, coordination, monitoring and publication of Corporation's actions on sustainable growth.

PPC's environmental strategy is harmonized with EU and Greek goals on energy policy for 2020 (the goals for 2020 are 20% generation from RES, 20% energy saving and 20% reduction of greenhouse gas emissions), the institutional interventions on climate change and the protection of the environment. For the implementation of its strategy, the Corporation has established and updated the Environmental Business Plan, the implementation of which is assigned to the organizational units having as an object the management of the environment. For achieving constant environmental performance, PPC develops Environmental Management Systems and proceeds to the certification of its installations.

PPC applies responsible practices of personnel administration and cares for adopting a modern work environment based on equal opportunities. PPC is committed to the assurance of its employees' health and safety by applying relevant Health and Safety Management Systems at work, as well as by realizing equivalent training programs.

PPC makes every effort to prevent and fight corruption not only in the way of its operation, but also in the selection of suppliers and collaborators. Additionally, it supports human rights and is clearly opposed to forced and compulsory child labor, as well as to every form of discrimination.

PPC provides its services to the Country's consumers with responsibility, quality services and high level of service provision applying practices that aim at the optimization of its customers' total benefit.

For the Corporation, offering to local communities is directly related to its business activity. For this purpose, PPC implements significant actions that are addressed not only to local societies in which it is activating but also to the entire society. Its significant social work includes series of actions which are realized in time and refer to athleticism, civilization, health and education.

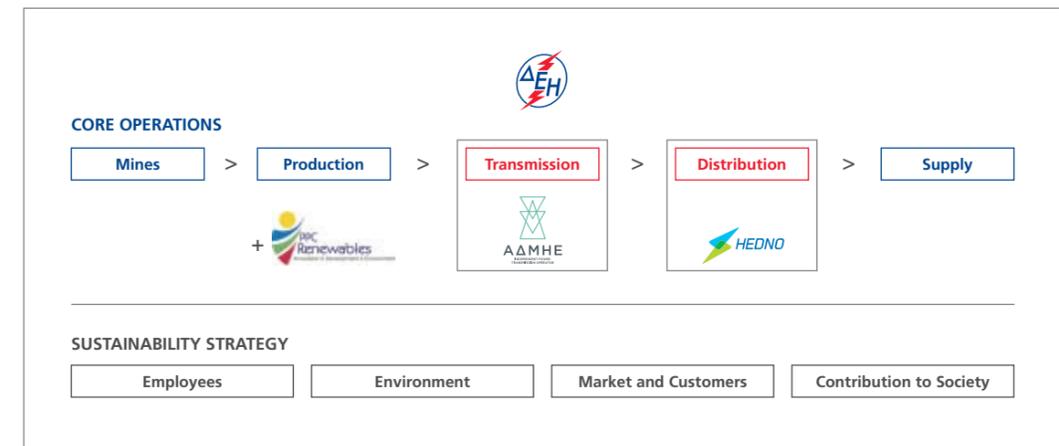
According to the present policy, dealing with PPC's operation as a whole contributes to face not only environmental and social issues with responsibility but also to enhance the Corporation's economic value.

#### Business Model

PPC's Business Model aims to create value for its stakeholders. PPC invests on its employees, infrastructure, and the development of new technologies and services. The Company communicates with stakeholders, by all available means, both at national and local level, in order to identify its operational impacts and improve its performance, taking into account the opinion, concerns, needs and recommendations of all interested parties. PPC ensures the development, specialization, and health and safety of its employees, who contribute to the development of its operations. The Company supplies electricity all over Greece, contributes to the development of renewable energy sources and the achievement of national goals, and supports society.

#### KEY RESOURCES

<b>FINANCIAL CAPITAL</b> Use of financial capital for investment in the Group's activities  <b>HUMAN CAPITAL</b> Development of qualified personnel, for the efficient operation of companies	<b>MANUFACTURED CAPITAL</b> Investment in new infrastructure and the upgrade of production capacity  <b>NATURAL CAPITAL</b> Use of natural resources, mainly lignite and renewable energy sources to generate electricity	<b>INTELLECTUAL CAPITAL</b> Investment in the development of low carbon technologies, innovative renewable technologies and new products/services  <b>SOCIAL AND RELATIONSHIP CAPITAL</b> Dialogue and cooperation with the stakeholders, in order to ensure the Group's efficient operation and society's support
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<b>FINANCIAL CAPITAL</b> Dividends paid, Taxes paid, revenues  <b>HUMAN CAPITAL</b> Assuring health and safety conditions for highly skilled employees	<b>MANUFACTURED CAPITAL</b> Modernized infrastructure for electricity supply  <b>NATURAL CAPITAL</b> Development of RES, energy efficiency improvement, reduction of greenhouse gas emissions	<b>INTELLECTUAL CAPITAL</b> Development of new technologies and services  <b>SOCIAL AND RELATIONSHIP CAPITAL</b> Customer satisfaction, support vulnerable customers, local communities development and support programs
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#### VALUE CREATIONS

#### Sustainability Issues Governance and Operational Framework

The PPC Board of Directors has appointed two of its members to be in charge of managing sustainable development issues. In addition, it has set up the Corporate Social Responsibility Section that is part of the Strategy Department. Its mission is to establish, develop and implement a Corporate Social Responsibility strategy that aims to meet the needs of stakeholders in a balanced manner, while highlighting the actions and practices that show the Corporation's social face.

The Code of Corporate Governance provides a framework of principles and procedures that the Corporate Governance System of the Corporation follows as regards management, shareholders, its Internal Audit System and risk management.

The Staff Regulations of PPC (SR/PPC) regulates, inter alia, the rights and obligations of employees, the terms of employment contracts, the relationships formed in the execution of work and the exercise of disciplinary power.

PPC implements a Training Management System for analyzing and identifying training needs, designing training courses, selecting trainees and instructors, running training courses, and evaluating training activities (the training cycle).

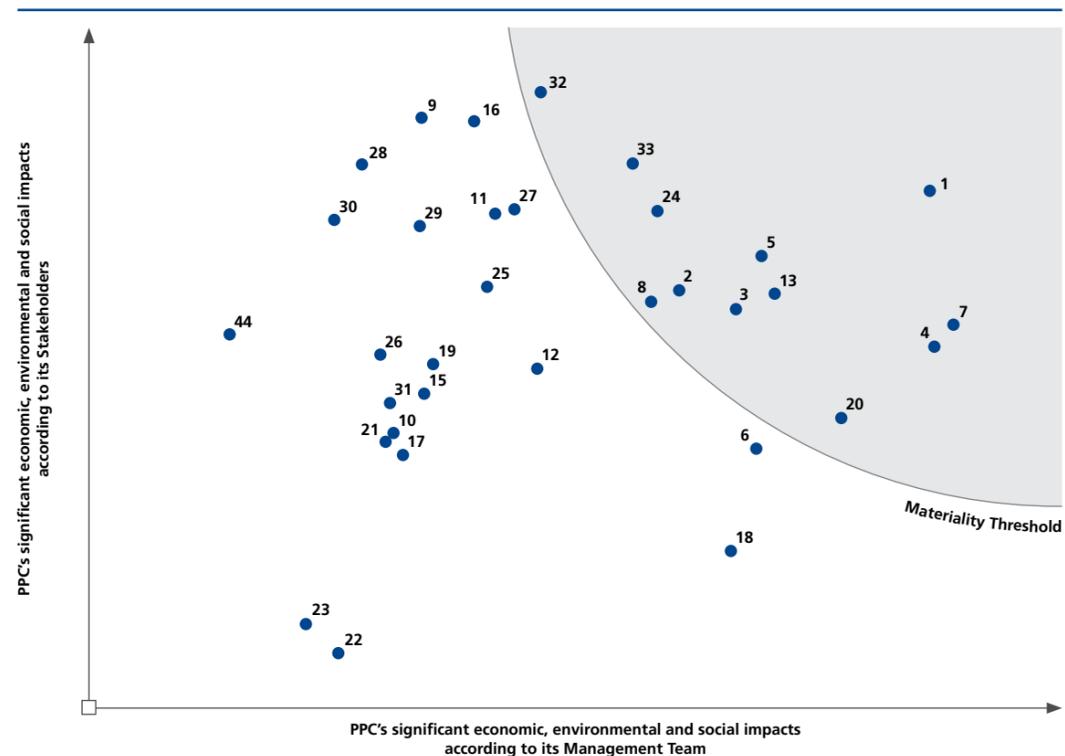
Furthermore, PPC has developed quality, health and safety, and environmental management systems, which have been certified respectively according to ISO 9001, OHSAS 18001 and ISO 14001, aiming at its optimal operation.

### Materiality Analysis

PPC has identified the issues that are material for its sustainable development, taking into account international best practices for the management and preparation of corporate responsibility reports. In that process involved the PPC Management and representatives of all stakeholders.

The results presented in the following diagram illustrate the issues identified in the period 2016-2017.

### PPC Sustainability Material Issues



#### Economy

- 1 Financial position/performance
- 2 Procurement and supply chain management
- 3 New markets and investments
- 4 Regulatory issues
- 5 Risk/crisis management
- 6 Managing relations with subsidiaries
- 7 Management of new energy market conditions

#### Society

- 8 Corporate governance, ethics and values
- 9 Employee and third party health and safety
- 10 Job security
- 11 Staff Training
- 12 Work advancement/job satisfaction
- 13 Lack of personnel
- 14 Equality in the workplace
- 15 Employee/management relations
- 16 Customer Satisfaction/products and service assurance
- 17 Shaping the public's consumer behavior
- 18 Extroversion/PR
- 19 Relationship/dialogue with local communities
- 20 Engagement in public policy in Greece on energy issues
- 21 Contractors/suppliers' Management
- 22 Sponsorship
- 23 Volunteerism among PPC staff

#### Environment

- 24 Climate change and greenhouse gas/particle emissions
- 25 Dust
- 26 Noise
- 27 Waste
- 28 Raw materials/fuel/water
- 29 Ecosystems/biodiversity
- 30 Rehabilitation of degraded land
- 31 Visual/aesthetic nuisance
- 32 Energy efficiency/new technologies
- 33 RES development

### Performance 2016

Selective indices for the Company and Group 2016 performance are presented in the following table. Detailed data as well as further PPC performance indicators are presented in the Corporate Social Responsibility and Sustainability Report 2016.

Indices	PPC Group <sup>1</sup>	PPC S.A.
Total no. of employees (number of employees December 31 <sup>st</sup> 2016)	18,902	10,607 <sup>2</sup>
Female employees (%)	21%	21%
No. of employees with a collective labor agreement (%)	100%	100%
Total no. of accidents <sup>3</sup> (number of employees)	98	60 <sup>4</sup>
Total no. of fatal accidents <sup>5</sup> (number of employees)	3	1 <sup>6</sup>
Final judgements on incidents of human rights violation in the workplace (number of incidents)	0	0 <sup>7</sup>
Final judgements of criminal courts on matters falling within the criminal offenses of corruption, abuse of power, embezzlement, theft, infidelity, corruption, bribery, fraud, forgery, false testimony or falsification of documents, use of false testimonies and official secrecy violation (number of court decisions)	1	1 <sup>8</sup>
Donations and sponsorship <sup>9</sup> (€ '000)	1,200.2	852.93
Total amount of lignite levy payable to local communities (€ '000)	25.8	25.8
Power outage frequency (SAIFI) (number of power outages per customer)	1.5	-
Average power outage duration (SAIDI) (annual power outage duration in minutes per customer)	95	-
Number of Power Plants (lignite centers, thermal power generation units, hydroelectric units, etc.) with certified Environmental Management Systems	20	20
CO <sub>2</sub> emissions from electricity generation <sup>10</sup> (in thousands of tons)	28,414	28,414
Greenhouse gas (CO <sub>2</sub> ) trading rights (€ mil.)	178.1	178.1

1. Data refer to the companies PPC, IPTO and HEDNO.  
 2. Full time employees - number of employees of PPC Renewables S.A. is included.  
 3. The methodology taken into account to calculate the indicators is the "European statistics on accidents at work (ESAW) - Methodology - 2001 edition", which is also followed by the European Agency for Safety and Health at Work (EU-OSHA) and EURELECTRIC. The number of accidents includes all accidents occurring during employment of the permanent and seasonal/ temporary staff, which caused absence from work for more than 3 calendar days. Accidents occurring while travelling to and from work or cases of sickness, which are analyzed separately (from a statistical viewpoint), are not included.  
 4. Includes accidents that have been reported to the Occupational Health and Safety Department of PPC, by March 23<sup>rd</sup>, 2017.  
 5. Total number of worker fatalities in consonance with the «European statistics on accidents at work (ESAW) - Methodology - 2001 edition».  
 6. Includes accidents that have been reported to the Occupational Health and Safety Department of PPC, by March 23<sup>rd</sup>, 2017.  
 7. Final judgements of civil and criminal courts. The indicator relates to employees of PPC S.A., in the context of exercising their duties by virtue of their status as employees of the company. The indicator relates to full-time, temporary or seasonal employees excluding seconded employees, contractors and their staff.  
 8. The indicator relates to employees of PPC S.A., in the context of exercising their duties by virtue of their status as employees of the company. The indicator relates to full-time, temporary or seasonal employees excluding seconded employees, contractors and their staff.  
 9. The amount of donations / sponsorships concerns already accounted amounts from January 1<sup>st</sup> to December 31<sup>st</sup>.  
 10. Emissions from facilities participating in the European Union Emissions Trading Scheme.

## STATEMENT OF CORPORATE GOVERNANCE

### 1. INTRODUCTION

#### 1. Code of Corporate Governance applying to the Company

Corporate Governance is a system of principles, based on which the optimal organization, administration and operation of the a société anonyme, as well as the transparency in its relations with the shareholders and the safeguarding in general of corporate interests are pursued.

The observance of the principles of corporate governance constitutes an essential commitment and priority of "Public Power Corporation S.A." (PPC S.A. or the Company) due to its important role in the Greek economy, and the public interest services it provides.

It is to be noted that the Company is governed by specific laws and regulations applicable to the corporations of the wider public sector, as long as the Hellenic Republic, as the main shareholder, holds 51% of its share capital. Consequently, its operations shall continue to be subject to the laws and regulations applicable to the companies of the Greek public sector affecting specific procedures, as those concerning, indicatively but not limited to, personnel remuneration policy. The said laws and regulations, to which the current competitors of the Company are not expected to be subject, are likely to limit its operational flexibility and the implementation of the relevant "best practices" of corporate governance.

Specifically, the Hellenic Republic holds directly and indirectly, through the Hellenic Republic Asset Development Fund (TAIPED<sup>1</sup>), 51.12% of PPC S.A. common registered shares. TAIPED holds 17% of the Company's share capital, which is included in the aforementioned percentage held by the Hellenic Republic, since TAIPED is 100% owned by the Hellenic Republic. In accordance with the Act of Legislative Content dated 7.9.2012, which was ratified by article 2 of Law 4092/2012 (OG A' 220/8.11.2012), the obligatory participation of the Hellenic Republic by at least 51% in the share capital was abolished and the Company's Articles of Incorporation were adapted accordingly.

PPC prepares the current statement of Corporate Governance pursuant to the provisions of Article 43bb of Codified Law 2190/1920, as added with Article 2 of L. 4403/2016 (OG A' 125/07.07.2016) and applicable and where appropriate, in accordance with the International Accounting Standards which have been established under the Regulation (EC)1606/2002.

PPC has drawn up and implements its own Code of Corporate Governance. Said Code was updated in March 2015 and is posted on the Company's website (www.dei.gr).

The main axes of the Code of Corporate Governance implemented by PPC are the following:

#### Administration

Composition of the Governing Bodies, jurisdiction and functioning.

Committees of the Board of Directors and jurisdiction thereof.

#### Shareholders

Jurisdiction and operation of the General Meeting of Shareholders, shareholders' rights, briefing of the shareholders', as well as reference to the information data required pursuant to article 10 par. 1 of Directive 2004/25/EC of the European Parliament, as incorporated in Law 3461/2006.

#### Internal audit and risk management

Main characteristics of the Company's internal audit and risk management systems, regarding the procedure of preparing its financial statements.

#### 2. Corporate Governance Practices implemented by PPC in addition to Law (article 43bb par. 1 item a. sub item cc. of CL 2190/1920, as applicable)<sup>2</sup>

- 1) The prohibition applied to the members of the Board of Directors concerning the conduct of competitive acts applied for a period of two years following termination for any reason whatsoever of the term of office of the Board member or his retirement from the Board of Directors (article 13 par.2 of Articles of Incorporation, Code of Corporate Governance "Prohibition of competition – Participation in the Board of Directors of subsidiary companies").
- 2) The Board of Directors consists of different categories of members: eight (8) members, including the Chief Executive Officer, elected by the General Meeting of shareholders of the company, two (2) members representing the Company's employees are elected by direct and universal ballot and one (1) member designated by the Economic and Social Committee (article 9 of Articles of Incorporation, Code of Corporate Governance "Composition of the Board of Directors"). This particular composition of the Board of Directors and this approach of designating the Members of the Board constitute the reason for not establishing until today the Committee of Candidatures' Designation of the Board of Directors based on the applicable (as of October 2013) Greek Code of Corporate Governance for Listed Companies.
- 3) In case both positions of Chairman and CEO coincide to the same person, the Board of Directors shall also elect a Vice Chairman (article 14 of Articles of Incorporation, Code of Corporate Governance "Chairman and Vice Chairman of the Board of Directors").
- 4) Apart from the Board of Directors and the CEO, the Governing Bodies of the Company include the Management Board (article 8 of Articles of Incorporation, article 3 of Rules of Operation, Code of Corporate Governance "Governing Bodies").
- 5) There are Deputy CEOs reporting to the CEO (article 15a of Articles of Incorporation, Code of Corporate Governance "Deputy Chief Executive Officers").
- 6) A Remunerations Committee has been established, consisting of three (3) non-executive members of the Board of Directors, at least two (2) of them independent (article 17 of Articles of Incorporation, Code of Corporate Governance "Remuneration and Compensation of Members").
- 7) A Management Contract is signed between PPC and the CEO (article 16 of Articles of Incorporation, Code of Corporate Governance "Management Contract and follow-up of its implementation).
- 8) Persons of recognized standing or with specialized experience or expertise in specific areas may be employed as Special Consultants, in order to support the CEO or the Deputy CEOs or the General Managers in carrying out their duties. The number of special consultants shall not exceed ten (10). The employment/assignment contracts with the Special Consultants are signed by the Chief Executive Officer, that decides upon the nature of their relationship with the Company as well as upon the terms of such contracts, indicatively the duration of the contract, remuneration/fees and other benefits (article 21 Rules of Operation of the Company, see below under 9).
- 9) Based on the Company's Rules of Operation as applicable which were approved by the Resolution of the BoD no 29/07.03.2017, the Members of the Board of Directors as well as any third person to whom any competencies of the Board have been assigned by the latter, shall not be allowed to pursue own interests that are contrary to those of the Company. Members of the Board as well as any

1. TAIPED or HRADF is a Société Anonyme under the name "HELLENIC REPUBLIC ASSET DEVELOPMENT FUND S.A." which was established by Law 3986/2011 (O.G. A' 152/2011) as amended and in effect.

2. Article 43bb was added to CL 2190/1920 by article 2 of L. 4403/2016 (Official Gazette volume A issue 125/ 7.7.2016).

third person to whom any competencies of the Board have been assigned, are required to disclose promptly and adequately to the rest of the Board Members their own interests, that may arise from any transactions of the Company which fall within the scope of their duties, as well as any conflict of own interests with those of the Company or of any associated company, which may arise during the performance of their duties. In the event that such conflict of interests is reported or occurs in accordance with the aforementioned, such Member of the Board shall have no voting right during the relevant meeting of the Board. Any vote cast by such Member of the Board shall not be counted toward a quorum and majority.

### 3. Description of internal audit and risk management systems in relation to the procedure of financial statements' preparation

#### 3.1 Safeguards at corporate level

The Internal Audit of the Company is performed by the Internal Audit Department (IAD). The IAD is supervised by the Audit Committee which consists of two (2) at least non-executive members and one (1) independent non-executive member, that have been appointed by the General Meeting of the Shareholders.

The members of the Audit Committee, in accordance with the Operation Rules of the Company, assume the obligations provided for by law, as in effect in 2016, concerning corporate governance, including:

- the follow up of the financial information procedure,
- the follow up of the effective operation of the internal audit and risk management systems, as well as the follow up of the proper operation of the IAD,
- the follow up of the process of compulsory audit of separate and consolidated financial statements,
- the review and follow up of issues relating to the existence and preservation of the objectivity and independence of chartered auditors-accountants concerning, in particular, other services rendered by them to the Company and its subsidiaries,
- the follow up of the execution of the Company's budget (BoD decision 128/18.7.2013) and
- the recommendation of the Board proposal to the General Meeting, for the appointment of Chartered Auditors-Accountants.

The annual audit plan of the IAD is drawn up based on the determination, updating and assessment of the corporate risks of the Group and taking into consideration the strategic goals of the Company and all developments concerning the Company and its environment. The audit plan is submitted via the Audit Committee to the BoD for approval.

PPC's BoD assesses the main risks and uncertainties that PPC may face and a detailed reference to them is included in the Annual Financial Report of the BoD.

Pursuant to the legislation in effect and specifically article 44 of Law 4449/2017, certain modifications have been introduced regarding the obligations of the Audit Committee which are in effect starting from 2017.

#### 3.2 Safeguards for information systems

The Company has developed a Framework of Information Systems Security within which the policies concerning Information Systems Security are defined regarding information classification, security in matters of personnel, physical and environmental security, management of communications and information systems operations, access control, development and maintenance of information systems, business continuity management, compliance with the obligations deriving from the regulatory-legislative framework.

Moreover, the roles and competencies concerning the information systems security are defined.

### 3.3 Safeguards for the procedure of preparing financial statements and reports

The basic areas where safeguards concerning the preparation of the Company's financial statements and financial reports are implemented, are the following:

#### • Allocation of Competencies

The executives being involved have clearly defined roles and areas of responsibility, thus reinforcing the effectiveness of the Internal Audit System.

#### • Procedures for accounting monitoring and drawing up of financial statements

- Integrated policy principles for the operation of the Accounting Services of the Group.
- Procedures in relation to the issuing of financial statements and their consolidation at Group level.
- Regular follow up of the International Financial Reporting Standards, as these are adopted by the European Union, and the respective adaptation of the accounting principles and policies of the Group, as required.
- A special approval by the top executives of the Company is required for the posting of accounting entries, which concern special, non-recurring accounting events.
- Controls are being carried out by the Information Department on the information subsystems' data, before their integration in the General Ledger.
- Regular communication of the executives of the Finance Division with the Top Management and the Audit Committee for the ratification and recording of important events affecting financial statements.
- Regular communication of the Chartered Auditors with the Top Management and the Audit Committee with regard to the progress and the results of the Company's compulsory audit.

#### • Procedures for property safekeeping

Safeguards are in place for the management of fixed assets, stock of materials and spare parts, cash and cheques and customers' information systems. Indicatively we mention the existence of detailed procedures and audit mechanisms for carrying out the annual materials' inventory.

#### • Transaction approval limits

The operation of all departments, at all management levels, as well as the Company Bodies' is governed by the Financial and Administrative Jurisdictions System by which the jurisdictions in matters of approvals by the Governing Bodies and the executives of the Company are defined.

### 4. Information required in accordance with article 10 par. 1 items c), d), f), g) and h) of Directive 2004/25/EC of the European Parliament and of the Council, dated April 21st, 2004 concerning Takeover Bids - EXPLANATORY REPORT OF BOARD OF DIRECTORS (Article 4, paragraph 7 & 8 of L. 3556/2007)

#### 4.1 Share Capital Structure

The Company's share capital amounts to Euro 1,067,200,000 divided into 232,000,000 common registered shares corresponding to 232,000,000 voting rights with a nominal value of Euro 4.60 each.

By resolution of the Shareholders' Extraordinary General Meeting on January 17<sup>th</sup>, 2017, the company's share capital was decreased by four hundred ninety-one million eight hundred forty thousand euros (€ 491,840,000) along with a decrease of the nominal value of the share by two euros and twelve cents (€ 2.12) each and distribution in kind rather than in cash of one (1) share of the societe anonyme with company name "HOLDING COMPANY ENERGIKI S.A." and the distinctive title "ENERGIKI HOLDING S.A." of a nominal value of two euros and twelve cents (€ 2.12) for each share held in the company.

Following the aforementioned decrease, the share capital of the company currently amounts to

five hundred seventy-five million three hundred sixty thousand euros (€ 575,360,000), divided into two hundred thirty-two million (232,000,000) common registered shares of a nominal value of two euros and forty-eight cents (€2.48) each.

#### 4.2 Restrictions in transferring Company shares

Article 8 of PPC's Articles of Incorporation which provided that the percentage of the Hellenic Republic in the PPC's share capital could not be less than 51% of the shares with voting rights of the Company following any increase of the share capital, was abolished pursuant to the Act of Legislative Content dated 7.9.2012 (which was ratified by article 2 of L 4092/2012).

#### 4.3 Significant direct or indirect participations within the meaning of articles 9 to 11 of L. 3556/2007

As of December 31<sup>st</sup>, 2016, the Hellenic Republic, HRADF and Silchester International Investors LLP have a significant participation (over 5%).

11/4/2014	«Hellenic Republic» <sup>1</sup>	34.12%
11/4/2014	«Hellenic Republic Asset Development Fund» (HRADF) <sup>1</sup>	17.00%
13/9/2011	«Silchester International Investors LLP» acting as investment manager for its client - Silchester International Investors International Value Equity Trust.	5.01%
8/12/2011	«Silchester International Investors LLP» acting as investment manager for the following clients: - Silchester International Investors International Value Equity Trust, - Silchester International Investors International Value Equity Taxable Trust, - Silchester International Investors International Value Equity Group Trust, - Silchester International Investors Tobacco Free International Value Equity Trust, - The Calleva Trust.	13.80%

1. The Hellenic Republic controls, directly and indirectly through HRADF (which is wholly owned by the Hellenic Republic), 51.12% of common registered shares of PPC S.A.

On April 8<sup>th</sup>, 2014, the Greek ministerial committee for restructurings and privatizations decided the transfer, without consideration, of 39,440,000 ordinary shares with voting rights corresponding to 17% of the existing share capital of PPC S.A. by the Hellenic Republic to the HRADF, pursuant to the provisions of Law 3986/2011. On April 9<sup>th</sup>, 2014, the transfer of said shares by the Hellenic Republic to the HRADF was effected, following execution of an over-the-counter transaction.

#### 4.4 Shares with special control rights

There are no shares granting special control rights, *stricto sensu*.

#### 4.5 Voting rights restrictions

There are no restrictions on voting rights.

#### 4.6 Agreements between Company's shareholders

The Company has no knowledge of agreements existing between its shareholders.

#### 4.7 Regulations on appointing and replacing members of the Board of Directors

According to article 9 of the Company's Articles of Incorporation, the Company's Board of Directors is composed of eleven (11) members, divided into executive and non-executive members, among which:

- Eight (8) members, including the Chief Executive Officer, are elected by the General Meeting of the shareholders of the company. The Board of Directors shall elect from among the said members its Chairman and Vice Chairman, pursuant to article 14 of the Company's Articles of Incorporation.

- Two (2) members representing the Company's employees are elected by direct and general ballot after having notified the most Representative Trade Union (ASOP) of the Company.
- One (1) member, who is involved in bodies related to the Company's activities, is designated by the Economic and Social Committee (ESC) and is appointed by decision of the Minister of Environment and Energy.

In the event that for any reason whatsoever any representative of the employees or the representative of ESC is not elected or in the event any vacancy in the office of the aforesaid representatives is not promptly filled within the time limit of two (2) months as of the notification of the agencies (ESC and ASOP), this shall not impede the constitution and functioning of the Board of Directors.

According to article 9 par. 4 case a) of the Company's Articles of Incorporation, in case that for any reason whatsoever there shall be a vacancy in the office of a Board Member elected in accordance with the procedure set forth in paragraph 2 case a) of the aforementioned article, the remaining members of the Board shall elect another member for the remaining term of the member in the office of whom a vacancy has occurred, and such election is posted on the websites of the company and of the General Electronic Commercial Registry (GECR or GEMI) and is announced by the Board of Directors at the next meeting of the General Meeting.

#### 4.8 Duties of the Board of Directors with regard to the issuance of new or the purchase of own shares

According to article 6 par. 2 case a) of the Company's Articles of Incorporation, the Company may, increase the share capital through the issuance of new shares. The amount of the increase cannot exceed the amount of the original share capital or of the share capital which shall have been paid up on the date of the decision by the General Meeting on the renewal of the relevant power of the Board of Directors.

The above mentioned authority of the BoD can be renewed by the General Meeting for a period that cannot exceed 5 years for each renewal.

The provisions of article 16 and 16a of Codified Law 2190/1920, as amended and currently in force, provide for the Company's ability to purchase own shares, with the Board of Directors responsibility following an approval of the General Meeting of Shareholders, under the requirements specifically indicated by the above article.

There is no such provision in the Company's Articles of Incorporation, concerning specifically the Board of Directors' competence for the purchase of own shares.

#### 4.9 Significant agreements that become effective, are amended or are terminated in the event of change in control

A significant part of loan agreements provide that in case the Greek State's participation in the share capital of the Company falls below 34% or 51%, or in case the State ceases to control the Company, it may lead to Mandatory Prepayment of these loans or constitute an Event of Default.

In addition, the change in PPC's shareholders' structure, which will lead to a change in control over the Company is a reason for an "Accelerated Put/Call Event" according to the Shareholders Agreement between PPC S.A. and TERNA ENERGY relating to WASTE SYCLO S.A. This fact initiates the procedure of the "Accelerated Put/Call Notice". The Non Defaulting Party may require to purchase all the shares of the Defaulting Party, or may proceed to the disposal of its shares to the Defaulting Party, according to the foreseen procedure in the Shareholders Agreement.

With regard to the shareholders agreement with ALPIQ, based on which the subsidiary company under the trade name PPC Bulgaria was established in Bulgaria, in the event of any change in the shareholder structure of one out of the two shareholders which leads in a change of control over the company, the other shareholder may exercise his right to sell his shares to the first shareholder, within 30 working days, pursuant to the procedure provided for in the shareholders agreement.

#### 4.10 Agreements with members of the Board of Directors or Company Personnel

There are no share distribution plans to the members of the Board of Directors and/or employees of the Company.

PPC has signed contracts for the provision of independent services with the Chairman and Chief Executive Officer Mr. E. Panagiotakis, with the Deputy CEO Mr. K. Dologlou and with the Deputy CEO Mr. S. Goutsos.

### 5. Information on the functioning of the General Meeting of the shareholders and its main powers, as well as description of the shareholders' rights and of their exercise.

#### 5.1 Shareholders' General Meeting competence

1. The Shareholders' General Meeting is the supreme authority of the Company and shall have the right to make decisions on all matters concerning the Company, unless otherwise stipulated in the Articles of Incorporation, and more particularly to decide regarding:
  - a) The amendment of the Articles of Incorporation. Such amendments are also deemed to include the increase or decrease of the share capital, subject to the provisions of article 6 of the Articles of Incorporation and article 34 par. 2 of Codified Law 2190/1920, as applicable. The decisions concerning amendments to the Articles of Incorporation shall be valid, provided that the relevant amendment is not prohibited by an expressed provision of the Articles of Incorporation or by law,
  - b) The election of Board Members, pursuant to article 9 of the Articles of Incorporation, of the Chief Executive Officer and of the regular auditors.
  - c) The approval of the balance sheet of the Company.
  - d) The distribution of the annual profits.
  - e) The issuance of loan through bonds convertible into shares, subject to the provisions of article 6 of the Articles of Incorporation. The issuance of bond loans non-convertible into shares shall be permitted also by virtue of a resolution of the Board of Directors.
  - f) The merger, demerger, transformation, revival, extension of term or dissolution of the Company and
  - g) the appointment of liquidators.
2. Any holder of fully-paid up voting shares shall participate in the General Meeting of shareholders of the Company only to the extent of the number of shares which he holds.

#### 5.2 Convocation of the General Meeting

1. The Shareholders' General Meeting of the Company shall be convened by the Board of Directors and shall meet at the seat of the Company and/or at any other place outside such seat, in accordance with the provisions of article 25 of Codified Law 2190/1920, at least once a year, always within the first six months following the end of the financial year. The Board of Directors may convene an Extraordinary Shareholders' General Meeting, whenever this is prescribed by special provisions or whenever the Board considers it appropriate.
2. Within ten (10) days from the submission by the auditors of a request to the Chairman of the Board of Directors, the Board of Directors shall be bound to convene the Shareholders' General Meeting having for items on the agenda those listed in the submitted request.

#### 5.3 Invitation to the General Meeting

1. The Invitation to the General Meeting, with the exception of repeat General Meetings and of meetings regarded as such, shall clearly state at least the venue, date and time of the meeting,

the items on the agenda, the shareholders entitled to participate, as well as precise instructions about the way the shareholders shall be able to participate in the meeting and exercise their rights in person or by proxy, or potentially through remote attendance (from a distance), shall be available in a prominent place at the registered office of the Company and shall be published by posting on the website of the Company and of the GEGR, and in any case, as provided for by the law each time.

2. The General Meeting shall be convened at least twenty (20) days prior to the date set for the meeting, inclusive of days legally excluded (holidays). The posting on the website of the GEGR shall be made at least ten (10) full days prior to such date and the posting on the website of the Company twenty (20) days prior to the date that the Company announced without delay to the GEGR the posting on the website. In the event of repeat General Meetings, the time limits set forth herein are reduced by one half.
3. The day of publication of the notice of invitation to attend a General Meeting and the day on which such meeting shall be held are not counted.
4. Besides the information of par.1 herein, the invitation shall also:
  - a) Include at least the following information:
    - aa) shareholders rights of par. 2, 3, 6 and 7 of article 28 of the Articles of Incorporation, stating the time period within which each right may be exercised, by the respective deadlines specified in the above paragraphs of article 28 of the Articles of Incorporation or alternatively the closing date by which such rights may be exercised, on condition that the detailed information is posted, with an explicit reference in the invitation, on the Company's website [www.dei.gr](http://www.dei.gr), and
    - bb) the procedure for the exercise of the voting rights by proxy and more in particular the printed forms used by the Company to this end, as well as the means and methods provided for in article 22 of the Articles of Incorporation, in order that the Company receives electronic notifications of any appointment and revocation of proxy holders.
  - b) The record date as provided for in article 22 par. 2 of the Articles of Incorporation in accordance with article 28a par. 4 of Codified Law 2190/1920, as applicable, pointing out that only those persons having the shareholding capacity on such date shall have the participation and voting right at the General Meeting.
  - c) The location where the full text of documents and draft resolutions provided for in cases c) and d) of par. 5 of article 22 of the Articles of Incorporation are made available, as well as their reception mode.
  - d) The Company's website address where the information of par. 5 of article 22 of the Articles of Incorporation is posted.
5. The company publishes in the media mentioned in par. 1 herein a summary of the invitation containing at least the precise address of the venue, the time and the hour of the meeting, the shareholders entitled to participate, as well as an explicit reference to the address of the company's website where the full text of the invitation and the information provided for in par. 3 of article 27 of Codified Law 2190/1920 are posted.

In case of enforcement of par. 2 article 39 of Codified Law 2190/1920 the publication in the media in accordance with the above par. 1 herein shall contain at least a clear indication that any revised agenda shall be posted on the company's website and in the media mentioned in the following section. Besides the publication in the media of par. 1 herein including the company's website, the full text of the invitation shall also be published within the prescribed deadline of par. 2, in such a way as to ensure rapid and non-discriminatory access to it, in the media that the Board of Directors considers reasonably reliable for the effective diffusion of information to the investors, in particular at print and electronic media with national and Europe-wide circulation.

#### 5.4 Participation in the General Meeting

1. Any shareholder shall be entitled to attend and vote at the General Meeting.
2. Any person appearing as a shareholder in the registry of the entity where the securities of the Company are being kept, shall be entitled to participate in the General Meeting without being required to block his shares.

The shareholding capacity shall be evidenced by providing a relative written certificate from the above entity or alternatively a confirmation through direct online connection of the Company with the records of the latter. The shareholdings capacity shall be valid on the commencement of the fifth (5<sup>th</sup>) day prior to the date of the General Meeting (Record Date) and the relative written or electronic certificate with regard to the shareholding capacity shall be serviced to the Company at the latest the third (3<sup>rd</sup>) day prior to the date of the General Meeting. Shareholders may attend the repeat General Meeting in accordance with the same formal requirements set out above. The shareholding capacity shall be valid on the commencement of the fourth (4<sup>th</sup>) day prior to the holding of the repeat General Meeting (Record Date of repeat General Meetings), while the relative written or electronic certificate with regard to the shareholding capacity shall be serviced to the Company at the latest the third (3<sup>rd</sup>) day prior to the General Meeting. Only those holding the shareholding capacity on the above Record Date shall be considered vis-à-vis the Company to be entitled to participate and vote at the General Meeting. In case of non-compliance with the provisions of Article 28a of Codified Law 2190/1920, as applicable, the said shareholders may attend the General Meeting only upon authorization of the General Meeting.

Shareholders shall participate and vote at the General Meeting either in person or by proxy. Each shareholder may appoint up to three (3) proxy holders. A proxy holder holding proxies by several shareholders may cast votes differently for each shareholder. The appointment and revocation of proxy holders shall be made in writing or by mail and shall be notified to the Company in accordance with the same procedure as above at least three (3) days prior to the date set for such General Meeting. Legal entities participating in the General Meeting may appoint up to three (3) natural persons as proxies.

3. Ten (10) days prior to the ordinary General Meeting, every shareholder may obtain from the Company the annual financial statements thereof, together with the relevant reports of the Board of Directors and of the auditors.
4. Twenty-four (24) hours prior to each General Meeting, a list of shareholders with voting right at the said meeting shall be posted in a prominent place at the registered office of the Company. The said list shall indicate any proxies of the shareholders, in compliance with article 28a of Codified Law 2190/1920, as applicable, and paragraph 2 herein, the number of shares and votes of each shareholder, as well as the addresses of the shareholders and of their proxies.
5. As of the date of publication of the invitation to the General Meeting and until the date of the General Meeting, at least the following information shall be posted on the Company's website:
  - a) the notice of invitation to the General Meeting,
  - b) the total number of shares and voting rights on the date of such invitation,
  - c) the documents to be submitted at the General Meeting,
  - d) a draft resolution for each item on the agenda or in case no resolution has been submitted for approval, a comment by the Board of Directors on each item on the agenda and any draft resolutions submitted by the shareholders, right after being received by the Company,
  - e) the printed forms to be used for the exercise of voting rights by proxy.

#### 5.5 Ordinary Quorum and Majority

1. A quorum of the General Meeting shall be deemed to be achieved for the proper discussion of the issues on the agenda, when shareholders representing at least one fifth (1/5) of the paid-up share capital are present or represented thereat.

2. If the quorum referred to in the preceding paragraph is not obtained, the General Meeting shall be held again within twenty (20) days from the date of the postponed meeting, following invitation being notified at least ten (10) days prior to the meeting date. At such repeat meeting a quorum shall be deemed to be obtained in order to duly discuss the items set out in the original agenda, independently of the proportion of the paid-up share capital represented thereat.

A new notice of invitation is not required, in the event that the original notice of invitation states the venue and date of the repeat meetings provided for by the law, in case a quorum has not been reached, on condition that at least ten (10) full days intervene between the postponed meeting and the repeat one.

3. The resolutions of the General Meeting shall be made by absolute majority of the votes represented thereat.

#### 5.6 Extraordinary Quorum and Majority

1. As an exception, for resolutions involving:
  - a) change in the nationality of the Company,
  - b) modification of the object of the Company,
  - c) issuance of bonds convertible into shares, as stipulated by article 19 par. 1(e) of the Articles of Incorporation,
  - d) increase of the shareholders' obligations,
  - e) increase of the share capital subject to the provisions of article 6 of the Articles of Incorporation, or unless it is imposed by law or is effected by capitalization of reserves,
  - f) decrease of the share capital, with the exception of the case of par. 6 article 16 of Codified Law 2190/1920, as applicable, or with the exception of those cases which are regulated in a different manner, according to a special law or to the Articles of Incorporation,
  - g) change in the manner of profits' distribution,
  - h) restriction or abolition of the pre-emption right of the old shareholders in all cases of increase of the share capital not effected by transfers in kind or by the issuance of convertible bonds,
  - i) merger, demerger, transformation, revival, extension of term or dissolution of the Company,
  - j) granting or renewing of powers to the Board of Directors for the increase of the share capital or the issuance of bond loan in accordance with the provisions of article 6 par. 2(b) of the Articles of Incorporation, and
  - k) any amendment to the section herein and in any other case provided for by the law, a quorum shall be deemed to be obtained for the proper transaction of the business set out in the agenda, when shareholders representing two thirds (2/3) of the paid-up share capital are present or represented at the relevant meeting.
2. If the said quorum is not obtained, a second General Meeting shall be held in accordance with the provisions of paragraph 2, article 23 of the Articles of Incorporation, a quorum of which shall be obtained for the proper transaction of the business set out in the original agenda when at least one half (1/2) of the paid-up share capital is represented thereat. If such quorum is still not obtained, the General Meeting shall be held upon notice of invitation and convened as stipulated above, a quorum of which shall be obtained when shareholders representing at least one fifth (1/5) of the paid-up capital are present or represented at said meeting.

In the event that quorum has not been obtained, a new notice of invitation is not required on condition that the venue and time of the repeat meetings, as provided for by law, are set in the initial invitation, and that at least ten (10) full days intervene between each postponed meeting and each repeat one.

3. The resolutions stipulated in par. 1 herein shall be made by a two-thirds (2/3) majority of the

votes represented at the General Meeting.

### 5.7 Chairmanship of the General Meeting

1. The Chairman of the Board of Directors shall preside, provisionally, as chairman at the General Meetings. If unable to perform his/her duties, he/she shall be replaced by his/her substitute. Secretarial duties at the meetings shall be performed, provisionally, by a person appointed by the Chairman.
2. Following approval of the final list of shareholders with voting rights, the General Meeting shall proceed to the election of its Chairman and of one (1) Secretary, who shall also act as scrutineer.

### 5.8 Agenda - Minutes of the Meetings

1. The discussions and the resolutions of the General Meeting shall be limited to the items on the agenda published in accordance with article 21 of the Articles of Incorporation.
2. A summary of all the items discussed and resolved at the General Meeting shall be entered in a minute book signed by the Chairman and the Secretary. Following request, if any, by any shareholder, the Chairman shall record an exact summary of the said shareholder's opinion in the minutes. In the same minute book shall also be recorded a list of shareholders who attended the General Meeting in person or by proxy, drawn up in accordance with par. 2 of article 27 of Codified Law 2190/1920, as applicable. The results of the voting shall be posted on the Company's website under the responsibility of the Board of Directors within five (5) days at the latest from the date of the General Meeting, indicating for each resolution at least the number of shares for which valid votes were cast, the proportion of the share capital represented by such votes, the total number of valid votes as well as the number of votes cast in favour and against each resolution and the number of abstentions.
3. Copies of and excerpts from the minutes of the General Meeting shall be certified by the Chairman of the Board of Directors or his/her substitute.
4. If only one shareholder is present at a meeting of the General Meeting, then a representative of the Supervising Ministry - Section of Supervision of Sociétés Anonymes or a notary public authorized to do business in the district where the seat of the Company is located, shall attend the said General Meeting and countersign the minutes thereof.

### 5.9 Discharge from Liability of the Members of the Board of Directors and of the Auditors

1. Following the approval of the annual financial statements, the General Meeting shall decide by a special vote taken by roll call, regarding the discharge of the members of the Board of Directors and of the auditors from any liability for damages. The said discharge shall be null and void in those instances provided by article 22a of Codified Law 2190/1920, as applicable.
2. Shareholders shall be entitled to participate in the voting for the discharge of the members of the Board of Directors only with the shares they own or as proxy holders of other shareholders, provided that they have obtained a relative authorization with clear and specific voting instructions. The same also applies for the employees of the Company.

### 5.10 Minority Rights

1. At the request of shareholders representing one twentieth (1/20) of the paid-up share capital, the Board of Directors shall be bound to convene an extraordinary General Meeting, setting the date of such a meeting, which shall not be later than forty five (45) days from the date of service of such request to the Chairman of the Board of Directors. The agenda items shall be stated in detail in the said request. If the General Meeting is not convened by the Board of

Directors within twenty (20) days from the service of the said request, the meeting shall be convened by the requesting shareholders at the expense of the Company, upon decision of the Single - Member Court of First Instance at the Company's registered seat, issued following the procedure of interim measures. The place and date of the meeting, as well as the items on the agenda, shall be defined by the said decision.

2. At the request of shareholders representing one twentieth (1/20) of the paid-up share capital, the Board of Directors shall be obliged to insert additional items in the agenda of a General Meeting already convened, if the relative request has been submitted to the Board of Directors at least fifteen (15) days prior to the General Meeting. The request for the insertion of additional items in the agenda shall be accompanied by the reasoning or a draft resolution to be approved by the General Meeting. The revised agenda shall be published or notified under the responsibility of the Board of Directors, pursuant to article 26 of Codified Law 2190/1920, as applicable, according to the same procedure as above, thirteen (13) days prior to the date of the General Meeting; at the same time it shall be made available to the shareholders on the Company's website along with the reasoning or the draft decision submitted by the shareholders in accordance with the provisions of par. 5 of article 22 of the Articles of Incorporation.
3. At the request of shareholders representing one twentieth (1/20) of the paid-up share capital, the Board of Directors shall make available to the shareholders in accordance with the provisions of par. 5 article 22 of the Articles of Incorporation, at least six (6) days prior to the General Meeting any draft resolutions on items included in the initial or the revised agenda, provided that such request is submitted to the Board of Directors at least seven (7) days prior to the date of the General Meeting.
4. The Board of Directors shall have no obligation to proceed to the insertion of items in the agenda nor to publish or notify such items along with the reasoning and the draft resolutions submitted by the shareholders in accordance with the above par. 2 and 3 respectively, if their content is obviously contrary to Law and morality.
5. At the request of shareholders representing one twentieth (1/20) of the paid-up share capital, the Chairman of the General Meeting shall be obliged to postpone, only once, the procedure of decision taking by the ordinary or the extraordinary General Meeting for all or for specific items, setting at the same time, as date for the continuation of the meeting, the one specified in the request of the shareholders, which may not be later than thirty (30) days from the date of postponement.  
  
The General Meeting, which follows the postponed one, is deemed to be in continuation of the previous one and no repetition of the formalities for the publication of the shareholders' invitation is required. New shareholders may also attend this meeting, by complying with the provisions of article 22 of the Articles of Incorporation.
6. a) At the request of shareholders representing one twentieth (1/20) of the paid-up share capital submitted to the Company, the Board of Directors shall be bound to announce to the General Meeting of shareholders, provided it is an ordinary General Meeting, the amounts paid by the Company for any reason whatsoever, within the last two (2) years, to members of the Board of Directors, to the General Managers, to the Managers or other employees of the Company, as well as any other benefit paid to the said persons or any contract the Company has entered into with the above mentioned persons for any reason whatsoever.  
  
b) At the request of any of the shareholders, submitted to the Company within at least five (5) full days prior to the General Meeting, the Board of Directors shall be obliged to provide the requested information with respect to the Company's affairs, to the extent that such information is useful for the actual evaluation of the agenda items. The Board of Directors may give a common reply to all shareholders' requests having the same content. There shall be no obligation to provide information, on condition that such information is already posted on the Company's website, especially in question and answer form.

In both cases a) and b) above, the Board of Directors may refuse to provide the requested information, if sufficient material grounds exist, recording the reasons for such refusal in the minutes.

7. At the request of shareholders representing one fifth (1/5) of the paid-up share capital submitted to the Company within the time limit referred to in the preceding paragraph, the Board of Directors shall be obliged to provide during the General Meeting to the said shareholders information on the progress of the affairs and on the financial condition of the Company. The Board of Directors may refuse to provide the requested information, if sufficient material grounds exist, recording the reasons for such refusal in the minutes.
8. In the cases referred to in paragraphs 6 a) and 7 herein, any issue in dispute over the validity of the reasons for such refusal by the Board of Directors shall be resolved by the Single-Member Court of First Instance at the Company's registered seat, following the procedure of interim measures.
9. At the request of shareholders representing one twentieth (1/20) of the paid-up share capital, a resolution concerning any item on the agenda of the General Meeting shall be made by roll call.
10. In all cases referred to in paragraphs 1 up to 7 of the article herein, the shareholders submitting such a request shall be obliged to provide evidence of their shareholding capacity, in accordance with article 22 of the Articles of Incorporation, as well as of the number of their shares granting them the above rights, whether by providing a relative certificate by the entity where the respective securities are being kept or by confirmation of their shareholding capacity through direct online connection between the above-mentioned entity and the Company.
11. Shareholders of the Company representing one twentieth (1/20) of the paid-up share capital shall have the right to request by the Single-Member Court of First Instance of the Company's registered seat the performance of an audit of the Company. Such audit shall be ordered, in the event it is assumed that certain acts reported against the Company violate the provisions of the law, of the Articles of Incorporation, or of the resolutions of the General Meeting. In all cases, the petitions requesting an audit shall be filed within three (3) years from the date of approval of the annual financial statements of the financial year within which such reported acts took place.
12. Shareholders of the Company representing one fifth (1/5) of the paid-up share capital shall have the right to request from the court referred to in the preceding paragraph the performance of an audit of the Company, provided that it is assumed from the general progress of the Company's affairs, that the management thereof is not carried out in accordance with the principles of honesty and prudence. The last subparagraph of paragraph 3 article 40 of Codified Law 2190/1920 shall not be applicable.
13. Shareholders who make a request in accordance with paragraphs 11 and 12 of the article herein, must provide evidence to the Court that they are in possession of the shares, as stipulated in article 22 of the Articles of Incorporation, granting them the right to request the audit of the Company.

## 6. Composition and operation of the Governing Bodies

### 6.1 Governing Bodies

The Governing Bodies of the Company (Article 8 of PPC Articles of Incorporation) shall be:

- a) the Board of Directors,
- b) the Chief Executive Officer and
- c) the Executive Committee

1. The Board of Directors (BoD) shall consist of eleven (11) members divided into executive and non-executive members (independent or not) and elected for a three-year term. In order to ensure continuity in the administration of the affairs and the representation of the Company, the term of office of each member may be extended ipso jure until the first Ordinary General Meeting to be held after the expiration of term of each member.
2. The Board of Directors shall consist of:
  - a) Eight (8) members, including the Chief Executive Officer, elected by the General Meeting of the shareholders of the Company. The Board of Directors shall elect from among the said members its Chairman and Vice Chairman, pursuant to article 14 of the Articles of Incorporation.
  - b) Two (2) members representing the employees of the Company. These members shall be elected by direct, general ballot and by means of the proportional representation system within a time period of two (2) months from the relevant notification to the most representative trade union (ASOP). The election of the representatives of the employees to the Board of Directors shall be conducted by an election committee appointed by the most representative trade union of the Company, in which (committee) at least one representative from the remaining trade unions of the Company shall participate. The procedure of the said election, the appointment of the local election committees, the time and the details of the polling, as well as the counting of the votes and the announcement of the results thereof, shall be the job of said committee, which shall be presided over by a judicial functionary pursuant to the provision of article 11 of Law 1264/1982 concerning "Democratization of the Trade-union Movement – The Rights of the Unions" (Official Gazette, volume A, issue no. 79). The same procedure shall also apply to the appointment of the substitute members in replacement of the members of the Board elected in accordance with the procedure set forth in the paragraph herein. In case the substitute member resigns or leaves his office vacant, for any reason whatsoever, his position shall be occupied by the substitute member who follows next in order.
  - c) One (1) member designated by the Economic and Social Committee (ESC) and coming from agencies relating to the activities of the Company. The member designated by the ESC shall be proposed as a member within a time period of two (2) months as of its notification to the said Committee by the Minister of Environment, Energy and Climate Change (now the Minister of Environment and Energy) and shall be appointed by virtue of Decision of the said Minister. The same procedure shall also apply to the substitution of the said member, in the event of resignation or vacancy in the office of said member for any reason whatsoever as well as to the revocation of said member.
3. In the event that for any reason whatsoever any representative of the employees or the representative of ESC is not elected or in the event any vacancy in the office of the aforesaid representatives is not promptly filled within the time limit of two (2) months as of the notification of the agencies, this shall not impede the constitution and functioning of the Board of Directors.
4. a) In case that for any reason whatsoever there shall be a vacancy in the office of a Board Member elected in accordance with the procedure set forth in paragraph 2a) herein, the remaining members of the Board shall elect another member for the remaining term of the member in the office of whom a vacancy has occurred, and such election shall be posted on the websites of the company and the General Electronic Commercial Registry (GECR or G.E.M.I.) and shall be announced by the Board of Directors at the next meeting of the General Meeting.
  - b) In the event of a vacancy in the office of the Chief Executive Officer for any reason whatsoever the Chairman of the Board of Directors shall temporarily act as Chief Executive Officer or if the posts of Chairman of the Board of Directors and of Chief Executive Officer coincide to the same person, the Vice Chairman of the Board of Directors, appointed pursuant to article 14 par. 1 of the Articles of Incorporation, shall act as Chief Executive Officer. In such instances,

the Board of Directors shall call a meeting of the General Meeting of shareholders within the shortest possible time for the election of the new Chief Executive Officer.

- c) In the event of a vacancy in the office of the Chairman of the Board of Directors for any reason whatsoever the Chief Executive Officer of the Company shall temporarily act as Chairman or if the posts of Chairman of the Board of Directors and of Chief Executive Officer coincide to the same person, the Vice Chairman of the Board of Directors, appointed pursuant to article 14 par. 1 of the Articles of Incorporation, shall act as Chairman. In the event of a vacancy in the office of both the Chairman and the Chief Executive Officer, and should no Vice Chairman of the Board of Directors have been elected, the Chairman shall be substituted by the senior member of the Board of Directors.
  - d) In the event that the Chief Executive Officer or the Chairman are absent or temporarily unable to perform their functions, the Vice Chairman and, if there is no Vice Chairman, a person designated by the Board of Directors among its members who have been elected by the General Meeting in accordance with Article 9 par. 2a) of the Articles of Incorporation, shall substitute for them.
5. Failure to post on the websites of the company and of the GECR and to announce the election or the substitution of a Board Member by the General Meeting shall not invalidate the resolutions of the Board of Directors taken with the participation of the said member.

## 6.2 Competence of the Board of Directors

1. The Board of Directors is the supreme governing body of the Company which shall primarily formulate its strategy and development policy, as well as supervise and exercise control over the management of its property. The Board of Directors shall approve, upon recommendation of the Chief Executive Officer: a) the Strategic Plan, which determines the strategic goals for the attainment of the purpose of the Company, b) the Business Plan of the Company of a duration between three (3) and five (5) years, which specifies the goals of the Strategic Plan for each year of its duration, c) the methods for the implementation of the Strategic Plan and the Business Plan for each year of their duration. The Board of Directors shall also follow up the implementation of both the Strategic and the Business Plan.
2. The Board of Directors shall represent the Company and shall be vested with unlimited authority to decide on any act and to exercise full power concerning the management of the Company, the management of its property and in general the fulfillment of its object, with the exception of those issues which either by law or by the Articles of Incorporation, expressly fall within the jurisdiction of the General Meeting.
3. The Board of Directors shall, upon recommendation of the Chief Executive Officer, approve the annual budget of the Company, prepare, approve and submit to the General Meeting for approval the annual financial statements of the Company and prepare and submit to the General Meeting the annual report.
4. The Board of Directors shall, upon the recommendation of the Chief Executive Officer decide on: a) the necessity of creating positions of Deputy Chief Executive Officers, as well as on their number and competences thereof, b) the basic organization of the Company divided into Divisions and Business Units, which constitute the highest administrative level of its organizational structure, c) the creation of positions of Chief Officers and their competences.
5. The Board of Directors may, upon recommendation of the Chief Executive Officer delegate part of its competences, except for those which, pursuant to Codified Law 2190/1920 and to the Articles of Incorporation, require collective action or fall within the exclusive jurisdiction of the Chief Executive Officer in accordance with Article 15 of the articles of Incorporation, as well as the administration, management or supervision of the affairs or the representation of the Company, to the Chairman, to the Chief Executive Officer, to the Deputy Chief Executive Officers, to one or more of its members, to the Executive Committee, to the Chief Officers, to

the Managers or the employees of the Company.

The aforesaid persons to whom the competences of the paragraph herein are delegated and who have not the capacity of Board Member carry the same responsibility towards the Company as the members of the Board of Directors, pursuant to par. 6, article 22a of Codified Law 2190/1920, as applicable and to article 12 of the Articles of Incorporation.

## 6.3 Convocation and Functioning of the Board of Directors

1. The Board of Directors shall meet at the seat of the Company and/or outside its seat at the facilities of PPC at Kozani, Megalopolis and Aliveri, upon the call of the Chairman or his substitute on such day and hour as determined by him, whenever required following the needs of the Company.
2. The Board of Directors may lawfully meet by way of teleconference upon invitation to the members of the Board of Directors, which includes all necessary information with respect to their participation in the meeting.
3. Upon application by two (2) members, the Chairman or his substitute shall be obliged to convoke the Board of Directors, setting the date of the meeting, which shall not be later than seven (7) days from the submission of the relevant application, in which (application) the Chairman or his substitute shall be obliged to include any proposed item on the agenda of the first meeting held following submission of the relevant application.
4. The agenda of the meetings shall be determined by the Chairman and its items shall be included in the notice sent to the members of the Board at least two (2) working days prior to the date of the meeting, otherwise the decision taking is permitted only if all members of the Board of Directors are present or represented at the meeting and none of them objects to the decision taking.
5. A quorum of the Board shall be deemed to be present and the meeting shall be deemed valid if, pursuant to paragraph 6 herein, one more than half the number of members are present or represented. In no case, however, shall the number of members physically present be less than three (3). In determining the number required to form a quorum, fractions, if any, shall be ignored.
6. The Board of Directors shall take its decisions by absolute majority of the members present or represented. In case of equality in votes, the Chairman's vote shall prevail.
7. Each Board Member may, following written authorization, validly represent only one member thereof. The representation to the Board of Directors may not be assigned to a person who is not a member of the Board of Directors.
8. Minutes of the proceedings and decisions of the Board of Directors shall be kept in accordance with the Law (Article 20, par. 6 of Codified Law 2190/1920, as applicable). The minutes are signed by the Chairman and the members of the Board present at the relevant meeting and are certified at the next meeting of the Board of Directors.
9. The copies of and the excerpts from the minutes of the Board of Directors shall be signed by the Chairman or, in the event he is absent or unable to perform his duties, by his substitute without any other validation being necessary.
10. The General Counsel may attend the meetings of the Board of Directors, except as otherwise decided by the Board of Directors, without having the right to vote.
11. The drawing up and the signing of the minutes by all the members of the Board of Directors or their representatives is equal to a resolution of the Board of Directors, even if no meeting has proceeded.

## 6.4 Liability of the Board Members

1. The Board Members shall be liable to the Company for any fault committed by them during the performance of their duties, as specifically provided for under articles 22a and 22b of Codified

Law 2190/1920, as applicable.

2. The Board Members shall be bound to keep absolute secrecy with regard to all confidential information in respect of the affairs of the Company coming to their knowledge in their capacity as Board Members.
3. The appointment and the dismissal for any reason whatsoever of the Board Members and of the persons empowered to represent the Company jointly or individually shall be subject to publicity, as stipulated by articles 7a and 7b of Codified Law 2190/1920, as applicable, together with their identity particulars and in any case, as provided for by the law each time.

#### 6.5 Prohibition of competition - Participation in the Board of Directors of subsidiary companies

1. The members of the Board of Directors, the Deputy Chief Executive Officers, the Chief Officers, the Managers, as well as the employees of the Company shall not be permitted to perform on occasion or by profession without the authorization of the General Meeting of shareholders of the Company, either on their own behalf or on behalf of third parties, acts falling within the object of the Company or be members of Boards of Directors, executives, employees or representatives of companies pursuing aims similar to those of the Company. In addition, all the aforementioned are not allowed to participate in all types of companies or joint ventures with an object similar to the one of the Company. The subsidiary companies of the Company or the companies in the capital of which the Company participates shall not be subject to the abovementioned prohibition.
2. The prohibition referred to above shall be valid for a period of two years following expiry for any reason whatsoever of the term of office of the Board Member or following his/her retirement from the Board or following retirement from the Company of an officer or employee, who had participated in the Executive Committee of the Company or in the Board of Directors.

#### 6.6 Chairman and Vice Chairman of the Board of Directors

1. The Board of Directors shall elect its Chairman, whose position may coincide with that of the Chief Executive Officer. In the event that the aforesaid positions shall coincide to the same person, the Board shall elect a Vice Chairman also.
2. The Chairman shall represent the Company and follow up the implementation of the decisions of the Board of Directors. He/She shall convene the Board, preside at the meetings thereof, determine the items on the agenda, conduct the meetings and put said items under vote. The Chairman shall also submit, at regular intervals, the reports regarding the conduct of business and the activities of the Company stipulated by the standing provisions and the Articles of Incorporation.

#### 6.7 Chief Executive Officer

1. The Chief Executive Officer of the Company shall be elected by the General Meeting of shareholders for a three-year term of office.
2. The Chief Executive Officer shall be the highest-ranking executive officer of the Company, he/she shall be at the head of all the services thereof, conduct their activities, decide on the further organization of the Company within the scope of the Articles of Incorporation and the relevant resolutions of the Board of Directors, make the necessary decisions within the framework of the provisions governing the operation of the Company, of the approved plans and budgets, of the Strategic Plan (S.P.), of the Business Plan (B.P.), and of the terms of the Management Contract he/she has entered into with the Company pursuant to Article 16 of the Articles of Incorporation. The Chief Executive Officer shall represent the Company within the limits of his duties on the basis of the Articles of Incorporation or of the resolutions of the Board of Directors and may authorize or empower other persons, members of the Board or other executives or

senior executives of the Company to represent him/her.

3. The Chief Executive Officer shall have the following duties under the Articles of Incorporation, as well as all other duties, which shall be delegated to him/her upon resolution of the Board of Directors. He/She shall:
  - a) Submit to the Board of Directors of the Company the proposals and recommendations required for the attainment of the Company's objects, as specified in the Strategic Plan and the Business Plan.
  - b) Make decisions on the conclusion of contracts of a value to be determined on each occasion by decision of the Board of Directors.

#### 6.8 Deputy Chief Executive Officers

1. The Deputy Chief Executive Officers shall report to the Chief Executive Officer and shall be at the head of wider business activities structured into Divisions and Business Units. Deputy Chief Executive Officers may be members of the Board of Directors among those elected by the General Meeting of the shareholders of the Company.
2. The number and duties of the Deputy Chief Executive Officers shall be determined by the Board of Directors upon recommendation of the Chief Executive Officer.
3. The Deputy Chief Executive Officers shall be selected through open competition, unless otherwise decided by the Board of Directors in special cases. The Deputy Chief Executive Officers shall be appointed by decision of the Chairman of the Board of Directors, upon the recommendation of the Chief Executive Officer. In the event that the positions of the Chairman and of the Chief Executive Officer coincide to the same person, the decision for their appointment shall be made by the Board of Directors. The Deputy Chief Executive Officers, in case they are also members of the Board of Directors elected by the Shareholders' General Meeting, shall be appointed by decision of the Board of Directors and upon recommendation by the Chief Executive Officer. Their term of office shall be for three years; their remuneration and other benefits shall be decided by the Chief Executive Officer, who shall sign the relevant contract subject to article 17 of the Articles of Incorporation. The contract shall refer among others to their evaluation as provided for by the Rules of Operation of the Company.

#### 6.9 Management Contract and follow-up of its implementation

1. A Management Contract shall be entered into by and between the Company, represented by the Chairman and, in the event that the positions of Chairman of the Board and Chief Executive Officer coincide, by a specially authorized member of the Board of Directors designated by decision of the Board of Directors and the Chief Executive Officer. By virtue of the said Contract, the goals which the Chief Executive Officer undertakes to achieve during his/her term of office shall be specified within the framework of the Strategic Plan and the Business Plan.
2. The Management Contract shall in particular include:
  - a) The terms and rules for the achievement of the goals of the Business Plan and the procedure of follow-up of its implementation.
  - b) The terms and conditions of its amendment, particularly in case of revision of the Business Plan.
  - c) Special occasions of material or moral reward to the Chief Executive Officer at the end of the financial year and/or at the expiry of his/her term of office. This reward is given in such cases where the annual or overall goals of the Business Plan have been achieved to a degree higher than the one provided for in the Management Contract thanks to his/her special skills, initiatives and diligence.
  - d) The grounds for its termination.
  - e) The indices of crucial financial figures, which might include indicatively indices of product manufacturing cost or provision of services, of productivity, of HR degree of development,

of quality of manufactured products or of services rendered.

- f) The total amount allocated annually for personnel expenditures in relation to the other key financial figures of the Company.
3. The Management Contract shall be terminated by the Board of Directors on the grounds stipulated therein, in the event that there is a substantial deviation from the financial figures or from the deadlines set for the achievement of its goals that cannot be sufficiently justified or for any other important reason. The Chief Executive Officer shall have no voting right in the meeting for the adoption by the Board of Directors of the decision authorizing termination of the Management Contract. Upon termination of the Management Contract, the Chief Executive Officer shall be ipso jure removed from office and relieved from his/her capacity as member of the Board of Directors. As regards his/her substitution up until the election of a new Chief Executive Officer by the General Meeting, the provisions of article 9, par. 4b. of the Articles of Incorporation shall be applicable.

#### 6.10 Remuneration and Compensation of Members

Any remuneration or compensation paid for any reason whatsoever to members of the Board of Directors shall be deemed to be borne by the Company, only if the relevant amount pertaining to each Board Member is approved by special resolution of the Ordinary Shareholders' General Meeting and is proportional to the time that the members of the Board of Directors devote to either the meetings of the Board of Directors or any meetings of Committees except for the Board of Directors and in general to the performance of their assigned duties, in accordance with the provisions of Codified Law 2190/1920 and Law 3016/2002 regarding corporate governance, as applicable. All remunerations and compensations of the non-executive Board Members shall be stated in a separate category in the Appendix of the annual financial statements and the annual report of the Company (remuneration report), which shall be also posted on the Company website.

The study and submission for approval of proposals to the Board of Directors regarding the determination of any kind of remunerations and compensations: a) of the Board Members and b) of the top executives of the Company, in this case in cooperation with the Chief Executive Officer, are effected by the Remuneration Committee of the Company (R.C.) which consists of three (3) non-executive Board Members, among which two (2) at least are independent.

#### 6.11 Chief Officers

1. The Chief Officers shall be high-ranking executives of the Company at the head of independent sectors of the Company's business activities. They shall report to the Chief Executive Officer or/ and to the Deputy Executive Officers. In case of absence of the Chief Officer, for any reason whatsoever, the temporary execution of his/her duties may be assigned by the Chief Executive Officer to another Chief Officer.
2. The number and duties of the Chief Officers, as well as of the Divisions and Business Units shall be determined by the Board of Directors upon recommendation of the Chief Executive Officer. The Chief Officers, who may or may not be employees of the Company, shall be selected through open competition, unless otherwise decided by the Board of Directors in special cases. The Chief Officers shall be appointed for a five-year term of office by the Chief Executive Officer upon the recommendation of the competent Deputy Chief Executive Officer.
3. The Chief Officers shall conclude a special contract with the Chief Executive Officer, by which among others their remuneration, any benefits and matters related to their evaluation shall be determined. More specifically, their evaluation is regulated by the Rules of Operation of the Company.

#### 6.12 Executive Committee

1. An Executive Committee (EC) shall be formed within the Company.

2. The EC shall be composed of the Chief Executive Officer who acts as its Chairman, the Deputy Chief Executive Officers, if any, and the Chief Officers.  
The General Counsel of the Company may attend its meetings at the discretion of the Chief Executive Officer.
3. The EC shall operate in conformity with the decisions of the Board of Directors, ensuring the necessary collective handling of administrative and operational issues of the Company, as well as the consistency in its operation. Within this framework, the EC shall be responsible for important matters concerning inter alia the productivity, the performance of the Company units, the organization and operation of activities of the Company, as well as the budget and the Strategic and the Business Planning.  
Moreover, the EC shall decide on the conclusion of contracts concerning supplies, assignment of projects, provision of services and generally any kind of financial contract up to an amount fixed as per case by the Board of Directors. It shall also make decisions and settle any matter pertaining to the execution of said contracts.
4. The EC shall operate in accordance with its Rule of Operation, as approved by the Board of Directors upon recommendation by the Chief Executive Officer.

#### 6.13 Board of Directors' Committees

In compliance with the legislation in force in 2016 as well as in line with the best practices of corporate governance, an Audit Committee as well as a Remunerations Committee have been set up. Each Committee is composed of members of the Board of Directors of the Company.

The **Audit Committee** consists of at least two (2) non-executive members and one independent non-executive member of the Board of Directors, who shall have proven knowledge of accountancy and auditing. The members of the Audit Committee are appointed by the General Meeting of the Shareholders and, without altering or restricting their obligations as members of the Board of Directors, they undertake the obligations provided for by the law on corporate governance, including:

- the follow up of the financial information procedure,
- the follow up of the efficient operation of the internal audit system and of the risk management system, as well as the follow up of the proper operation of the Internal Audit Department (IAD),
- the follow up of the process of compulsory audit of separate and consolidated financial statements,
- the review and follow up of issues related to the objectivity and independence of chartered auditors-accountants, particularly with regard to other services they provide to the Company and its subsidiaries.
- the follow-up of the execution of the Company's budget.

The proposal of the Board of Directors to the General Meeting for the appointment of chartered auditors-accountants is submitted following recommendation of the Audit Committee. The chartered auditors-accountants are obliged to report to the Audit Committee any issue regarding the process and results of the compulsory audit, as well as to submit a separate report on the weaknesses of the internal audit system, and in particular the weaknesses in the procedures concerning financial information and the preparation of financial statements.

On 31.12.2016 the Audit Committee consisted of Mr. P. Alexakis (Independent - Non Executive Member of the BoD), Mr. G. Andriotis (Vice Chairman of the BoD - Independent - Non Executive Member of the BoD) and Mr. Ch. Papageorgiou (Independent - Non Executive Member of the BoD).

In 2016, the Audit Committee, within the framework of its competencies related to the monitoring of IAD's smooth operation, met 8 times with executives of the said Department. The aim of these meetings was to brief the Audit Committee about the findings and the results of the audits performed by the IAD, as well as issues regarding the operation of the IAD. In addition, the Audit Committee met 3 times to discuss issues concerning the Finance Division.

Mr. Alexakis participated in 9 meetings, Mr. Andriotis in 10 meetings and Mr. Papageorgiou in 11 meetings.

The **Remunerations Committee** of the Company consists of three (3) non - executive members of the Board of Directors, out of which two (2) at least are independent. They are responsible for the consideration and submission of proposals to the Board of Directors on the determination of any remunerations and emoluments whatsoever: a) of the members of the Board of Directors and b) of the managers of the Company, in this case with the collaboration of the Chief Executive Officer.

On 31.12.2016 the Remunerations Committee consisted of Mr. Andriotis G. (Independent - Non Executive Member of the BoD) and Mr. K. Mangos (Non Executive Member of the BoD) while the committee member Mr. V. Hatzithanasiou who resigned on 23.12.2016 from his position as member of the BoD was replaced in the committee by Mr. P. Alexakis (Independent - Non Executive Member of the BoD) on 09.01.2017. Messrs K. Mangos and Mr. V. Hatzithanasiou were appointed on 14.07.2016 in replacement of members Messrs P. Prammantiotis and F. Tavis while Mr. G. Andriotis, was appointed for another term.

The Remunerations Committee did not convene in 2016.

The Company is subject to specific laws and regulations which apply to the wider public sector companies. As long as the Hellenic Republic, as the main shareholder, holds 51% of its share capital, PPC shall continue to be considered as a Public Sector Company in certain areas. Consequently, its business shall continue to be subject to the laws and provisions which are applicable to the Greek Public Sector companies and shall affect specific procedures.

By virtue of L. 3833/2010, L. 3845/2010, L. 4092/2012 and L. 4354/2015, the remunerations of the collective governing bodies and of the members of the Board of Directors were reduced by 50% per meeting. In parallel, the remunerations of the executives may in no case exceed the ceiling set forth by the said laws.

By virtue of L. 4354/2015 (article 28), since 01.01.2016, the remuneration of the Chairmen, Vice -Chairmen, Chief Executive Officers and Members of the Board of Directors of the legal entities as defined by Chapter B' of L. 3429/2005, are exempted from the above mentioned ceiling.

In spite of that, the Chairman and Chief Executive Officer of the company, the Executive Member of the BoD as well as the members of the BoD that are employees of the Company, receive salaries that do not exceed the ceiling established per month (equal to the salary of the General Secretary of a Ministry) and in addition they receive a remuneration for their participation in committees and in the meetings of the BoD.

#### 6.14 Board of Directors' Composition (Members)

##### PPC S.A. BOARD OF DIRECTORS (31/12/2016)

MEMBERS	POSITION	As of	Until
PANAGIOTAKIS Emmanouil	CHAIRMAN OF THE BOD & C.E.O. EXECUTIVE MEMBER	07.04.2015	07.04.2018
ANDRIOTIS George	VICE CHAIRMAN OF THE BOD INDEPENDENT - NON EXECUTIVE MEMBER	11.07.2016	10.07.2019
<b>Members</b>			
STATHAKIS Lazaros	EXECUTIVE MEMBER	11.07.2016	10.07.2019
ALEXAKIS Panagiotis	INDEPENDENT - NON EXECUTIVE MEMBER	18.12.2015	17.12.2018
VATALIS Aris	NON EXECUTIVE MEMBER	18.12.2015	17.12.2018
KARALEFOTHERIS Pantelis	NON EXECUTIVE MEMBER/ REPRESENTATIVE OF EMPLOYEES	06.06.2016	05.06.2019
PAPAGEORGIU Christos	INDEPENDENT - NON EXECUTIVE MEMBER	11.07.2016	10.07.2019
MANGOS Kyriakos	NON EXECUTIVE MEMBER	11.07.2016	10.07.2019
FOTOPOULOS Nikolaos	NON EXECUTIVE MEMBER/ REPRESENTATIVE OF EMPLOYEES	06.06.2016	05.06.2019

On May 17<sup>th</sup> and 18<sup>th</sup>, 2016 the elections for the employees' representatives to the Board of Directors, were held. Messrs. Karaleftheris P. and Fotopoulos N. were elected.

The BoD was formed into a body on June 8<sup>th</sup>, 2016, with Messrs. Karaleftheris and Fotopoulos as Non Executive Members, Representatives of Employees.

On June 29<sup>th</sup>, 2016 the term of office of the members of the Board of Directors Messrs. Andriotis G., Goutsos S., Papageorgiou C., Prammantiotis P., Tavis F. and Chatziathanasiou V. expired, which were extended ipso jure, based on the Company's Articles of Incorporation until June 11<sup>th</sup>, 2016 when the Annual Ordinary Shareholders' Meeting was held and completed, as continued from June 30<sup>th</sup>, 2016 and at which Messrs. Andriotis G., Stathakis L., Papageorgiou C., Mangos K. and Chatziathanasiou V. were elected as Members of the BoD for a three year term, from 11.07.2016 until 10.07.2019 out of which Messrs. Andriotis G., Papageorgiou C. and Chatziathanasiou V. as Independent - Non Executive Members.

The BoD was formed into a body on July 14<sup>th</sup>, 2016, and appointed Messrs. Andriotis G., Papageorgiou C., Mangos K. and Chatziathanasiou V. as Non Executive Members and its Member Stathakis L. as Executive Member.

On December 23<sup>th</sup>, 2016 the member of the Board of Directors Mr. Chatziathanasiou V., resigned.

It is noted that on December 31<sup>st</sup>, 2016 two of the positions/seats of the independent members of the BoD were vacant. Those positions/seats were filled with the election by the Board of Directors on January 9<sup>th</sup>, 2017 of Messrs. Vassilakis D. as Independent - Non Executive Member (in replacement of Mr. Chatziathanasiou V.) and Bitzas G. as Independent - Non Executive Member, representative of the Economic and Social Committee.

The total number of the Board of Directors meetings in 2016 was 26. The participation frequency of each member at the BoD meetings is as follows:

S/N	MEMBERS	BoD MEETINGS 2016
1	PANAGIOTAKIS EMMANOUIL	26
2	ANDRIOTIS GEORGIOS	26
3	GOUTSOS STAVROS	10
4	ALEXAKIS PANAGIOTIS	21
5	VATALIS ARIS	26
6	KARALEFOTHERIS PANTELIS	25
7	MANGOS KYRIAKOS	15
8	PAPAGEORGIU CHRISTOS	26
9	PRAMMANTIOTIS PANAGIOTIS	11
10	STATHAKIS LAZAROS	15
11	TAVRIS FILIPPOS	11
12	FOTOPOULOS NIKOLAOS	24
13	CHATZIATHANASIOU VASILIOS	24

## CVs of the Board Members

### Emmanouil M. Panagiotakis, Chairman & CEO

Mr Emmanouil Panagiotakis is the Chairman and CEO of PPC S.A since April 2015. He has been working in the Corporation since 1974, while for the past 20 years he is an executive in the top management of the Organization. He is a Mechanical-Electrical Engineer from NTUA since 1972 and holder of the Diploma in Management from Henley Management College.

He has worked as a self-employed professional on studies and constructions of electromechanical building installations.

At the beginning of his career in PPC, he elaborated studies on transmission substations, as well as studies and inspections on distribution centers.

As an administrative executive in the Organization Department, he was responsible for all the studies referring to PPC's organization and operation including the internal organizational structure of the departments, the transition to the new Corporation's organization, in view of its transformation into a Société Anonyme and, within the framework of the unbundling activities in 2001, the composition and organization of the Supply Division, the systems of financial and administrative jurisdiction, the regulations governing works, supplies and services, as well as the institutional framework of corporate governance.

He has been member of the executives committee that executed the separation of the Distribution sector from PPC and implemented HEDNO's basic organization and composition, as well as its operation systems.

Also, he has been an Assistant Director and Director of the Organization Department, Director of the Distribution Planning & Performance Department, Director of Distribution Human Resources, Director of Human Resources Training, Occupational Health & Safety, Housing and General Services of HEDNO.

From managerial positions, he has participated actively in all PPC's modernization and reorganization projects, among which the "THALES" Agreement with Électricité de France (EDF).

He participated as Member in the Board of Directors of the Organization of Mediation and Arbitration, where he planned among others the systems for recruitment and selection by employers and syndicates, as well as for the remunerations of Mediators - Arbitrators.

He served as Member of the Social Security Council under the presidency of the General Secretary of the relevant Ministry, as well as Member of the first Board of Directors of PPC Employees' Insurance Organization with active and substantial role in the formation of the legal and institutional framework of its operation.

Until the beginning of the 90's, he had intense political, social and unionist activity as member in the administration of GENOP (PPC's workers union), in the Engineers' Association of PPC and in TEE (Technical Chamber of Greece) Representation. He has been Secretary of the GSEE (Greek General Confederation of Labour) Social Policy and active member of the movement for peace in Greece.

He has elaborated multiple studies regarding energy issues, the operation and strategy of PPC and of Public sector bodies in general, as well as the Electricity Market in Greece.

He has organized many Conferences referring to issues such as human resources, Government Owned Organizations, Energy and has participated in many others in Greece and abroad.

He speaks English and French.

He is married and has two children who are students in N.T.U.A.

### Georgios Andriotis, Vice Chairman

Civil Engineer, pensioner of Public Power Corporation (PPC), with 45 years of experience (1970-2015) in design, supervision, construction contract management and coordination of the implementation of Large and Small Hydropower projects, as well as in providing Consulting and Engineering Services for large hydraulic projects. Furthermore, he has 6 years of experience (1986-1992) in PPC

administration operations, as elected member of the Representative Assembly of Social Audit. He was a member of the Energy Committee (2008-2011) of the Technical Chamber of Greece (TEE) representing TEE at evaluation committees for PPC's large projects tendering procedures.

He was born in Lesvos in 1944. He holds a diploma in Civil Engineering from Thessaloniki University (1962-1967). Self employed hydraulic engineering (1970-1974), specialized in hydraulic project designs.

Public Power Corporation employee from 1974 to 1997 (Hydro Projects Development Department), with experience in designing and construction of hydroelectric projects (Assomata and Giona HPP). As Head of the Small Hydro Section (1990-1997) he was responsible for the coordination and supervision of designs for Makrochori and Glafkos HEPs as well as for engineering reports for Eleoussa, Gitani, Vorino HEPs, Ikaria hybrid project, etc.

Consulting Engineer specializing in small hydro and large hydraulic projects (1998-2015). General Coordinator of consulting engineering services in various projects such as "Construction of Acheloos-Thessaly Diversion Tunnel", "Implementation and Impoundment of Smokovo Dam", "Patras Water Supply Project from Peiros and Parapeiros Rivers", etc.

Vice Chairman of P.P.C.S.A. Board of Directors (2015-today).

### Panagiotis Alexakis, Member

Mr Panagiotis Alexakis, has studied Economics in Greece, (B.A., 1975) and in Great Britain, (M.Sc., 1977 in Economics and Finance and Ph.D. in International Money and Finance, 1981). He has been a scholar of the "Alexander S. Onassis Public Benefit Foundation". He has also taught at the Department of Business Administration of the University of the Aegean and at the Hellenic Open University. His scientific work is recognized worldwide. He has worked as financial consultant and has held managerial posts in various companies. Indicatively: He was responsible for the organization and functioning of the organized derivative exchange market, May 1998-June 2004 (Athens Derivatives Exchange and Athens Derivatives Clearing House S.A.). He was appointed Chairman and CEO of the Athens Stock Exchange S.A. (August 2000-June 2004) as well as Chairman (2000-2003) and CEO (2000-2004) of the Hellenic Exchanges S.A.

He was member of the Board of Directors of the Hellenic Capital Market Commission (August 2000-September 2004), member of the Scientific Council of the Hellenic Banks Association (1994-2004), Member of the Corporate Advisory Committee of the Cyprus Stock Exchange (Sept. 2004-Sept. 2007). He was Advisor to the Board and member of the Board of Directors for various companies of the financial and non financial sector.

### Aris Vatalis, Member

He was born in Kozani in 1966, where he lives till today. He is married and has two daughters. He graduated from the General Lyceum and then attended a Secondary Technical School with direction in engineering. He has been working for PPC SA as a technician, in the Western Macedonia's Lignite Center, since September 1993. Since 1995 he has developed a strong trade union activity and has also participated in sports and cultural organizations. He is currently the Deputy Secretary at the Union "SPARTAKOS" that represents the workers of PPC SA. He has participated in international conferences on matters that refer to Energy and the Environment. For a long time he was the President of the largest and most historic sports club in Kozani, and has also been a member of the Board at Greek Handball Federation (where he was in charge of the women's National Groups).

### Pantelis Karaleftheris, Representative of the Employees

Mr. Pantelis Karaleftheris was born in 1962 in Ardassa of Ptolemaida. He is qualified electrical foreman and works for PPC SA Mines.

From 1984 to 1987 he worked as electrical technician at the project construction companies PPC ASPATE - ALSTHOM and BOKAT.

In 1987 he was hired at the Main Field Mine of PPC as electrician of fixed equipment maintenance

and failure restoration.

He has served as President of the Coordination Body of Students of the Democritos and the Professional and Technical School of Thessaloniki (KETE).

He is very interested in folklore and has made many research trips in Asia Minor, Pontus and the Black Sea. He has been a founding member of the 1<sup>st</sup> administration of Pontian Greek Youth and member of the Board of Directors of the International Confederation of Pontian Greeks.

Since 1994 he is senior member of PPC trade union and has participated in many European and World Conferences on carbon, energy and the Environment.

For six years he has served as General Secretary of the SPARTAKOS trade union, while he was Deputy Secretary of GENOP/PPC for six years (2008-2013). Later he was elected representative of the employees on the Board of Directors of PPC S.A. He has graduated the Academy of KANEP of the GGCL and trains trainers in lifelong learning.

He is married and has two children.

#### **Kyriakos Mangos, Member**

Kyriakos Mangos is a Mechanical Engineer (National Technical University of Athens) and member of the Technical Chamber of Greece (TEE). He holds certificates of studies in Business Administration by the London Chamber of Commerce and Industry Examination Board by the Hellenic American Union (2004). Since 1993, he has worked in the Aliveri Power Plant of PPC, being responsible for operational aspects of the facilities and then since 1996 in the Saint George Power Plant in Keratsini being responsible for the supervision and acceptance of the then innovative project of the rehabilitation of units for natural gas combustion. Since 2004 he was Head of the Department of Administration and Finance of the above mentioned Power Plant where he dealt with HR issues, materials and projects' contracts and financial matters. Since 2008 he was Head of the Maintenance Department of the Power Plant and dealt with installations' upgrading projects in relation to their energy efficiency. Since 2009 he was Deputy Director of the Power Plant and dealt with plant upgrading and plant life extension. In 2016 he was appointed Head of Administrative Support Sector of the Mines Division of PPC. He has specialized in the preparation of programs and technical methods for the maintenance and operation of Power Plants equipment, management and supply of spare parts, the preparation of technical specifications, scheduling and budgeting of projects and process instructions. He is experienced in project management and construction organization, development of quality assurance programs, equipment testing, monitoring contracts and analysis of contractual requirements. He was a member of the Scientific Committee of the Engineers Association of PPC (2010-2012) and since 2014 a member of the Advisory Committee for Energy Planning of the Region of Attica.

He was born in Athens in 1963 and graduated from the Ionideios School of Piraeus. He is married and has a daughter.

#### **Christos Papageorgiou, Member**

Christos Papageorgiou has served as a Director of the West Macedonia Lignite Center (WMLC) of Public Power Corporation S.A. (PPC S.A.) from Sep. 2000 to Mar. 2006. He then moved on to assume the position of the Director of the Project Team of Mines Development in WMLC, from Apr. 2006 to Dec. 2010.

He was recruited in PPC S.A., in WMLC, in Jul. 1979 as a Mining & Metallurgical Engineer, serving thus WMLC for 31.5 years in total. He was occupied with the opening, operation and development of the South Field Mine, which is the biggest lignite surface mine in the Balkans region and one of the biggest of this kind globally, for 21 years, out of which 14 as the South Field Mine Director (Sep. 1986 – Aug. 2000).

During the period 2001 – 2005 of his service as the WMLC Director, the personnel of WMLC consisted of approximately 5,150 employees. Moreover, during the same period, the biggest average annual total volume of excavations in history with the use of own (WMLC) equipment (217.4 mil bcm/year),

the highest lignite production (53.7 mil tons/year), as well as the biggest quantity of electricity produced from lignite by the 4 power plants of PPC in Ptolemaida – Amyntaio region, which covered 55.5% of the total electricity to the country's linked grid was recorded.

During his service in the WMLC lignite mines, Christos developed intense professional activity, characterized by the development, submission and implementation of technical suggestions for the solution of the problems related to the development and the formation of the overall mines' excavations and exploitation strategy (MINE MASTER PLAN). He has also contributed significantly to the elaboration of the operational plans of the PPC S.A. Mines Division, as well as through translating articles about mining issues and editing manuals with instructions regarding personnel training. Moreover, he has participated into many business trips and missions abroad (mine visits, conferences, exhibitions, consultancy services, visit to mines' equipment production plants), as well as to national events (scientific – technical seminars, business re-engineering and management seminars etc).

Christos was born in Mikrovalto, Kozani (1953). He graduated from Valtadorio high school of Kozani (1971) and from the faculty of Mining and Metallurgical Engineering of the National Technical University of Athens (1971 – 1976).

He served his 30 – month military duty as a Reservist Lieutenant Captain – and more specifically as the Head of Worksites (quarries – road construction) of the Composite Reconstruction Unit in the prefectures of Kilikis and Evros in northern Greece, as well as of the Technical Office of the 113<sup>th</sup> Battle Wing of the Greek Military Air Force. Furthermore, he has worked as a professor of mining courses in the Mines Gaffer Department of the Euclid Technical School of Thessaloniki (Jan. 1978 – Jun. 1979).

Christos was elected as a member of the Local Managing Committee (1985) and of the Delegation of the regional department of the Technical Chamber of Greece in Western Macedonia (2000 and 2003). He has also served, after his retirement, as a member of the Permanent Energy Commission of the regional department of the Technical Chamber in Western Macedonia.

He speaks English. He is married and has two children and two grandsons.

#### **Lazaros Stathakis, Member**

Chemical Engineer NTUA, aged 66. Professional experience: Attaché for 5 years in the Perm. Repr. of Greece to the EU in Brussels, including the Greek Presidency of 2003 and 4 years in DG Energy of the E. Commission on R&D demonstration projects.

For 15 years he was working in the Ministry of Public Works for the design and the construction of the sludge disposal facility in Psytalia Waste water Treatment Plant of Attica.

He has worked as a free-lance Engineer, as advisor to Local Authorities and as Gen. Secr. of the Municipality of Piraeus, participated the Board of private companies and the Board of H.R.A.D.F.

He has been an active member of the student movement against the Dictatorship and participated in the democratic political struggles after 1974.

#### **Nikos Fotopoulos, Representative of the Employees**

Mr. Nikos Fotopoulos was born in Agnata at the Prefecture of Ilia in 1962. He is Electrical Technician (Technical School of PPC). From the age of 16 he has been involved in politics and community affairs. For 10 years he served as Secretary of the Energy Domain Committee of the Socialist Party (PASOK).

In 1998 he was elected at the Board of Directors of the Association of PPC's Technicians and served as Press Officer.

Since 2007 until July 2013, he was president of the General Federation of Employees at PPC - Electricity Sector (GENOP/DEI) and member of the Executive Committee of EMCF.

From 2010 he is member of the Administration of the Greek General Confederation of Labour (GSEE) and as of April 2013 he is member of the Executive Committee of GSEE.

### 6.15 Other Professional Engagements of the Members of the Board of Directors

#### OTHER PROFESSIONAL ENGAGEMENTS OF THE MEMBERS OF THE BOARD OF DIRECTORS (2016)

NAME	PROFESSION	Participation as member in the BoD of other companies and non-profit Organizations (in any capacity e.g. Independent member, Executive member, Independent Non Executive member etc.)
PANAGIOTAKIS EMMANOUIL	Mechanical Electrical Engineer	PPC Renewables S.A./BoD Chairman
ANDRIOTIS GEORGIOS	Civil Engineer – PPC pensioner	-
GOUTSOS STAVROS	Assistant Professor at the University of Patras	-
ALEXAKIS PANAGIOTIS	Professor at the University of Athens	TA.NE.O S.A. Independent Non Executive Member
		AGROTIKI ASFALISTIKI S.A. Independent Non Executive Member
		DECA INVESTMENTS S.A. Independent Non Executive Member
		SILENT SEAS S.A. Independent Non Executive Member
VATALIS ARIS	PPC S.A. employee	TSAGARIS S.A. Independent Non Executive Member
		-
KARALEFTHERIS PANTELIS	PPC S.A. employee	-
MANGOS KYRIAKOS	PPC S.A. employee Mechanical Engineer	-
PAPAGEORGIUO CHRISTOS	Mining Engineer Metallurgist	-
PRAMMANTIOTIS PANAGIOTIS	Dr. Nuclear Physics and Particle Physics	Management ORGANIZATION UNIT OF DEVELOPMENT PROGRAMS S.A. Head of Information Technology Dept.  PPC SOLAR SOLUTIONS BoD Chairman
STATHAKIS LAZAROS	Chemical Engineer	-
TAVRIS FILIPPOS	Bank Employee	-
FOTOPOULOS NIKOLAOS	PPC S.A. employee	-
CHATZIATHANASIOU VASSILIOS	Mechanical Electrical Engineer Associate Professor at Aristotle University Thessaloniki	-

### 6.16 Contracts with Members of the Board of Directors

There is no provision for the granting of shares, call options on the Company's stocks or other similar securities for the members of the Board.

Nevertheless, there are other contractual provisions regarding executive members of the Board of Directors, such as expense benefits during the performance of their duties (travel expenses, mobile phone, restaurant bills, etc.) provided that these expenses are accompanied by the necessary receipts and are approved by the Company based on its policy.

In the past according to the policy of the Company, the remunerations of the executive members

and the members of the Board were as follows: a) firm part (basic fees-salary) and b) variable performance-related part (variable part of the remuneration). An annual bonus was provided for in the past, valid only for a short period.

By virtue of L. 4354/2015 (article 28), since 01.01.2016 the executive members of the Board of Directors receive a salary that does not exceed the ceiling established per month (equal to the salary of the General Secretary of a Ministry) and in addition they receive a remuneration for their participation in committees and in the meetings of the BoD.

### 6.17 Diversity applied for the administrative, managerial and supervisory bodies of the company

As already mentioned in paragraph 6.1 herein, eight out of the eleven members of the BoD of the Company, are elected by the General Meeting of the shareholders of the Company, two members representing the employees of the Company are elected by direct, general ballot and one member designated by the Economic and Social Committee (ESC).

For the selection of administrative, managerial and supervisory bodies of the Company, their qualifications such as academic credentials and professional experience are taken under consideration whereas age or other personality characteristics, which could be considered sensitive personal data, do not constitute criteria for selection.

The Company's shareholders, which is an entity related to the public sector and especially its controlling shareholder (Greek State) take under consideration every requirement of the law for the selection of the BoD members that are nominated in the Shareholders' Meeting.

The Company is continuously working towards the direction of adapting to the principles of corporate governance, as stipulated by the Greek legislation.

### 6.18 Information on the Deputy CEOs and the Chief Officers

On December 31<sup>st</sup>, 2016, the Deputy CEOs and the Chief Officers of PPC S.A. were as follows:

#### **Dologlou Kostantinos,**

Deputy CEO supervising the Mines, Generation and Supply Business Units.

#### **Goutsos Stavros,**

Deputy CEO supervising the Finance Division, Human Resources Division and the Support Operations Division.

#### **Angelopoulos George,**

Chief Financial Officer, Economist.

#### **Aravantinos Nikolaos,**

Chief Officer of Support Operations Division, Mechanical-Electrical Engineer.

#### **Damaskos George,**

Chief Officer of Human Resources Division - Electrical Engineer - Economist.

#### **Karalazos Lazaros,**

Chief Officer of Supply Business Unit, Electrical Engineer.

#### **Kopanakis Ioannis,**

Chief Officer of Generation Business Unit, Electrical Engineer.

#### **Kouridou Olga,**

Chief Officer of Mining Business Unit, Mining Metallurgical Engineer.

## APPENDIX

### Definitions and reconciliations of Alternative Performance Measures (“APMs”)

#### ALTERNATIVE PERFORMANCE MEASURES (“APMs”)

The Group and the Parent Company using Alternative Performance Measures («APMs») in taking decisions concerning the financial, operational and strategic planning, as well as for the evaluation and publication of their performance. These APMs serve to better understand the financial and operating results of the Group and the Parent Company, their financial position and cash flows. Alternative indicators (APMs) should always be read in conjunction with the financial results that have been prepared in accordance with IFRS and in no way replace them.

#### Alternative Performance Measures (“APMs”)

In discussing the Group’s and the Parent Company’s performance, “adjusted” measures are used such as: Adjusted EBITDA without one off effects and Adjusted EBITDA margin without one off effects. These adjusted measures are calculated by deducting from performance measures directly derived from amounts of the annual Financial Statement the effect and costs arising from events which have occurred during the reporting period and which have not affected the amounts of previous periods.

#### EBITDA (Operating Income before depreciation and impairment, net financial expenses and taxes)

EBITDA serves to better analyze the operating results of the Group and the Parent Company and is calculated as follows: Total turnover minus total operating expenses before depreciation and impairment. The EBITDA margin (%) is calculated by dividing EBITDA by total turnover.

#### Adjusted EBITDA (Operating Income before depreciation and impairment, net financial expenses and taxes)

Adjusted EBITDA serves to better analyze the Group’s operating income, excluding the impact of one-off effects. These one off effects that affected adjusted EBITDA for 2016 are as follows: (1) An amount of € 63,5 million, concerning an additional expense to cover deficits of the Day Ahead Schedule for previous years and (2) An amount of € 22,6 million, which concerns an one-off cost element due to the revision of the gas supply costs of DEPA from BOTAS for the years 2012-2015. For 2015, one off items that affected the Group’s profitability are as follows: (1) An amount of € 30 million, due to the credit of electricity bills fixed charges as reward to domestic electricity consumers paying their bills on time, which negatively affected the turnover of 2015 (adjusted turnover) and the cash flow of 2016. (2) An expense of € 16,4 million concerning the compensation for rooftop P/Vs to non-interconnected islands for prior years (2011-2014) that was not invoiced until December 2015 and (3) an expense of € 17,6 million for Special Consumption Tax paid by the Parent Company for electricity self-consumption for the period May 2010 - December 2014, following an administrative act of the Customs Authorities. Adjusted EBITDA margin (%) is calculated by dividing adjusted EBITDA by total adjusted turnover.

#### EBIT (Operating Income before net financial expenses and taxes)

EBIT serves to better analyze the operating results of the Group and the Parent Company and is calculated as follows: Total turnover minus total operating expenses. EBIT margin (%) is calculated by dividing EBIT with total turnover.

#### Adjusted Profit/Loss before tax without one off effects

This measure also serves to better analyze the results and is calculated as follows: Profit/(Loss) before taxes as shown in the Financial Statements excluding one off effects as analyzed in the note above for adjusted EBITDA.

#### Adjusted Profit/Loss without one off effects

This measure also serves to better analyze the results and is calculated as follows: Net Profit/(Loss) as shown in the Financial Statements excluding one off effects after taxes as analyzed in the note above for adjusted EBITDA.

#### Net Debt

Net debt is an APM that Management uses to evaluate the capital structure of the Group and the Parent Company as well as leverage. Net debt is calculated by adding long-term loans, the current portion of long-term loans and short-term loans and subtracting from the total, available cash, blocked deposits and investments available for sale and adding the unamortized portion of borrowing costs (see. Note. 28 annual Financial Statements).

Athens, April 7<sup>th</sup>, 2017

For the Board of Directors  
The Chairman and CEO

Emmanuel Panagiotakis

C.

AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT To the shareholders of «Public Power Corporation S.A.»

### **Report on Separate and Consolidated Financial Statements**

We have audited the accompanying separate and consolidated financial statements of "Public Power Corporation S.A.", which consist of the separate and consolidated financial position as at 31<sup>st</sup> December 2016, the separate and consolidated income statement and statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Separate and Consolidated Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these separate and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing that have been incorporated into the Greek Legislation (Government Gazette/B/2848/23.10.2012). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the stand-alone and consolidated financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the "Public Power Corporation S.A." and of its subsidiaries as at December 31, 2016, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Report on Other Legal and Regulatory Requirements**

Taking into consideration that the Management is responsible for the preparation of the Management Report of the Board of Directors and the Statement of Corporate Governance included in the Report, in application of the clauses of paragraph 5 of article 2 (part B) of Law 4336/2015, we note the following:

- a. The Management Report of the Board of Directors includes a statement of corporate governance which presents the sets of information required by article 43bb of Codified Law 2190/1920.
- b. In our opinion, the Management Report of the Board of Directors has been prepared according to the effective legal requirements of articles 43a and 107a and of paragraph 1 (cases c' and d') of article 43bb of Codified Law 2190/1920, whereas its contents correspond to the attached separate and consolidated financial statements of the fiscal year ended on 31/12/2016.
- c. According to our opinion formulated during the audit process, with regard to "Public Power Corporation S.A." and its environment, we have not detected any material inaccuracies in the Management Report of the Board of Directors.



BDO Certified Public Accountant S.A.  
449, Mesogion Av., Ag. Paraskevi  
Athens - Greece  
REG. SOEL: 173

Ag. Paraskevi, April 7<sup>th</sup>, 2017  
Certified Public Accountant

John V. Kalogeropoulos  
REG. SOEL: 10741



PUBLIC POWER CORPORATION S.A.

Consolidated and Separate  
Financial Statements  
December 31<sup>st</sup>, 2016

In accordance with  
International Financial Reporting Standards  
adopted by the European Union

The attached separate and consolidated financial statements have been approved by the Board of Directors of Public Power Corporation S.A. on April 7<sup>th</sup>, 2017 and they are available on the web site of Public Power Corporation S.A. at [www.dei.gr](http://www.dei.gr).

<b>CHAIRMAN AND CHIEF EXECUTIVE OFFICER</b>	<b>VICE CHAIRMAN</b>	<b>CHIEF FINANCIAL OFFICER</b>	<b>ACCOUNTING DEPARTMENT DIRECTOR</b>
EMMANUEL M. PANAGIOTAKIS	GEORGE A. ANDRIOTIS	GEORGE C. ANGELOPOULOS	EFTHIMIOS A.KOUTROULIS

## CONSOLIDATED AND SEPARATE STATEMENT OF INCOME for the year ended December 31<sup>st</sup>, 2016

(All amounts in thousands of Euro - except per share data)

	Note	Group		
		2016		
		Continuing Operations	Discontinued Operations	Total Group
<b>Revenues</b>				
Revenue from energy sales	4	4,998,077	(383)	4,997,694
Other sales	4	223,227	36,276	259,503
		<b>5,221,304</b>	<b>35,893</b>	<b>5,257,197</b>
<b>Expenses</b>				
Payroll cost	5	822,653	61,788	884,441
Lignite		57,049	-	57,049
Liquid fuel		481,228	-	481,228
Natural gas		265,673	-	265,673
Depreciation and Amortization	7	669,090	63,207	732,297
Energy Purchases	6	1,240,328	(12,766)	1,227,562
Materials and consumables		142,873	2,958	145,831
Transmission system usage		177,911	(177,911)	-
Distribution system usage		-	-	-
Utilities and maintenance		251,906	(5,465)	246,441
Third party fees		45,434	3,868	49,302
CO <sub>2</sub> emission rights	8	178,172	-	178,172
Provision for risks		11,286	11,768	23,054
Provision for slow - moving materials		547	206	753
Allowance for doubtful balances		419,073	(4,707)	414,366
Financial expenses	9	223,031	27,875	250,906
Financial income	10	(214,265)	117,525	(96,740)
Other (income) expenses, net	11	214,809	4,835	219,644
Loss/(Gain) of associates and joint ventures		(1,241)	-	(1,241)
Impairment loss /(gain) of marketable securities		9,040	-	9,040
Foreign currency (gain)/loss, net		263	-	263
		<b>4,994,860</b>	<b>93,181</b>	<b>5,088,041</b>
<b>Profit/(loss) before tax</b>		<b>226,444</b>	<b>(57,288)</b>	<b>169,156</b>
Income Tax	13	(44,852)	(56,781)	(101,633)
<b>Net profit/(loss)</b>		<b>181,592</b>	<b>(114,069)</b>	<b>67,523</b>
<b>Attributable to</b>				
Owners of the Parent		181,589	(114,069)	67,520
Non-controlling interests		3	-	3
<b>Earnings per share, basic and diluted</b>		<b>0.78</b>	<b>(0.49)</b>	<b>0.29</b>
Weighted average number of shares		232,000,000	232,000,000	232,000,000

	Group			Company	
	2015			2016	2015
	Continuing Operations	Discontinued Operations	Total Group		
	5,547,082	-	5,547,082	4,984,508	5,535,753
	162,232	26,342	188,574	170,742	139,649
	<b>5,709,314</b>	<b>26,342</b>	<b>5,735,656</b>	<b>5,155,250</b>	<b>5,675,402</b>
	819,814	60,454	880,268	557,936	565,940
	26,800	-	26,800	57,049	26,800
	582,819	-	582,819	481,228	582,819
	326,494	-	326,494	265,673	326,494
	676,011	61,738	737,749	655,347	663,211
	1,335,721	(22,559)	1,313,162	1,255,576	1,350,718
	142,424	1,538	143,962	109,327	111,707
	206,011	(206,011)	-	177,911	206,011
	-	-	-	376,613	412,602
	292,493	(8,203)	284,290	190,545	236,638
	40,963	3,060	44,023	34,252	27,969
	251,128	-	251,128	178,172	251,128
	36,572	27,548	64,120	12,232	36,572
	9,801	(411)	9,390	832	8,358
	878,973	(2,084)	876,889	417,951	878,973
	241,167	24,868	266,035	220,704	240,992
	(108,800)	41,213	(67,587)	(215,055)	(107,699)
	100,269	3,622	103,891	173,084	60,973
	(3,243)	-	(3,243)	-	-
	1,488	-	1,488	5,427	1,488
	588	-	588	404	565
	<b>5,857,493</b>	<b>(15,227)</b>	<b>5,842,266</b>	<b>4,955,208</b>	<b>5,882,259</b>
	<b>(148,179)</b>	<b>41,569</b>	<b>(106,610)</b>	<b>200,042</b>	<b>(206,857)</b>
	30,479	(26,385)	4,094	(33,628)	54,346
	<b>(117,700)</b>	<b>15,184</b>	<b>(102,516)</b>	<b>166,414</b>	<b>(152,511)</b>
	(117,702)	15,184	(102,518)		
	2	-	2		
	<b>(0.51)</b>	<b>0.07</b>	<b>(0.44)</b>		
	232,000,000	232,000,000	232,000,000		

The accompanying notes are an integral part of these financial statements.

## CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME for the year ended December 31<sup>st</sup>, 2016

(All amounts in thousands of Euro)

	Group		
	2016		
	Continuing Operations	Discontinued Operations	Total Group
<b>Profit/(loss) for the year</b>	<b>181,592</b>	<b>(114,069)</b>	<b>67,523</b>
<b>Other Comprehensive income/(loss) for the year</b>			
<i>Other Comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</i>			
Profit/(Loss) from change of fair values of available for sale financial assets during the year	619	-	619
Foreign Exchange Differences	(182)	-	(182)
<b>Net Other Comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<b>437</b>		<b>437</b>
<i>Items not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial gains/(losses) (Note 30)	(31,592)	(2,498)	(34,090)
Deferred taxes due to the change of the income tax rate of fixed assets' revaluation surplus	-	-	-
<b>Net Other Comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods</b>	<b>(31,592)</b>	<b>(2,498)</b>	<b>(34,090)</b>
<b>Other Comprehensive income/(loss) for the year after tax</b>	<b>(31,155)</b>	<b>(2,498)</b>	<b>(33,653)</b>
<b>Total Comprehensive income/(loss) after tax</b>	<b>150,437</b>	<b>(116,567)</b>	<b>33,870</b>
<b>Attributable to</b>			
Owners of the Parent	150,434	(116,567)	33,867
Non controlling interests	3	-	3

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	Group			Company	
	2015			2016	2015
	Continuing Operations	Discontinued Operations	Total Group		
<b>Profit/(loss) for the year</b>	<b>(117,700)</b>	<b>15,184</b>	<b>(102,516)</b>	<b>166,414</b>	<b>(152,511)</b>
<b>Other Comprehensive income/(loss) for the year</b>					
<i>Other Comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</i>					
Profit/(Loss) from change of fair values of available for sale financial assets during the year	(619)	-	(619)	420	(420)
Foreign Exchange Differences	(95)	-	(95)	-	-
<b>Net Other Comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<b>(714)</b>	<b>-</b>	<b>(714)</b>	<b>420</b>	<b>(420)</b>
<i>Items not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gains/(losses) (Note 30)	(34,916)	(816)	(35,732)	(18,473)	(24,588)
Deferred taxes due to the change of the income tax rate of fixed assets' revaluation surplus	(57,783)	(13,767)	(71,550)	-	(56,132)
<b>Net Other Comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods</b>	<b>(92,699)</b>	<b>(14,583)</b>	<b>(107,282)</b>	<b>(18,473)</b>	<b>(80,720)</b>
<b>Other Comprehensive income/(loss) for the year after tax</b>	<b>(93,413)</b>	<b>(14,583)</b>	<b>(107,996)</b>	<b>(18,053)</b>	<b>(81,140)</b>
<b>Total Comprehensive income/(loss) after tax</b>	<b>(211,113)</b>	<b>601</b>	<b>(210,512)</b>	<b>148,361</b>	<b>(233,651)</b>
<b>Attributable to</b>					
Owners of the Parent	(211,115)	601	(210,514)		
Non controlling interests	2	-	2		

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The accompanying notes are an integral part of these financial statements.

## CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION as of December 31<sup>st</sup>, 2016

(All amounts in thousands of Euro)

	Note	Group		Company	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015
<b>ASSETS</b>					
<b>Non-Current Assets:</b>					
Tangible assets	14	11,936,838	13,590,247	11,714,407	11,751,414
Intangible assets, net	15	58,037	78,558	54,967	74,330
Investments in subsidiaries	16	-	-	214,351	1,130,727
Investments in associates	17	21,017	23,616	1,201	1,201
Available for sale financial assets	22	1,276	316	889	316
Other non-current assets		104,589	119,732	104,076	119,204
<b>Total non-current assets</b>		<b>12,121,757</b>	<b>13,812,469</b>	<b>12,089,891</b>	<b>13,077,192</b>
<b>Current Assets</b>					
Materials, spare parts and supplies, net	19	659,613	747,370	544,150	569,811
Trade receivables, net	20	1,597,997	1,844,208	1,566,858	1,699,805
Other receivables, net	21	213,319	245,875	274,147	221,843
Income tax receivable		2,559	22,533	-	-
Other current assets		58,591	62,622	43,781	41,206
Cash and cash equivalents	23	207,034	451,670	149,414	197,592
Restricted Cash	23	110,963	127,842	110,963	127,842
Total Assets from Discontinued Operations		2,163,564	-	916,376	-
<b>Total Current Assets</b>		<b>5,013,640</b>	<b>3,502,120</b>	<b>3,605,689</b>	<b>2,858,099</b>
<b>Total Assets</b>		<b>17,135,397</b>	<b>17,314,589</b>	<b>15,695,580</b>	<b>15,935,291</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity:</b>					
Share capital	24	1,067,200	1,067,200	1,067,200	1,067,200
Share premium		106,679	106,679	106,679	106,679
Legal reserve	25	117,524	109,203	117,524	109,203
Fixed assets' statutory revaluation surplus included in share capital		(947,342)	(947,342)	(947,342)	(947,342)
<b>Revaluation surplus</b>		<b>4,748,192</b>	<b>4,752,277</b>	<b>4,016,613</b>	<b>4,020,016</b>
Other Reserves	26	(153,372)	(119,718)	(34,096)	(16,043)
Retained earnings		1,006,418	943,165	1,544,987	1,383,482
		<b>5,945,299</b>	<b>5,911,464</b>	<b>5,871,565</b>	<b>5,723,195</b>
<b>Non-Controlling interests</b>		<b>95</b>	<b>92</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>5,945,394</b>	<b>5,911,556</b>	<b>5,871,565</b>	<b>5,723,195</b>
<b>Non-Current Liabilities</b>					
Long-term borrowing	28	3,950,902	4,491,174	3,950,912	4,365,184
Post retirement benefits	30	446,326	446,821	280,623	264,644
Provisions	31	227,420	280,635	189,568	196,541

	Note	Group		Company	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015
Deferred tax liabilities	13	560,095	717,255	321,656	605,010
Deferred customers' contributions and subsidies	32	1,405,987	1,611,897	1,401,682	1,472,461
Other non-current liabilities	33	583,695	562,591	558,319	529,969
<b>Total Non-Current Liabilities</b>		<b>7,174,425</b>	<b>8,110,373</b>	<b>6,702,760</b>	<b>7,433,809</b>
<b>Current Liabilities:</b>					
Trade and other payables	34	1,283,795	1,848,740	1,864,956	1,830,239
Short-term borrowings	35	30,000	127,016	30,000	80,000
Current portion of long-term borrowing	28	631,102	713,787	631,102	396,652
Dividends payable	27	63	149	63	149
Income tax payable		22,129	198,810	15,411	176,129
Accrued and other current liabilities	36	263,510	403,469	325,123	294,429
Derivative liability	29	-	689	-	689
Total Liabilities from Discontinued Operations		1,784,979	-	254,600	-
<b>Total Current Liabilities</b>		<b>4,015,578</b>	<b>3,292,660</b>	<b>3,121,255</b>	<b>2,778,287</b>
<b>Total Liabilities and Equity</b>		<b>17,135,397</b>	<b>17,314,589</b>	<b>15,695,580</b>	<b>15,935,291</b>

The accompanying notes are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY for the year ended December 31<sup>st</sup>, 2016

(All amounts in thousands of Euro)

	Share Capital	Share Premium	Legal Reserve	Revaluation Surplus	Fixed Assets Statutory Revaluation Surplus
<b>Balance, January 1, 2015</b>	<b>1,067,200</b>	<b>106,679</b>	<b>109,203</b>	<b>4,833,594</b>	<b>(947,342)</b>
- Net loss for the year	-	-	-	-	-
- Other comprehensive income/(loss) for the year after tax	-	-	-	(71,550)	-
<b>Total Comprehensive income/(loss) for the year after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(71,550)</b>	<b>-</b>
- Transfers from retirements of fixed assets	-	-	-	(8,721)	-
- Dividends	-	-	-	-	-
- Other movements	-	-	-	(1,046)	-
<b>Balance, December 31, 2015</b>	<b>1,067,200</b>	<b>106,679</b>	<b>109,203</b>	<b>4,752,277</b>	<b>(947,342)</b>
<b>Balance, January 1, 2016</b>	<b>1,067,200</b>	<b>106,679</b>	<b>109,203</b>	<b>4,752,277</b>	<b>(947,342)</b>
- Net profit for the year	-	-	-	-	-
- Other comprehensive income/(loss) for the year after tax	-	-	-	-	-
<b>Total Comprehensive income/(loss) for the year after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Transfers from retirements of fixed assets	-	-	-	(4,085)	-
- Legal Reserve formation	-	-	8,321	-	-
- Other movements	-	-	-	-	-
<b>Balance, December 31, 2016</b>	<b>1,067,200</b>	<b>106,679</b>	<b>117,524</b>	<b>4,748,192</b>	<b>(947,342)</b>

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Foreign Exchange Differences, Tax-free and Other Reserve	Retained Earnings	Total	Non Controlling Interest	Total Equity
<b>(83,272)</b>	<b>1,048,597</b>	<b>6,134,659</b>	<b>90</b>	<b>6,134,749</b>
-	(102,518)	(102,518)	2	(102,516)
(36,446)	-	(107,996)	-	(107,996)
<b>(36,446)</b>	<b>(102,518)</b>	<b>(210,514)</b>	<b>2</b>	<b>(210,512)</b>
-	8,721	-	-	-
-	(11,600)	(11,600)	-	(11,600)
-	(35)	(1,081)	-	(1,081)
<b>(119,718)</b>	<b>943,165</b>	<b>5,911,464</b>	<b>92</b>	<b>5,911,556</b>
<b>(119,718)</b>	<b>943,165</b>	<b>5,911,464</b>	<b>92</b>	<b>5,911,556</b>
-	67,520	67,520	3	67,523
(33,653)	-	(33,653)	-	(33,653)
<b>(33,653)</b>	<b>67,520</b>	<b>33,867</b>	<b>3</b>	<b>33,870</b>
-	4,085	-	-	-
-	(8,321)	-	-	-
(1)	(31)	(32)	-	(32)
<b>(153,372)</b>	<b>1,006,418</b>	<b>5,945,299</b>	<b>95</b>	<b>5,945,394</b>

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The accompanying notes are an integral part of these financial statements.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY for the year ended December 31<sup>st</sup>, 2016

(All amounts in thousands of Euro)

	Share Capital	Share Premium	Legal Reserve
<b>Balance, January 1, 2015</b>	<b>1,067,200</b>	<b>106,679</b>	<b>109,203</b>
- Net loss for the year	-	-	-
- Other comprehensive income/(loss) for the year after tax	-	-	-
<b>Total Comprehensive income/(loss) for the year after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Transfers from retirements of fixed assets	-	-	-
- Dividends	-	-	-
- Other movements	-	-	-
<b>Balance, December 31, 2015</b>	<b>1,067,200</b>	<b>106,679</b>	<b>109,203</b>
<b>Balance, January 1, 2016</b>	<b>1,067,200</b>	<b>106,679</b>	<b>109,203</b>
- Net profit for the year	-	-	-
- Other comprehensive income/(loss) for the year after tax	-	-	-
<b>Total Comprehensive income/(loss) for the year after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Transfers from retirements of fixed assets	-	-	-
- Legal Reserve formation	-	-	8,321
- Other movements	-	-	-
<b>Balance, December 31, 2016</b>	<b>1,067,200</b>	<b>106,679</b>	<b>117,524</b>

Revaluation Surplus	Fixed Assets Statutory Revaluation Surplus	Tax-free and Other Reserve	Retained Earnings	Total Equity
<b>4,082,686</b>	<b>(947,342)</b>	<b>8,965</b>	<b>1,541,057</b>	<b>5,968,448</b>
-	-	-	(152,511)	(152,511)
(56,132)	-	(25,008)	-	(81,140)
<b>(56,132)</b>	<b>-</b>	<b>(25,008)</b>	<b>(152,511)</b>	<b>(233,651)</b>
(6,538)	-	-	6,538	-
-	-	-	(11,600)	(11,600)
-	-	-	(2)	(2)
<b>4,020,016</b>	<b>(947,342)</b>	<b>(16,043)</b>	<b>1,383,482</b>	<b>5,723,195</b>
<b>4,020,016</b>	<b>(947,342)</b>	<b>(16,043)</b>	<b>1,383,482</b>	<b>5,723,195</b>
-	-	-	166,414	166,414
-	-	(18,053)	-	(18,053)
-	-	<b>(18,053)</b>	<b>166,414</b>	<b>148,361</b>
(3,403)	-	-	(3,403)	-
-	-	-	(8,321)	-
-	-	-	9	9
<b>4,016,613</b>	<b>(947,342)</b>	<b>(34,096)</b>	<b>1,544,987</b>	<b>5,871,565</b>

The accompanying notes are an integral part of these financial statements.

## CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS for the year ended December 31<sup>st</sup>, 2016

(All amounts in thousands of Euro)

	Group		Company	
	2016	2015	2016	2015
<b>Cash flows from operating activities</b>				
Profit/(Loss) before tax from continuing operations	226,444	(148,179)	200,042	(206,857)
<b>Adjustments:</b>				
Depreciation and amortization	744,959	751,760	731,007	738,791
Amortisation of customers' contributions and subsidies	(75,868)	(75,750)	(75,660)	(75,580)
Impairment loss of marketable securities	9,040	1,488	5,427	1,488
Fair value (gain)/loss of derivative instruments	(689)	(2,876)	(689)	(2,876)
Share of loss (profit) of associates	(1,241)	(3,243)	-	-
Interest income and dividends	(93,434)	(64,387)	(214,366)	(107,699)
Sundry provisions	408,136	931,559	412,535	920,765
Unrealised foreign exchange (gains)/ losses on loans and borrowings	(404)	1,565	(404)	1,565
Unbilled revenue	(6,073)	(137,139)	(6,073)	(137,139)
Retirements of fixed assets and software	11,192	18,482	11,075	18,482
Amortization of loan origination fees	7,181	7,143	7,181	7,143
Interest expense	191,984	213,626	191,984	213,626
<b>Operating profit before working capital changes</b>	<b>1,421,227</b>	<b>1,494,049</b>	<b>1,262,059</b>	<b>1,371,709</b>
<b>(Increase)/decrease in:</b>				
Trade receivables	(262,838)	(771,855)	(241,510)	(772,672)
Other receivables	(3,659)	(4,900)	5,331	11,312
Materials, spare parts and supplies	47,228	(17,539)	24,829	(19,091)
<b>Increase/(decrease) in:</b>				
Trade payables	177,920	184,565	34,717	228,437
Other non-current liabilities	27,711	11,337	28,350	(8,527)
Accrued/other liabilities excluding interest	92,707	130,157	107,414	156,788
Income tax paid	(252,014)	(28,393)	(223,232)	(23,712)
Discontinued operations	(57,607)	164,377	-	-
<b>Net Cash from Operating Activities</b>	<b>1,190,675</b>	<b>1,161,798</b>	<b>997,958</b>	<b>944,244</b>
<b>Cash Flows from Investing Activities</b>				
Interest and dividends received	93,434	61,511	121,422	104,823
Capital expenditure for tangible and intangible assets	(727,465)	(623,699)	(722,531)	(616,565)
Proceeds from customers' contributions and subsidies	4,881	13,547	4,881	13,547
Investments in subsidiaries and associates	2,599	(1,951)	-	(722)
Discontinued operations	(40,592)	(108,425)	-	-
<b>Net Cash used in Investing Activities</b>	<b>(667,143)</b>	<b>(659,017)</b>	<b>(596,228)</b>	<b>(498,917)</b>
<b>Cash Flows from Financing Activities</b>				
Net change in short-term borrowings	(50,000)	30,000	(50,000)	30,000

	Group		Company	
	2016	2015	2016	2015
Proceeds from long-term borrowing	145,000	-	145,000	-
Principal payments of long-term borrowing	(332,044)	(272,004)	(332,044)	(272,004)
Interest paid and loans' issuance fees	(207,796)	(233,553)	(212,778)	(242,451)
Dividends paid	(86)	(11,598)	(86)	(11,598)
Discontinued operations	(29,158)	1,533	-	-
<b>Net Cash used in Financing Activities</b>	<b>(474,084)</b>	<b>(485,622)</b>	<b>(449,908)</b>	<b>(496,053)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>49,448</b>	<b>17,159</b>	<b>(48,178)</b>	<b>(50,726)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>451,670</b>	<b>434,511</b>	<b>197,592</b>	<b>248,318</b>
<b>Cash and cash equivalents from discontinued operations</b>	<b>(294,084)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>207,034</b>	<b>451,670</b>	<b>149,414</b>	<b>197,592</b>

The accompanying notes are an integral part of these financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS December 31<sup>st</sup>, 2016

(All amounts in thousands of Euro, unless otherwise stated)

### 1. Corporate Information

Public Power Corporation S.A. ("PPC" or the "Parent Company") was established in 1950 in Greece for an unlimited duration as a State owned and managed corporation for electricity generation, transmission and distribution throughout Greece.

In 1999, the Hellenic Republic enacted Law 2773/1999 ("the Liberalization Law"), which provided for, among other provisions, the transformation of PPC into a société anonyme. PPC's transformation to a société anonyme was effected on January 1<sup>st</sup>, 2001, by virtue of Presidential Decree 333/2000 and its duration was set for 100 years.

Effective December 2001, PPC's shares are listed on the Athens and the London Stock Exchanges.

In 2007 the Parent Company proceeded to the spin-off of its RES activity and its contribution to its wholly owned subsidiary PPC Renewables S.A.

On December 1<sup>st</sup> 2011 the Parent Company proceeded to the spin-off of its General Division of Transmission and the contribution to its wholly owned subsidiary "Independent Power Transmission Operator" (IPTO S.A.).

On May 1<sup>st</sup> 2012 the spin-off of the General Division of Distribution was completed by its contribution to PPC's wholly owned subsidiary "Hellenic Electricity Distribution Network Operator" (HEDNO S.A.).

The accompanying financial statements include the separate financial statements of PPC and the consolidated financial statements of PPC and its subsidiaries ("the Group").

PPC headquarters are located at 30, Chalkokondili Street, Athens, 104 32 Greece.

At December 31<sup>st</sup>, 2016, the number of staff employed by the Group was 18,902 (2015: 18,356).

At December 31<sup>st</sup>, 2016, employees of the Group 97 (2015: 98), have been transferred to several State agencies out of which, were on PPC's payroll 92 (2015: 94). The total payroll cost of these employees, for the twelve-month period ended December 31<sup>st</sup>, 2016 amounted to Euro 3,460 (2015: Euro 3,221) .

Additionally, PPC's transferred employees in TAYTEKO-KAP/DEI and IKA – ETAM-TAP/DEI amounted to 280 in 2016, for whom payroll for the twelve-month period ended December 31<sup>st</sup>, 2016, amounted to Euro 12,425.

PPC Group generates electricity from the 62 main power generating stations of the Parent Company as well as from additional stations (Wind Parks, Small Hydro stations and Photovoltaic plants) that belong to its wholly owned subsidiary PPC Renewables, transmits electricity through its 12,457 kilometres long High voltage System, out of which 11,507 kilometres are owned by its wholly owned subsidiary Independent Power Transmission Operator (IPTO S.A.) and distributes electricity to consumers through its 237,360 kilometres long Distribution Network of Medium and Low voltage which are managed by its wholly owned subsidiary "Hellenic Distribution Network Operator (HEDNO S.A.)". Lignite consumed by the Parent Company's lignite-fired power stations is extracted, mainly, from its own lignite mines. PPC Group has also installed a fibre optics network of approximately 2,189 kilometres along its transmission lines and approximately 164 kilometres of urban fibre optics network.

### 2. Legal Framework

CHANGES IN THE LEGAL FRAMEWORK OF THE ELECTRICITY MARKET 2016

#### General Provisions for the Domestic Electricity Market

- Following Law 4320/2015 (OG A'29/19.03.2015) regarding the provisions for immediate actions to

address the humanitarian crisis, Law 4381/2016 was enacted, by which the provisions concerning the provision of electricity free of charge are amended as follows:

«The provision of electricity, free of charge for up to 1200kWh per four month period, for a total period of 12 months, which corresponds to three settlement four month bills for the year 2015, is provided for the electricity needs of the households' main residence which resided under extreme poverty conditions. In case of beneficiaries whose supply had been disconnected till January 31<sup>st</sup> 2015, it will be connected free of charge, whilst overdue debts will be settled. The provision of free electricity could be extended in the consumption of the following year to complement the 12 month period grant». The terms and the conditions for the settlement of overdue debts are agreed by contract between the Ministry for Labour and Social Solidarity and electricity Suppliers.

- In the context of the institutionalized Intermittent Load Service (ΥΔΦ), auctions have started for the provision of ΥΔΦ1 and ΥΔΦ2 type of Intermittent Load while the revised Auction's Regulation for the abovementioned provision has also been posted on the web by IPTO.
- The electricity used for chemical reduction, electrolytic and metallurgical process is exempted from the imposition of the Consumption Special Tax, as stated in the Decision of the Secretariat General of government revenues (OG B' 743/21.03.2016). The Decision contains information regarding the Beneficiaries, the required documents, the exempted quantities of electricity, the obligations of the beneficiaries and the obligations of the Distributors/Self-generators.
- According to the Decision 33 of the Government's Council Economic Policy (OG B' 1472/25.05.2016) the HRADF's Asset Development Plan (ADP) was approved. Specifically, for PPC, the potential sale of 17% of its shares is included in the Asset Development Plan (ADP).

According to Law 4425/2016, the transfer of 34% of PPC's shares which the Greek State owns, to the Public Holding Company under establishment. Among the companies which are transferred to the Public Holding Company, IPTO is not included.

- Law 4389/2016 "Urgent Provisions for the implementation of the Financial Targets and Structural Reforms Agreement and other provisions" provides, among others, the following:
  - The procedures and details of the full ownership unbundling of IPTO from PPC S.A. are set (articles 142-149 and 152). According to the specific articles, PPC must:
    - a) Sell, through an international tender (Invitation to Submit an Expression of Interest), at least 20% of IPTO's shares in a strategic investor who will be either a) a Transmission system operator, member of the ENTSO-E, or a transmission system operator participating in a transmission system operator being a member of ENTSO-E or b) a consortium in which a transmission system operator of case a) will be participating.
    - b) Establish a holding company, to which it will transfer in kind 51% of IPTO's Shares. PPC will be initially the sole shareholder of that company and later on PPC will transfer all shares of the company to its shareholders, through a share capital decrease and a distribution in kind.
    - c) Sell at least 25% of IPTO's shares in a Greek public company (named Public Holding Company of IPTO). The price per share for that sale will be equal to the price to be paid by the strategic investor as above.

The Share Purchase Agreement («SPA») must be concluded by 28<sup>th</sup> February 2017, following the earlier transfer of PPC's shares held in the Holding Company to its shareholders, while according to Law 4393/2016 the deadline for selecting the Preferred Strategic Investor was shortened by one month and must be concluded until 31<sup>st</sup> October 2016.

In compliance with Law 4389/2016, the Invitation to Submit an Expression of Interest was issued and published following the July 11<sup>th</sup> 2016 decision of the General Meeting of PPC S.A. Shareholders, which set and the percentage of sale of IPTO's shares in a strategic investor to 24%.

Four companies submitted an Expression of Interest, as follows:

- China Southern Power Grid,
- China State Grid International Development Limited, Hong Kong,

- RTE International on behalf of RTE Reseau de Transport d'Electricite S.A. and
- TERNA - Rete Elettrica Nazionale S.p.A. in partnership with F2i SGR S.p.A.

China State Grid International Development Ltd was selected as the Preferred Strategic Investor offering a bid of Euro 320 mil. The sale of 24% of IPTO's shares to the preferred investor was approved by PPC's Shareholders General Meeting on November 24<sup>th</sup> 2016, while the SPA was signed on December 16<sup>th</sup> 2016.

Moreover, in accordance with Law 4423/2016, the time sequence of actions required to complete the full ownership unbundling of IPTO was clarified and now is established that for PPC to sign the Share Purchase Agreement with the Preferred Strategic Investor, the earlier transfer of the shares held in the Holding Company to PPC's shareholders is not required.

On January 17<sup>th</sup> 2017, the PPC's Shareholders General Meeting approved a) the establishment of a 100% subsidiary company under the name "Energy Holding Company Limited (EN.SYM)", b) the contribution in kind of the 51% of IPTO's shares held by PPC to EN.SYM as the initial share capital plus Euro 70 in cash and c) the reduction of PPC's share capital by an amount equivalent to the initial share capital of EN.SYM and the distribution in kind of the shares of EN.SYM to existing shareholders of PPC at their proportionate interest in the share capital of PPC.

These actions are already underway and will take place after the fulfillment of Law 2190/1920 prerequisites.

In addition, within the implementation framework of IPTO's ownership unbundling, upon the completion of the transfer by PPC to its shareholders of the shares held in the EN.SYM., the company in accordance with Article 146 of Law 4389/2016, "requests without undue delay its listing in the Athens Stock Exchange, having taken all necessary steps to this end, including in particular the drawing up of an Offering Circular". These actions are in progress with the cooperation and supervision of the competent Authorities (Capital Market Commission and ATHEX).

Finally, the General Meeting of PPC's Shareholders for the authorisation of the transfer of 25% of IPTO's share capital to DES ADMIES is scheduled to take place in May 2017. It is noted that, by a subsequent amendment of Law 4389/2016, within the Article 32 of Law. 4447/2016, OG A 241/23.12.2016 it is determined that, "the acquisition price per share will be determined after carrying out a valuation of the 25% stake of IPTO's share capital as an independent stake, to be conducted by an independent valuator, which will be appointed jointly by DES ADMIE and PPC."

- According to the provisions of articles 135-141 of the Law, the procedures, the involved parties and all the details concerning the implementation of the regulated forward products (NOME type auctions) are set. The quantities of electricity to be auctioned are calculated as a percentage of PPC's share reduction in the retail market of the interconnected system, taking as a reference point PPC's market share in August 2015, and are as follows: 8% for 2016, 12% for 2017, 13% for 2018 and 13% for 2019. Those percentages would be possibly amended in case PPC's market share exceeds or falls two percentage points from the reduction target set. The first auction will take place till the end of September 2016 and the physical deliveries must start during the last three months of 2016. The beneficiaries of those products will be all the licensed Suppliers (which will be registered in the NOME registry as well) except PPC S.A. and the industrial consumers which are not allowed to buy NOME forward products unless industrial consumers maintain or develop a separate activity for electricity supply. The auctions' starting price will be determined through a Joint Ministerial Decision, by a methodology decided by the Ministers of the Economy and Environment and Energy, after RAE's opinion. The methodology will be based on the variable cost of PPC's lignite and hydroelectric units and will set the lignite/hydroelectric ratio in the forward products mix. With the Joint Ministerial Decision FIN.182348 (OG B' 2848/07.09.16) the methodology for the determination of the starting forward products auction's prices was established as well as the therefrom resulting price for the first period of implementation of the mechanism, which was set to € 37.37 / MWh. The annual quantity for the auctioned products for 2016 was set equal to 460 MWh/h (RAE Decision 353/2016). With the same Decision, the segmentation of the auctioned quantity to individual forward products was set, as well as the schedule of auctions. The first auction took place on October 25<sup>th</sup> 2016,

with 12 companies participating and with prices ranging between € 37,37 and € 37,50. Physical deliveries should have begun within the fourth quarter of 2016.

It is noted that within November 2016, PPC filed an application to the State Council for the annulment of the aforementioned decisions relating to the methodology of determination of the starting forward products auction prices and the resulting price for the first period of the mechanism's implementation.

The annual quantity of electricity for the future products to be auctioned in 2017 will amount to 681MWh/h (Volume: 5,966,056 MWh) (RAE Decision 619/2016). The allocation of that annual quantity in individual future products with physical delivery will be done through four auctions, as follows: 145 MWh/h on January 31<sup>st</sup> 2017, 145 MWh/h on April 26<sup>th</sup> 2017, 145 MWh/h on July 12<sup>th</sup> 2017 and 246 MWh/h on October 18<sup>th</sup> 2017. The first auction of 2017 was recently completed, with the product price ranging between €41,05 and €41,14/MWh.

Up to this date and during the mechanism's implementation, a significant variation between the total quantity of use declarations and the load declarations, especially in low load hours was observed and therefore RAE made regulatory interventions to ensure the proper use of those products, as base products, discouraging the submission of extremely high declarations covering peak loads, increasing the secondary market liquidity and further strengthening the usage purpose of the forward products (RAE Decision 184/2017).

- A "Transitional Flexibility Assurance Mechanism" will be adopted. The implementation of this transitional mechanism, which refers to the sufficient flexibility assurance and not to the capacity one, will be enacted from May 1<sup>st</sup> 2016 and its duration will be 12 months at the most. It will compensate natural gas units (open and combined cycle and cogeneration) and part of hydroelectric units, with the amount of Euro € 45,000 /MW. The upper compensation limit per unit is set to Euro 15 mil., while the total annual compensation amount of the mechanism has been set to Euro 225 mil. Following the Law and in the framework of the European Commission's Decision for the approving of the above Mechanism, RAE called, with a notice, the eligible power plants to apply for their participation in the "Transitional Flexibility Assurance Mechanism". Following the same issue, RAE announced the list of the generation units of the interconnected system (natural gas units and hydroelectric units) that are included in the Transitional Flexibility Assurance Mechanism, the inclusion date, the eligible capacity and the maximum amount of compensation per unit, fuel and generator. According to the data of the table, the mechanism integrates 1660.892 MW of PPC's natural gas units with a maximum compensation amount of Euro 54.1 mil. and 619.807 MW of PPC's hydroelectric units with a maximum compensation amount of Euro 27.9 mil.

- All natural gas quantities consumed for electricity generation are exempted from the Consumption Special Tax, from June 1<sup>st</sup> 2016 and onwards (Art 61 par. 1 & 3).

- Finally, the provisions of Law 4273/2014 on the Establishment of a New Vertically Integrated Electricity Undertaking are repealed (OG A' 146).

- According to O.G B' 1463/24.05.2016 the Electricity Supply Code is amended concerning the rights and obligations of customers with overdue debts or under a settlement scheme for overdue debts, wishing to change their Electricity Supplier. More specifically, customers will not be able to terminate their contract with their initial Supplier in order to proceed to a Supplier change, unless either having previously paid all overdue debts arising from their initial contract, or having settled their debts to their initial Supplier under its debt settlement scheme.
- RAE, with its Decision 208/2016, redefined the Administratively Defined Energy Offer Cap to three hundred euros per Megawatt hour (€ 300/MWh) in accordance with Article 71 of the Power Exchanging Code. The Decision is effective from July 15<sup>th</sup> 2016.

#### HELLENIC ELECTRICITY TRANSMISSION SYSTEM (HETS)

- The new use of transmission system charges were announced by RAE for 2016 (Decision 466/2015), effective February 1<sup>st</sup> 2016, which are significantly lower in almost all the consumers categories or

at least stabilized (prevention or restraint of large changes) for the HV and MV customers with an annual consumption greater than 13 GWh, marking the smooth adjustment of those charges to the requirements of the European law. The annual allowed revenue for the use of the transmission system was lowered by 1.7% compared to 2015.

- RAE by its Decision 453/2015 approved the required revenue for 2016 to Euro 203.4 mil. in accordance with its previous Decision 572/2014 which had approved the Allowed Revenue for the regulated period 2015-2017 to Euro 254.7mil., 250.2 mil. and 261 mil. per year, respectively. Based on the required revenue of 2017, the new use of transmission system charges were defined (RAE Decision 456/2016).

Moreover, RAE by its Decision 253/2015 amended the provisions of the Grid Control Code (ΚΔΣΜΗΕ) and of the methodology for the determination of the Required Revenue so that interconnection rights auction cost (clause Π3) are taken into account

RAE by its Decision 404/2016, approved the Required Revenue of the HETS Operator for 2017 to the amount of Euro 202.6 mil.

- With its 394/2016 decision, RAE (Use of Congestion Income, from the country's international interconnections access rights, for the year 2017), approved the use of Euro 46 mil., from the Reserve Account (Interconnections Transfer Capacity Allocation according to article 178 of the Greek Grid Control Code For Electricity) that IPTO keeps, for the reduction of the Annual Cost for the use of the Transmission System, for the year 2017.
- Recently RAE published a Decision by which it requires IPTO to submit a recommendation for the necessary amendments in the Grid Control Code so as to be determined that the System expansion projects for the distribution network connection to be financed by IPTO, to be part of IPTO's regulated assets basis, under the terms and conditions established in accordance with the Methodology for the Calculation of the HETS Required revenue, and their costs to be recovered through the use of System Charges (Decision 169/2016).

#### HELLENIC ELECTRICITY DISTRIBUTION NETWORK (HEDN)

- The annual cost and the required revenue for the use of HEDN were announced by RAE for 2016 (Decision 455/2015) amounting to Euro 757.8mil. and Euro 747.4 mil. respectively. Similarly, the annual cost and the required revenue for the use of HEDN were announced by RAE for 2017 (Decision 454/2016) amounting to Euro 753.7mil. and Euro 741.8 mil. respectively. Based on the required revenue of 2017, the new use of distribution network charges were defined (RAE Decision 455/2016).
- RAE by its Decision 434/2015 (OG B' 2772/18-12-2015), entitled "Approval of Unit Costs of Losses for the year 2016 in the context of applying the Mechanism of Settlement between the Operators of the Transmission System", approved the basis for calculating the cost of losses and determined the Unit Cost of Losses at €60 /MWh. Respectively for the year 2017, the System Marginal Price was approved as the basis for calculating the cost of losses and the unit cost of losses at €48,7 / MWh, according to IPTO's recommendation (RAE Decision 514/2016).
- HEDNO, as the NII Operator, announced that the market opening in the electrical system of Crete begun in June 21<sup>st</sup> 2016. Simultaneously, the necessary methodologies for the operation of the NII market were approved by RAE (Decisions 46/2016 and 47/2016). With a newer publication the market opening in Rhodes island was also announced on January 2<sup>nd</sup> 2017, following the adoption of all the necessary methodologies for the market operation in the NIII (RAE Decisions 46/2016, 47/2016 and 238/2016) and pursuant to L.4414/2016, according to which Rhodes island is no more integrated in the derogation regime for the supply of electricity from January 1<sup>st</sup> 2017. It should be noted that the derogation has been granted till the full installation of the necessary infrastructure in the NII and, in any case, it expires on February 17<sup>th</sup> 2019.
- The new Code for the management of the HEDN was recently adopted (RAE Decision 395/2016).

ETMEAR - SPECIAL FEE FOR THE REDUCTION OF CO<sub>2</sub> EMISSIONS (ex RES Fee) AND RES SPECIAL ACCOUNT

- The new 2016 charges for ETMEAR were announced. The reduction of the ETMEAR required revenue by an amount of Euro 130 mil. leads to a weighted average reduction of the charges by 8.1%, compared to the corresponding charges of 2014-2015 period (RAE Decision 465/2015). The abovementioned unit charges are also applied to the self-generators depending on the category they belong.

The new operating aid scheme for RES was enacted (L. 4414/2016) and includes, among others, a provision for a new source of revenues for the RES Special Account through which the production of "green energy" is compensated (Article 23). In particular, electricity suppliers will be compelled to pay a compensation, being part of the revenues of the RES special account, for the difference between the System Marginal Price (SMP) in the wholesale market and the SMP that would had existed if the RES did not enter to the system (virtual SMP). Those costs will be defined in such a way that the deficit of the Account will be reduced to zero at the end of the two year period 2016-2017, as the deficit elimination at the end of 2017 is a commitment undertaken from the Greek State's part. The EU decision 2014/536 for the application of derogation in the Non Interconnected Islands was also incorporated in that law. Following the provisions for a charge to be applied to Load Representatives, corresponding amendments will be made in the Power Exchange Code and in its manual, with the amendment of article 72 and the provision of an Uplift Account for the Load Representatives and of an Uplift Charge for RES Special Account as well as with the amendment of article 92 and of transitional provisions (RAE's Decision 334/2016). Specifically, for this extra charge, it was decided that the amount will be charged gradually to the Load Representatives (Load Representatives Uplift Charge for RES Special Account) for the additional value of energy from RES stations, as the latter is determined, due to the substitution of corresponding conventional production for the year 2016, will equal fifty percent (50%) of the charge arising from the implementation of the methodology while for the year 2017 and then after will equal one hundred percent (100%) of the charge (L. 4427/2016).

Due to the fact that from the implementation of this mechanism the resulting charges were very high, RAE, after the load representatives' protests held a new consultation on redetermining the level of charges arising. Following the consultation, RAE issued Decision 149/2017 establishing a maximum value for the hourly difference between the SMP and the virtual SMP in order to lower the level of charges arising. RAE also established by the same Decision the retroactive application of this threshold to all calculations from the date of the application of this mechanism. By Decision 150/2017 RAE set a ceiling for this numerical difference at 15 €/MWh. Following the adoption of these decisions the recalculation of charges arising from the mechanism is underway. Already the new charges for the period October 1<sup>st</sup> to December 31<sup>st</sup> 2016 amount to Euro 28.4 mil. instead of Euro 59.5 mil. based on the old calculations and for the period January 1<sup>st</sup> – February 12<sup>th</sup> 2017, the charges amount to Euro 65.5 million. compared to Euro 132.9 million. respectively. The new charges will be offset by amounts already paid by the Parent Company.

- Based on its Decision 214/2016 and Law 4414/2016 for the new RES operating aid scheme, RAE announced that the ETMEAR charges will remain unchanged until the 30<sup>th</sup> of September 2016 for all the customers' categories while then it will reexamine ETMEAR coefficients taking into consideration the RES Special Account revenues. RAE, with its recent announcement, considered that there is no need to readjust ETMEAR under present conditions, after having examined the progress of the revenues and expenses of the RES Special Account (October 2016). Therefore the relevant unit charges remain unchanged. Following the issue, RAE published the new charges for ETMEAR which will be applicable from January 1<sup>st</sup> 2017 (RAE Decision 621/2016). In specifying the allocation coefficients for the charges, the levels specified in the EU Guidelines on State Aid for the environmental and energy sectors 2014-2020 have been taken into account.
- The annual allocation method of the revenues coming from the indisposed rights auctions of greenhouse gas emissions was defined for the period 2016-2020 (Decision of the Ministry of Environment, Energy and Climate Change FIN. 47692/OG B' 3245/10-10-2016 which complements OG A' 33/27.2.2016) so that:
  - At least 72% (from the initial 60%) of the revenues to be a RES Special Account revenue.

- 15% of the revenues will cover the needs of the companies exposed in a significant carbon leakage risk.
- 13% of the revenues will be allocated for direct support interventions for improving energy efficiency of existing residences.

## OTHER ISSUES

- In the context of the national target for energy savings, the provision of a discount on the regulated charges (ETMEAR, PSOs, Transmission System and Distribution Network use charges) on electricity and natural gas will be granted to Universities as a reward for attaining energy savings (L. 4386/2016). The same Law includes details on the methodology and the way of implementing and recovering the said discount.
- The temporary methodology for the calculation of the Estimated Energy Consumption, of Energy Charged and of the Load Representatives' representation percentage in the Non Interconnected Islands (NII) (RAE Decision 46/31.03.2016) was approved, along with the temporary methodology of the Load Representatives in the NII Guarantees (RAE Decision 47/31.03.2016), which will be applied during the transitional implementation period of the NII Code and up to the issuance of the Manual for the market operation in the NII.
- Following the opening of the electricity market in the NII (June 21<sup>st</sup> 2016), HEDNO has accounted for only its PSO transactions with Alternative Suppliers operating in the NII for the period July – December 2016, since the amounts of PSO transactions for 2016 between IPTO, PPC and HEDNO have not yet been invoiced for 2016. This is due to the non finalization of the accounting treatment that will result from the required adjustment based on regulatory and statutory provisions. After the finalization of PSO transaction amounts the relevant invoices will be issued.
- Following the implementation of the REMIT (Regulation on Wholesale Energy Markets Integrity and Transparency) regulation in the Greek market, EMO announced that the participants will be required to report that the details of the contracts concluded for the wholesale energy products for the provision of electricity or natural gas, physically delivered in the Greek market and executed as Bilateral Contracts, will comply to Article 3.1 (a) of the Regulation.
- The maximum annual charge of electricity customers for covering Public Service Obligations (PSOs) was adjusted for 2016 (RAE Decision 41/2016). This adjustment is connected to the average annual change in the consumer's price index. Due to the decrease of that index by 1.7% in 2015 compared to 2014, the aforementioned upper limit for 2016 is set at Euro 780,000, compared to the amount of Euro 794,000 applied in 2015.

Under the same rationale, the annual contribution fees in favor of RAE, imposed on businesses operating in the energy sector were adjusted (RAE Decision 43/2016). The amount of the annual contribution fee charged to electricity suppliers, was set to €0.07 per absorbed MWh for 2016. The corresponding amount imposed on electricity generators is set to €8.02 per MW of max net capacity.

- By Law 4412/2016 "Public Conventions of Projects, Procurements and Services" (adoption of Directives 2014/24/EU and 2014/25/EU), the following provisions were incorporated in the national Law:
  - Provisions of the Directive 2014/24/EU concerning the public conventions procedures.
  - Provisions of the Directive 2014/25/EU concerning the procurements of the Bodies operating in the water, energy, transport and postal services.
- The supply tariffs of PPC SA, as a Last Resort Electricity Supplier, were approved, for the fourth year of the service (RAE Decision 223/2016) and uplift rates are as follows:
  - 5% for the HV customers on the wholesale market cost,
  - 10% for MV customers on the current PPC's MV customer tariffs and
  - 10% for LV customers on the current PPC's LV customer tariffs.

- The supply tariffs of PPC SA, as a Universal Service Electricity Supplier, were approved, for the fourth year of the service (RAE Decision 224/2016) as follows:

The uplift rate amounts to 10% on the current PPC's LV customer tariffs (residential customers, as well as small businesses with power not greater than 25kVA), compared to 12% applicable to the third year of providing this service.

- RAE, by its decision 405/2016, approved the final decommission of the Steam Electric Units 3 and 4 of Aliveri station, Steam Electric Units I and II of Lavrio-keratea station, Steam Electric Unit 8 of Agios Georgios station, Steam Electric Units III and IV of Ptolemaida station following PPC's request and the assent of IPTO. The resulting additional decommissioned capacity (551 MW) will be matched with future PPC's electricity capacity integration, given the obligation to match decommissioned and newly integrated capacity under the existing provisions.
- The new temporary methodology for calculating the guarantees of the Load Representatives was published by RAE's decision 238/2016, which takes into consideration and improves on the problems arising, especially regarding the credit risk undertaken by the Operator in case of cash deficits due to Load Representatives default in view of the market opening.
- The EU Directive 2014/94 was incorporated into Greek Law via Law 4439/2016 for the development of alternative fuel infrastructures in the EU in order to minimize the dependence from oil and liquid fossil fuels and the environmental impacts in the transport sector. Electricity is included in the definition of alternative fuels. The minimum requirements for the creation of alternative fuel infrastructures are set, including the recharging points of electric vehicles and of natural gas and hydrogen (LNG and CNG) refueling points.

### 3. Basis of Preparation and Principal Accounting Policies

#### 3.1 Basis of preparation

##### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

##### Approval of financial statements

The Board of Directors of the Parent Company approved the accompanying financial statements for the year ended December 31<sup>st</sup>, 2016 on April 7<sup>th</sup>, 2017. These financial statements are subject to approval by the Parent Company's General Shareholders Meeting.

##### Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention (except for tangible assets, financial assets "held-for-sale" and derivative financial assets that have been measured at fair value), assuming that PPC will continue as a going concern. The financial statements are presented in thousands of Euro and all values are rounded to the nearest thousand, except when otherwise indicated.

##### Basis of consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries, drawn up to December 31<sup>st</sup> each year. Subsidiaries (companies in which the Group directly or indirectly or through other subsidiaries has an interest of more than one half of the voting rights or otherwise has power to exercise control over their operations) have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Losses within a subsidiary are apportioned to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary is accounted for as

an equity transaction. All inter-company balances and transactions have been fully eliminated as well as unrealized intra-group gains and losses.

Where necessary, the accounting policies of subsidiaries have been revised to ensure consistency with the policies adopted by the Group. It is noted that certain of the abovementioned requirements have not a retrospective effect, and due to this reason the following differences are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1<sup>st</sup>, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of net assets acquired were recognized as goodwill.
- Losses incurred by the Group were not attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the Parent Company, unless the non-controlling interest had a bidding obligation to cover these.

In case that the Group loses control of a subsidiary then the following are:

Derecognized:

- The assets (including the surplus value) and liabilities of the subsidiary.
- The book value of the non-controlling interest.
- The accumulated exchange differences, which have been recorded in Equity.

Recognized:

- The fair value of the price obtained.
- The fair value of the remaining participation.
- Any surplus or deficit in the income statement.
- The Parent Company's share in the elements previously recognized in the comprehensive income statement, in the income statement or the retained earnings where that is judged necessary.

#### 3.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of January 1<sup>st</sup> 2016:

- **IAS 16 and IAS 38 (Amendments) "Clarification of Acceptable Methods of Depreciation and Amortisation"**

The amendment clarifies the principle of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenues reflect the economic benefits generated by the operation of an entity (of which the asset is a part) instead of the economic benefits consumed through the use of an asset. As a result, the ratio of revenue generated to total revenues expected to be generated, can not be used for the depreciation of tangible fixed assets and can be used only in very limited circumstances for the amortization of intangible assets.

- **IAS 19 Employee benefits (Amendment): Employee contributions**

The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting treatment of contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary'.

- **IFRS 11 Joint arrangements (Amendment): Joint Operations**

This amendment requires an investor to apply the principles of business combination accounting (according to IFRS 3) when it acquires an interest in a joint operation that constitutes a 'business'.

- **IAS 27 Separate Financial Statements (Amendment)**

This amendment allows entities to use the equity method to account for investments in

subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements.

- **IAS 1: Disclosure Initiative (Amendments)**

Amendments in IAS 1 further encourage entities to exercise their professional judgement in determining information to be disclosed and the way they should be presented in their financial statements. These limited amendments to IAS 1 clarify, rather than change significantly the existing requirements of IAS 1. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI).

- **IFRS 10, IFRS 12 and IAS 28 (Amendments): "Investment Entities - Applying the Consolidation Exception"**

These amendments clarify three issues arising when applying the consolidation exception for investment entities. More specifically, the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, even when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments in IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

**IASB has issued a new Cycle of Annual Improvements to IFRSs 2010 - 2012**, which is a collection of amendments to IFRSs. The amendments set out below, are effective for annual periods beginning on or after February 1<sup>st</sup> 2015:

- **IFRS 2 Share-based Payment:** The amendment amends the definition of a 'vesting condition' and "market conditions" and separately defines 'performance condition' and 'service condition' (previously included in the definition of "vesting condition").
- **IFRS 3 Business combinations:** The amendment clarifies that an obligation to pay contingent consideration in a business acquisition that is not classified in equity, is subsequently measured at fair value through profit or loss regardless of whether it falls within the scope of IFRS 9 Financial Instruments.
- **IFRS 8 Operating Segments:** The amendment requires from an entity to disclose the judgements made by management in aggregating operating segments and clarifies that the entity should provide reconciliation between the total assets of operating segments and total assets of the entity only if a regular reporting of the operating segment's assets is presented.
- **IFRS 13 Fair Value Measurement:** The amendment on the basis of a conclusion of IFRS 13 clarifies that the adoption of IFRS 13 and the amendment of IFRS 9 and IAS 39 did not remove the possibility of measuring short-term assets and liabilities, for which there is no stated interest rate, at invoice amounts in cases where the impact of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when the value of an item of property, plant and equipment is adjusted, its gross carrying amount is adjusted in a manner consistent with the adjustment of its book value.
- **IAS 24 Related Party Disclosures:** The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when the value of an intangible asset is adjusted, its gross carrying amount is adjusted in a manner consistent with the adjustment of its book value.

Finally, **IASB has issued a new Cycle of Annual Improvements to IFRSs 2012 - 2014**, which is a collection of amendments to IFRSs. The amendments set out below, are effective for annual periods beginning on or after January 1<sup>st</sup> 2016:

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, but a continuation of the original plan. Therefore, there is no interruption to the application of IFRS 5 requirements. The amendment also clarifies that changing the disposal method does not change the classification date.
- **IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a service contract that includes remuneration may constitute continuing involvement in a financial instrument. The amendment also clarifies that the disclosures of IFRS 7 regarding the offsetting of financial assets and liabilities is not required for condensed interim financial statements.
- **IAS 19 Employee Benefits:** The amendment clarifies that on evaluating if an active high quality corporate bond market exists, the evaluation is based on the currency in which the obligation is expressed, not in the country where the obligation arises. When no active market for high quality corporate bonds in this currency exists, then the interest rates on government bonds should be used.
- **IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures should be located either in the interim financial statements or incorporated by cross-reference between the interim financial statements and the point where they are included in the interim financial report (e.g. the Management Report and the Risk Report). The IASB has stated that other information in the interim financial report should be available to users on the same terms and at the same time as the interim financial statements. If users do not have access to the other information in this way, the interim financial report is incomplete.

### 3.3 Significant accounting judgments and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates. The principle judgments and estimates referring to events the development of which could significantly affect the items of the financial statements during the forthcoming twelve month period are as follows:

#### Post-retirement benefits

The Parent Company's employees and pensioners of the Group are entitled to the supply of electricity at reduced tariffs. Such reduced tariffs to pensioners are considered to be retirement obligations and are calculated at the discounted value of the future retirement benefits deemed to have accrued at year-end based on the employees earning retirement benefit rights throughout their working life. The above mentioned obligations are calculated on the basis of financial and actuarial assumptions. Further details, pertaining to the basic assumptions and estimates, are included in Note 30.

#### Fair value and useful lives of property, plant and equipment

The Group carries its property, plant and equipment at revalued amounts (estimated fair values) as determined by an independent firm of appraisers. Revaluation is performed periodically (every three to five years). The determination of the fair values of property, plant and equipment requires from management to make assumptions, estimates and judgements with respect to the ownership, the value in use and the existence of any economic, functional and physical obsolescence of property, plant and equipment. On December 31<sup>st</sup>, 2014, the Group has conducted

its latest revaluation of property, plant and equipment. The management of the Group believe that any change in the fair value of tangible fixed assets will not have a significant impact on the accompanying separate and consolidated financial statements of December 31<sup>st</sup>, 2016. Furthermore, the management makes estimates regarding the total and the remaining useful live of fixed assets which are subject to periodic review. Useful lives as estimated are included in Note 3.4.

#### **Impairment of property, plant and equipment**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. The determination of whether such indications exists, requires from Management to make assumptions and judgments with respect to external and internal factors that may affect the recoverability of assets, as well as assumptions on the determination of the cash flow generating units.

#### **Cost of dismantling of property, plant and equipment**

Based on the provisions of IAS 16 "Property, plant and equipment" the cost of an item of property, plant and equipment includes, among others, the initial estimate of the costs required for the dismantling and removal of such an item. These costs are quantified and recognized in the financial statements in accordance with the provisions of IAS 37 "Provisions, contingent liabilities and contingent assets".

The management estimates that the cost of dismantling may, especially in the cases of lignite fired power plants as well as gas fired stations, be funded by the proceeds of the materials that will result from such a dismantling and, on that basis has not made any provision for such costs for all categories of the above mentioned power plants.

#### **Provisions for risks**

The Group is establishing provisions concerning claims by third parties against companies of the Group and which might lead to an outflow of resources for their settlement. The provision is established based on amounts claimed and the possible outcome of the legal dispute.

#### **Provisions for trade receivables**

Provision for doubtful debts is established for individual high voltage customers on specific balances, when there are indications that the debts will not be collected. For medium and low voltage customers, the Parent Company establishes a general provision for the total of their outstanding balances of more than 3 and 6 months respectively, per customer. This policy is reviewed periodically in order to be readjusted according to the prevailing circumstances. Additional details are included in Note 20.

#### **Provisions for income taxes and recognition of deferred tax receivables**

Current provisions for income tax liabilities for current and prior years are calculated at the amounts expected to be paid to the tax authorities, using the prevailing tax rates at the balance sheet date. Provision for income tax includes current taxes reported in the respective income tax returns and potential additional tax assessments that may be imposed by the tax authorities upon settlement of the unaudited tax years on the basis of the findings of prior tax audits. The final settlement of the income taxes might differ from the income taxes that have been accounted for in the financial statements. From the year 2011 onwards, the Parent Company and several of its subsidiaries are audited for tax purposes by the Certified Auditors Accountants in accordance with the provisions of Income Tax Legislation. The audit for the year 2016 is ongoing and the relative tax conformity report will be issued after the publication of the financial statements for the year 2016. If, at the completion of the tax audit, additional tax liabilities arise, we estimate that these will have no material effect on the financial statements. Deferred taxes are recognized on carried forward tax losses to the extent that it is probable that future taxable profits will occur to offset carried forward tax losses. Deferred tax receivables that are recognized, require Management to

make assessments as to the time and level of realization of future taxable profits.

#### **Accounting treatment of a business activity's spin-off to a subsidiary**

The management proceeds to significant judgments regarding the proper presentation of the spin-off and contribution of a segment by the Parent Company to a 100% subsidiary in exchange for shares, as the accounting treatment for similar transactions between companies under common control is not explicitly provided for in IFRS.

#### **Provision for unbilled revenue**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from all types of electricity sales is accounted for on an accrual basis. Especially for low voltage customers at each balance sheet date, unbilled revenue is recorded to account for electricity delivered and consumed by these customers but not yet billed. Unbilled revenue is estimated using certain assumptions with respect to quantities of electricity consumed, network losses and average electricity sale prices. The actual amounts that will be finally billed, may differ from those provided for.

### **3.4 Principal accounting policies**

#### **Foreign currency translation**

The functional and reporting currency of all the Group entities is the Euro. Transactions involving other currencies are converted into Euro using the exchange rates, which were in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities that are denominated in other currencies are adjusted to reflect the current exchange rates at the balance sheet date. Gains or losses resulting from foreign currency adjustments are reflected in foreign currency gains (losses), net, in the accompanying statements of income. Non-monetary items in foreign currency which are valued at acquisition cost are converted using the exchange rate of the date of acquisition. The non-monetary elements which are measured at fair value in foreign currency are converted using the exchange rate of the fair value's calculation date. The profit or loss from the conversion of non-monetary items is treated the same way as the profit or loss from the conversion of fair value of these elements.

#### **Intangible assets**

Intangible assets include software and CO<sub>2</sub> emission rights allowances.

##### ***Software***

Software programs are measured at their acquisition cost minus accumulated depreciation and impairments. For all assets retired or sold, their acquisition cost and related depreciation are removed from the accounts. Any gain or loss is included in the statement of income. Software costs are amortized on a straight-line basis over a period of five years.

##### ***CO<sub>2</sub> Emissions Rights***

The Parent Company acquires CO<sub>2</sub> emission rights in order to meet its liability stemming from the actual CO<sub>2</sub> emissions of its generation units. This liability is measured at fair values to the extent that the Parent Company has the obligation to cover its emissions through purchases (after the offset of any free CO<sub>2</sub> emission rights held). Emission rights purchased and held are recognized as intangible assets, at cost less any accumulated impairment losses.

#### **Tangible assets**

Tangible assets are initially recognised at their acquisition cost which includes all direct attributable expenses for their acquisition or construction. Subsequent to their initial recognition, tangible assets (with the exception of mines and lakes which are valued at cost minus accumulated depreciation and eliminations) are valued at their fair values minus accumulated depreciation and eliminations. Estimations of fair values are performed periodically by independent appraisers

(every three to five years) in order to ensure that fair value does not differ significantly from the net value of the asset. The last assets' evaluation was completed on December 31<sup>st</sup> 2014. Any valuation increase is credited to the revaluation surplus net of deferred taxes. At the date of revaluation, accumulated depreciation is offset against pre depreciation accounting values and net amounts are restated according to revalued amounts. Any decrease is first offset against an earlier valuation increase in respect of the same fixed asset and thereafter charged to the income statement. Upon disposal of a revalued tangible asset, the relevant portion of the revaluation surplus is released from the revaluation surplus directly to retained earnings. Repairs and maintenance are charged to expenses as incurred. Subsequent expenditures are capitalized if they meet the recognition criteria as tangible assets. For all assets retired or sold, their acquisition cost and related depreciation are removed from the accounts at the time of sale or retirement, and any gain or loss is included in the statement of income.

#### **Borrowing costs**

From January 1<sup>st</sup>, 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that needs a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the relevant assets. The new accounting policy is implemented on fixed assets recognized from January 1<sup>st</sup>, 2009 herein (new constructions). All the remaining borrowing costs are recognized as expenses in the period in which they are incurred.

#### **Depreciation**

Depreciation is calculated on a straight-line basis over the average estimated remaining useful economic life of the assets. The useful lives (in years) applied for the calculation of depreciation, have as follows:

<b>Buildings and Technical Works</b>	
Buildings of general use	50
Industrial buildings	40-50
Dams	50
<b>Machinery and Equipment</b>	
Thermal power plants	35-40
Gas Turbines	35
Mines	20-40
Hydro power plants	50
Autonomous diesel power plants	25
<b>Transmission</b>	
Lines	35
Substations	35
<b>Distribution</b>	
Substations	35
Low and medium voltage distribution network	35
<b>Transportation assets</b>	<b>15</b>
<b>Furniture, fixtures and equipment</b>	<b>5-25</b>

#### **Mining activities**

The Parent Company owns and operates open-pit lignite mines. Land acquisition (mainly through expropriation) and initial (pre-operational) development costs relating to mines are capitalized and amortized (upon commencement of the mines' commercial operation) over the shorter of the life of the mine and twenty (20) years. Exploration, evaluation and ongoing development costs are charged to the cost of lignite production as incurred. A provision for land restoration is established for the Group's estimated current obligation for restoration and is calculated based on the surface disturbed to date and the average cost of restoration per metric unit. It is accounted for at the present value of the related obligation to restore land back to a beneficial use and is included both in fixed assets (mines) and in provisions.

#### **Investments in subsidiaries**

In the separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses. The spin off and contribution of an activity from the Parent Company to a wholly owned subsidiary in exchange for shares, is accounted for as a transaction between companies under common control. In cases of such transactions the shares received are recognised as an addition to the cost of investment in the subsidiary with a value equivalent to the carrying value of the net assets contributed at the transaction date.

#### **Investments in associates**

These are entities in which the Group has significant influence and which are neither a subsidiary nor a joint venture of the Group. The Group's investments in associates are accounted for under the equity method. Investments in associates are carried on the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less possible provisions for any impairment in value. In case that the Group's share in an associate's losses is equal, or exceeds its participation in the associate, the Group does not recognise the losses exceeding its participation. The income statement reflects separately the Group's share on the results of its associates, while amounts that are recorded by the associates directly to their equity are recognized directly to the Group's equity. Non – realised profit or loss resulting from the transactions of the Group with said associates is eliminated to the extent of the interest in the associates. The associates' accounting principles are adjusted, when necessary, in order to comply with those adopted by the Group. In the separate financial statements such investments are accounted for at cost less any accumulated impairment losses.

#### **Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The fair value of sale (after the deduction of sales costs) is determined, in each case, according to the implementation of a revaluation model. Impairment losses of continuing operations are recognized to the income statement, except if the particular asset is valued in fair values and then the impairment loss is recognised as a decrease of the already recognised surplus value. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized.

That increased amount cannot exceed the carrying amount that would have been determined (net of depreciation), if no impairment loss had been recognized for the asset in prior years. Such reversal is recognized in profit and loss unless the asset is carried at fair value amounts in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, to be divided equally to future time spans on a systematic basis over its remaining useful life.

#### Fair value measurement

The Group measures financial instruments, such as, derivatives, and its available for sale investments at each balance sheet date and non-financial assets such as investment properties, periodically (every 3-5 years) at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines policies and procedures applied for both recurring measurements and assets held for distribution on discontinued operations.

Assets of substantial value, as tangible assets as well as substantial value liabilities are evaluated by the Group and the Parent Company with the assistance of external valuers. External valuers involvement needs, are annually decided by the Group, the selection criteria being market knowledge and expertise, reputation, independence and observance of professional standards.

On each reporting date, the Group, according to its accounting policies, assesses if there is any

change on the carrying values of assets and liabilities being subject to periodic reassessment and revaluation. For the above mentioned assessment, the management verifies considerable inputs applied to the last asset or liability evaluation, confirming data used for the evaluation against contracts and other relevant documents. For disclosing fair values, the Group's assets and liabilities are categorized according to their nature, characteristics, potential risks stemming from specific asset or liability categories, as well as fair value hierarchy described above.

#### Investments and other financial assets

Financial assets falling under the scope of IAS 39 are classified based on their nature and their characteristics in financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed, re-evaluates this designation at each financial year-end. All regular purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by law or convention in the market place.

#### Financial assets at fair value through profit and loss

This category includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in the income statement.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

#### Held-to-maturity investments

Financial assets with fixed payments and fixed maturity are classified as held - to - maturity, when the Group has the intention and the ability to hold them to maturity. Investments which are held for an infinite or non - defined maturity cannot be classified into this category.

Held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses are recognized in the income when the investments are derecognized or eliminated as well as through the amortization process.

#### Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are not classified in any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognized as a separate component of equity. On disposal, impairment or de-recognition of the investment, the cumulative gain or loss is transferred to the income statement. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models. When the fair value cannot be determined reliably, the investments are measured at their acquisition cost.

If an available-for-sale asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income

statement. Impairment losses that have been recognized previously in the income statement and relate to investments in shares are not reversed through the profit or loss. Reversals of impairment losses on bonds are reversed through profit or loss if the increase in their fair value can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

#### **Impairment of financial assets**

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

#### **Assets carried at amortized cost**

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred).

The cash flows are discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The asset's carrying amount can be impaired either through disposal or through establishment of a provision. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are deemed significant, while these which are not, are grouped and assessed as a whole. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment for impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be associated objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### **Inventories**

Inventories include consumables, materials, lignite and liquid fuel.

##### **Materials and consumables**

Materials and consumables are stated at the lower of cost or net realizable value, which takes under consideration the net realizable value of the end product in which they are incorporated. The cost is determined using the weighted average method. These materials are recorded in inventory when purchased and then are expensed or capitalized to plant, as appropriate, when installed.

##### **Lignite (self-produced and purchased)**

The cost of lignite inventories which have been excavated/purchased but not yet consumed at the date of the financial statements is stated at the balance sheet. Lignite inventories are stated at the lower of production cost/purchase cost and net realizable value, which takes under consideration the net realizable value of the end product in which they are incorporated with the cost being determined using the weighted average production/purchase cost method. Production/purchase cost mainly consists of expenses incurred in order for lignite inventories to be used for electricity generation.

##### **Liquid fuel**

Liquid fuel is stated at the lower of cost and net realisable value which takes under consideration the net realisable value of the end product in which it is incorporated. The cost of liquid fuel reflects purchase price plus any taxes (other than VAT), levies and other costs necessary to bring it to its present location and condition and is determined using the weighted average method

for the period. Liquid fuel costs are expensed as consumed and are separately reflected in the accompanying statements of income.

#### **Cash and cash equivalents**

The Group considers time deposits and other highly liquid investments with original maturity of three months or less, to be cash equivalents.

#### **Share capital**

Share capital represents the par value of the Parent Company's shares fully issued and outstanding. Any proceeds in excess of par value are recorded in share premium. Expenses related directly to new shares issuance are recognized directly to Equity net of proceeds.

#### **De-recognition of financial assets and liabilities**

##### **Financial receivables**

Financial receivables (or, where applicable a part of a financial receivable or part of a group of similar financial receivables) are derecognized when: (1) the rights to receive cash flows from the asset have expired, (2) The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement and (3) The Parent Company/ Group has transferred its rights to receive cash flows from the asset and either: a) has transferred substantially all the risks and rewards of the assets, or b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Group/Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchase option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### **Financial liabilities**

Financial liabilities are derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

##### **Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when the Group has a legally enforceable right to set off the recognized amounts and intends to either settle such asset and liability on a net basis or realize the asset and settle the liability simultaneously.

##### **Interest bearing loans and borrowings**

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, they are subsequently measured at amortized cost using the effective interest rate method. Amortized

cost is calculated by taking into account any issue costs.

#### **Provisions for risks and expenses, contingent liabilities and contingent claims**

Provisions are recognised when the Group has a present legal, contractual or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle this obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the present value of the expenditure expected to be required to settle the obligation. Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

#### **Post-retirement benefits**

The Parent Company employees and pensioners of the Group are entitled to the supply of electricity at reduced tariffs. Such reduced tariffs to pensioners are considered to be retirement obligations and are calculated at the discounted value of the future retirement benefits deemed to have accrued at year-end based on the employees earning retirement benefit rights steadily throughout the working period. Retirement obligations are calculated on the basis of financial and actuarial assumptions.

Net costs for the period are included in the payroll cost in the statements of income and consist of the present value of the benefits earned in the year, decreased by the benefits offered to the pensioners. The retirement benefit obligations are not funded. Unrecognized actuarial gains or losses of the projected benefit obligation at the beginning of each period are recognized in the comprehensive statement of income.

#### **Subsidies for fixed assets**

The Group obtains subsidies from the Hellenic Republic and from the European Union (through the investment budget of the Hellenic Republic) in order to fund specific projects executed through a specific time period. Subsidies are recorded upon collection and are reflected as deferred income in the accompanying balance sheet. Amortization is accounted for in accordance with the remaining useful life of the related assets, and is included in depreciation and amortization in the accompanying statements of income.

#### **Customers and producers contributions in the construction of fixed assets and Contributions of fixed assets from customers and producers**

Customers and producers, who are connected with the transmission and distribution network, are required to participate in the initial network connection cost (metering devices, lines, substations, etc.) or other type of infrastructure, through the deposit of institutionally defined amounts or through fixed assets contribution (few cases). Until December 31<sup>st</sup>, 2008, due to the lack of detailed accounting guidance under current IFRS, the Group has elected to record upon collection of contribution from customers and producers, for the construction of assets needed for their connection with the network, and were reflected in the Balance Sheet as deferred income. Their amortization was accounted for in accordance with the remaining useful life of the related financed assets and was included in the depreciation and amortisation of the income statement (the Group/Parent Company implemented the accounting policy used for contributions). From January 1<sup>st</sup>, 2009, the Group/Parent Company implementing earlier the Interpretation 18 "Transfers of Assets from Customers" recognize the cash and the assets received from customers and producers needed for their connection with the network, in fair values in the Income Statement. For cash received until December 31<sup>st</sup>, 2008, the Group/Parent Company used the previous adopted accounting policy.

#### **Derivative financial instruments and hedging**

The Parent Company uses derivative financial instruments to hedge its risks associated with interest

rate, of foreign currency and liquid fuel prices fluctuations consumed by the Parent Company. Such derivative financial instruments are measured at fair value at the balance sheet date. The fair value of such derivatives is determined by reference to fair values for similar instruments and is confirmed with the respective financial institutions with which the Parent Company has concluded the relative contacts. The effective part of hedges that qualify for hedge accounting is recognized directly to equity if it is related to cash flow hedges while the ineffective part is charged to the separate income statement. If the hedge is related to effective fair value hedges, the gain or loss from remeasuring the derivative hedging instrument at fair value is recognized in profit or loss and the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is also recognized in profit or loss. Under cash flow hedge accounting, when the hedged transaction results in the recognition of non-financial asset or a non-financial liability, then, at the time the asset or liability is recognized the associated gains or losses that had previously been recognized in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognized in equity are transferred to the income statement in the same year in which the hedged transaction affects the net profit and loss. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

Certain derivatives, although characterized as effective hedges based on the Group's policies, do not meet the criteria for hedge accounting in accordance with the provisions of IAS 39 and, therefore, gains or losses are recognized in the income statement.

#### **Income taxes (current and deferred)**

##### ***Current Income Taxes***

Current income tax expense consists of income taxes for the current year based on the Parent Company's profits and on the other companies of the Group as adjusted in their tax returns and, provisions for additional income taxes to cover potential tax assessments which are likely to occur from tax audits by the tax authorities, using the enacted or substantively enacted tax rates at the close of business on the balance sheet date.

##### ***Deferred Income Taxes***

Deferred income tax is calculated, using the liability method, on all temporary differences at the balance sheet date between the tax base and the book value of assets and liabilities. Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from initial recognition of goodwill or of an asset or of a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognized for all deductible temporary differences carried forward as well as unused tax credits and unused tax losses, to the extent that it is possible that taxable profit will be available against the deductible temporary differences and the carried forward of unused tax credits and unused tax losses can be utilized.

No deferred income tax asset relating to the deductible temporary differences is recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are reviewed at each balance sheet date and are reduced at the time where it is not considered possible that enough taxable profits will be presented against which, a part or the total of assets can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income tax relating to items recognized directly in other comprehensive income is recognized in other comprehensive income and not in the income statement.

**Defined contribution plans**

The Parent Company and the Group recognize as an expense the contribution for the employees' services payable to IKA –ETAM /TAP DEH, ETEA, TAYTEKO (defined contribution plans) and as a liability the amount that has not been paid yet.

**Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues from all types of electricity sales are accounted for on an accrual basis. At each balance sheet date, unbilled revenue is recorded to account for electricity delivered and consumed by customers but not yet billed. Deductions from reduced consumption of electricity as defined by specific return policies of the Group are accounted when they can reliably be estimated (based on historical data, if available or on prior year's data). Revenues from rendering of services is recognized based on the stage of completion of the service rendered and to the extent that the related receivable will be collected. Revenue from interest is recognized within the period incurred and revenue from dividends is recognized when the Group's right on such dividends is approved by the respective bodies of the companies' that declare them.

**Electricity**

Electricity costs are expensed as purchased and separately reflected in the accompanying statement of income.

**Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right or use the asset.

**Group as a lessee**

Leases, which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight line basis over the lease term.

**Group as a lessor**

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as revenue in the statement of income on a straight line basis over the lease term.

**Earnings/(Losses) per share**

The basic and diluted earnings per share, are computed by dividing net income by the weighted average number of shares outstanding during the relevant year. The weighted average number of shares is derived by adding the existing shares, that the share capital is divided, with the rights that the Parent Company owns and potentially could exercise.

**Subsequent events**

Post period-end events that provide additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes.

**Non-current Assets Held for Sale and Discontinued Operations**

The Group classifies a non-current asset (or disposal group) as held for sale, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In sale transactions, all exchanges of non-current assets for other non-current assets are included, if the transaction has a commercial substance.

The basic requirements for a non-current asset (or a disposal group) to be classified as held for sale

are that it must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets/groups and its sale must be highly probable.

Immediately, before the original classification of the non-current asset or disposal group as held for sale, the current asset or disposal group is evaluated according to the adopted IFRS's at the date of classification.

Non-current assets (or a group of assets and liabilities) classified as held for sale will be measured at the lower of its carrying amount and fair value less costs to sell and any possible resulting impairment losses will be recognized in the income statement. Any subsequent increase in fair value will be recognized in the income statement, but not in excess of the cumulative impairment loss which was previously recognized.

No depreciation or amortization is recognized on a non-current asset (or non-current assets that are included in a disposal group) from the date that is classified as held for sale.

**Operating Segment**

According to L. 4001/2011, the Group is obliged to prepare and integrate in its financial statements, accounting unbundled financial statements for each segment. These include the Parent Company's activities in the Sectors of Mines, Generation, Distribution, Supply. In 2011, the Transmission activity was transferred to IPTO which is a PPC's subsidiary, according to the model of the Independent Transmission Operator and all organizational units as well as activities of HTSO that pertained to management, operation, development and maintenance of the Transmission System apart from the Daily Ahead Schedule. In 2012 the Distribution Activity was transferred to HEDNO. By the contribution of the General Division of Distribution as well as the Department of Islands' Region, to its subsidiary HEDNO, PPC has maintained the ownership of the fixed assets as well as the assets of the Distribution Network and the Non- Interconnected Islands' Network. As a result, information disclosures by operational segment as well as the principles of segment as presented in IFRS 8 "Operating Segment" are stated in Appendix 1.

**3.5 New standards and interpretations issued but not yet effective**

The new standards, amendments/improvements of standards or Interpretations listed below, were issued but have not been adopted in the accounting period, beginning in January 1<sup>st</sup> 2016:

- **IFRS 9 Financial Instruments and subsequent amendments to IFRS 9 - Classification and Measurement**

The standard is effective for annual periods beginning on or after January 1<sup>st</sup> 2018 and earlier application is permitted. The final version of IFRS 9 (2014) replaces the guidance in IAS 39 'Financial Instruments: Recognition and Measurement' which deals with the classification and measurement of financial assets and financial liabilities and it also includes an expected credit losses model that replaces the incurred loss impairment model used today. Moreover, if a financial liability has been classified (in accordance to IFRS 9) at fair value through Profit and Loss, any movement in fair value resulting from a movement in the entity's credit risk, will be accounted for in other comprehensive income instead of in the income statement. IFRS 9 also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements.

- **IFRS 14 Regulatory Deferral Accounts**

The standard is effective for annual periods beginning on or after January 1<sup>st</sup> 2016. The aim of this interim standard is to enhance the comparability of financial statements of entities engaged in activities with regulated prices, where governments regulate the supply and pricing of certain types of activity. These may include the provision of public services such as gas, electricity and water. Regulatory pricing may have a significant impact on the timing of recognition and the amount of an entity's revenue. The IASB is scheduled to consider the

broader regulatory pricing issues and was planning to publish a discussion paper on this subject in 2014. In anticipation of the overall project results for activities with regulated prices, the IASB decided to develop IFRS 14 as a temporary measure. IFRS 14 allows those who adopt for the first time IFRS to continue to recognize the amounts relating to tariff adjustments in accordance with the requirements of the previously applied accounting policies when adopting IFRS. However, to enhance comparability with entities already applying IFRS and do not recognize such amounts, the standard requires that the effect of the pricing adjustment to be shown separately from other items. An entity that already prepares its financial statements according to IFRS, can not implement this standard. The European Union has not yet adopted this standard. The management of the Group is currently assessing the impact of this standard on the Group's financial statements.

• **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after January 1<sup>st</sup> 2018. The standard, issued on May 2014, contains more authoritative and precise requirements in comparison to the current standards (IAS 18 and IAS 11). The objective of the standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services, by applying a five step process.

- Identify the contract with a customer.
- Identify the performance obligations criteria in the contract.
- Determine the transaction price.
- Allocate the transaction price to separate performance obligations.
- Recognize revenue as the entity satisfies a performance obligation.

The management of the Group is in the process of assessing the impact of this standard on the Group's financial statements. The standard has been endorsed by the EU on September 22<sup>nd</sup> 2016.

• **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after January 1<sup>st</sup> 2019. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases for both parties to the contract, that is for the customer ("lessees") and the supplier ('lessor'). The new standard requires lessees to recognize most of the leases in their financial statements. Lessees will have a single accounting framework for all leases, with some exceptions. Accounting treatment for lessors remains essentially unchanged. The European Union has not yet adopted this standard. The management of the Group is currently assessing the impact of the application of this standard on the Group's financial statements.

• **IAS 12: Recognition of Deferred Taxes for Unrealized Losses (Amendments)**

The amendments are effective for annual periods beginning on or after January 1<sup>st</sup> 2017. These amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The management of the Group is in the process of assessing the impact of this standard on the Group's financial statements. The amendments have not yet been endorsed by the EU.

• **IAS 7: Cash flow statement (Amendments)**

The amendments are effective for annual periods beginning on or after January 1<sup>st</sup> 2017. These amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements. The amendments have not yet been endorsed by the EU.

• **IFRS 2: Classification and measurement of Shared-based Payment transactions (Amendment)**

The amendment is effective for annual periods beginning on or after January 1<sup>st</sup> 2018. The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The management of the Group is in the process of assessing the impact of this standard on the Group's financial statements. The amendments have not yet been endorsed by the EU.

• **IFRS 4 : Implementation of IFRS 9 in relation to IFRS 4 (Amendment)**

The amendments are effective for annual periods beginning on or after January 1<sup>st</sup> 2018. The Council adopted amendments to IFRS 4 to address the concerns arising from the application of the new financial instruments standard (IFRS 9), before the application of the new modified by the council IFRS 4. The amendments introduce two approaches: duplication and deferral. The amended standard will:

- Give to all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued.
- Give to companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021.

The amendments have not yet been endorsed by the EU. The management of the Group is in the process of assessing the impact of this standard on the Group's financial statements.

• **Clarifications in IFRS 15 - Revenues from contracts with customers**

The amendment is effective for annual periods beginning on or after January 1<sup>st</sup> 2018. In April 2016, the Council has issued clarifications to IFRS 15. The amendments to IFRS 15 do not change the basic principles of the Standard but provide clarifications on the application of these principles. The amendments clarify the way in which a performance obligation is recognized in a contract, how to determine whether an entity is the principal or the representative, and how to determine whether the income from the granting of a license should be recognized in a specific time or over time. The management of the Group is in the process of assessing the impact of this standard on the Group's financial statements.

The IASB has issued the **Annual Improvements to IFRSs 2014 - 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after January 1<sup>st</sup> 2017. The amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of these amendment on the Group's financial statements.

• **IAS 28 (Amendment) - Measurement of Associates or Joint Ventures at Fair Value:** The amendment clarifies that when venture capital organisations, mutual funds, unit trusts and similar entities elect to measure their investments in associates or joint ventures at fair value through profit or loss (FVTPL), this election should be made separately for each associate or joint venture at initial recognition.

• **IFRS 12 Disclosures of Interests in Other Entities: Clarification of the scope of the standard:** The amendment clarified the scope of the standard specifying that the disclosure requirements of the standard, except those of paragraphs B10-B16 are applicable to an entity's shareholdings, regardless of being classified as held for sale, held for distribution or as discontinued operations according to IFRS 5 "Non-current assets held for sale and discontinued operations".

• **IAS 40 Investment Property (Amendment) Transfer of Investment Property:** The amendment is effective for annual periods beginning on or after January 1<sup>st</sup> 2018. The amendment to IAS 40 clarifies that an entity may transfer a property to or from investment property when, and only when there are indications of a change in use. A change of use occurs if the property

meets or no longer meets the definition of investment property. A change in the intentions of the management for the use of the property itself is not an indication of a change in use. The amendment has not yet been endorsed by the European Union. The management of the Group is in the process of assessing the impact of this standard on the Group's financial statements.

- **IFRIC 22 "Foreign currency transactions and advance consideration"**: The interpretation is effective for annual periods beginning on or after January 1<sup>st</sup> 2018. IFRIC 22 clarifies the accounting treatment for transactions that involve the receipt or payment of foreign currency advance payments. In particular, it applies to foreign currency transactions when the entity recognizes a non-monetary asset or non-monetary liability arising from the payment or collection of advance payments before the entity recognizes the asset, expense or revenue. According to the interpretation, the date of the transaction for the purposes of determining the exchange rate shall be the date of initial recognition of non-monetary prepayments of the asset or liability from advance payments. If there are multiple payments or receipts in advance, the transaction date is specified separately for each payment or receipt.

#### 4. Revenues

	Group		Company	
	2016	2015	2016	2015
<b>Energy sales</b>				
High voltage	334,461	357,801	334,362	357,601
Medium voltage	777,724	990,202	779,625	992,245
Low voltage	3,870,521	4,185,907	3,870,521	4,185,907
Renewable Energy Sources	15,371	13,172	-	-
	<b>4,998,077</b>	<b>5,547,082</b>	<b>4,984,508</b>	<b>5,535,753</b>
Received customers' contributions	55,903	54,343	55,899	54,343
Public Service Obligations	48,178	26,367	48,178	26,454
Distribution Network Revenues	48,980	25,168	-	-
Other	70,166	56,354	66,665	58,852
	<b>223,227</b>	<b>162,232</b>	<b>170,742</b>	<b>139,649</b>
<b>Total Continuing Operations</b>	<b>5,221,304</b>	<b>5,709,314</b>	<b>5,155,250</b>	<b>5,675,402</b>
Discontinued Operations	35,893	26,342	-	-
<b>Total</b>	<b>5,257,197</b>	<b>5,735,656</b>	<b>5,155,250</b>	<b>5,675,402</b>

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#### 5. Payroll Cost

	Group		Company	
	2016	2015	2016	2015
Payroll cost	683,216	689,917	444,826	453,476
Employer' social contributions	218,279	211,826	138,506	139,905
Provision for reduced tariffs (Note 29)	(4,433)	(8,644)	(2,494)	(5,310)
Payroll cost included in fixed assets	(74,409)	(73,285)	(22,902)	(22,131)
<b>Total Continuing Operations</b>	<b>822,653</b>	<b>819,814</b>	<b>557,936</b>	<b>565,940</b>
Discontinued Operations	61,788	60,454	-	-
<b>Total</b>	<b>884,441</b>	<b>880,268</b>	<b>557,936</b>	<b>565,940</b>

#### 6. Energy Purchases

	Group		Company	
	2016	2015	2016	2015
DAS and arrangements of differences	803,423	845,905	803,423	845,905
Energy imports from abroad	52,508	132,130	85,503	141,562
Other domestic energy purchases	96,349	129,443	111,792	144,471
Transitional flexibility assurance compensation	48,712	-	48,712	-
Purchase rights	13,649	30,943	13,806	31,190
Special taxes	52,505	66,899	52,505	66,899
Additional Suppliers' charge for Special RES account	28,397	-	28,397	-
Arrangement of losses	24,804	32,770	24,804	32,770
Average variable cost thermal units.	32,699	28,720	32,699	28,720
Net charge for ancillary services	43,028	43,338	43,028	43,338
Generation losses from the sale of NOME products	4,513	-	4,513	-
Other purchases	39,741	25,573	6,394	15,863
<b>Total Continuing Operations</b>	<b>1,240,328</b>	<b>1,335,721</b>	<b>1,255,576</b>	<b>1,350,718</b>
Discontinued Operations	(12,766)	(22,559)	-	-
<b>Total</b>	<b>1,227,562</b>	<b>1,313,162</b>	<b>1,255,576</b>	<b>1,350,718</b>

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## 7. Depreciation and Amortisation

	Group		Company	
	2016	2015	2016	2015
<b>Depreciation/Amortisation</b>				
Fixed assets (Note 14)	738,602	746,562	726,358	734,857
Software (Note 15)	6,356	5,199	4,649	3,934
Transfer to subsidiaries and customers' Contributions (Note 32)	(75,868)	(75,750)	(75,660)	(75,580)
<b>Total Continuing Operations</b>	<b>669,090</b>	<b>676,011</b>	<b>655,347</b>	<b>663,211</b>
Discontinued Operations	63,207	61,738	-	-
<b>Total</b>	<b>732,297</b>	<b>737,749</b>	<b>655,347</b>	<b>663,211</b>

## 8. Emission Allowances (CO<sub>2</sub>)

According to the current European and National legislation, during the 3<sup>rd</sup> implementation phase of the EU ETS (period 2013-2020), PPC is not entitled to free allocation of emission allowances for its bound stations, with the exception of allowances allocated for emissions corresponding to the generation of thermal power for district heating.

In accordance with its verified CO<sub>2</sub> emissions for 2015, the emission allowances that PPC for the period January 1<sup>st</sup> 2015 to December 31<sup>st</sup> 2015 amounted to 34.3 Mt. During 2015, PPC has been allocated with about 87.2 thousand emission allowances for district heating emissions.

Similarly, in accordance with its verified CO<sub>2</sub> emissions for 2016, the emission allowances that PPC delivered for the period from January 1<sup>st</sup> 2016 to December 31<sup>st</sup> 2016 amounted to 28.4 Mt. During 2016, PPC has been allocated with about 62.8 thousand emission allowances for district heating emissions.

The CO<sub>2</sub> emission rights' deficit consumptions are as follows:

	2016	2015
Cover of emissions from purchased EUAS	178,138	250,981
Cover of prior year deficit	-	46
Managing expenses	34	101
<b>Total</b>	<b>178,172</b>	<b>251,128</b>

## 9. Financial Expenses

	Group		Company	
	2016	2015	2016	2015
Interest Expenses	184,827	204,701	184,828	204,701
Bank charges	4,517	1,268	2,242	1,124
Amortisation of loans' issuance costs	7,181	7,143	7,181	7,143
Commissions on letter of guarantee	25,050	26,521	24,997	26,490
Finance cost on mines' restorations provision (Note 31)	1,456	1,534	1,456	1,534
<b>Total Continuing Operations</b>	<b>223,031</b>	<b>241,167</b>	<b>220,704</b>	<b>240,992</b>
Discontinued Operations	27,875	24,868	-	-
<b>Total</b>	<b>250,906</b>	<b>266,035</b>	<b>220,704</b>	<b>240,992</b>

## 10. Financial Income

	Group		Company	
	2016	2015	2016	2015
Interest on outstanding energy receivables	87,930	54,708	87,930	54,708
Commission on subsidiary loans' guarantee	9,425	9,425	9,425	9,425
Interest on bank and time deposits (Note 23)	4,562	5,768	2,162	4,832
Dividends from subsidiaries	17,773	34,987	21,322	34,987
Capital Return from IPTO to PPC	92,944	-	92,944	-
Change in derivatives fair value (Note 29)	689	2,876	689	2,877
Other	942	1,036	583	870
<b>Total Continuing Operations</b>	<b>214,265</b>	<b>108,800</b>	<b>215,055</b>	<b>107,699</b>
Discontinued Operations	(117,525)	(41,213)	-	-
<b>Total</b>	<b>96,740</b>	<b>67,587</b>	<b>215,055</b>	<b>107,699</b>

The amount of € 92,944 relates to a cash upstream from the subsidiary IPTO under the provisions of Law 4389/2016 (articles 143 and 147) through the increase of its share capital by the capitalization of reserves from previous years retained earnings and then the reduction of its share capital by an amount equal to the resulted amount by the above increase. The amount will be paid to the Parent Company upon completion of IPTO's ownership unbundling.

## 11. Other (Income)/Expense, Net

	Group		Company	
	2016	2015	2016	2015
<b>Other Expenses</b>				
Transportation and travel expenses	15,970	13,256	7,798	8,238
Taxes and duties	45,922	56,121	42,444	52,549
Losses on disposal of fixed assets	9,416	17,749	11,050	17,915
Consumable	5,685	5,858	5,389	5,582
DAS deficit (Note 37)	63,522	-	63,522	-
Settlement with DEPA (Note 37)	22,567	-	22,567	-
Other	97,450	27,935	81,436	14,731
	<b>260,532</b>	<b>120,919</b>	<b>234,206</b>	<b>99,015</b>
<b>Other Income</b>				
Penalties to suppliers / contractors	(3,891)	(1,887)	(3,376)	(1,077)
Subsidies to expenses	(3,186)	(1,653)	(3,186)	(1,653)
Income from rentals	(2,531)	(2,428)	(12,684)	(12,632)
Other	(36,115)	(14,682)	(41,876)	(22,680)
	<b>(45,723)</b>	<b>(20,650)</b>	<b>(61,122)</b>	<b>(38,042)</b>
<b>Total Continuing Operations</b>	<b>214,809</b>	<b>100,269</b>	<b>173,084</b>	<b>60,973</b>
Discontinued Operations	4,835	3,622	-	-
<b>Total</b>	<b>219,644</b>	<b>103,891</b>	<b>173,084</b>	<b>60,973</b>

## 12. Discontinued Operations - IPTO's Ownership Unbudding

As described in Notes 2 and 16, the process of the ownership unbudding of the subsidiary IPTO S.A. is in progress according to the provisions of Law. 4389/2016 (Articles 142-149 and 152).

The Group's and Parent Company's Management believes that as of December 31st 2016 the criteria of IFRS 5 "Non-current assets held for sale and discontinued operations" and of IFRIC 17 "Distribution of Non-cash Assets to Owners" are met and as a consequence, investment in IPTO S.A. was classified as held for sale and distribution accordingly (Discontinued Operations).

In the following table the analysis of results from Discontinued Operations for the years 2016 and 2015 respectively is presented.

	01.01.-31.12.2016	01.01.-31.12.2015
<b>Revenues</b>		
Revenue from energy sales	(383)	-
Other sales	36,276	26,342
	<b>35,893</b>	<b>26,342</b>
<b>Expenses</b>		
Payroll cost	61,788	60,454
Depreciation and amortization	63,207	61,738
Energy purchases	(12,766)	(22,559)
Materials and consumables	2,958	1,538
Transmission system usage	(177,911)	(206,011)
Utilities and maintenance	(5,465)	(8,203)
Third party fees	3,868	3,060
Provision for risks	11,768	27,548
Provision for slow moving materials	206	(411)
Allowance for doubtful balances	(4,707)	(2,084)
Financial expenses	27,875	24,868
Financial income	117,525	41,213
Other (income) / expenses, net	4,835	3,622
	<b>93,181</b>	<b>(15,227)</b>
<b>Profit/(loss) before tax from discontinued operations</b>	<b>(57,288)</b>	<b>41,569</b>
Income tax	(56,781)	(26,385)
<b>Profit/(loss) after tax from discontinued operations</b>	<b>(114,069)</b>	<b>15,184</b>
Plus intra - Group transactions	111,396	20,362
<b>Profit/(loss) after tax from IPTO's separate financial statements</b>	<b>(2,673)</b>	<b>35,546</b>

In the following table the analysis of Assets and Liabilities from discontinued operations as of December 31<sup>st</sup> 2016 is presented.

	31.12.2016
<b>Non-Current Assets</b>	
Tangible assets	1,581,699
Intangible assets	36
Other non-current assets	33,449
	<b>1,615,184</b>
<b>Current Assets</b>	
Materials, spare parts and supplies	41,635
Trade receivables	115,785
Other receivables	22,763
Income tax receivable	20,022
Other current assets	54,091
Cash and cash equivalents	294,084
	<b>548,380</b>
<b>Total Assets from discontinued operations</b>	<b>2,163,564</b>
<b>Non-Current Liabilities</b>	
Long-term borrowing	145,000
Post retirement benefits	29,928
Provisions	54,936
Deferred tax liabilities	134,734
Deferred customers' contributions and subsidies	209,379
Other non-current liabilities	6,082
	<b>580,059</b>
<b>Current Liabilities</b>	
Trade and other payables	695,838
Short-term borrowings	47,015
Current portion of long-term borrowing	306,112
Income tax payable	45,727
Accrued and other liabilities	110,228
	<b>1,204,920</b>
<b>Total Liabilities from discontinued operations</b>	<b>1,784,979</b>

### 13. Income Taxes (Current and Deferred)

	Group		Company	
	2016	2015	2016	2015
Current income taxes	72,373	136,868	61,856	117,124
Deferred income tax	(28,047)	(187,213)	(28,754)	(200,509)
Deferred income tax - Effect of change in tax rate	-	16,946	-	26,119
Additional taxes	526	2,920	526	2,920
<b>Total Continuing Operations</b>	<b>44,852</b>	<b>(30,479)</b>	<b>33,628</b>	<b>(54,346)</b>
Discontinued Operations	56,781	26,385	-	-
<b>Total income tax</b>	<b>101,633</b>	<b>(4,094)</b>	<b>33,628</b>	<b>(54,346)</b>

According to tax legislation, the income tax rate for legal entities residing in Greece, is 29%, while at the same time tax prepayment stands to 100.

Tax returns for the companies residing in Greece are filed annually but profits or losses declared for tax purposes remain provisional until such time, as the tax authorities audit the returns and the records of the company and a final assessment is issued. The Group establishes a provision, if deemed necessary, on a case by case basis and per company, against an event of additional taxes being imposed by the tax authorities.

Based on the applicable Income Tax Code, since the fiscal year 2011, the certified auditors issue an "Annual Tax Compliance Report" after conducting a tax audit at the same time with the financial audit. The tax audit is conducted on particular tax areas, specified by an audit program, according to the provisions of the tax law. Audit matters which are not covered by the above mentioned decision are dealt in accordance to the ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information".

The Group's companies that are subject to the above mentioned provisions are: PPC S.A., IPTO S.A., HEDNO S.A., and PPC Renewables S.A. For the year 2015 the tax auditors of the Parent Company issued a tax certificate "without qualification", while the corresponding tax audit for 2016 is in progress.

Moreover, effective from January 2014, the appropriate tax authorities (Centre for Auditing Big Companies) have initiated a tax audit of the Parent Company's fiscal years 2009, 2010 and 2011, which is still in progress.

Similarly, the Centre for Auditing Big Companies conducts a tax audit for the subsidiary IPTO S.A. for the fiscal years 2009 and 2010, while there is in progress by the tax authorities a partial tax audit for 2014 after the filling of a tax refund request. This partial tax audit is expected to be completed soon with a tax refund amounting to Euro 18 mil.

Tax unaudited years for the Parent Company and the subsidiaries of the Group:

Company	Country	Unaudited years since
PPC (Parent Company)	Greece	2009
PPC Renewables S.A.	Greece	2012
HEDNO S.A.	Greece	2012
IPTO S.A.	Greece	2009
Arkadikos Ilios Ena S.A.	Greece	2007
Arkadikos Ilios Dio S.A.	Greece	2007
Iliako Velos Ena S.A.	Greece	2007
Iliako Velos Dio S.A.	Greece	2007
SOLARLAB S.A.	Greece	2007
Iliaka Parka Ditikis Makedonias Ena S.A.	Greece	2007
Iliaka Parka Ditikis Makedonias Dio S.A.	Greece	2007
PPC FINANCE PLC	United Kingdom	2009
PPC BULGARIA JSCo	Bulgaria	2014
PPC Elektrik Tedarik ve Ticaret A.S.	Turkey	2014
PHOIBE ENERGIAXH S.A.	Greece	2007

For the unaudited tax years the Group establishes a provision on the basis of the findings of prior tax audits. An analysis and numerical reconciliation between tax expense and the product of accounting profit multiplied by the nominal applicable tax rate is set out below:

	Group		Company	
	2016	2015	2016	2015
<b>Profit/Loss before tax</b>	<b>226,444</b>	<b>(106,610)</b>	<b>200,044</b>	<b>(206,857)</b>
Nominal tax rate	29%	29%	29%	29%
Income tax calculated at nominal tax rate	65,669	(42,972)	58,013	(59,989)
Provision for additional taxes	526	2,920	526	2,920
Non deductible expenses	24,244	12,083	19,659	7,845
Non taxable income	(33,792)	-	(33,137)	(10,146)
Non taxable expense	-	-	-	-
Items for which no deferred taxes have been recognized	-	(31,367)	(11,433)	(21,095)
Impact from tax rate change	-	20,997	-	26,119
Investments in subsidiaries	-	7,860	-	-
<b>Income tax</b>	<b>44,852</b>	<b>(30,479)</b>	<b>33,628</b>	<b>(54,346)</b>
	<b>19.81%</b>	<b>20.57%</b>	<b>16.81%</b>	<b>26.27%</b>

The movement of the deferred income tax account is as follows:

	Group		Company	
	2016	2015	2016	2015
<b>At January 1, 2016</b>	<b>(717,255)</b>	<b>(794,739)</b>	<b>(605,010)</b>	<b>(723,268)</b>
Profit and loss account (debit)/credit	28,047	149,034	28,754	174,390
(Debit)/Credit directly in other total income	-	(71,550)	-	(56,132)
Discontinued Operations	129,113	-	254,600	-
<b>At December 31, 2016</b>	<b>(560,095)</b>	<b>(717,255)</b>	<b>(321,656)</b>	<b>(605,010)</b>

Deferred income tax receivables and liabilities are disclosed in the accompanying balance sheets as follows:

	Group		Company	
	2016	2015	2016	2015
<b>Deferred income tax</b>				
Asset	1,058,343	980,215	1,020,982	894,174
Liability	(1,618,438)	(1,697,470)	(1,342,638)	(1,499,184)
<b>Total</b>	<b>(560,095)</b>	<b>(717,255)</b>	<b>(321,656)</b>	<b>(605,010)</b>

	Group		Company	
	2016	2015	2016	2015
<b>Deferred tax receivables</b>				
Materials and spare parts	40,902	46,579	37,566	37,324
Trade receivables	707,077	602,464	687,387	568,151
Provision for risks and accruals	46,621	62,562	31,352	27,804
Subsidies and customers' contributions	174,757	157,831	174,687	148,128
Provision for CO <sub>2</sub>	-	(688)	-	(688)
Fixed assets	77,848	79,775	78,731	79,415
Available for sale	4,914	-	3,947	-
Derivatives	-	199	-	199
Other	6,224	31,493	7,312	33,841
<b>Deferred tax receivables</b>	<b>1,058,343</b>	<b>980,215</b>	<b>1,020,982</b>	<b>894,174</b>
<b>Deferred tax liabilities</b>				
Long-term debt fees and expenses	(33,687)	(34,990)	(33,769)	(35,072)
Depreciation and revaluation of assets	(1,330,085)	(1,407,778)	(1,308,803)	(1,209,410)
Foreign exchange (gains)	(66)	(102)	(66)	(102)
Investment in IPTO S.A.	(254,600)	(254,600)	-	(254,600)
<b>Deferred tax liability</b>	<b>(1,618,438)</b>	<b>(1,697,470)</b>	<b>(1,342,638)</b>	<b>(1,499,184)</b>
<b>Deferred Tax Liability net</b>	<b>(560,095)</b>	<b>(717,255)</b>	<b>(321,656)</b>	<b>(605,010)</b>

Deferred income tax charged in the statement of income is attributable to the following items:

	Group		Company	
	2016	2015	2016	2015
Materials and spare parts	364	7,236	242	6,034
Trade receivables	118,911	239,140	119,236	236,483
Provision for risks and accruals	3,782	23,371	3,548	11,852
Subsidies	26,559	50,945	26,559	46,816
Fixed assets	(1,927)	5,776	(684)	5,776
Derivatives	(199)	-	(199)	104
Long-term debt fees and expenses	1,303	(7,291)	1,303	(7,339)
Subsidiaries and associates	-	(26,338)	-	(18,478)
Depreciation	(99,393)	(165,998)	(99,393)	(139,111)
Foreign exchange (gains)	36	50	36	50
Provision for CO <sub>2</sub>	688	(1,354)	688	(1,354)
Available for sale	4,914	-	3,947	-
Tax losses	-	(13,279)	-	(3,573)
Other	(26,991)	36,672	(26,529)	37,130
<b>Deferred tax charge</b>	<b>28,047</b>	<b>149,034</b>	<b>28,754</b>	<b>174,390</b>

As at 31.12.2013, the Parent Company recognized a deferred tax liability on the difference between the accounting and tax basis of the value of its investment in the subsidiary IPTO S.A. More precisely, the value of the investment in PPC's tax books amounts to Euro 38,444, while the respective value in the accounting books amounts to Euro 916,376. By applying on the difference of Euro 877,932 the applicable for 2013 income tax rate of 26%, a differed tax liability of Euro 228,262 was derived. On September 30<sup>th</sup> 2015, due to the income tax rate change from 26% to 29%, the deferred tax liability was adjusted to Euro 254,600, while the difference of Euro 26,338 was charged to the current income statement.

Part of this surplus value arising in the tax books, of an amount of Euro 589,615, originates from the reserve of Law 2941/2001 relating to the spanned off Transmission segment which was transferred to IPTO S.A. in its capacity as a sole successor. In accordance to paragraph 3, case (6), of article 98 of Law 4001/2011, all tax or accounting treatment which was performed by PPC relating to the segment and which relates to future benefits or liabilities, is transferred to IPTO S.A.

Consequently, upon the disposal of IPTO S.A. and the payment by the Parent Company of the respective income tax derived from the difference between the sale consideration and the tax book value, the reserve of Law 2941/2001 (Euro 589,615) is considered as taxed, and thus IPTO S.A. in its capacity as a sole successor of PPC S.A., is eligible to transfer this reserve to retained earnings and thus making it available for distribution without payment of any additional income taxes.

## 14. Tangible Assets

Group	Land	Mines	Lakes
<b>Net book value</b>			
<b>December 31, 2014</b>	<b>592,866</b>	<b>383,363</b>	<b>24,010</b>
Additions	-	2,546	-
Depreciation expense	-	(46,691)	(761)
Disposals	-	(354)	-
Transfers from CIP	2,237	12,748	-
Transfers	6,462	10,279	-
Other movements	(489)	(43)	-
<b>December 31, 2015</b>	<b>601,076</b>	<b>361,848</b>	<b>23,249</b>
Discontinuing Operations	(189,832)	-	-
Additions	-	2,962	-
Depreciation expense	-	(45,982)	(756)
Disposals	-	-	-
Transfers from CIP	55	43,777	800
Transfers	-	-	-
Other movements	(429)	(437)	431
<b>December 31, 2016</b>	<b>410,870</b>	<b>362,168</b>	<b>23,724</b>
<b>At December 31, 2014</b>			
Gross carrying amount	592,866	852,753	38,174
Accumulated depreciation	-	(469,390)	(14,164)
<b>Net carrying amount</b>	<b>592,866</b>	<b>383,363</b>	<b>24,010</b>
<b>At December 31, 2015</b>			
Gross carrying amount	601,076	877,929	38,174
Accumulated depreciation	-	(516,081)	(14,925)
<b>Net carrying amount</b>	<b>601,076</b>	<b>361,848</b>	<b>23,249</b>
<b>At December 31, 2016</b>			
Gross carrying amount	410,870	924,231	39,405
Accumulated depreciation	-	(562,063)	(15,681)
<b>Net carrying amount</b>	<b>410,870</b>	<b>362,168</b>	<b>23,724</b>

Buildings and Technical Works	Machinery	Transportation Assets	Fixtures and Furniture	Construction in progress	Total
<b>2,074,490</b>	<b>8,927,748</b>	<b>56,750</b>	<b>70,188</b>	<b>1,560,123</b>	<b>13,689,537</b>
510	151,525	2,109	7,466	591,998	756,154
(107,991)	(641,222)	(7,696)	(11,478)	-	(815,839)
(605)	(18,335)	(203)	(48)	-	(19,545)
26,444	87,301	39	2,132	(146,045)	(15,144)
(33)	(73)	(2)	8	(16,641)	-
26	(163)	349	83	(4,680)	(4,917)
<b>1,992,841</b>	<b>8,506,781</b>	<b>51,346</b>	<b>68,351</b>	<b>1,984,755</b>	<b>13,590,247</b>
(87,841)	(955,985)	(4,542)	(7,853)	(351,645)	(1,597,698)
42	148,925	1,758	8,907	572,750	735,343
(101,223)	(574,223)	(6,601)	(9,773)	-	(738,558)
(61)	(10,572)	(421)	(156)	-	(11,210)
48,555	575,683	4	381	(671,173)	(1,917)
(191)	191	-	-	-	-
4	342	(8)	30	(39,302)	(39,369)
<b>1,852,126</b>	<b>7,691,142</b>	<b>41,537</b>	<b>59,887</b>	<b>1,495,385</b>	<b>11,936,838</b>
<b>At December 31, 2014</b>					
2,096,048	9,032,326	57,111	122,231	1,560,123	14,351,631
(21,558)	(104,578)	(361)	(52,043)	-	(662,094)
<b>2,074,490</b>	<b>8,927,748</b>	<b>56,750</b>	<b>70,188</b>	<b>1,560,123</b>	<b>13,689,537</b>
<b>At December 31, 2015</b>					
2,122,390	9,252,581	59,403	131,872	1,984,755	15,068,180
(129,549)	(745,800)	(8,057)	(63,521)	-	(1,477,933)
<b>1,992,841</b>	<b>8,506,781</b>	<b>51,346</b>	<b>68,351</b>	<b>1,984,755</b>	<b>13,590,247</b>
<b>At December 31, 2016</b>					
2,082,898	9,011,164	56,194	133,181	1,495,385	14,153,329
(230,772)	(1,320,023)	(14,658)	(73,294)	-	(2,216,491)
<b>1,852,126</b>	<b>7,691,142</b>	<b>41,537</b>	<b>59,887</b>	<b>1,495,385</b>	<b>11,936,838</b>

Parent Company	Land	Mines	Lakes
<b>Net book value</b>			
<b>December 31, 2014</b>	<b>396,513</b>	<b>383,363</b>	<b>24,008</b>
Additions	-	2,546	-
Depreciation expense	-	(46,691)	(761)
Disposals	-	(354)	-
Transfers from CIP	1,987	12,748	-
Transfers	6,462	10,279	-
Other movements	-	(43)	-
<b>December 31, 2015</b>	<b>404,962</b>	<b>361,848</b>	<b>23,247</b>
Additions	-	2,962	-
Depreciation expense	-	(45,982)	(756)
Disposals	-	-	-
Transfers from CIP	55	43,777	800
Transfers	-	-	-
Other movements	-	(480)	-
<b>December 31, 2016</b>	<b>405,017</b>	<b>362,125</b>	<b>23,291</b>
<b>At December 31, 2014</b>			
Gross carrying amount	396,513	852,753	38,174
Accumulated depreciation	-	(469,390)	(14,166)
<b>Net carrying amount</b>	<b>396,513</b>	<b>383,363</b>	<b>24,008</b>
<b>At December 31, 2015</b>			
Gross carrying amount	404,962	877,929	38,174
Accumulated depreciation	-	(516,081)	(14,927)
<b>Net carrying amount</b>	<b>404,962</b>	<b>361,848</b>	<b>23,247</b>
<b>At December 31, 2016</b>			
Gross carrying amount	405,017	924,188	38,974
Accumulated depreciation	-	(562,063)	(15,683)
<b>Net carrying amount</b>	<b>405,017</b>	<b>362,125</b>	<b>23,291</b>

Buildings and Technical Works	Machinery	Transportation Assets	Fixtures and Furniture	Construction in progress	Total
<b>1,954,377</b>	<b>7,839,168</b>	<b>25,908</b>	<b>49,360</b>	<b>1,229,758</b>	<b>11,902,455</b>
477	150,997	1,937	5,959	457,533	619,449
(101,924)	(574,206)	(4,083)	(7,193)	-	(734,858)
(33)	(17,985)	(70)	(40)	-	(18,482)
19,193	72,695	-	1,483	(120,972)	(12,866)
(33)	(73)	(2)	8	(16,641)	-
(1)	-	-	-	(4,240)	(4,284)
<b>1,872,056</b>	<b>7,470,596</b>	<b>23,690</b>	<b>49,577</b>	<b>1,545,438</b>	<b>11,751,414</b>
38	148,924	798	7,715	581,090	741,527
(99,484)	(569,000)	(3,619)	(7,516)	-	(726,357)
(11)	(10,572)	(400)	(90)	-	(11,073)
47,668	573,567	-	384	(667,573)	(1,322)
-	-	-	-	-	-
-	-	-	-	(39,302)	(39,782)
<b>1,820,267</b>	<b>7,613,515</b>	<b>20,469</b>	<b>50,070</b>	<b>1,419,653</b>	<b>11,714,407</b>
<b>1,974,891</b>	<b>7,943,292</b>	<b>25,908</b>	<b>100,315</b>	<b>1,229,758</b>	<b>12,561,604</b>
(20,514)	(104,124)	-	(50,955)	-	(659,149)
<b>1,954,377</b>	<b>7,839,168</b>	<b>25,908</b>	<b>49,360</b>	<b>1,229,758</b>	<b>11,902,455</b>
<b>1,994,494</b>	<b>8,148,926</b>	<b>27,773</b>	<b>107,725</b>	<b>1,545,438</b>	<b>13,145,421</b>
(122,438)	(678,330)	(4,083)	(58,148)	-	(1,394,007)
<b>1,872,056</b>	<b>7,470,596</b>	<b>23,690</b>	<b>49,577</b>	<b>1,545,438</b>	<b>11,751,414</b>
<b>2,042,187</b>	<b>8,860,845</b>	<b>28,171</b>	<b>115,734</b>	<b>1,419,653</b>	<b>13,834,769</b>
(221,920)	(1,247,330)	(7,702)	(65,664)	-	(2,120,362)
<b>1,820,267</b>	<b>7,613,515</b>	<b>20,469</b>	<b>50,070</b>	<b>1,419,653</b>	<b>11,714,407</b>

**Revaluation of Fixed Assets**

Within 2014, the Group proceeded with the revaluation of its operating fixed assets as of December 31<sup>st</sup>, 2014. The revaluation was carried out by an independent firm of appraisers, according to IAS 16. The results of the above appraisal which excluded lakes, land for the extraction of lignite and construction in progress, were recorded in the Company's books on December 31<sup>st</sup>, 2014. The previous revaluation took place on December 31<sup>st</sup>, 2009.

The revalued amounts, from the appraisers' work, compared to the Net Book Value of the fixed assets, resulted to a net surplus for the Group, amounting to approximately Euro 672.4 mil., (Parent Company 627.5 mil.), which was credited directly in Revaluation Surplus in Comprehensive Income (Euro 848 mil. and Euro 818.6 mil. net of Deferred Taxes for the Group and the Parent Company, respectively). Additionally, an amount of Euro 44.8 mil. which was not offset by previous years' Revaluation Surplus was charged in the Statement of Income for the year ended at December 31<sup>st</sup>, 2014 (Parent Company: 21.7 mil.).

**Encumbrances on tangible assets**

Tangible assets are held free from encumbrances and any claims against the Group's tangible assets are deemed as not substantial.

**15. Intangible Assets, Net**

	Group					
	31.12.2016			31.12.2015		
	Software	Emission Allowances	Total	Software	Emission Allowances	Total
<b>Net book value, January 1</b>	<b>20,044</b>	<b>58,514</b>	<b>78,558</b>	<b>10,954</b>	<b>58,992</b>	<b>69,946</b>
Discontinuing Operations	(128)	-	(128)	-	-	-
Additions	1,669	161,842	163,511	13,066	250,549	263,615
Consumptions (Note 8)	-	(178,138)	(178,138)	-	(251,027)	(251,027)
Depreciation (Note 7)	(6,356)	-	(6,356)	(5,377)	-	(5,377)
Disposals	(1)	-	(1)	(29)	-	(29)
Transfers	591	-	591	1,430	-	1,430
<b>December 31</b>	<b>15,819</b>	<b>42,218</b>	<b>58,037</b>	<b>20,044</b>	<b>58,514</b>	<b>78,558</b>

	Company					
	31.12.2016			31.12.2015		
	Software	Emission Allowances	Total	Software	Emission Allowances	Total
<b>Net book value, January 1</b>	<b>15,816</b>	<b>58,514</b>	<b>74,330</b>	<b>6,773</b>	<b>58,992</b>	<b>65,765</b>
Additions	1,583	161,842	163,425	13,006	250,549	263,555
Consumptions (Note 8)	-	(178,138)	(178,138)	-	(251,027)	(251,027)
Depreciation (Note 7)	(4,649)	-	(4,649)	(3,934)	-	(3,934)
Disposals	(1)	-	(1)	(29)	-	(29)
Transfers	-	-	-	-	-	-
<b>December 31</b>	<b>12,749</b>	<b>42,218</b>	<b>54,967</b>	<b>15,816</b>	<b>58,514</b>	<b>74,330</b>

The net carrying amount of software is further analyzed as follows:

	Group	Company
<b>At December 31, 2014</b>		
Gross carrying amount	61,310	49,501
Accumulated amortization	(50,356)	(42,728)
<b>Net carrying amount</b>	<b>10,954</b>	<b>6,773</b>
<b>At December 31, 2015</b>		
Gross carrying amount	75,777	62,478
Accumulated amortization	(55,733)	(46,662)
<b>Net carrying amount</b>	<b>20,044</b>	<b>15,816</b>
<b>At December 31, 2016</b>		
Discontinuing Operations	(128)	-
Gross carrying amount	78,036	64,060
Accumulated amortization	(62,089)	(51,311)
<b>Net carrying amount</b>	<b>15,819</b>	<b>12,749</b>

**16. Investments in Subsidiaries**

The direct subsidiaries of the Parent Company and the value of the investment are as follows:

	Company	
	31.12.2016	31.12.2015
IPTO S.A. (Notes 2 and 12)	-	916,376
HEDNO S.A.	56,982	56,982
PPC Renewables S.A.	155,438	155,438
PPC FINANCE PLC	59	59
PPC BULGARIA JSCo	522	522
PPC ELEKTRİK TEDARİK VE TİCARET A.S.	1,350	1,350
	<b>214,351</b>	<b>1,130,727</b>

In September 2016, the Board of Directors of the Parent Company decided the set-up of a wholly owned subsidiary in Albania, under the name "PPC Albania", based at Tirana. The company will be active, among other activities, in electricity trading and its initial share capital amounts to Euro 150. The set-up of the subsidiary company was held in January 2017 while the payment of Euro 150 took place in February 2017.

The Extraordinary General Shareholders' Meeting by its decision on 17.01.2017, according to the provisions of the Law 4389/2016, approved the set-up of a wholly owned subsidiary under the name "Holding Company ENERGIAKI S.A. (ENERGIAKI HOLDING S.A.)" with initial share capital Euro 491,840

(Euro 491,770 from distribution in Kind of 51% of IPTO's shares held by PPC and Euro 70 in cash). (Notes 2 and 12).

The consolidated financial statements include the financial statements of PPC and its subsidiaries. The subsidiaries included in the consolidation are the following (full consolidation):

Subsidiaries	Ownership Interest		Country and Year of Incorporation	Principal Activities
	31.12.2016	31.12.2015		
PPC Renewables S.A.	100%	100%	Greece, 1998	RES
HEDNO S.A.	100%	100%	Greece, 1999	HEDN
IPTO S.A.	100%	100%	Greece, 2000	HETS
Arkadikos Ilios Ena S.A.	100%	100%	Greece, 2007	RES
Arkadikos Ilios Dio S.A.	100%	100%	Greece, 2007	RES
Iliako Velos Ena S.A.	100%	100%	Greece, 2007	RES
Iliako Velos Dio S.A.	100%	100%	Greece, 2007	RES
Solarlab S.A.	100%	100%	Greece, 2007	RES
Iliaka Parka Ditikis Makedonias Ena S.A.	100%	100%	Greece, 2007	RES
Iliaka Parka Ditikis Makedonias Dio S.A.	100%	100%	Greece, 2007	RES
PPC Finance PLC	100%	100%	UK, 2009	Financing Services
PPC BULGARIA JSCo	85%	85%	Bulgaria, 2014	Supply of power
PPC Elektrik Tedarik ve Ticaret A.S.	100%	100%	Turkey, 2014	Supply of power
PHOIBE ENERGIAKI S.A	100%	100%	Greece, 2007	RES

## 17. Investments in Associates

The Group's and the Parent Company's associates as of December 31, 2016 and December 31, 2015 are as follows (equity method):

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Larco S.A.	-	-	-	-
PPC Renewables ROKAS S.A.	2,160	2,110	-	-
PPC Renewables TERNA Energiaki S.A.	3,161	2,877	-	-
PPC Renewables NANKO Energy - MYHE Gitani S.A.	2,204	2,389	-	-
PPC Renewables MEK Energiaki S.A.	1,314	1,421	-	-
PPC Renewables ELTEV AIFOROS S.A.	2,532	2,373	-	-
PPC Renewables EDF EN GREECE S.A.	8,479	11,242	-	-
Aioliko Parko LOYKO S.A.	20	24	-	-
Aioliko Parko MBAMBO VIGLIES S.A.	23	28	-	-
Aioliko Parko KILIZA S.A.	27	31	-	-
Aioliko Parko LEFKIVARI S.A.	25	31	-	-
Aioliko Parko AGIOS ONOUFRIOS S.A.	28	32	-	-
Renewable Energy Applications LTD	27	27	-	-
WASTE SYCLO S.A.	46	55	221	221
PPC Solar Solutions S.A.	971	976	980	980
	<b>21,017</b>	<b>23,616</b>	<b>1,201</b>	<b>1,201</b>

The full list of the Group's and the Parent Company's associates are as follows:

Associates	Note	Ownership Interest		Country and Year of Incorporation	Principal Activities
		31.12.16	31.12.15		
Larco S.A.		11.45%	11.45%	Greece, 1989	Metallurgical
PPC Renewables ROKAS S.A.		49.00%	49.00%	Greece, 2000	RES
PPC Renewables TERNA Energiaki S.A.		49.00%	49.00%	Greece, 2000	RES
PPC Renewables NANKO Energy - MYHE Gitani S.A.		49.00%	49.00%	Greece, 2000	RES
PPC Renewables MEK Energiaki S.A.		49.00%	49.00%	Greece, 2001	RES
PPC Renewables ELTEV AIFOROS S.A.		49.00%	49.00%	Greece, 2004	RES
PPC Renewables EDF EN GREECE S.A.		49.00%	49.00%	Greece, 2007	RES
EEN VOIOTIA S.A.	1	46.60%	46.60%	Greece, 2007	RES
Aioliko Parko LOYKO S.A.		49.00%	49.00%	Greece, 2008	RES
Aioliko Parko BAMBO VIGLIES S.A.		49.00%	49.00%	Greece, 2008	RES
Aioliko Parko KILIZA S.A.		49.00%	49.00%	Greece, 2008	RES
Aioliko Parko LEFKIVARI A.E.		49.00%	49.00%	Greece, 2008	RES
Aioliko Parko AGIOS ONOUFRIOS S.A.		49.00%	49.00%	Greece, 2008	RES
Renewable Energy Applications LTD		49.00%	49.00%	Cyprus, 2010	RES
Waste Syclo S.A.		49.00%	49.00%	Greece, 2011	Waste Management
PPC Solar Solutions S.A.		49.00%	49.00%	Greece, 2014	RES

1. It is consolidated from the associate company PPC Renewables EDF EN GREECE S.A. as it participates by 95% in its share capital.

The following table presents PPC's share (directly or indirectly) of its associates' financial figures as of 31.12.2016 and 31.12.2015 respectively:

	December 31, 2016		
	Assets	Liabilities	Equity
PPC Renewables ROKAS S.A.	3,046	886	2,160
PPC Renewables TERNA Energiaki S.A.	7,281	4,120	3,161
PPC Renewables NANKO Energy - MYHE Gitani S.A.	3,420	1,216	2,204
PPC Renewables MEK Energiaki S.A.	3,047	1,733	1,314
PPC Renewables ELTEV S.A.- SMIXIOTIKO	4,288	1,756	2,532
PPC Renewables EDF EN GREECE S.A.	24,830	19,495	5,335
Renewable Energy Applications LTD	29	2	27
Aioliko Parko LOYKO S.A.	23	3	20
Aioliko Parko MBAMBO VIGLIES S.A.	31	7	24
Aioliko Parko KILIZA S.A.	30	3	27
Aioliko Parko LEFKIVARI A.E.	26	1	25
Aioliko Parko AGIOS ONOUFRIOS S.A.	30	2	28
Waste Syclo S.A.	-	-	-
	<b>46,081</b>	<b>29,224</b>	<b>16,857</b>

	December 31, 2015		
	Assets	Liabilities	Equity
PPC Renewables ROKAS S.A.	3,054	551	2,503
PPC Renewables TERNA Energiaki S.A.	7,433	4,556	2,877
PPC Renewables NANKO Energy - MYHE Gitani S.A.	3,376	110	3,266
PPC Renewables MEK EnergiakiS.A.	2,972	1,551	1,421
PPC Renewables ELTEV AIFOROS S.A.	4,312	1,939	2,373
PPC Renewables EDF EN GREECES.A.	21,979	15,648	6,331
Renewable Energy Applications LTD	29	2	27
Aioliko Parko LOYKO S.A.	68	-	68
Aioliko Parko MBAMBO VIGLIES S.A.	81	3	78
Aioliko Parko KILIZA S.A.	72	1	71
Aioliko Parko LEFKIVARI A.E.	85	1	84
Aioliko Parko AGIOS ONOUFRIOS S.A.	73	1	72
Waste Syclo S.A.	-	-	-
	<b>43,534</b>	<b>24,363</b>	<b>19,171</b>

The following table presents PPC's share of its associates' revenue and results:

	December 31, 2016		December 31, 2015	
	Sales	Profit/(Loss)	Sales	Profit/(Loss)
PPC Renewables ROKAS S.A.	739	520	690	464
PPC Renewables TERNA Energiaki S.A.	1,553	664	1,198	596
PPC Renewables NANKO Energy - MYHE Gitani S.A.	838	306	637	329
PPC Renewables MEK EnergiakiS.A.	1,264	581	1,268	793
PPC Renewables ELTEV S.A.SMIXIOTIKO	516	158	530	211
PPC Renewables EDF EN GREECES.A.	2,897	569	3,008	764
Renewable Energy Applications LTD	-	-	-	-
Aioliko Parko LOYKO S.A.	-	(2)	-	(3)
Aioliko Parko MBAMBO VIGLIES S.A.	-	(3)	-	(5)
Aioliko Parko LEFKIVARI A.E.	-	(2)	-	(3)
Aioliko Parko AGIOS ONOUFRIOS S.A.	-	(3)	-	(3)
Aioliko Parko KILIZA S.A.	-	(2)	-	(3)
Waste Syclo S.A.	-	-	-	-
	<b>7,807</b>	<b>2,786</b>	<b>7,331</b>	<b>3,140</b>

## 18. Balances and Transactions with Related Parties

PPC balances with its subsidiaries and its associates as of December 31, 2016 and 2015 are as follows:

	December 31, 2016		December 31, 2015	
	Receivables	(Payables)	Receivables	(Payables)
<b>Subsidiaries</b>				
IPTO S.A.	152,844	(807,989)	65,468	(824,137)
PPC Renewables S.A.	1,260	-	1,741	-
HEDNO S.A.	599,981	(1,028,540)	89,441	(347,258)
PPC Finance PLC	-	(6,173)	-	(6,169)
PPC Elektrik	542	(86)	239	(96)
PPC Bulgaria JSCo	38	(1,524)	-	(709)
	<b>754,665</b>	<b>(1,844,312)</b>	<b>156,889</b>	<b>(1,178,369)</b>
<b>Associates</b>				
Larco S.A. (energy, lignite and ash)	242,709	-	272,163	-
	<b>242,709</b>	<b>-</b>	<b>272,163</b>	<b>-</b>

PPC's transactions with its subsidiaries and its associates as of December 31<sup>st</sup>, 2016 and 2015 are as follows:

	2016		2015	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
<b>Subsidiaries</b>				
IPTO S.A.	204,939	(1,217,093)	129,011	(1,367,353)
PPC Renewables S.A.	3,280	-	3,419	-
HEDNO S.A.	1,144,839	(1,820,297)	1,247,817	(1,982,423)
PPC Finance PLC	-	(37,061)	-	(37,125)
PPC Elektrik	2,550	(833)	1,184	(3,300)
PPC Bulgaria JSCo	45	(32,532)	-	(6,379)
	<b>1,355,653</b>	<b>(3,107,816)</b>	<b>1,381,431</b>	<b>(3,396,580)</b>
<b>Associates</b>				
Larco S.A.	61,767	(6,396)	66,550	(4,907)
	<b>61,767</b>	<b>(6,396)</b>	<b>66,550</b>	<b>(4,907)</b>

### Guarantee in favor of the subsidiary PPC Renewables S.A.

As of 31.12.2016, the Parent Company has guaranteed for a total credit line of up to Euro 8 mil., through overdraft facilities. As of 31.12.2016 PPC Renewables S.A. has used from the above mentioned credit line an amount of Euro 947,91, which relates to letters of guarantees.

### Guarantee in favor of the subsidiary IPTO S.A.

As of 31.12.2016, the Parent Company has guaranteed IPTO's bilateral loans for a total amount of Euro 325 mil. The above mentioned guarantee was approved by the Parent Company's Annual Shareholders' Meeting.

### Transactions and balances with other companies into which the Greek State participates

The following table presents transactions and balances with Hellenic Petroleum ("ELPE S.A.") and National Gas Company ("DEPA S.A."), which are PPC's liquid fuel and natural gas suppliers, respectively

and into which the Greek State participates. Furthermore, transactions and balances with the Electricity Market Operator ("EMO"), are presented.

	Purchases		Balance	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
ELPE, purchases of liquid fuel	-	107,837	85	8,176
DEPA, purchases of natural gas	265,499	324,493	105,314	67,632
	<b>265,499</b>	<b>432,330</b>	<b>105,399</b>	<b>75,808</b>
	31.12.2016		31.12.2015	
	Receivables	(Payables)	Receivables	(Payables)
<b>EMO S.A.</b>	<b>173,764</b>	<b>(128,312)</b>	<b>165,547</b>	<b>(57,891)</b>
	31.12.2016		31.12.2015	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
<b>EMO S.A.</b>	<b>1,384,468</b>	<b>(2,013,545)</b>	<b>1,945,418</b>	<b>(2,565,727)</b>

In addition to the above mentioned transactions, PPC enters into commercial transactions with many state-owned entities, both profit and nonprofit, within its normal course of business (sale of electricity, services received, etc.). All transactions with government owned entities are performed at arm's length terms.

#### Management remunerations

Management's remunerations (Board of Directors and General Managers) for the year ended December 31<sup>st</sup>, 2016 and 2015 are as follows:

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
<b>Remuneration of Board of Directors' members</b>				
Remuneration of executive members	346	318	57	88
Remuneration of non-executive members	37	51	-	-
Compensation/Extraordinary fees	80	30	-	-
Employer's Social Contributions	95	62	19	-
Other Benefits	108	97	106	82
	<b>666</b>	<b>558</b>	<b>182</b>	<b>170</b>
<b>Remuneration of Deputy Managing Directors and General Managers</b>				
Regular remuneration	638	653	492	539
Employer's Social Contributions	184	201	137	163
Compensation / Extraordinary fees	14	-	14	-
	<b>836</b>	<b>854</b>	<b>643</b>	<b>702</b>
	<b>1,502</b>	<b>1,412</b>	<b>825</b>	<b>872</b>

Remuneration to members of the Board of Directors does not include standard salaries and employer's social contribution, relating to the representatives of employees that participate in the Parent Company's Board of Directors. Also, it does not include the benefit of the electricity supply based on the PPC personnel tariff to the executive members of the Board of Director, the Deputy Managing

Directors and the General Managers. It is noted that in the above table, remuneration to members of the Board of Directors of the subsidiary IPTO is included.

#### 19. Materials, Spare Parts and Supplies, Net

	Group		Company	
	2016	2015	2016	2015
Lignite	49,412	78,074	49,412	78,074
Liquid fuel	177,964	188,174	177,964	188,174
Materials and consumables	618,351	685,096	491,940	475,844
Purchased materials in transit	12,231	14,653	12,086	14,139
	<b>857,958</b>	<b>965,997</b>	<b>731,402</b>	<b>756,231</b>
Provision for materials' write down to recoverable amount	(198,345)	(218,627)	(187,252)	(186,420)
<b>Total</b>	<b>659,613</b>	<b>747,370</b>	<b>544,150</b>	<b>569,811</b>

During 2016, the Group and the Parent Company established an additional provision for materials' and spare parts' write down amounting to Euro 753 and Euro 832 respectively, (2015: Euro 9,390 and Euro 8,358 respectively). Materials, spare parts and supplies of the Parent Company and the Group are held free of encumbrances.

#### 20. Trade Receivables, Net

	Group		Company	
	2016	2015	2016	2015
High voltage	390,069	459,758	390,649	459,996
Medium and low voltage	2,969,257	2,692,388	2,969,294	2,692,380
Customers' contributions	3,521	4,502	3,521	4,502
Other energy suppliers	131,492	163,864	-	-
Subsidiaries' receivables	-	99,651	-	-
	<b>3,494,339</b>	<b>3,420,163</b>	<b>3,363,464</b>	<b>3,156,878</b>
Unbilled revenue	969,605	963,531	969,605	963,531
	<b>4,463,944</b>	<b>4,383,694</b>	<b>4,333,069</b>	<b>4,120,409</b>
Allowance for doubtful balances	(2,865,947)	(2,539,486)	(2,766,211)	(2,420,604)
<b>Total</b>	<b>1,597,997</b>	<b>1,844,208</b>	<b>1,566,858</b>	<b>1,699,805</b>

High voltage customer balances relate to a) receivables from sales of energy to 81 companies, including large industrial companies, which are invoiced at the end of each calendar month, based on individual agreements and actual metering and b) exports to customers abroad.

Medium voltage customers are mainly industrial and commercial companies. Billing is made on a monthly basis based on actual meter readings. Low voltage customers are mainly residential and small commercial companies.

The majority of Low Voltage customers are billed every four months based on actual meter readings, while interim bills are issued every two months based mainly on the energy consumed during the corresponding period in the prior year.

There are different types of tariffs for both Medium and Low Voltage customers with different tariff structures based on different types of energy use (commercial, residential, etc). Revenues from the supply of electricity to Medium and Low Voltage customers provided during the period from the last meter reading or billing through each reporting date are accounted for as unbilled revenue.

The provision for doubtful receivables is established, on specific customer balances. For Medium and Low Voltage customers, the Parent Company was establishing a provision for the total of their outstanding balances of more than 3 and 6 months respectively, per customer.

The movement of the provision for doubtful receivables is as follows:

	Group		Company	
	2016	2015	2016	2015
<b>As at January 1</b>	<b>2,539,486</b>	<b>1,675,553</b>	<b>2,420,604</b>	<b>1,553,937</b>
Discontinuing Operations	(19,146)	-	-	-
Provision charge	407,457	870,755	407,457	870,995
Reversal of unused provision	(61,850)	(2,494)	(61,850)	-
Utilisation	-	(4,328)	-	(4,328)
<b>As at December 31</b>	<b>2,865,947</b>	<b>2,539,486</b>	<b>2,766,211</b>	<b>2,420,604</b>

At December 31<sup>st</sup>, 2016 and 2015, the ageing analysis of the invoiced trade accounts receivable, impaired by the established provisions of the Parent Company, are as follows:

	Total	Non Past due and not impaired Trade receivables	Past due and not impaired (days) trade receivables			
			< 45	45 - 180	180 - 365	> 365
2016	597,251	117,599	112,727	255,665	71,792	39,468
2015	736,275	124,418	130,019	352,911	75,414	53,513

## 21. Other Receivables, Net

	Group		Company	
	2016	2015	2016	2015
Value Added Tax	29,315	17,216	26,546	14,208
Assessed taxes and penalties	55,569	54,810	57,961	54,696
Social security funds				
- in dispute	18,059	18,059	18,059	18,059
- current	3,195	3,195	3,195	3,195
State participation in employees' social security contributions	1,546	1,546	1,546	1,546
Pensioners' advances, in dispute	5,262	5,262	5,262	5,262
Loans to employees	11,307	12,118	8,147	8,323
Receivables from contractors	4,065	4,066	4,066	4,066
Receivables from subsidiaries	-	-	1,269	1,760
Receivables from IPTO-Capital Unpaid	-	-	92,944	-
Receivable by DEPA	-	42,330	-	42,330
Receivable by EMO	47,769	108,030	47,769	107,656
Fiber optic rentals	2,278	17,187	2,278	14,894
Other	107,453	70,043	76,407	51,760
	<b>285,818</b>	<b>353,862</b>	<b>345,449</b>	<b>327,755</b>
Allowance for doubtful balances	(72,499)	(107,987)	(71,302)	(105,912)
<b>Total</b>	<b>213,319</b>	<b>245,875</b>	<b>274,147</b>	<b>221,843</b>

### Assessed taxes and penalties

The amount represents additional income taxes and penalties assessed to and paid by the Parent Company as a result of a preliminary tax audit performed in previous years by the tax authorities for the fiscal years from 1992 through to 1997. The amounts were paid in order for the company to be able to file an appeal to the tax courts. These amounts have as follows:

- For the fiscal year 1992, an amount of Euro 8,048 was paid (during 2006) (income tax of Euro 1,064, additional taxes of Euro 2,724 and penalties of Euro 4,260).
- For the fiscal years from 1995 through to 1997, an amount of Euro 30,728 was paid (Euro 18,173 paid in 2005 and Euro 12,555 paid in periods prior to December 31<sup>st</sup>, 2004).
- For the fiscal years from 1994 through to 1995, an amount of Euro 1,480 was paid. Within 2007, this amount was settled against other tax liabilities.

Against the above receivables, the Parent Company has established a provision of Euro 42,676 (Note 31).

### Social Security Funds in Dispute

The amount relates to social security contributions and deductions (during years 1983-1993) for employees who have worked with other employers before joining PPC. As PPC undertook the obligation to cover the whole amount of their pensions and other related benefits, part of their contributions to other social security funds mainly IKA (SSI i.e. Social Security Institute), the major Greek social security fund has been claimed by PPC. The claim was not accepted by IKA and the case was brought by PPC before the courts. Following an adverse court decision, PPC together with PPC - PIO (currently TAYTEKO based on L. 3655/2008) appealed against said decision before the second degree courts. The second degree court rejected PPC's appeal, whereas PPC - PIO's appeal against IKA is still pending. For the abovementioned amount, an equal provision has been established at the attached financial statements.

**Advances to Pensioners in Dispute**

The amount of Euro 5,262 represents an advance payment made in 1993 to pensioners. A respective provision has been established of this amount.

**State Participation in Employees' Social Security Contributions**

The amount represents the claim of PPC from the State for the latter's contribution to the social security contributions of employees who started working after January 1<sup>st</sup>, 1993. For the above mentioned amount, an equal provision has been established.

The movement in the allowance for other receivables is as follows:

	Group		Company	
	2016	2015	2016	2015
<b>As at January 1</b>	<b>107,987</b>	<b>84,409</b>	<b>105,912</b>	<b>82,227</b>
Discontinuing Operations	(2,000)	-	-	-
Provision charge	14,835	23,578	13,713	23,685
Reversal of unused provision	(48,323)	-	(48,323)	-
Utilisation	-	-	-	-
<b>As at December 31</b>	<b>72,499</b>	<b>107,987</b>	<b>71,302</b>	<b>105,912</b>

**22. Investments Available for Sale**

	Group		Company	
	2016	2015	2016	2015
National Bank of Greece	17	24	17	24
Evetam	241	241	241	241
Euroasia Interconnector	51	51	51	51
Attica Bank	967	-	580	-
<b>Total</b>	<b>1,276</b>	<b>316</b>	<b>889</b>	<b>316</b>

The Group participated in December 2015 to the increase in the share capital of Attica Bank with the amount of Euro 10 mil. to purchase approximately 33 mil. shares (the Parent Company with Euro 6 mil. for purchasing 20 mil. shares). The new shares were credited to PPC's Securities Account on 18.01.2016 and as a consequence on 31.12.2015, the above mentioned investment was not classified as available for sale.

On 31.12.2016 the Group and the Parent Company considered that the above mentioned investment has been impaired and therefore a loss of Euro 9,033 and Euro 5,420 for the Group and the Parent Company respectively were transferred to profit or loss for the year ended 31.12.2016 (Note 26).

**23. Cash and Cash Equivalents**

	Group		Company	
	2016	2015	2016	2015
Cash in hand	520	1,383	492	1,273
Cash at banks	119,914	101,927	65,922	52,319
Time deposits	86,600	348,360	83,000	144,000
<b>Total</b>	<b>207,034</b>	<b>451,670</b>	<b>149,414</b>	<b>197,592</b>

Interest earned on cash at banks and time deposits is accounted for on an accrual basis and amounted to Euro 4,562 (2015: Euro 5,768 ), for the continuing operations of the Group and to Euro 2,162 (2015: Euro 4,832) for the Parent Company and is included in financial income in the accompanying statements of income (Note 10).

All cash and cash equivalents are denominated in Euro.

Additionally on December 31<sup>st</sup>, 2016 the Group and the Parent Company kept in a pledged deposit account an amount of Euro 110,963 (2015: 127,842).

**24. Share Capital**

Under Law 2773/1999 and P.D. 333/2000 PPC was transformed, into a société anonyme.

By the Legislative Act of 07.09.2012, which was ratified by art. 2 of L. 4092/2012, the obligatory participation of the Greek State with at least 51% of the company's share capital was abolished. The Extraordinary General Shareholders' Meeting, which was convened on November 30<sup>th</sup>, 2012 decided to abolish the article of incorporation which provided for the participation of the Greek State by at least 51% to the company's share capital. This amendment of the Articles of Incorporation on one hand harmonizes the articles with the legislation in effect, and on the other hand renders possible the reduction of the current participation percentage of the Greek State to the company's share capital.

At December 31<sup>st</sup>, 2016 and 2015, PPC's share capital (fully authorised and issued) amounted to Euro 1,067,200 divided into 232,000,000 common shares of Euro four and sixty cents (Euro 4.60) per value each.

The Extraordinary General Shareholders' Meeting with its decision on 17.01.2017 and in the context of the carveout of the "Holding Company ENERGIKI S.A." (ENERGIKI HOLDING S.A.) according to Law 4389/2016, approved a) the decrease of PPC's share capital by Euro 491,840 "with the purpose of the distribution in Kind to its shareholders" and b) as a consequence of the above mentioned distribution in Kind, the transfer to its existing shareholders of the shares held PPC in the "ENERGIKI HOLDING S.A." in proportion to their participation in PPC's share capital. This decrease will be achieved by means of decreasing the nominal value of the PPC's shares from Euro four and sixty cents (Euro 4.60) per value each to Euro two and forty-eight cents (Euro 2.48).

After this decrease, PPC's share capital amounts to Euro 575,430 divided into 232,000,000 common shares of Euro two and forty-eight cents (Euro 2.48) per value each.

**25. Legal Reserve**

Under Greek corporate law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their financial statements to a legal reserve, until such reserve equals one-third of the paid-in share capital. This reserve cannot be distributed through the life of the corporation.

## 26. Other Reserves

	Group		Company	
	2016	2015	2016	2015
Tax free	7,362	7,362	7,362	7,362
Specially taxed reserves	95,597	95,597	95,597	95,597
Actuarial losses (Note 30)	(256,053)	(221,963)	(137,055)	(118,582)
Fair value of investments available for sale (Note 22)	-	(619)	-	(420)
Foreign exchange differences	(278)	(95)	-	-
<b>Total</b>	<b>(153,372)</b>	<b>(119,718)</b>	<b>(34,096)</b>	<b>(16,043)</b>

## 27. Dividends

Under Greek corporate law, companies are required each year to pay dividends of at least 35% of after-tax profit, after the formation of the legal reserve. However, with the consent of at least the 70% of the Company's shareholders, a company may not distribute any dividend. Furthermore, Greek corporate law requires certain conditions to be met before dividends can be distributed. Specifically, no dividends can be distributed a) as long as a company's net equity, as reflected in the statutory financial statements, is, or after such distribution, will be less than the outstanding capital plus non-distributable reserves, and b) as long as the unamortized balance of "Pre-operating Expenses", as reflected in the statutory financial statements, exceeds the aggregate of extraordinary reserves plus retained earnings.

At December 31<sup>st</sup>, 2016, the unpaid balance of dividends was Euro 63 (2015: Euro 149).

Based on L. 4172/2013, the distributable earnings approved by the General Shareholders' Meetings since 01.01.2014 are subject to a withholding tax of 10%.

PPC's Board of Directors at its meeting on 07.04.2017 decided to propose to the forthcoming Annual General Meeting of PPC's the non-distribution of dividends, in accordance with Article 45 par.2 case b) of Law 2190/1920, in conjunction with Article 3 par.3 of Law 148/1967, due to the current economic conjuncture and cash needs which the Parent Company faces for the year 2017.

## 28. Long-Term Borrowing

	Group		Company	
	2016	2015	2016	2015
Bank Loans	2,082,955	2,320,446	2,082,955	2,167,423
Bonds Payable	2,529,088	2,921,078	2,529,098	2,630,976
Unamortized portion of loan issuance fees	(30,039)	(36,563)	(30,039)	(36,563)
<b>Total</b>	<b>4,582,004</b>	<b>5,204,961</b>	<b>4,582,014</b>	<b>4,761,836</b>
Less current portion:				
- Bank Loans	173,091	191,491	173,091	164,468
- Bonds Payable	466,879	530,976	466,879	240,864
Unamortized portion of loan issuance fees	(8,868)	(8,680)	(8,868)	(8,680)
<b>Total</b>	<b>631,102</b>	<b>713,787</b>	<b>631,102</b>	<b>396,652</b>
<b>Total long term portion of loans and borrowings</b>	<b>3,950,902</b>	<b>4,491,174</b>	<b>3,950,912</b>	<b>4,365,184</b>

The table below shows the analysis of the long-term borrowing from discontinuing operations (subsidiary IPTO) on 31.12.2016.

Bank Loans	161,000
Bonds Payable	290,112
Unamortized portion of loan issuance fees	-
<b>Total</b>	<b>451,112</b>
Less current portion:	
- Bank Loans	16,000
- Bonds Payable	290,112
Unamortized portion of loan issuance fees	-
<b>Total</b>	<b>306,112</b>
<b>Total long term portion of loans and borrowings</b>	<b>145,000</b>

During 2016, the Group proceeded to debt repayments amounting to Euro 409 mil. (Parent Company Euro 382 mil.) out of which an amount of Euro 50 mil. (at 31.12.2015) refers to an overdraft facility which was refinanced in February 2016 through a Revolving Credit Facility of Euro 65 mil. maturing in 2019.

In November 2016, the Parent Company drew from the European Investment Bank, the amount of Euro 80 mil., for the project «PPC POWER PROJECTS ON GREEK ISLANDS», of a total financing line of Euro 190 million, bearing the Greek Republic's guarantee.

In November 2016 the Parent Company's Board of Directors approved a two-year extension of a Bond Loan of an approximate amount of Euro 74 mil., the product of which is used as cover to EIB on behalf of the Parent Company and is included in the Blocked Deposits.

In December 2016, PPC's Board of Directors approved the funding of Euro 85 mil. from EIB, for the modernization and strengthening of Electricity Distribution Networks in the mainland and the islands (both Interconnected and Non - Interconnected). Afterwards the first contract was signed for an amount of Euro 40 mil.

The subsidiary company IPTO S.A. after an initial disbursement of an amount of Euro 30 mil. in 2015, proceeded in drawing an additional amount of Euro 35 mil. on March 18<sup>th</sup> 2016 from the European Investment Bank for the project "Cyclades Interconnection Phase A" from a total financing line of Euro 130 mil. guaranteed by the Greek State.

In October 2016, IPTO's Board of Directors approved the terms and conditions of the financing proposal for the issuance of a medium-term syndicated bond loan of Euro 337.1 mil., which will refinance all its loans to Greek banks.

The total interest expense on total debt for the period ended December 31<sup>st</sup>, 2016, besides capitalized interest expense of the construction period amounting approximately to Euro 7.2 mil. (2015: 8.9 mil. approximately), is included in financial expenses in the accompanying statements of income (Note 9).

In the category "Bonds Payable" in the above table, the amount of Euro 114,353 is included which concerns the partial financing of the construction of the new lignite-powered unit "PTOLEMAIDA V" and which is registered in the category "Project Financing" Floating Rate of the following table.

A further analysis of the long term borrowings of the Group and the Parent Company is presented in the table below:

	Group		Company	
	2016	2015	2016	2015
Bank loans and bonds:				
- Fixed rate	700,000	700,000	700,010	700,010
- Floating rate	1,714,735	2,106,725	1,714,735	1,816,614
European Investment Bank:				
- Fixed rate	1,794,788	1,660,256	1,794,788	1,551,922
- Floating rate	288,167	660,190	288,167	615,500
Project Financing:				
- Fixed rate	-	-	-	-
- Floating rate	114,353	114,353	114,353	114,353
<b>Total</b>	<b>4,612,043</b>	<b>5,241,524</b>	<b>4,612,053</b>	<b>4,798,399</b>

Long-term borrowings represent unsecured obligations of the Group and the Parent Company, excluding services of collateral in the form of pledged deposits provided by the Group and the Parent Company, totalling Euro 110,935 (31.12.2015: Euro 127,814).

Certain loans and bonds include certain non-financial terms, the most important of which is that the Company should not cease to be a corporation controlled at least 51% by the Greek State.

It is noted that in the loan agreements which have been concluded after the implementation of the Medium Term Financial Strategy Framework which was signed in July 2011, this percentage has been adjusted in 34%, following the transfer of 17% by the Greek State to HRADE, which is owned by the Greek State by 100%.

Certain loan agreements, with an outstanding balance of Euro 1,749 mil. on December 31<sup>st</sup>, 2016, (Euro 1,590 mil. for the Parent Company) include financial covenants, the non-compliance of which may lead to an event of default.

For the provision of a guarantee by the Greek State in favor of PPC to all loans with the European Investment Bank, the Parent Company pays a guarantee commission to the Greek State.

The annual principal payments of the long-term borrowings required to be made subsequent to December 31<sup>st</sup>, 2016 (based on the exchange rates as of December 31<sup>st</sup>, 2016) are as follows:

	Group		Company	
	2016	2015	2016	2015
Within one year	639,970	722,467	639,970	405,332
In the second year	397,788	639,091	397,788	623,090
Between three and five years	2,435,595	2,495,309	2,435,605	2,482,985
After five years	1,138,690	1,384,657	1,138,690	1,286,992
<b>Total</b>	<b>4,612,043</b>	<b>5,241,524</b>	<b>4,612,053</b>	<b>4,798,399</b>

In the above debt redemption program, an amount of Euro 73,985 is included which concerns specific purpose financing for using it as collateral for existing financing lines, and for which the Parent Company keeps an equal amount in a pledged deposit account.

#### Credit rating of PPC from rating agencies

On December 31<sup>st</sup> 2016, PPC's credit rating from S&P and ICAP credit houses is set "CCC-" with negative outlook and "D" respectively.

On February 9<sup>th</sup>, 2017 the S&P credit house placed PPC on creditwatch negative, stressing the necessity of securing immediate liquidity during April. Otherwise the S&P will proceed in downgrading PPC in "C" considering that within the next six months the company will face weakness of its debt repayment.

## 29. Financial Instruments

	Group		Company	
	2016	2015	2016	2015
<b>Derivatives financial instruments</b>				
Liabilities	-	689	-	689
Assets	-	-	-	-

Derivative financial instruments represent interest swap agreements as well as currency forward contracts.

Changes in the fair values of these derivatives are included in financial (expense) or/and income, in the accompanying income statement.

The Parent Company had an outstanding forward currency contract, concerning the purchase of an initial amount of JPY 4.1 bil. which related to an existing loan paid in January 2016.

The net movement in the fair values of derivative financial instruments amounted to Euro 689.

## 30. Post Retirement Benefits

The Group's employees and pensioners are entitled to the supply of electricity (which the Parent Company provides) at reduced tariffs. Such reduced tariffs to pensioners are considered to be retirement obligations and are calculated at the discounted value of the future retirement benefits deemed to have accrued at year-end based on the employees earning retirement benefit rights steadily throughout the working period. The relevant retirement obligations are calculated on the basis of financial and actuarial assumptions.

Net costs for the period are included in the payroll cost in the accompanying income statement consisting of the present value of the benefits earned in the year, interest cost on the benefit obligation, as well as prior service cost. The actuarial gains or losses are now recognized in other comprehensive income (OCI) based on the revised IAS 19 (effective from 2013). Retirement benefit obligations are not funded.

Results of the actuarial study for the years December 31<sup>st</sup>, 2016 and 2015, are as follows:

	Group		Company	
	2016	2015	2016	2015
<b>Change in benefit obligation</b>				
Liability at beginning of year	446,807	420,135	264,644	245,365
Discontinuing Operations	(27,654)	-	-	-
Current Service cost	4,838	4,916	3,163	2,816
Interest cost	8,383	8,403	5,293	4,907
Actuarial (gains)/losses	31,592	35,731	18,473	24,589
Benefits utilised	(17,654)	(22,378)	(10,950)	(13,033)
<b>Liability, end of the year</b>	<b>446,312</b>	<b>446,807</b>	<b>280,623</b>	<b>264,644</b>
<b>Components of net service cost</b>				
Current Service cost	4,838	4,550	3,163	2,816
Interest cost	8,383	7,858	5,293	4,907
<b>Continuing Operations</b>	<b>13,221</b>	<b>12,408</b>	<b>8,456</b>	<b>7,723</b>
Discontinuing Operations	881	911	-	-
<b>Total</b>	<b>14,102</b>	<b>13,319</b>	<b>8,456</b>	<b>7,723</b>
<b>Statement of Comprehensive income</b>				
Cumulative amount, beginning of year	221,963	186,231	118,582	93,994
Actuarial (gains)/losses	34,089	35,732	18,473	24,588
<b>Cumulative amount, end of year</b>	<b>256,052</b>	<b>221,963</b>	<b>137,055</b>	<b>118,582</b>

#### Assumption values, Actuarial Study (Continuing and Discontinuing Operations)

Valuation date	Discount rate	Tariff increases	Profit margin	Expectancy of future services
31/12/2016	1,80%	2017: 0%		11.02
		2018: 0%	2017: (2,2)%	
		2019: 0%	2018: 4,5%	
		2020: 0%	2019: 4,5%	
		2021+: 0%	2020+: 4,5%	
31/12/2015	2,00%	2015: (0,6%)		11.36
		2016: (0,5%)	2016: 2,33%	
		2017: (0,5%)	2017: 11,70%	
		2018: (0,5%)	2018: 13,04%	
		2019+: 0%	2019+: 14,04%	

#### Sensitivity disclosures (Continuing and Discontinuing Operations)

	Actuarial liability	Percentage change
Increase in discount rate by 0.5%	443,668	(6.8%)
Decrease in discount rate by 0.5%	512,730	7.7%
Anticipated tariff increase rate by 1% for all years	548,689	15.2%
Anticipated tariff increase rate by 1% for 2016 - 2019	494,699	3.9%

Further to the abovementioned benefits, the subsidiary company PPC Renewables S.A., has established a provision for personnel compensation in case of service termination amounting to Euro 14 concerning the personnel which is directly employed from PPC Renewables (2015: Euro 14).

#### 31. Provisions

	Group		Company	
	2016	2015	2016	2015
Litigation with employees/third parties (Note 37)	150,359	204,148	114,335	123,617
Disputes with the tax authorities (Note 21)	42,676	42,676	42,676	42,676
Mines' land restoration	24,991	22,682	24,991	22,682
PPC-PIO fixed assets	2,400	2,400	2,400	2,400
Other	6,994	8,729	5,166	5,166
<b>Total</b>	<b>227,420</b>	<b>280,635</b>	<b>189,568</b>	<b>196,541</b>

During the year ended December 31<sup>st</sup>, 2016, the Group from continuing operations established an additional provision for litigation with employees and third parties by Euro 8,067 (2015: additional provision of Euro 15,699). In parallel during the year ended December 31<sup>st</sup>, 2016 the Parent Company proceeded to an additional provision for litigation with employees and third parties of Euro 9,013 (2015: additional provision Euro 15,699).

The movement of the provisions for mines' restoration has as follows:

	Group		Company	
	2016	2015	2016	2015
<b>Balance at beginning of the year</b>	<b>22,682</b>	<b>20,510</b>	<b>22,682</b>	<b>20,510</b>
Change in future outflows (fixed assets)	2,963	2,546	2,963	2,546
Reversal of unused provision	(2,110)	(1,908)	(2,110)	(1,908)
Finance cost (Note 9)	1,456	1,534	1,456	1,534
<b>Balance at the end of the year</b>	<b>24,991</b>	<b>22,682</b>	<b>24,991</b>	<b>22,682</b>

### 32. Customers' Contributions and Subsidies

Group	Subsidies		Customer Contributions		Total	
	2016	2015	2016	2015	2016	2015
<b>Net book value</b>						
December 31, 2014	396,861		1,267,152		1,664,013	
Subsidies and contributions received	31,353		-		31,353	
Transfer to revenues (Note 7)	(25,566)		(57,903)		(83,469)	
December 31, 2015	402,648		1,209,249		1,611,897	
Discontinuing Operations	(121,061)		(13,863)		(134,924)	
Subsidies and contributions received	4,882		-		4,882	
Transfer to revenues (Note 7)	(18,237)		(57,631)		(75,868)	
December 31, 2016	268,232		1,137,755		1,405,987	
<b>Parent Company</b>						
<b>Net book value</b>						
December 31, 2014	281,806		1,252,688		1,534,495	
Subsidies and contributions received	13,546		-		13,546	
Transfer to revenues (Note 7)	(18,278)		(57,302)		(75,580)	
December 31, 2015	277,074		1,195,387		1,472,461	
Subsidies and contributions received	4,881		-		4,881	
Transfer to revenues (Note 7)	(18,029)		(57,631)		(75,660)	
December 31, 2016	263,926		1,137,756		1,401,682	

### 33. Other Non-Current Liabilities

	Group		Company	
	2016	2015	2016	2015
Customers' advances	563,036	534,854	558,281	529,931
Received guarantees	-	6,606	-	-
Other	20,659	21,131	38	38
<b>Total</b>	<b>583,695</b>	<b>562,591</b>	<b>558,319</b>	<b>529,969</b>

The amount of customers' advances relates to advances made from customers upon initial connection to the transmission and/or distribution networks and is considered as coverage against unbilled consumption outstanding as of any time. Such advances are refundable (non-interest bearing) upon

termination of connection by the customer. As the refund of such amounts, which are payable on demand, is not expected to be realised within a short period of time the amounts are classified as non-current liabilities and they are not discounted.

### 34. Trade and Other Payables

	Group		Company	
	2016	2015	2016	2015
<b>Trade Payables</b>				
Suppliers and contractors	783,790	732,564	439,779	439,566
Municipalities' duties	158,790	169,217	158,790	169,217
Social security funds, other	48,804	37,578	22,500	23,307
Greek TV	33,184	33,378	33,184	33,378
EMO S.A.	-	637,402	-	-
Taxes withheld	38,738	43,979	20,172	20,989
Excise Tax	11,577	12,710	11,577	12,710
Credit customers' balances	46,458	44,746	46,458	44,746
IPTO S.A.	-	-	554,723	735,095
HEDNO S.A.	-	-	428,526	238,075
Bank of Crete	12,053	12,053	12,053	12,053
Lignite Levy	112,730	86,954	112,730	86,954
Other	37,671	38,159	24,464	14,149
<b>Total</b>	<b>1,283,795</b>	<b>1,848,740</b>	<b>1,864,956</b>	<b>1,830,239</b>

### 35. Short-Term Borrowings

	Group		Company	
	2016	2015	2016	2015
<b>Binding overdraft facilities</b>				
Credit lines available	30,000	127,016	30,000	80,000
Unused portion	-	-	-	-
Used portion	30,000	127,016	30,000	80,000

During 2016, the Parent Company proceeded to the amount repayment of Euro 50 mil. which refers to an overdraft facility and it was refinanced in February 2016.

### 36. Accrued and Other Current Liabilities

	Group		Company	
	2016	2015	2016	2015
Accrued interest on loans and borrowings	14,822	18,545	14,822	15,534
Natural gas and liquid fuel purchases	39,021	47,797	39,021	47,797
Energy purchases	37	5,935	-	1,001
Personnel day off and overtime	73,631	79,971	49,573	49,571
RAE fees	6,091	6,961	6,091	6,961
Deferred interconnection rights	-	55,120	-	-
Deferred non-compliance charges	-	24,906	-	-
Purchase of Emission Allowances	75,566	76,241	75,566	76,241
Discounts on Medium voltage customers	11,000	19,438	11,000	19,438
Discounts on Low voltage customers	-	30,000	-	30,000
IPTO S.A.	-	-	100,433	23,576
HEDNO S.A.	-	-	-	19,742
Other	43,342	38,555	28,617	4,568
<b>Total</b>	<b>263,510</b>	<b>403,469</b>	<b>325,123</b>	<b>294,429</b>

### 37. Commitments, Contingencies and Litigation

#### Ownership of Property

Major matters relating to the ownership of the Group's assets, are as follows:

- The Parent Company has completed the registration of its property through a fixed assets registry. These assets (almost entirely) are registered at the relevant land registries over the country and the cadastral application is monitored. The update of the existent in the company new integrated information system for fixed assets management is in progress.
- In a number of cases, expropriated land, as presented in the expropriation statements, differs (in quantitative terms), with what the Parent Company considers as its property.
- Agricultural land acquired by the Parent Company through expropriation in order to be used for the construction of hydroelectric power plants, will be transferred to the State at no charge, following a decision of The Parent Company's Board of Directors and a related approval by the Ministry of Development, if such land is no longer needed by the Parent Company for the fulfilment of its purposes.

The property, plant and equipment of the Group are located all over Greece. Currently, the Group does not carry any form of insurance coverage on its property, plant and equipment (except for its information technology equipment), resulting to the fact that if a sizable damage is incurred to its property, it might affect its profitability. Materials, spare parts as well as liabilities against third parties are not insured. The Group is currently evaluating the possibility – in the newly formed legal framework, to conduct a tender for the selection of an insurance company to cover for its assets as well as liabilities against third parties.

#### Litigation and Claims

The Group from continuing operations is a defendant in several legal proceedings arising from its

operations. The total amount claimed as at December 31<sup>st</sup>, 2016 amounts to Euro 1,438 mil. as further detailed below:

#### 1. Claims with contractors, suppliers and other claims

A number of contractors and suppliers have raised claims against the Company.

These claims are either pending before courts or under arbitration and mediation proceedings. The total amount involved is Euro 455 mil. In most cases the Group has raised counter claims, which are not reflected in the accounting records until the time of collection.

#### 2. Fire incidents and floods

A number of individuals have raised claims against the Company for damages incurred as a result of alleged electricity-generated fires and floods. The total amount relating to fires is Euro 44 mil. while there are no claims relating floods.

#### 3. Claims by employees

Employees are claiming the amount of Euro 207 mil., for allowances and other benefits that according to the employees should have been paid by PPC.

#### 4. Litigation with PPC Personnel Insurance Organization (PPC-PIO)

Until December 31<sup>st</sup>, 2016, PPC Personnel Insurance Organization (former "PPC PIO", TAYTEKO/IKA at present) had filed, before the courts, seven (7) lawsuits against PPC, claiming an amount in total of Euro 87.7 mil., out of which three (3) are pending for a total amount of Euro 7 mil.

#### 5. General Federation of PPC Personnel (GENOP DEI/KHE) and PanHellenic Federation of Retirees' (POS DEI) lawsuit against PPC

GENOP DEI/KHE and POS DEI have filed a lawsuit against PPC in the Multimember Court of First Instance in Athens. By the above mentioned lawsuit they pursue that PPC will be obliged to pay to third parties, who are not litigants, in particular the insurance funds of IKA – ETAM and TAYTEKO the amount of Euro 634.8 mil. plus interest, for the coverage of the resource, which according to the lawsuit, the State did not pay to the above mentioned insurance funds for the years 2010 and 2011. The lawsuit is scheduled to be heard in the Multimember Court of First Instance in Athens on September 18<sup>th</sup>, 2014 but it was postponed and heard on February 23<sup>rd</sup>, 2017. The decision for the above mentioned lawsuit is pending. In view of the fact that the above mentioned lawsuit is based on admissions which are in contrast with the provisions of Decision 13/2010 of the Supreme Court (see also 1767/2014, 299 and 805/2015) and Decision 668/2012 of the Athens Court of Appeals, the Parent Company considers that the possibilities of a positive outcome for the lawsuit in question are minimal and therefore, has not formed a provision.

#### 6. PPC's lawsuit against ETAA (former TSMEDE)

ETAA (former TSMEDE) by its Decision 7/2012 has imposed on PPC the amount of Euro 27.4 mil. in application of article 4 of L. 3518/2006, as employer contributions due to the Main pension Branch for the period 01.01.2007 – 30.04.2012 and pertaining to the engineers insured before 01.01.1993 to the above mentioned Insurance Fund, that have been employed by PPC for the above mentioned period.

Against the above mentioned 7/2012 decision of the Insurance Fund in question, PPC has filed (legally and timely) the 05.09.2012 appeal to the Athens Administrative Court of First Instance. The discussion of the appeal took place on 03.11.2014 and the issuance of a decision is pending.

Since its employees -who are engineers- are insured mandatorily to PPC's Insurance Fund based on L. 4491/1966, thus resulting to PPC paying on their behalf to the above mentioned Insurance Fund the corresponding employer contributions while insurance for the above mentioned engineers in ETAA is optional and is done by choice, with them paying the corresponding insurance contributions provided for engineers that are independently employed, the Parent Company considers that the possibilities of a negative outcome of its appeal are minimal and therefore has not established a provision.

#### 7. Annulment requests against the request for proposal (RFP) by PPC S.A. for the sale of 66% IPTO's shares

Two annulment requests have been filed (one of them includes an application of interim measures) against PPC's RFP in 2014 for the sale of 66% of IPTO's (PPC's subsidiary) shares. The first request has been filed by five (5) trade unions and the second has been filed by the PanHellenic Federation of Retirees' (POS DEI). The above mentioned requests were discussed in front of the Supreme Court's Plenary Session (after postponement) on December 5<sup>th</sup>, 2014. The Supreme Court's Plenary Session with its decisions 1745/2016 and 1746/2016 rejected the two annulment requests.

It is noted that apart from the above mentioned annulment requests, a relevant lawsuit is pending in the civil courts with an initial court date of Supreme Court's Plenary Session 10.01.2018 (the interim measures hearing took place on October 14<sup>th</sup>, 2014 for which a rejection decision (247/2014) was issued) for the annulment of PPC's BoD's decision concerning the RfP.

#### 8. Annulment requests against the request for binding offer (RfBO) by PPC S.A. for the sale of 24% IPTO's shares

An annulment request has been filed in front of the Supreme Court against PPC's RfBO (Request for Binding Offer) in 2016 for the sale of 24% of IPTO's (PPC's subsidiary) shares. The above mentioned request was filed by General Federation of PPC Personnel (GENOP DEI/KHE). A rapporteur in the case has not yet been appointed and a court date has not been determined.

#### 9. Lawsuits of IPTO against PPC

IPTO has filed against PPC, two lawsuits for a total amount of Euro 540 mil. for amounts due -according to IPTO- to the Parent Company's participation in the wholesale electricity market.

In particular:

- By its first lawsuit IPTO is asking for an amount of Euro 242.7 mil. (with interest) for amounts due which the Parent Company collects from supply bills and conveys to IPTO, that in turn conveys them to EMO. The interest for the above mentioned sums amounts to Euro 22.5 mil.
- By its second lawsuit, IPTO is asking for the payment of Euro 232.6 mil. (with interest) for amounts due which the Parent Company collects from supply bills and conveys to IPTO. The interest for the above mentioned sums amounts to Euro 40.6 mil.

The lawsuits are scheduled to be heard on May 18<sup>th</sup>, 2017 in the Multimember Court of First Instance in Athens. The Parent Company considers that there is a chance of paying interest on certain sums due and has established a provision of Euro 30.3 mil. It is noted that PPC, if necessary, will file lawsuits against IPTO as well.

On its side, the Parent Company has served an extrajudicial document inviting IPTO to pay a total amount of Euro 14 mil. The above mentioned amount corresponds to overdue interest of invoices which incorporate debts to PPC from March 2012 until the 02.02.2015. IPTO, up to this date, has not answered to this extrajudicial document.

In December 2016, IPTO filed against PPC a new lawsuit, by which IPTO asks the Parent Company to be obliged to pay an amount of Euro 406.4 mil. (with interest) for overdue receivables arising from the Company's participation in the wholesale electricity market and refer to specific non-competitive charges of IPTO invoices. Moreover, IPTO asks the Parent Company to be obliged to pay an amount of Euro 52.9 mil. corresponding to interest litigation plus the relevant stamp duty. The Parent Company considers that it is likely to be asked to pay interest on certain overdue receivables, and has established an adequate provision.

#### 10. Lawsuits of the Municipality of Keratsini against PPC

The Municipality of Keratsini with its lawsuit on 19.03.2014 which (after various postponements and cancellations) discussed before the Multimember Court of First Instance in Piraeus on 19.10.2016, claims from PPC a total amount of Euro 62,616. The Municipality of Keratsini claims that PPC failed to comply with its obligations under its BoD's Decision (No. 231/1996), which ratified the Protocol

of Collaboration between the Municipality, the Ministry of Development and the Ministry of Environment. On the one hand, the Protocol provided that PPC should transfer an area of 41,744 sq.m. to the Municipality and on the other hand stop the operation of its Unit Agios Georgios in Keratsini from July 2006.

It is noted that the above mentioned lawsuit is in the same context with two lawsuits of PPC against Municipality of Keratsini before the Multimember Court of First Instance in Piraeus, i.e., No.1220/2005 and No.1221/2005, with which PPC claims from the Municipality the amounts of Euro 479 and Euro 17,770, respectively, as compensation for trespassing on PPC's property. For the above mentioned lawsuits a preliminary decision was already issued by the Multimember Court of First Instance in Piraeus (No. 5883/2013), which initially accepted PPC's requests and appointed an expert to draft an expertise. The expert vowed, after postponement, on 23.09.2016. The Municipality of Keratsini resigned from the application during the fourth quarter of 2016.

For the above amounts, the Group from continuing operations and the Parent Company have established provisions which as of December 31<sup>st</sup>, 2016 amounted to Euro 150 mil. and Euro 114 mil., respectively (31.12.2015: Group: Euro 204 mil. and Parent Company: Euro 124 mil.), which are considered adequate for the expected losses arising from the final judgement.

#### **PPC's relation to its personnel's Social Security Funds**

Despite the fact that under the current legislation the Group does not have any obligation to cover in the future any deficit between income and expenses to PPC's personnel Social Security Funds, there can be no assurance that this regime will not change in the future.

#### **Litigations Risk**

The Group and the Parent Company are involved in several legal proceedings arising from their operations, and any adverse outcome against PPC or any other of the Group's companies may have a negative impact on their business, financial condition and reputation.

In addition, as a majority state owned utility, the Group is subject to laws, rules and regulations designed to protect the public interest, such as of public procurement or environmental protection. Violation of legislation, rules or regulations, entail, among others, criminal sanctions for the Board of Directors members and executive officers as well as the employees of the companies and utilities that are subject to those rules.

Simultaneously, the Group is one of the largest industrial groups in Greece, with complex activities and operations across the country. In the ordinary course of its business, from time to time, competitors, suppliers, customers, owners of property adjacent to the Group's properties, media outlets, activists, and ordinary citizens, raise complaints (even to public prosecutors) about the Group's operations and activities, to the extent they feel that such activities and operations cause or are likely to cause economic damage to their views and/or interests, businesses or properties. In the context of advancing those complaints, they often file criminal complaints against the Group with the public prosecutor on a variety of grounds and allegations or make public allegations in the press, which the public prosecutor is obligated to investigate further before they decide further actions, including the closing of the case for lack of any conclusive evidence.

These practices have intensified during the recent economic crisis, as public prosecutors and the general public have generally become more sensitive to similar allegations, especially against companies in which the Hellenic Republic is a major shareholder and are viewed as operating in the public interest.

As a result, the Group and the Parent Company, their Board of Directors members and directors, are presently and from time to time, and could be in the future, subject to various criminal or other investigations at various stages of procedural advancement on a variety of grounds arising in connection with their activities in the ordinary course of business. These investigations and legal proceedings may be disruptive to the Group's and the Parent Company's daily operations to the extent that the officers and directors involved need to spend time and resources in connection therewith. They may also adversely affect the Group's and the Parent Company's reputation. To date, none of the proceedings initiated against the Group and the Group's officers or directors has resulted in any criminal convictions.

### Litigation with "Alouminion of Greece" (ALOUMINION)

- On 31.10.2013 with a majority of two to one (2/1) Decision No. D1/1/2013, the Permanent Arbitration Court of RAE decided the price for the supply of electricity to ALOUMINION S.A. at Euro 40.7/MWh for the period 01.07.2010 until 31.12.2013. At this price both the fixed and variable energy costs were included, as well as System Use Charges, Ancillary Services Charges, Public Service Obligations, and state fees on behalf of RAE and HTSO/EMO, although Renewable Energy/Gaseous Pollutants special fees/ETMEAR, Special Electricity Tax, DETE and other taxes imposed were not included. The burden on the financial results of the third quarter of 2013 imposed by the above mentioned Decision, as far as the supply of electricity to ALOUMINION is concerned, for the period 01.07.2010 until 30.9.2013 amounted to Euro 105.5 mil.

As the abovementioned Decision compelled PPC to sell at a loss, PPC filed a lawsuit for invalidity against it, which was scheduled to be heard on 04.12.2014, and was postponed for 01.10.2015 and, in addition, submitted a complaint for state aid before the European Commission (December 2013).

Regarding PPC's appeal for the annulment of RAE's Arbitration Decision, the Athens Court of Appeals issued on 18.02.2016 a decision (634/2016), not accepting PPC's lawsuit for the annulment of RAE's arbitration decision No 1/2013 and against ALOUMINION. PPC may appeal on the Supreme Court against this decision.

The European Commission by a letter in June 12<sup>th</sup>, 2014, had notified PPC that it does not intend to further examine the complaint. PPC has challenged the Commission's decision in front of the General Court of the European Union by its appeal dated 22/08/2014 (case T-639/2014).

On 17.04.2015 PPC was notified of a subsequent decision (dated 25.03.2015) of the European Commission, through which, the latter concluded, as the decision dated 12.06.2014 had, that PPC's complaint, concerning illegal state aid towards ALOUMINION, does not require further investigation concerning state aid but using a different rationale. Specifically, the new decision is based mostly on the fact that the decision to resort to arbitration met the criteria of a private investor and therefore that it could not lead to an illegal state aid.

On 20.05.2015 the General Court of the European Union forwarded to PPC an application by the European Commission, by which the latter requests the dismissal of the above mentioned trial, which is pending following the T-639/14 complaint by PPC, reasoning that, a decision is no longer necessary, since the Commission has issued a subsequent decision dated 25.03.2015, replacing its previous decision dated 12.06.2015. PPC filed a relevant memo in front of the General Court. Moreover, PPC filed (on June 29<sup>th</sup> 2015) an action for annulment according to art. 263 of the Treaty for the Operation of the European Union, against the abovementioned decision of the Commission, dated 25.03.2015 [Case SA 38101 (2015/NN) (former 2013/CP)]. The hearing's date is still pending.

- State Aid of Euro 17.4 mil.

Furthermore regarding case C-590/14 P, relating to PPC's petition for the annulment of the General Court's decision dated 8.10.2014 in case T-542/11 "ALOUMINION against Commission", which annulled the Commission's decision dated 13.07.2011, which awarded to PPC an amount of € 17.4 mil., payable by ALOUMINION, for an illegal state aid, as a result of the implementation of a favorable tariff for the period January 2007 – March 2008, a decision was issued on October 26<sup>th</sup> 2016 by the European Union's Court of Justice.

With this Decision the aforementioned judgment of the General Court was annulled. Therefore, and given that the Commission's Decision of July 13<sup>th</sup>, 2011 remains in force, following the annulment of the General Court's judgment, in accordance with Article 266 TFEU and the case law, PPC should recover (once again) the illegal state aid with interest. For the purpose of this recovery, the Commission sent a letter to the Central State Aid Unit (LTC-IC) informing that the amount, plus statutory interest for the period from January 1<sup>st</sup>, 2015 until the date of payment, will be reimbursed by Alouminion of Greece to PPC and requested information on this matter. LTC-IC subsequently

informed PPC, which also informed the Alouminion of Greece and the parts (PPC and ALOUMINION) are in communication in order for the aid to be recovered. It is noted that ALOUMINION appealed against the above mentioned Decision of the Court (Case T-542/11 RENV ALOUMINION OF GREECE S.A., former ALOUMINION S.A. against European Commission, PUBLIC POWER CORPORATION S.A. (PPC), intervener). In this Case the Court may examine the other grounds of ALOUMINION's appeal for the annulment of the decision of July 13<sup>th</sup>, 2011. ALOUMINION has applied in writing to be conducted oral procedure before the General Court. Subsequently, ALOUMINION in its letter, requested from PPC not to proceed with the aid recovery until the issuance of the General Court's Decision in the aforementioned Case T-542/11 RENV. PPC sent ALOUMINION's letter to the Central State Aid Unit (LTC-IC) which sent it further to the Commission. Commission, by its letter dated 17.02.2017, replied to the ALOUMINION's request, reiterating the obligation of the Greek Authorities to execute the decision immediately and effectively. It also notes that the amount of aid and its interest can be deposited in a blocked account, in order to cease the payment of interest on the amount of illegal aid. Moreover, the Commission by its letter, asks from the Greek Authorities information concerning the recently signed "Electricity Supply Agreement between PPC S.A. and ALOUMINION OF GREECE S.A.", in order to determine whether it could be considered that the content of the abovementioned agreement covers the obligation to reimburse the illegal aid and compounding interest. Additionally, the Commission requested and the updated calculation of the recovery amount of the illegal aid and its interest. PPC replied to the above mentioned letter, with a letter to the Central State Aid Unit (LTC-IC) on 10.03.2017, and expressed the opinion that in this case, the deposit by the ALOUMINION of the aid amount in a blocked account should not be considered as an immediate and effective fulfillment of the obligation of the above mentioned Decision's execution in accordance with the State Aid rules. Consequently, for the fulfillment of this obligation, the full amount (plus interest) must be reimbursed to PPC. The views of PPC, following the relevant attachments and information which the Commission had requested, were sent to the Greek Permanent Representation of the Hellenic Republic by the LTC-IC on 22.03.2017 in order to be sent to the Commission. The Commission's answer is pending.

- ALOUMINION does not accept tariffs for the High Voltage Customers, which were decided on PPC's 28.02.2014 General Shareholders' Meeting and proceeds with a partial payment of the amounts due to PPC for the consumptions of its industrial installations, calculating, by its statement, the supply tariff of the energy consumed for the year 2014, on the base of the above mentioned 1/31.10.2013 Arbitration Decision.

In addition, ALOUMINION, in months of negotiations has denied all proposed tariffs by PPC, since 2013, including the tariff decided by PPC's General Shareholders Meeting on 28.02.2014.

PPC through its General Shareholders' Meeting on 22.12.2014 has decided concerning High Voltage Customers that do not accept its 28.02.2014 Decision that: "The Management should have been committed to take measures against companies that do not sign an electricity supply contract for 2014". Following that, PPC proceeded on 02.01.2015 to an order for the deactivation of ALOUMINION's load meters and invited IPTO to proceed to all necessary actions.

Following that, ALOUMINION has filed the RAE I-191545/09.01.2015 complaint –application of interim measures- application of special regulatory measures against PPC, which was notified to IPTO. RAE, by its letter to PPC and IPTO –notified to ALOUMINION- recommended to all parties not to execute the above mentioned order of deactivation. Afterwards, on 28.04.2015 RAE, notified by a letter an extract of its 11.03.2015 plenary session, by which the discussion and decision on ALOUMINION's complaint was suspended until the resolving of some issues relating to the quorum set by law in order to take a decision on the above mentioned complaint.

On 20.03.2015 a document of the Competition Committee (CC) was notified to PPC, by which CC asked the submission of PPC's views on a memo submitted by ALOUMINION, with which the latter asked from the CC, on 25.02.2015, to apply interim measures (among others the suspension of PPC's complaint regarding its supply relationship dated 07.11.2013, as well as its January 2015 declaration of discontinuation of representation of ALOUMINION's meters). PPC has submitted the relevant data in time. The CC set 29.07.2015 as the hearing date. Finally the hearing was held on

25.09.2015 and on 14.10.2015 and the CC granted to PPC a deadline for submitting a commitment proposal under the provision of par. 6 of article 25 of Law 3959/2011.

Following an oral hearing of the case on 15.10.2015, PPC submitted the final set of commitments undertaking that: a) within ten (10) days of the notification of the CC's decision, will proceed in recalling the order for the deactivation of ALOUMINION's load meters which has been sent by PPC to ALOUMINION and IPTO SA by its extrajudicial statements on 02.01.2015 and 19.01.2015 and b) that it will continue to supply electricity to ALOUMINION under the current terms and conditions, while the issue of ALOUMINION's electricity tariffs, will be resolved through either direct negotiation between the parties or by any other means. Negotiations should have been completed within three (3) months from the date of CC's acceptance of the commitments. The latter date has been extended until 31.05.2016. Meanwhile PPC would refrain from adopting, and generally taking any measures against ALOUMINION. The above mentioned PPC's commitments were accepted by the CC, which issued the relevant decision (621 / 2015). Abiding by its commitments, PPC recalled the order for the deactivation of ALOUMINION's load meters. Subsequently, negotiations were held between the parties, while an extension of the quarter in which the parties must conclude their negotiations was granted twice by successive decisions of the Competition Committee (CC), initially until 31.05.2016 and then until 08.07.2016. The theme of "Electricity Supply Agreement between PPC S.A. and ALOUMINION OF GREECE S.A." was introduced at the 14th Annual General Meeting of PPC's Shareholders dated 11.07.2016, which decided to postpone its decision on the matter for the next General Meeting. On 13.09.2016 PPC's BoD decided to convene an Extraordinary General Meeting of PPC's Shareholders on 05.10.2016. On the latter's agenda the above mentioned matter was included. By the October 5th, 2016 Decision of the EGM of PPC's Shareholders the customer's (ALOUMINION) pricing terms for the period 1.7.2016 - 31.12.2020 were approved, as well as pricing for the period 1.1.2014 - 30.6.2016. Based on the Decision of the EGM, a Supply Agreement was signed on October 20<sup>th</sup> 2016 between ALOUMINION and PPC.

#### Old Bank of Crete

The dispute with the old "Bank of Crete" is dating back to 1989, when the bank was under liquidation. More precisely, by a mandatory action of the then trustee of the Bank, PPC's deposits were mandatorily converted to stake-holding in the share capital of the Bank and to obligatory credit to the Bank. PPC by its July 22<sup>nd</sup>, 1991 lawsuit against the bank asked to be compensated for GRD 2.2 billion approximately, (Euro 6.5 mil.) for the reason that the above mentioned Act of the trustee of the Bank was held invalid.

Moreover, PPC had outstanding loan balances, received under six (6) loan agreements for which it was agreed upon to be repaid gradually through installments. On June 10<sup>th</sup>, 1991, although PPC has paid the overdue installments, the Bank has terminated all of the above mentioned loan agreements and thus on that date the claim against PPC became overdue for the whole amount of the loans. For that reason, against PPC's above mentioned lawsuit, the Bank has proposed an offset of its claim resulting by the above mentioned loans, amounting to GRD 4 bil. approximately, and furthermore has asked the payment of this amount by PPC by its lawsuit dated 28.12.1995. The Court of First Instance has postponed the hearing of the Bank's lawsuit against PPC until the final outcome of the hearing, which started with PPC's lawsuit against the Bank.

PPC's lawsuit against the Bank was rejected by the Multimember Court of Athens and PPC appealed against the said Decision of the Court which was also rejected by the Athens Appeal Court. The above mentioned decision was brought to review by PPC before the Supreme Court, which accepted it and in consequence the case was again brought to trial before the Court of Appeals, which held that an expert report should take place. After the said expert report the Court's decision was held partially in PPC's favor (Court of Appeals decision 2005). However, a petition for review before the Supreme Court was filed against the aforementioned Decision which was then accepted by the Supreme Court and then was resubmitted to the Court of Appeals which by its inconclusive decision (Nr 4093/2009) ordered the completion of the expert report. The official expert report was completed at the end of May 2012. Following that, the hearing of the case would have taken place on October 25<sup>th</sup>, 2012, but it was postponed for September 26<sup>th</sup>, 2013, due to the strike of both judges and lawyers. The case was

heard on the abovementioned date.

Decision 3680/2014 of the Court of Appeals was issued, which only partially accepts PPC's lawsuit while essentially accepting the results of the ordered by the Court above mentioned official expert report, as following: a) the amount due by the Bank of Crete to PPC at the time of the filing of the lawsuit by PPC on 22.07.1991 amounted to GRD 1,268,027,987 and b) The amount due by PPC to the Bank of Crete on 01.07.1991 due to the loan amounts becoming overdue by the Bank and after the suggested by the Bank set off of its counterclaim against the above-mentioned PPC's claim, amounted to GRD 2,532,936,698.

PPC intends to appeal against the above mentioned decision. It is noted that until the final judgment on the appeal, the discussion of the aforementioned (28 December 1995) lawsuit of the Bank of Crete against PPC is pending.

In case that the Supreme Court accepts PPC's annulment, then it will judge the case anew and the decision which it will issue will be irrevocable. In case of a positive outcome for PPC, for which there are increased probabilities, then the case of the Bank against PPC might be rejected.

#### Complaint against the European Commission's Decision regarding lignite extraction rights

On May 13<sup>th</sup>, 2008, PPC filed before the General Court of the European Union (General Court), an application for the annulment of the Commission's decision of March 5<sup>th</sup>, 2008 regarding the granting by the Hellenic Republic of lignite extraction rights to PPC. The Greek State has intervened before the aforementioned Court in favor of PPC, while two competitors of PPC have intervened in favor of the European Commission. Furthermore, on August 4<sup>th</sup>, 2009, the European Commission issued a decision (which was notified to PPC on August 7<sup>th</sup>, 2009), in which the measures for the compliance with the decision of March 5<sup>th</sup>, 2008 were defined as obligatory for the Hellenic Republic.

The Commission's Decision made obligatory for the Hellenic Republic the launching of public tender procedures for the concession of lignite rights for the mines of Drama, Ellassona, Vevi and Vegora to third parties excluding PPC, with the exception of those cases where there were no other valid and binding offers.

The Hellenic Republic was also obliged, to ensure that the third parties that would be awarded the relevant extraction rights, would not sell to PPC the extracted lignite from the specific mines, with the exception of those cases where there would be no other valid and binding offers. PPC submitted an application for the annulment of the said decisions of the Commission before the CFI of the European Communities. Furthermore, the Hellenic Republic has intervened before the CFI in the said proceedings, in favor of PPC. The hearing of the cases took place before the General Court on February 2<sup>nd</sup>, 2012. The General Court of the European Union on 20.9.2012 issued two (2) decisions for both cases (Case T-169/08 and T-421/09) in favor of PPC.

The Commission appealed for the revision of the relevant decisions before the General Court of the European Union (Cases C-553/12 and C-554/12). The abovementioned appeals have been notified to PPC on December 19<sup>th</sup>, 2012.

On March 25<sup>th</sup>, 2013 the companies "MYTILINEOS S.A – GROUP OF COMPANIES", "PROTERGIA S.A." and "ALOUMINION S.A." filed before the European Union Court, an intervention petition in favor of the European Union and against PPC, for the annulment of the above mentioned Decision of the General Court of September 20<sup>th</sup>, 2012. The hearing of the case took place on October 3<sup>rd</sup>, 2013.

On July 17<sup>th</sup>, 2014, the Court of the European Union has issued a decision on the annulment requests for the Commission, by accepting them. In particular the Court of the European Union, by citing cases, has accepted that for the application of the directives in question of the union law it is required (but also enough) the adoption of a measure, by which a member state exclusively grants rights to a public company, creates an inequality of opportunities between companies and thus drives the company to an abuse of its dominant position. The European Union's Court has not accepted the Commission's request to judge the case in its substance following the injunction of the decision in the first degree but referred the case again to the General Court of the European Union, in order for it to deliver a decision on the remaining annulment reasons, which, although PPC had invoked in front of the Court,

the General Court had not examined. In Case T-169/08 RENV, PPC put forward four reasons for the annulment of Decision C (2008) 824: a) an error in law and a manifest error of assessment b) breach of the duty to state reasons c) violation of the principles of legal certainty, of the protection of legitimate expectations and of protection of private property as well as abuse of power and d) violation of the principle of proportionality.

In Case T-421/09 RENV, PPC put forward four reasons for the annulment of Decision C (2009) 6244: a) an error in law and a manifest error in the definition of the relevant markets, b) a manifest error of assessment of the facts and error in law concerning the necessity of the imposed measures, c) breach of the duty to state reasons and, d) violation of the principle of contractual freedom and of the principle of proportionality.

Before the hearing of the case, the General Court of the European Union requested that the parties reply to inquiries sent to them on February 2016 and the parties submitted to the Court their written replies. On 08.03.2016 both Case T-169/08 RENV, in which parties are PPC as an applicant and the Greek Republic as intervener in support of PPC and on the other hand the European Commission and the "Thessaloniki Energy S.A.", "Greek Energy & Development S.A." as interveners in support of the Commission and "MYTILINEOS S.A.", "PROTERGIA S.A." and "ALUMINIUM S.A." as interveners in the appeal, as well as Case T-421/09 RENV between the same parties (but without interveners) were discussed before the General Court. By its Decision of December 15<sup>th</sup> 2016 the General Court of the European Union rejected the reasons for annulment put forward by PPC. An appeal against the judgment of the General Court was feasible, limited to legal matters, within two months after the notification of the Decision. Eventually, PPC did not proceed to an appeal.

#### **Alleged claims of EMO (LAGIE), against PPC S.A.**

- **Implementation of methodology for the payments allocation due to deficits of the Day Ahead Schedule (DAS)**

It is noted that following the issuance of RAE's Decision 285/2013, EMO sent a letter to PPC, according to which an amount of Euro 96.6 million is seemingly allocated to PPC, based on the finalization of the methodology by RAE for "the fair allocation of payments to cover deficits in the Day Ahead Schedule (DAS)" created by third party suppliers during 2011 and 2012.

In continuation to this letter, EMO allocating the total amount of Euro 96.6 mil. in seven monthly installments starting from August 2013, sent to PPC the related briefing notes amounting to Euro 13.8 mil., each. PPC considered that EMO's alleged claim violates fundamental principles of law, while simultaneously neither the amount nor the reasons for this claim are substantiated. In addition, the relevant RAE Decision was contested in court. In particular, PPC had already filed an application for annulment of RAE's Decision 285/2013, before the Council of State, as well as, an action for suspension of such Decision, until a final judgment is issued by the Council of State. The hearing for the application for the annulment took place on March<sup>th</sup> 18, 2014. In the meantime, the Council of State had issued an interim Decision (n. 62/2014), which suspended the payment of 50% of the amount of Euro 96.6 mil., which is attributable to PPC.

At the same time, EMO had filed a lawsuit in the Multimember Court of First Instance for an amount of Euro 55 mil. which is the equivalent of 4 equal installments out of the total amount of Euro 96.6 mil. The hearing of this lawsuit has been scheduled after postponement for 07.06.2017. The above mentioned case depends on the State Council's decision for the validity of RAE's Decision 285/2013, which constitutes the legal basis of the dispute in the Court of First Instance.

PPC, following the State Council's interim decision, has recognized in its books since 2014 a provision of 50% of the amount of Euro 96.6 mil. due to the uncertainty of the recoverability of this amount in the future. In September 2016, PPC's application for annulment was rejected by the State Council (Section D', decision 1761/2016). As a consequence, PPC recognized the remaining 50% of the above amount in the results for the six month period ended 30.06.2016.

Following the above decision of the State Council, EMO in November 2016 sent an "Information Note on the allocation of the monthly deficits of the Day Ahead Schedule ( DAS )", which informed

PPC regarding the final settlement of these deficits according to Article 61 of the Power Exchange Code for Electricity at the expense of load representatives (suppliers of Electricity) and the allocation methodology. According to the final statement the amount allocated to PPC amounts to Euro 126.3 million. As a result, PPC recognized, without prejudice to its legal rights, the residual amount of Euro 29.7 mil. in the results of the Third quarter 2016.

It is noted that EMO on 23.12.2016 filed a lawsuit against PPC and asks approximately the amount of Euro 78 mil., plus interest, which according to EMO is the residual amount that PPC owes as a registered Load Representative from the DAS settlement and the State Council's decision 1761/2016, including and the amounts of Euro 746 and Euro 16,7 that PPC owes to EMO as Last Resort Supplier and as Universal Service Supplier. The above mentioned lawsuit was filed in accordance with the new provisions of the Code of Civil Procedure, therefore, it has not a court date with a last deadline of proposals' submission on April 7<sup>th</sup>, 2017. The hearing is determined by the President of the Court after that date.

PPC filed an opposite lawsuit against EMO and the above mentioned lawsuit, with EMO's application on 20.02.2017, which will be heard together with the above mentioned EMO's lawsuit.

In addition, the company "ELPEDISON" by two lawsuits requests EMO to be ordered to pay to "ELPEDISON" an amount of Euro 89.4 mil. (with interest), stemming from its participation to DAS. The lawsuits are founded to RAE's Decision 285/2013, according to its second part, which forbids the practice of offsetting claims from the participating in DAS with claims from other causes. Specifically, it claims that EMO's negligence to demand from PPC to stop the practice of offsetting amounts not pertaining to the DAS market led to EMO's inability to timely pay ELPEDISON which is why it claims the above mentioned amounts from EMO. The lawsuits were scheduled to be heard in the Multimember Court of Piraeus on 25.05.2016.

EMO asked PPC to participate in the above mentioned trial (where the two lawsuits will be heard) as a procedural guarantor asking with an incidental request that PPC is reprobated to pay the above mentioned sums (according to PPC's share of the electricity supply market energy) in case of an adverse decision. The notice of EMO against PPC for the latter's participation in the trial of Elpedison against EMO was going to be heard together with the main trial at the hearing of 25.5.2016. The additional independent intervention which PPC brought into trial hearing on 30.03.2016 was postponed, but it was likely to be heard for relevant reasons together with the above mentioned main trial and notice of the EMO on 25.5.2016. The above mentioned cases were postponed, and more specifically, on the initiative of Elpedison, which is the first applicant, and upon consent of EMO and PPC.

The companies "HERON II THERMAL POWER PLANT VIOTIAS S.A." and "PROTERGIA THERMAL POWER PLANT AGIOY NIKOLAOS S.A.", by similar lawsuits request EMO to be ordered to pay to them the amounts of Euro 14.3 and Euro 3.8 respectively stemming from their participation to DAS. EMO asks PPC to participate in the trials as a procedural guarantor asking with an incidental request that PPC is reprobated to pay the above mentioned sums (according to PPC's share of the electricity supply market energy) in case of an adverse decision. The notices of EMO against PPC for the latter's participation in the trials of "HERON II THERMAL POWER PLANT VIOTIAS S.A." and PROTERGIA THERMAL POWER PLANT AGIOY NIKOLAOS S.A." against EMO were going to be heard together with the main trial (after postponements) at the hearing of 3.5.2017 and 28.4.2017 respectively.

The main applicant PROTERGIA resigned from its main lawsuit in December 2016, and EMO with e-mail on 20.03.2017, informed us that its notice against PPC will be postponed and will not be discussed at the court date 28.04.2017 since it is pointless after the dismissal of the main trial.

Similarly, HERON II with e-mail on 20.03.2017 informed the other litigants (EMO and PPC) that does not intend to discuss on 03.05.2017 its main lawsuit as well as to submit proposals, thus both the main lawsuit and the related notice of EMO will be postponed upon a relevant consensus of all litigants. Therefore, all the aforementioned related trials will be dismissed.

- **Offsets of Photovoltaic Systems Producers in buildings**

Moreover, the above mentioned Decision 285/2013 of RAE which does not permit the netting of

amounts that PPC owes to EMO based on DAS settlement, including energy generated by PVs on rooftops, with the amounts that PPC is contractually required to pay directly to the generators in question, based on the feed-in tariff, leads to delays in recovering the latter amounts from EMO. Non implementation of an offset does not impact financial results but will have a negative effect on cash flows, due to the increased working capital needs, since PPC is obliged to await payments in cash from EMO through the relevant special RES account. The issue in question concerns monthly amounts of Euro 16.5 mil. on average and the total amount to be recovered could reach approximately Euro 80 mil. based on an estimated five-month waiting period. EMO has already filed both a claim and an application for interim measures before the Court of First Instance of Athens against PPC. On the application for interim measures Decision 6022/2014 of the Multimember First Instance Court of Athens was issued, ordering a temporary injunction on offsetting amounts due from DAS with amounts claimed from other causes at a rate of 50% of the amounts claimed. Following the issuance of the decision 1761/2016 (State Council Section D') and hence the confirmation of the legality of RAE 285/2013, PPC can no longer offset amounts raised from its status as a Producer and Supplier simultaneously, in relation to the energy produced by Photovoltaic Systems in buildings. In view of this, the lawsuit filed by EMO and was pending for the hearing date 12.01.2017, with a request to recognize the non-existence PPC's right to proceed in offsettings, was postponed on EMO's initiative. Respectively, with the same lawsuit, an additional intervention of SPEF in favor of EMO was postponed, which was set to be discussed at the same hearing date.

#### Corrective settlements of IPTO, concerning the Special Account of art. 143, of Law 4001/2011

According to L.4152/2013, RES energy purchases in the Interconnected System are disbursed through the market operation, on the higher amount of either their income from DAS and Imbalances settlements or the value of energy they inject to the system multiplied by the weighted average variable cost of the conventional thermal power plants. This amendment started being applied from 14.08.2013, when RAE's Decision 366/2013 was published in OG, amending the relevant articles of the Power Exchange Code and specifying the methodology of calculations, with which the provision of law was implemented. In October 2013, IPTO has sent to PPC S.A. corrective clearing statements for May, June, July and part of August of 2013, totaling to an amount of Euro 48.2 mil., which derived from the retrospective application of the relevant methodology. The PPC's lawsuit against IPTO for the invoices in question was accepted by the Multimember Court of First Instance in Athens (Decision 2260/2016) and is considered that PPC does not have to repay the total amount 54,4 of invoices issued which incorporate claim for the weighted average variable cost of the conventional thermal power plants for months May to August 2013.

#### ENVIRONMENTAL OBLIGATIONS

Key uncertainties that may influence the final level of environmental investment which the Group will be required to undertake, over the forthcoming decade, include:

##### 1. HPP Messochora (161.6 MW)

According to Law 3481/2006, the environmental terms for the construction and operation of the projects of the Acheloos River Diversion Scheme to Thessaly, in which Messochora HPP is included, were approved and their fulfilment was a prerequisite for the implementation of the projects and for which responsibility lies with the administrator, responsible for construction and operation of the respective projects. Following the publication of the Law for Public Projects, as well as PPC's projects that have been auctioned and constructed or were under construction and were related to projects of the Acheloos River Diversion Scheme to Thessaly as well as energy projects were allowed to operate or be completed, according to the approved Administration Plan and the above-mentioned environmental terms.

Based on the above-mentioned terms the continuation of the project was allowed for the completion and operation of Messochora HPP as well as the completion of the construction project of the tunnel, which have already been completed and finally delivered by 17.06.2010. After the publication of Law 3734/2009, matters concerning the Messochora Hydroelectric Project were arranged. These matters concerned expropriation of areas in the Messochora HEP Reservoir,

expropriation of the Messochora Village and of the areas where it will be relocated, as well as arranging compensations for the affected inhabitants. All the above mentioned expropriations are declared of great importance in the public's interest and their settlement will allow the completion of the Project and the operation of the Messochora Power Plant.

Following ruling No 141/2010 by the competent Suspension Committee of the Council of State, the immediate cease of all works has been ordered at all relevant projects, as well as the cease of operation of all completed projects. Further developments, namely the final judgment, will be issued by the Plenary of the Council of State after taking into consideration the (11.09.2012) Decision of the European Court of Justice, to which relevant preliminary questions had been addressed referring to the compatibility of the provisions of Law 3481/2006 with the European legal framework. The Council of State by its recent Decision 26/2014 has decided to annul the 567/14.09.2006 letter by EYDE/OSYE, by which and according to the Court's Decision 3053/2009, it has been allowed, under the provisions of L. 3481/2006, and the approved environmental terms, the continuation of the diversion scheme in total. The above mentioned decision by the Council of State resulted to the inability to continue, complete and operate HPP Messochora.

The Parent Company (PPC S.A.), considering that the Hydroelectric Plant of Messochora is independent from the Acheloos River Diversion to Thessaly Scheme and therefore it should not be affected from the abovementioned issues and examining the possibility to disengage Messochora Power Plant from the overall Acheloos River Diversion Scheme, so that the Project can be dealt with as an independent unit and have its own environmental terms, independently from the other Projects of the Diversion Scheme, proceeded to the review and the updating of the Environmental Impact Assessment (EIA) for HPP Messochora.

After the completion of the approval process and the publication, by the relevant OG (9.2014), of the Decisions for the approval of Management Plans for River basins of the Western Sterea Hellas Water District and the Thessaly Water District the EIA is completed and submitted to the Directory of Environmental Permits (DEP) of the Ministry of Environment, Energy and Climate Change (now Ministry of Environment and Energy), which has proceeded to the procedures for the issuance of the Joint Ministerial Decision regarding the Environmental Terms for the Project.

DEP sent the EIA to competent bodies for consultation. The Thessaly Region and the Western Greece Water Directorate of Decentralized Administration of Peloponnese, Western Greece and the Ionian Sea have delivered positive opinions on the subject.

It is estimated that the procedure issuance of the Joint Ministerial Decision regarding the Environmental Terms for the Project will be completed in the 1<sup>st</sup> half of 2017.

After the issuance of the Joint Ministerial Decision regarding the Environmental Terms for the Project, the construction of the remaining works and the procedure for expropriation of the remaining land will proceed, in order to make it possible to start the operation of the Project, which is estimated in the 1<sup>st</sup> half of 2020.

On December 31<sup>st</sup>, 2016 the aggregate expenditure amount for HPP Messochora amounted to Euro 281 mil., while an additional amount of Euro 121 mil. is estimated to be required in order to complete the project.

- Under IPPC (Integrated Pollution Prevention and Control) Directive, the Reference Document on Best Available Techniques for Large Combustion Plants – BREF LCP (with a thermal capacity greater than 50 MW) was issued in July 2006. In accordance with the European Directive 2001/80/EC, a pollutants emissions reduction plan for existing Large Combustion Plants has been approved by the Parent Company's Board of Directors, was submitted to the authorities and has been incorporated in the National Emissions Reduction Plan of Greece for the period 2008-2015, according to the provisions of the aforementioned Directive.

In December 2010, the new Directive (2010/75/ EU) was issued for industrial emissions (Industrial Emissions Directive – IED), revising Directives IPPC and 2001/80/ EC, which is effective from 06.01.2011. Following the provisions of Article 32 of Directive 2010/75/EU, a Transitional National

Emissions Reduction Plan (TNERP) for the period 2016-2020 was elaborated and officially submitted by Greece to the EU at the end of 2012. The TNERP was approved by the EU on November 26<sup>th</sup>, 2013. On December 2013, PPC submitted to the Ministry of Environment and Energy an application for limited changes to the TNERP, along with its declaration to use the limited life-time derogation (Article 33) for certain Power Plants. After the approval from the Ministry of Environment and Energy the revised TNERP was resubmitted on March 18<sup>th</sup>, 2014 by the Greek authorities and was approved by the EU on July 07<sup>th</sup>, 2014. The Joint Ministerial Decision for TNERP was issued in August 2015 (Nr. 34062/957/E1032017/2015). Finally, according to the above, SES Agios Dimitrios, Meliti and Megalopolis A' and B' are included in the TNERP, while SES Amyntaion and Kardia will use the limited life-time derogation.

In 2011 began the process of revising the Reference Document on Best Available Techniques Manual for Large Combustion Plants, which is underway, within the framework of Directive 2010/75/EU and is coordinated by the EIPPCB (European IPPC Bureau). Following the adoption, of the legally binding, conclusions of the revised Manual expected in the first half of 2017, additional investments in PPC's major thermal stations may be required.

3. On November 28<sup>th</sup>, 2015 Directive 2015/2193 of the European Parliament and the Council's of November 25<sup>th</sup> 2015 was published in the Official Journal of the European Union, on the limitation of emissions of certain pollutants into the air from Medium Combustion Units, regardless of the type of fuel used. As Medium Combustion Units, are defined units with a rated thermal input equal to or greater than 1 MWth and less than 50 MWth. Pollutants in question are sulfur dioxide (SO<sub>2</sub>), Nitrogen oxides (NOx) and dust, while rules for the monitoring of emissions of carbon monoxide (CO) are defined. Production units of such a size, operate mainly in the islands (engines and turbines). Also, in many of PPC's SES, there are many G/S and auxiliary boilers, but with limited operating time. The provisions of the new Directive should be thoroughly examined by the competent services of PPC, so as together with the competent Greek authorities to timely promote the appropriate strategies for the electrification of the islands with technically and economically viable solutions which should also be promptly implemented, and in any case before the expiry of the deadline laid down by the Directive. Indicatively, major projects such as the islands' interconnection, should be planned and implemented in such a way as to fully cover the needs of all islands in electricity, while any remaining production units will be used as a backup solution and will be operating only in an emergency, not exceeding 500 hours of operation per year.
4. The extent of land contamination has to be assessed for many of PPC's installations, following the provisions of art. 22 of Directive 2010/75/EU. At present, there appears to be no requirement for large-scale remediation projects at PPC's sites, and it is unlikely that this will be required at the mining areas or at the lignite-fired power stations for the foreseeable future. Remediation, however, may be required, at some of the company's oil-fired power stations in the future. In the context of decommissioning of the Unit Agios Georgios in Keratsini, a remediation study for the land and the underground water in the Unit was submitted in November 2016 for approval from the Competent Authorities. The remediation cost is estimated at Euro 213.
5. PPC has performed limited studies on the presence of asbestos-containing materials, at its premises. Upon submission by PPC of a full environmental impact assessment study, the Ministry of Environment issued in May 2004 the environmental permit for the construction and operation by PPC, in its premises in Ptolemaida area of an environmentally – controlled Industrial Waste Management Area for the management and final disposal of asbestos containing construction materials, from the plants of the Northern System. With the real estate transfer contract no. 37244/05.06.2015, which is legally transcribed, PPC transferred full ownership of the Industrial Waste Management Area, located at the Kardia Mine of the Western Macedonia Lignite Center, in DIADYMA S.A. From the date of signing the contract, DIADYMA S.A. is responsible for the Area's management.
6. During the operation of the Transmission Lines, Substations and Hyperhigh Voltage Centers, there is no electromagnetic radiation, but two separate fields, the magnetic and the electric field. At places where the public or the Company's personnel might find themselves close to the above mentioned lines and substations, the values for those fields are substantially less than the limits. Those limits

were established by the International Commission on Non Ionizing Radiation Protection (ICNIRP) in collaboration with the World Health Organization (WHO). The above mentioned limits have also been adopted by the European Union as well as the Greek State.

It must be noted though, that the limits stated in the above regulations for both fields do not constitute dangerous values, but rather contain large safety factors, in order to cover for some vagueness due to the limited knowledge about both the magnetic and electric fields' influence in order to fulfil the requirement for the prevention of any adverse impacts.

7. The Environmental Permit for Klidi Mine is expected to be issued.
8. Furthermore the Parent Company's Mine Environmental Department has carried out all required procedures, for the renewal of Environmental Permit for Amyntaio and Megalopolis Mines.

#### CO<sub>2</sub> Emissions

During March and May 2013, CO<sub>2</sub> emission licenses have been issued for all 31 PPC installations, for the 3<sup>rd</sup> implementation phase of the European Union Emissions Trading System (EU ETS phase III, from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2020). By November 2015 the license of the Lignite Centre of Western Macedonia thermal station was revoked due to its decommissioning and as a result PPC's bound installations amount to thirty (30).

By the end of March 2017, the verification of the annual emissions reports of all 30 bound plants of PPC for 2016 by accredited third party verifiers was completed successfully and the reports were promptly submitted to the Competent Authority, according to the current legislation. The total verified emissions for 2016 amounted to 28.4 Mt CO<sub>2</sub>.

#### COMMITMENTS - INVESTMENTS

##### A new Steam Electric unit 660 MW in Ptolemaida

The drawing up by the Contractor of the studies for the Project licensing and their submission to PPC for review have been completed. On 24.04.2015, the Installation License of the Project was issued by the Ministry of Reconstruction of Production, Environment and Energy. On 01.07.2015 the Building Permit was issued and the Contractor was informed accordingly. Following that, PPC paid to the Contractor the first advance payment of Euro 198 mil. against a Letter of Guarantee of Advance Payment of Euro 227 mil., which was submitted to PPC by the Contractor, in order for the second stage (construction) of the Project to start.

The construction on the Project will be completed within 50 months as from the date of issuance of the Building Permit and the signing of the relevant Protocol for unhindered access to the Worksite and the necessary utilities (water, power). The above mentioned Protocol was signed on 24.11.2015.

The second advanced payment of Euro 198 million was paid to the Contractor in August 2016, following the Contractor's request for the granting of the second advanced payment and the presenting of the relevant Letters of Guarantee amounting to Euro 227 mil. in accordance with the conventional provisions. Civil engineer works at the site are underway. Moreover, PPC's examination of the submitted by the Contractor updated time schedule for the second stage of the Project is in progress.

On 31.12.2016 the total expenditure for the Project amounted to Euro 562 mil.

##### Expropriation in Ptolemaida

In October 2016, the Parent Company submitted in the Deposits and Loans Fund an amount of Euro 144.1 mil., for the compensation of owners of properties, for the relocation of Pontokomi village in order to be able to utilize underlying lignite deposits for the new «Ptolemaida V» Unit.

##### A new diesel engine Power Plant 115.4MW in South Rhodos burning of heavy fuel oil with low sulphur content

Civil engineer works as well as the installation works of the machines and other electrical equipment are in progress.

From 18.10.2016, the installation works of coastal installations networks, which were interrupted in the summer were restarted.

On 31.12.2016 the total expenditure for the project amounts to Euro 148 mil.

#### **A new combined cycle unit at Megalopolis 811MW**

The Unit was put into commercial operation on 27.01.2016. The Commercial Operation of the Unit ended on 09.06.2016. Recently, performance tests of the Unit have been executed and the submission of the evaluation reports for the said tests is expected by the Third Party. On 30.11.2016, the Temporary Acceptance Procedure of the Unit was started.

On 31.12.2016 the total expenditure for the Project amounted to Euro 514 mil.

#### **PPC RENEWABLE (PPCR)**

##### **Hybrid Project in Ikaria**

The project of a 6.85 MW total capacity combines the utilization of two renewable energy sources, Wind and Hydroelectric. The wind park is expected to be in operation in 2017 and the whole project to be in operation in 2019.

Until today, material supplies and works have been completed at a rate of about 85%.

##### **Exploitation Rights of the geothermal fields**

An invitation of tender was decided for the selection of a Consultant on Financial, Legal and Technical Services, in order to prepare and conduct all relevant procedures to find and select a Partner, and with the aim of the development of leased geothermal areas, Milos-Kimolos-Polyaigos, Nisyros, Lesvos and Methana.

##### **Biomass project**

RAE with its Decision No. 327/2016, issued an amendment of the initial license for electricity production (initial RAE Decision No. 382/2015) from a biomass power station of 25MW. The amendment of the license refers to the installation area of the biomass power plant, which is in the "Western Macedonia Lignite Center of the Municipal Unity Filota, on the municipality of Amyntaio, Florina Regional Unity".

##### **Transfer of Wind Park's Electrical Energy Production License in Voreino Pellas area**

On 14.07.2016, PPC Renewables S.A proceed to the acquisition of the Power Generation License of Wind Park Fidopetra of a capacity of 14 MW by the Voreino Pellas S.A., in which PPC Renewables S.A. owns 49% of the shares.

##### **Repowering of SHPP Louros**

On April 15<sup>th</sup> 2016, PPC Renewables issued a public tender concerning the assignment of the project for the modernization and renovation of SHHP LOUROS, of a nominal capacity of 8.84 MW. The offer submission was on 28.06.2016. The tender is in the phase of the contract awarding process and the signing of the construction contract.

##### **Repowering of 11 Wind Parks in the Aegean and of the Wind Park of Toplou Monastery**

On 23.12.2016, PPC Renewables S.A. issued two International Public Tenders concerning the assignment of the following projects: a) Design, Procurement, Transport, Installation and Operation, of Eleven (11) Wind Parks in Aegean Sea of 24.30 MW total capacity, with a budgeted cost of Euro 29.34 mil. and b) Design, Procurement, Transport, Installation and Operation of one (1) Wind Park in Moni Toplou in Crete of 7.50 MW total capacity, with a budgeted cost of Euro 9.18 mil. The above mentioned open Tenders have been declared unsuccessful, as there was no offer for these Tenders.

Subsequently, PPC Renewables S.A. proceeded in an invitation for participation in a negotiation procedure, without any publication of a Tender for the above mentioned Projects.

#### **IPTO S.A.**

##### **New investments by IPTO in the Energy Transmission System**

- **High Electrical Interconnection of "NEA MAKRI - POLYPOTAMOS" and High Voltage Network in South Evia**

Following yearly endeavors, the subterranean interconnection section between the Nea Makri High Voltage Center to the Polypotamos High Voltage Center was successfully electrified on 07/04/2015. The overhead cable of the interconnection between the Polypotamos High Voltage Center and South Evia (Evia 7 High Voltage Center) has been received with some qualifications. The above mentioned portion was successfully electrified on 24/07/2015 and was then turned off, still remaining inactive as Wind Power Stations in the southern tip of Evia are paused at present by the users of the project. Small civil engineer works to the Terminal Polypotamos and to the Polypotamos Substation which do not impede in case of the Interconnection put into commercial operation are pending. Until today IPTO proceeded in signing interconnection contracts with only 8 of the 41 users of projects who have production license. Due to non coverage of the total cost of project amounting Euro 77,7 by the users of the project and to the fact that the covered capacity of the Wind Power Stations with interconnection contract fell short to the project's capacity, RAE by its decision 453/2015 and before the deadline of signing the interconnection contracts, for an effective regulatory policy in order to avoid significant fluctuations from year to year in tariffs of users of the national network, approved, as System Operator, an amount of Euro 30 mil. for 2016 that should be included in the Required Revenue of IPTO (in the term K of the calculation ratio of the Required Revenue) so as the cost of the project to be covered by the use of transmission system charges. In accordance with RAE's decision No.404/2016, the remaining amount of the construction project which has not been covered by the users will be divided equally into six years starting in 2017 (Euro 7.6 mil. annually).

- **High Voltage Center (HVC) in Aliveri**

The construction of Aliveri's (GIS) HVC, which will serve the new thermal power unit and RES generators in Evia, was concluded and is in operation. On 24.12.2015 the temporary as well as the final acceptance of the HVC were concluded.

- **High Voltage Center (HVC) in Megalopolis and connection with the Transmission System (400 kV and 150 kV)**

Within a time frame of only two years, IPTO constructed the new High Voltage Center (HVC) of GIS type and open air insulation in Megalopolis. The HVC was electrified in August 2013. The project was co-financed by the NSRF 2007-2013.

The construction of the 150 kV interconnecting transmission lines of the HVC as well as both 400 kV transmission lines connecting the HVC with the new natural gas unit of Megalopolis V, have been concluded.

As far as the construction of the 400 kV interconnection lines of the Megalopolis HVC to the Patra area and from there through submarine and overhead transmission lines to the 400 kV Mainland System, land expropriations following the approval of Environmental Terms on May 23, 2014 were concluded. It must be noted that there is a recourse against the Ministry of Environment (currently the Ministry of Reconstruction of Production, Environment & Energy) in the State Council against the annulment of the obligatory land expropriations in the Antirio area and objections to the construction of the transition station in the area of the Patras University. In order to override objections a modification for the Environmental Study for the 400Kv transmission line (Athens – Aheloos) – Interconnection to Antirio – Patras HVC – as well as for the 400kV Patras HVC – Megalopolis HVC was submitted on August 6<sup>th</sup>, 2015 and on October 19<sup>th</sup>, 2015 respectively to the appropriate authorities. At the same time a terminal point location outside the University of Patras area has been found. The Environmental Study and the approval from the Forest Authority are pending. At the same time the related preliminary construction works of the overhead transmission line are in progress.

- **Interconnection of Cyclades to the Mainland Transmission System**

The contracts concerning Phase A' of the project have been signed since September 10, 2014 with the four contractors of the project with a cost of Euro 231 mil., approximately.

The submarine cables of the interconnection of Lavrio-Syros (Group A) and Syros – Mykonos, Syros-Paros and Syros-Tinos (Group B) have been constructed, immersed, tested and temporarily accepted by IPTO. The submarine cable on Tinos has also been constructed and installed. The installation works of underground parts of the cable connections are pending since the construction of the High Voltage Stations have not been completed yet. Civil engineer works on the High Voltage Stations in Lavrio, Syros, Paros and Mykonos (Group C) are in progress while the E/M instalations have begun. Civil engineer works as well as most of the E/M works of the Automatic Compensation of Reactive Power - SVC (Group D) have been completed, tested and temporarily accepted by IPTO, with the exception of installation parts concerning to interfaces spots with the High Voltage Station in Syros, which may be completed when the construction of the High Voltage Station in Syros will be completed.

The overall project is estimated to be completed during the third Quarter of 2017.

The project was co-financed by the NSRF 2007-2013 and its co-financing continues by the NSRF 2014-2020.

- **Interconnection of Crete to the Mainland Transmission System**

IPTO has proceeded to preliminary actions for the implementation of the project aiming to achieve Phase I (Alternating Current or AC) towards the end of 2019 to early 2020 and the main interconnection Phase II (Direct Current or DC) at the end of 2023. In the abovementioned context, a seabed's preliminary study for the main interconnection (DC) has been conducted in collaboration with the University of Patras. At the same time the locations for the construction of terminal stations in Crete as well as the location of the lagoon for the installation of electrodes have been finalized. The consultation with the local authorities in Crete is in progress.

The route and the finalization of the required projects for the Phase I of the Interconnection (Alternating Current or AC) have been completed. This interconnection will connect the High Voltage Center (HVC) of Molai with the High Voltage Center (HVC) of Chania. The submarine cable E.P, 150 kV, 200 MVA will connect the Southern tip of Cape Malea with the beach in Kissamos Bay Chania and from there will terminate to the High Voltage Center (HVC) of Chania. The Environmental Impact Assessment (EIA) was submitted to the Ministry of Energy on October 31<sup>st</sup> 2016. The proposal submission for co-financing by the NSRF 2014-2020 has been scheduled.

- **Project for the reinforcement of the "Nea Santa" High Voltage Center (HVC)**

The "Nea Santa" HVC is a project of extreme importance for the Eastern Macedonia and Thrace areas. Through the "Nea Santa" HVC the interconnection of the Hellenic Electricity Transmission System with the Turkish one and the Bulgarian one (Maritsa) in the future, the absorption of the total of the produced energy by the new RES station in Thrace as well as the upgrade of the reliability of the Northeastern System have been achieved. The project is in the acceptance stage.

This project has been co-financed by the NSRF 2007 - 2013.

- **Construction project for the transmission line of 400 kV between the Lagadas and Filippi HVCs**

In July 2014, the contract for the construction of the transmission line 400 kV from the HVC Lagadas to the HVC Filippi, with a length of 110 km, was signed with ATERMON S.A. as the contractor and a contractual price of Euro 26.7 mil. The project includes and the relocation of the existing transmission line from the HVC Filippi to another location in order to create space for the connection of the transmission line 400 kV from the HVC Lagadas to the HVC Filippi. The construction works began in August 2014 and were completed within the contractual time in October 2016.

The project is of great importance as it contributes, along with the other transmission projects

scheduled in this region, in achieving the following objectives:

- strengthening the interconnection Greece-Turkey and in general of Turkey with the European System,
- increasing the transmission capacity from Romania-Serbia-Bulgaria to Greece-FYROM-Albania,
- providing access to new thermal power plants that have been licensed in the area,
- increasing wind penetration in Eastern Macedonia and Thrace area and finally,
- enhancing the reliability of the Transmission System between Thessaloniki area and Eastern Macedonia and Thrace area.

The project is being co-financed by the NSRF 2014 – 2020.

- **Project of upgrading System 400 kV**

- Projects for the replacement of switches 400kV in HVC Pallini, Kardia, Larissa, Thessaloniki, Larimna and Distomo. Works on HVC Pallini, Kardia and Larimna have already been completed.

In particular, obsolete switches 400kV of air insulation replaced with new ones SF6.

- Projects Compensation of Reactive Power of the transmission line 400kV with installation of self-inductors 400kV.

In particular the installation of self-inductors 400 kV – 30 MVar in HVC Larimna (2), HVC Agios Stefanos (2) and two (2) 50 MVar in HVC Aliveri have been included in the investment plan. All the above mentioned installations have been completed with the exception of one (1) in HVC Larimna due to the delay of the licensing of the civil engineer works. Moreover the siting of three (3) self-inductors 400 kV in HVC Megalopolis and one (1) self-inductor 400kV in HVC Acheloos and one (1) self-inductor 400 kV in HVC Distomo have been completed.

- **Ten Year Network Development Plan (TYNDP) of the subsidiary IPTO S.A.**

From February 17<sup>th</sup> to March 16<sup>th</sup>, 2017, IPTO, by its BoD's Decision 9/16.02.2017, put into public consultation the preliminary draft of the TYNDP for the period 2018-2027. Following that and after taking under consideration the outcome of the above mentioned public consultation, IPTO will submit the draft of the Ten Year Network Development Plan (TYNDP) 2018-2027 to RAE.

- **BUSINESS COLLABORATIONS**

- **Memorandum of Cooperation between PPC and DEPA**

On 08.09.2016, PPC and DEPA signed a memorandum of understanding according to which they will jointly explore the possibility of cooperation in the supply of power generation units in the Non-Interconnected system with liquefied natural gas, and the development of natural gas distribution systems in neighboring and/or remote areas that are not supplied by DEPA network, as well as in providing combined energy products. Possible cooperation will be initially explored in Crete, Rhodes, Patra, Lesvos and Samos, while it may expand to other areas. The two companies have set up Working Groups to implement the Memorandum of Cooperation.

- **Memorandum of Understanding between PPC and CMEC**

On 14.09.2016 PPC and Chinese company China Machinery Engineering Corporation (CMEC) signed a Memorandum of Understanding, according to which CMEC will explore its interest in participating, along with PPC, in a company which will undertake the construction and operation of the already licensed lignite plant Meliti II, the operation of the existing plant Meliti I, as well as the development and exploitation of lignite mines in Meliti - Florina region. Planning of the company includes the participation of other partners with mining activities in the area. Participation of each of the participants in the company will be proportional to the value of the assets that will be contributed. Moreover, on October 24<sup>th</sup> 2016 PPC and CMEC signed a Strategic Cooperation Agreement, under which the two companies will be examining in the future their cooperation for investing in Greece and other countries of interest.

### Project for disposal of a segment of customer portfolio

Law 4336/2015 provides the gradual reduction of PPC's retail market shares in order to reach a below 50% level in 2020. In order to be achieved this share loss, PPC through NOME type of auctions will provide access to third parties on its electricity generation in very low prices.

The planned project involves the disposal of a segment of PPC's customer portfolio in third parties through an International Tender. PPC's aim, is to achieve a reduction of its market share by maintaining greater control over its client mix, as well as preventing the adverse effect of NOME auctions on its profitability.

Technical-economic and legal consultant have been hired in order to support PPC in designing and implementation of the Tender and of the transaction.

### PPC's Participation in the Concession Tender of HPP Menzelet and Kilavuzlu in Turkey

PPC Elektrik Tedarik ve Ticaret Anonim Şirketi, a wholly owned PPC subsidiary trading company in Turkey, participated, upon a Parent Company's BoD decision, in the concession tender of HPP Menzelet and Kilavuzlu in Turkey but has not declared a preferred bidder.

### Collaboration framework with DEPA S.A.

PPC covers its needs for natural gas by the new contract signed on October 29<sup>th</sup>, 2012 with DEPA which pertains to the procurement and transportation of natural gas through the Hellenic Natural Gas System (HNGT).

Following DEPA's commitments, which were accepted by the Competition Commission in relation to the existing contractual quantitative obligations by DEPA's clients, the Parent Company proceeded for the years 2015, 2016 and 2017 to the readjustment of the Annual Contractual Quantity according to its real needs.

Since 2013 -and until today- DEPA has proceeded to the unilateral determination of the implementation of the new DESFA tariffs on the contract between DEPA - PPC, as far as the usage cost of borders' entry points is concerned, as well as the pricing of natural gas purchases. The above mentioned charges have not been accepted by PPC and the relevant amounts of the invoices issued by DEPA, have not yet been paid. The negotiations between the parties for the settlement of the aforementioned abeyance are in their final stages.

Furthermore, the certification of the relevant calculation formulae by an independent verifier, in accordance with the long term contracts between DEPA and its suppliers, is still pending for the previous years (2012-2015).

Following the publication of the revised Operational Code for the National Gas System and in accordance to both the contractual provisions as well as DEPA's commitments to the Competition Commission, the latter has sent to PPC a draft version of the contract for the supply of natural gas without the inclusion of transportation service through the national network. This draft version will be examined in light of the final arrangements that resulted from the amended National Gas System Management Code as well as the new use charges tariffs.

Finally it should be noted that an additional expenditure of Euro 24 mil. was incurred by PPC, due to the revision (increase) of the natural gas supply price in the contract between DEPA – BOTAS for the years 2012-2015, following a relevant decision of the International Court of Arbitration that settled the dispute between the two aforementioned companies. This amount is payable to DEPA in twelve (12) equal monthly interest free installments, starting from October 2016.

### Special Consumption Tax on Electricity

In implementing the audit findings by the Audit Department of the Customs House regarding the

special consumption tax on electricity self-consumption by power plants, the Parent Company includes in its monthly special consumption tax returns the related tax and pays it with recourse, while also resorting to the Administrative Courts. The Parent Company will continue to pay with recourse, the relevant special consumption tax on self-consumed electricity until a final decision by the court is issued.

### The Group and PPC are subject to certain laws and regulations generally applicable to companies of the broader public sector

As long as the Hellenic Republic, as the major shareholder of PPC, holds 51% of its share capital, the Company shall, in some respects, continue to be considered a public sector company in Greece. Therefore, its operations shall continue to be subject to certain laws and regulations generally applicable to public sector, affecting thus specific procedures, including but not limited to personnel salaries, maximum level of salaries, recruitments of employees, as well as the procurement policies etc.

The said laws and regulations, particularly within the framework of the current financial conjecture and the relevant decisions of the Central Administration, which are not expected to be applicable to the Parent Company's current and future competitors, may limit the Parent Company's operational flexibility and may also have significant negative impact on its financial results, cash flow and on business risk management.

It should be noted that the Group did not have for several years (till today) the ability to recruit experienced personnel in the range of its business activities while, today's average personnel age is above 49 years. The Group's inability to recruit specialized personnel negatively affects the ability of the new PPC Group to elaborate and implement its strategy in the new competitive and financial environment, as well as to adequately staff basic supportive operations at the level of new subsidiaries. Finally, there is a risk of losing managers and experienced personnel to the competition mainly because of restrictions on remuneration policies. The viability and development of PPC Group in the new business environment notably depend on the ability to attract and maintain skilled and specialized personnel and executives. According to L. 3833/2010 and L. 4057/2012, concerning the recruiting of permanent staff an approval of the Interministerial Committee is necessary (AIC 33/2006), as well as an allocative act of the Minister of the Interiors and Administrative reorganization according to the 1:5 ratio (a recruitment for every five employees leaving). By the above mentioned and introduced by law hiring procedure, the Parent Company's recruitment needs are significantly hindered, creating critical lack of personnel and managers and may have a negative impact on the implementation of the Groups' activity.

## 38. Financial Instruments and Financial Risk Management

### Fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuing technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period there were no transfers between level 1 and level 2 fair value measurement, and no transfers into and out of level 3 fair value measurement.

The following tables compare the carrying amount of the Group's and the Company's financial instruments that are carried at amortized cost to their fair value, as well as those of tangible fixed assets which are revalued periodically at their revalued amounts assets which are revalued periodically at their revalued amounts:

	Carrying amount		Fair value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
<b>Group</b>				
<b>Non-financial assets (Note 14)</b>				
Fixed Assets	11,936,838	13,590,247	11,936,838	13,590,247
<b>Financial Assets</b>				
Trade receivables	1,597,997	1,844,208	1,597,997	1,844,208
Restricted cash	110,963	127,842	110,963	127,842
Cash and cash equivalents	207,034	451,670	207,034	451,670
<b>Financial Liabilities</b>				
Long-term borrowings	4,582,004	5,204,961	4,514,548	5,105,970
Trade payables	1,283,795	1,848,740	1,283,795	1,848,740
Short term borrowings	30,000	127,016	30,000	127,016

	Carrying amount		Fair value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
<b>Parent Company</b>				
<b>Non-financial assets (Note 14)</b>				
Fixed Assets	11,714,407	11,751,414	11,714,407	11,751,414
<b>Financial Assets</b>				
Trade receivables	1,566,858	1,699,805	1,566,858	1,699,805
Restricted cash	110,963	127,842	110,963	127,842
Cash and cash equivalents	149,414	197,592	149,414	197,592
<b>Financial Liabilities</b>				
Long-term borrowings	4,582,014	4,761,836	4,514,558	4,662,845
Trade payables	1,864,956	1,830,239	1,864,956	1,830,239
Short term borrowings	30,000	80,000	30,000	80,000

The fair value of investments available for sale, of restricted cash, of cash and cash equivalents, as well as of financial derivative instruments equals their carrying amount.

The fair value of trade receivables and trade accounts payable approximates their carrying amounts.

The fair value of the remaining financial assets and financial liabilities is based on future cash flows discounted using either direct or indirect observable inputs and are within the Level 2 of the fair value hierarchy.

Fair value of tangible assets is included in level 3 of fair value hierarchy (Note 14).

As of December 31<sup>st</sup>, 2016, the Group and the Parent Company held the following financial instruments measured at fair value:

	Fair value		Fair value Hierarchy
	31.12.2016	31.12.2015	
<b>Group</b>			
<b>Financial Assets</b>			
Investments available for sale	1,276	316	Level 1
Financial derivative instruments	-	689	Level 2
<b>Parent Company</b>			
<b>Financial Assets</b>			
Investments available for sale	889	316	Level 1
Financial derivative instruments	-	689	Level 2

#### Macroeconomic conditions in Greece - Imposition of capital Controls

By the Legislative Act of 28/06/2015 (GG 65 A' / 28.06.2015) a bank holiday was declared while capital controls were imposed. The bank holiday ended on 20.07.2015, while capital controls remain in effect, however they are smoothed gradually. Capital controls include both quantitative restrictions on cash withdrawals and on payments abroad. As the Group and the Parent Company are active almost exclusively in Greece, any change and development at the macroeconomic and microeconomic environment of the country, affects directly and significantly the activities, the operating results, the financial condition and their cash flows.

#### Financial Risk Management

##### Credit Risk

The Group's and the Parent Company's business, results of operations, financial condition, cash flows and prospects depend highly on the social and macroeconomic conditions in Greece, as practically almost of the Group's assets and economic activities are in Greece. Despite the fact that, electricity sales are dispersed over a large number of customers with a wide and diversified range of operations, the Group's and the Parent Company's business activities, results of operations and cash flows are highly dependent on their customers' ability to repay their obligations. The current economic environment, the imposition of capital controls and the recent intense recession had a material adverse impact on the Group's and the Parent Company's liquidity, mainly resulting from:

- Difficulties in payment and increases in delayed payments, by Low and Medium voltage customers as well as High voltage customers. Despite the fact that a large number of the Parent Company's customers have concluded favorable settlements for the payment of their overdue electricity bills and the granting of a uniform discount of 15% to all Low and Medium Voltage residential and business consumers, provided they timely pay their current bills and observe any settlement concluded or to be concluded, the Parent Company cannot estimate the number of customers that will observe the terms

of the settlement already in effect.

- A sizeable number of enterprises, especially small and medium sized which cease their operations due to the economic conjecture and leave behind unpaid bills.
- The prospective increase of the Social Solidarity Tariff (SRT) beneficiaries along with the increased difficulty that these customers face in paying their electricity bills.
- The fact that some customers under the pretext of the current economic downturn are not fulfilling their obligations or delay their payments, despite the fact that they afford to do so.

The Group and the Parent Company may also face difficulties or delays in their ability to collect payments from their customers as a result of additional new measures that burden electricity bills with new or increased charges in favor of third parties, such as the Renewables levy (ETMEAR).

This might extend the delay of collecting electricity bills and create additional needs of working capital for the Parent Company, bearing also in mind that ETMEAR, amongst others, is paid to the competent authorities regardless of whether it has been collected from the Parent Company's customers.

Additionally, the Parent Company's collection enforcement mechanisms may be affected by legislation or other administrative acts, (for example by restricting disconnections for non-payment of electricity bills for certain categories of customers), which can adversely affect the Parent Company's business activities, results of operations, financial condition and cash flows.

#### Interest Rate Risk and Foreign Currency Risk

The Group's and the Parent Company's debt obligations consist of bank loans, bonds and overdrafts. It is the Group's and the Parent Company's policy to have a balanced distribution of the loan portfolio between fixed and variable interest rates according to the prevailing conditions and to hedge on a case by case basis through derivatives, solely to mitigate risk, against the fluctuation of floating interest rates and/or foreign currency exchange rates affecting their debt portfolio.

As of December 31<sup>st</sup> 2016 no derivative transactions exist for loans or debt hedging.

Furthermore, the fluctuation of the Euro against the U.S. dollar exchange rate may adversely impact the prices of the Parent Company's liquid fuel purchases (diesel and heavy fuel oil). As oil prices are expressed in U.S. dollars, the Parent Company is exposed to foreign currency risk in the event of an appreciation of the U.S. dollar against the euro. In order to mitigate the foreign currency risk arising from liquid fuel purchases, the Parent Company examines the possibility of undertaking, on a case by case basis and according to the prevailing market liquidity circumstances, hedging transactions for this risk. It should be noted that a) any undertaken hedging transactions may not provide full or adequate protection against these risks and b) capital controls and Greece's as well as the greek banking sector's economic situation significantly limit the ability of the Parent Company in undertaking derivative hedging transactions to cover currency risk.

The following table depicts the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings (in € million): The Group's figures for 2016 include only continuing operations.

	Increase/Decrease in basis points (%)	Effect on profit before tax (Group)	Effect on profit before tax (Parent)
<b>2015</b>			
Euro	+50	(15.04)	(13.13)
Euro	-50	15.04	13.13
<b>2016</b>			
Euro	+50	(10.73)	(10.73)
Euro	-50	10.73	10.73

#### Liquidity Risk

Current macroeconomic and financial environment in Greece, especially after the imposition of capital controls, which remains volatile, may have a considerable adverse effect on the Group's and the Parent Company's business activity, financial position and prospects. Currently, the economic situation in Greece has directly affected the capital levels, liquidity and financial position of the Greek financial system, which highly affect the Group's and the Parent Company's liquidity and access to credit as well as the liquidity of the Greek economy as a whole and the Group's as well as the Parent Company's customers' ability to access credit. In addition, access to foreign financial markets is limited. Liquidity risk is connected with the need to ensure adequate cash flow for the financing of the Group's and the Parent Company's operations, including working capital needs, capital expenditure, as well as the servicing of the Group's and the Parent Company's debt.

The Group's and the Parent Company's working capital needs may increase due to a number of factors, including:

- The increased delays in the payment or even non-payment of electricity bills.
- The obligation to pay Renewables levy (ETMEAR), Special Consumption Tax on electricity as well as VAT when due, irrespective of whether relevant amounts have been collected from the Group's and the Parent Company's customers.
- The burden associated with the collection of taxes and levies that are not related to the sale of electricity such as municipal taxes and levies that are currently collected through electricity bills and the inability to pay for the electricity bills without paying as well amounts due to third parties;
- The continuous increase in the number of financially vulnerable citizens included in the register of vulnerable customers that based on decisions of the State enjoy special privileges regarding a) longer repayment periods for paying their bills. b) the settlement of their debts, an increased number of installments and the privilege not to have electricity disconnected due to debt, in their residence, almost throughout the year.
- Regulatory measures on the operation of the wholesale market, which burden the cost of purchasing electricity for PPC as a Supplier (i.e. contributions for RES Special Account).
- Potential increase of commercial losses (non-technical losses), i.e. increase of incidents of electricity thefts and reconnection of electricity supply in cases of electricity disconnection due to debt.

The above factors may have a material adverse impact on the Group's and the Parent Company's liquidity as well as their ability to finance new or ongoing projects. It should also be noted that the Group's and the Parent Company's borrowing costs for, and access to, liquidity (for both the refinancing of the existing debt or/and new liquidity) are negatively impacted by the current status of the Greek economy.

However, it is noted that in April 2017, the basic terms ("term sheet") of the syndicated bond loan of Euro 200 mil. between the Parent Company and Greek Banks were signed. At the same time, the Parent Company in order to further enhance its liquidity, maintained the Rewarding Program "Consistency", while from the beginning of 2017 provides the Program "Prepaid Account" in all large corporate customers, with discount 6% if they choose to prepay the total value of one year bills. The Program "Prepaid Account" will expand in the near future to residential, business and agricultural customers. Finally, in 2017, the Parent Company received advance payments against debts of General Government Entities (Note 41).

The contractual maturities of the principal financial liabilities (borrowings), not including interest payments are as follows:

(In million Euro)	On demand	3 months	3 to 12 months	1 to 5 years	> 5 years	Total
<b>Year ended 31 December 2015 (Group)</b>						
Overdraft facilities	97.01	30.0	-	-	-	127.01
Short term borrowings	-	-	-	-	-	-
Long term borrowings	-	276.31	446.16	3,134.4	1,384.66	5,241.53
	<b>97.01</b>	<b>306.31</b>	<b>446.16</b>	<b>3,134.4</b>	<b>1,384.66</b>	<b>5,368.54</b>

(In million Euro)	On demand	3 months	3 to 12 months	1 to 5 years	> 5 years	Total
<b>Year ended 31 December 2016 (Group)</b>						
Overdraft facilities	-	30.0	-	-	-	30.0
Short term borrowings	-	-	-	-	-	-
Long term borrowings	-	147.1	492.9	2,833.4	1,138.7	4,612.1
	-	<b>177.1</b>	<b>492.9</b>	<b>2,833.4</b>	<b>1,138.7</b>	<b>4,642.1</b>
<b>Year ended 31 December 2015 (Company)</b>						
Overdraft facilities	50.0	30.0	-	-	-	80.0
Short term borrowings	-	-	-	-	-	-
Long term borrowings	-	49.26	356.07	3,106.08	1,286.99	4,798.4
	<b>50.0</b>	<b>79.26</b>	<b>356.07</b>	<b>3,106.08</b>	<b>1,286.99</b>	<b>4,878.4</b>
<b>Year ended 31 December 2016 (Company)</b>						
Overdraft facilities	-	30.0	-	-	-	30.0
Short term borrowings	-	-	-	-	-	-
Long term borrowings	-	147.1	492.9	2,833.4	1,138.7	4,612.1
	-	<b>177.1</b>	<b>492.9</b>	<b>2,833.4</b>	<b>1,138.7</b>	<b>4,642.1</b>

#### Risk from exposure to the Banking Sector

The Group and the Parent Company may be exposed to risks arising from Greek banks.

It should be noted that as of 31.12.2016 the Group's and the Parent Company's debt obligations towards the Greek banking sector amounted to 38% and 34.8% respectively of their total loan obligations.

#### Market risk

The sensitivity analysis on natural gas, liquid fuel and system marginal price are as follow:

	Heavy fuel oil (tones)	Diesel (klit)	Natural Gas (in m <sup>3</sup> )	System Marginal Price (MWh)
Change in price unit	+1 € (+ one Euro)	+ 1 € (+ one Euro)	+ 0.01 € (+ one Cent of Euro)	+ 1 € (+ one Euro)
Impact	872.5 Euro thousand	394.6 Euro thousand	10.2 Euro million	22.1 Euro million

The change in the \$/€ rate by 5 cents of the dollar is estimated to affect the expenditure for liquid fuel and natural gas as well as profit before tax for the year 2017 by Euro 28.1 mil.

#### Progression of net debt ratio

The Group's net debt/equity ratio is as follows:

	2016	2015
Long term loans	4,612,043	5,241,524
Short term borrowings	30,000	127,016
Minus: cash and pledged deposits	(317,997)	(579,512)
<b>Net debt</b>	<b>4,324,046</b>	<b>4,789,028</b>
Shareholders' equity	5,945,394	5,911,556
<b>Net debt/equity ratio</b>	<b>72.2%</b>	<b>81.0%</b>

In long term loans, as presented above, the unamortized portion of loan issuance fees of Euro 30 mil., approximately is not included (2015: 36.6 mil. approximately) (Note 28).

Furthermore, it is noted that for the year 2015, the accounts which form the amount of the net debt, include the discontinuing operation (subsidiary IPTO - Note 11).

#### Risks relating to IPTO's ownership unbundling

Law 4336/2015 provides that "... the authorities: a) will take irreversible measures (including the announcement of the date for the submission of binding offers) for the privatization of the electricity transmission business, IPTO, unless an alternative plan, with equivalent effects on competition and investment prospects, according to the best European practices and in agreement with the Institutions to achieve full ownership unbundling of IPTO (standard delivery) is proposed".

With Law 4389/2016 "Urgent Provisions for the implementation of the Financial Targets and Structural Reforms Agreement and other provisions", as amended and in force, and in particular with articles 142-149 and 152, the provisions for the implementation of IPTO's ownership unbundling from PPC were determined. More specifically, the Law provides that with PPC's Shareholders' General Meeting decision, PPC shall:

- Create a holding company, to which it will transfer 51% of IPTO's Shares. PPC will be initially the sole shareholder of that company and later on PPC will transfer all shares of the company to its shareholders. Upon the completion of the transfer by PPC to its shareholders of the shares held in the holding company, the company requests without undue delay its listing in the Athens Stock Exchange, having taken all necessary steps to this end.
- Sell, through an international tender, at least 20% (up to max. 24%) of IPTO's shares in a strategic investor who will be either a) a European Transmission System Operator or Transmission System Operator participating in a European Transmission System Operator, or b) a consortium in which a Transmission System Operator, as a) above, will be participating. The public invitation will be announced within one month from the above mentioned PPC's Shareholders' General Meeting and the preferred strategic investor must be announced within four (4) months from the above mentioned PPC's Shareholders' General Meeting. Within eight months from the aforementioned General Meeting, PPC will enter into a share purchase agreement with the preferred strategic investor.
- Sell at least 25% of IPTO's shares in a Greek public company (named Public Holding Company of IPTO). The price per share for that sale will be determined after a valuation of this stake as an independent stake, by an independent valuator.

The above mentioned PPC's Shareholders' General Meeting was convened on June 30<sup>th</sup> 2016, interrupted and met again on July 11<sup>th</sup> 2016. The General Meeting decided to launch the above

ownership unbundling procedures and that the stake of IPTO shares to be sold to a strategic investor will be 24% and that the stake to be sold to a Public Holding Company of IPTO will be 25%. By virtue of PPC's Board of Directors resolution of October 31<sup>st</sup> 2016, as this was ratified by PPC's Shareholders' General Meeting of November 24<sup>th</sup> 2016, State Grid International Development Limited was announced as the preferred strategic investor and the share sale and purchase agreement was signed on December 16<sup>th</sup> 2016.

Following the imposed new shareholder structure, IPTO's financial figures will no longer be consolidated in the financial statements of PPC Group. More specifically:

- Fixed assets of a value of Euro 1,582 mil., as well as loan liabilities amounting to Euro 498 mil., as of December 31<sup>st</sup> 2016, will not be included henceforth.
- Operating profitability (EBITDA) of the new PPC Group will be reduced by about Euro 174 mil. on an annual basis (the average EBITDA of the last four years), as IPTO, being a regulated electricity transmission company enjoys an especially high amount of operational profitability, as well as a very high EBITDA margin.

At the same time, specific financial indicators might not be met in the future, due to both the significant reduction in the profitability as well as the capital structure change of the new PPC Group, leading to the possibility of early repayment of existing loans which include the relevant indicators and in any case creating additional difficulties in the Group's future financing and development.

### 39. Operating Lease Arrangements

	Group		Company	
	2016	2015	2016	2015
<b>Minimum lease payments under operating leases recognised as expense</b>	<b>20,792</b>	<b>22,774</b>	<b>15,346</b>	<b>16,276</b>

At the balance sheet date (31.12.2016), the Group's outstanding commitments for future minimum lease payments under non-cancellable operating leases are approximately the current year's lease expenses, which are expected not to significantly altered during the next years. Operating lease payments represent mainly rentals payable by the Group for certain of its office properties, machinery, vehicles and furniture and equipment. Lease fees for office properties are generally fixed for an average term of twelve years. Lease fees for machinery and vehicles are generally fixed for an average of 1 and 3 year, respectively.

### 40. Significant Events

#### High Voltage Tariffs

In the context of the February 28<sup>th</sup>, 2014 Extraordinary General Shareholders Meeting, the representative of the Majority Shareholder, namely the Hellenic Republic, proposed and the General Shareholders Meeting approved an extraordinary tariff discount of 10% to PPC's approved tariffs for all High Voltage customers with the duration of one year plus one, effective 01.01.2014. Out of the 24 High Voltage supplies, that represent, in terms of consumption, more than 99% of the total of High Voltage consumption, PPC initially proceeded in signing 22 supply contracts.

In addition, in January 2015, PPC announced that, in applying the decision of the Extraordinary General Shareholders Meeting of December 22<sup>nd</sup>, 2014 and in view of securing the public interest the Parent Company has reached an initial agreement with LARCO, for the signing of a contract for the supply of electricity, from 01.01.2014 onwards according to PPC's General Shareholders' Meeting of February 28<sup>th</sup>, 2014, as well as methods of settling past differences between the two companies.

More specifically, PPC's BoD by its decision dated 30.12.2014 has decided to accept LARCO's proposal for the direct referral to arbitration, according to the provisions of Civil Procedure, of the dispute between the two companies relating to the energy supply tariff for the sums due by LARCO until December 31<sup>st</sup>, 2013 and the signing of a supply contract with the above mentioned company with a tariff in accordance with the decision of PPC's Extraordinary Shareholders' Meeting of 28.02.2014, for the year 2014 as well as the year 2015 and until the next convention of PPC's General Meeting relevant to the matter of the High Voltage Tariffs. In the above mentioned supply contract it was provided that in two months' time the two parties would have agreed on the settlement of LARCO's debts for the period 01.01.2014 – 31.12.2014.

LARCO's General Shareholders' Meeting, by its 30.12.2014 decision, has also decided to sign the supply contract with PPC and to refer to arbitration, according to the provisions of Civil Procedure, about the dispute between the two companies. The parties have signed an arbitration agreement, in order to determine the price of supply of energy for the period 01.07.2010 – 31.12.2013 and in order for debts incurred by LARCO to be settled for the period before 31.12.2013, according to the provisions of the Code for Civil Procedure (Article 867 and subs) on 25.06.2015. At the same date the contract for the supply of energy, was signed as well.

Furthermore, it was initially assessed that, following the appointment of a new Board of Directors in LARCO, the revisit of the tariff issue for the period 01.07.2010 - 31.12.2013 would be feasible, by using all reconciliation means between the two companies and leaving the arbitration procedure as the last resort.

On 05.11.2015, following written communication, LARCO was invited, to proceed to the settlement of its debts relating to electricity consumption for the period 01.01.2014 – 31.08.2015 until 20.11.2015. Since LARCO did not settle until 20.11.2015 its debts, PPC sent an out of court letter to LARCO and to IPTO, inviting IPTO to deactivate LARCO's load meters, setting at the same time a tight deadline for the settlement of LARCO's debts.

Meanwhile, in December 2015 the Arbitration Court was formed into body for determining the price of electricity for the period 01.07.2010-31.12.2013 as well as the corollary to this settlement of LARCO's debts to PPC. The Arbitration court, with its decision No. 13/15.02.2017, determined the price for the electricity supply to LARCO in the amount of 43.41 €/Mwh plus charges for CO<sub>2</sub> emission rights, regulated charges and other taxes and fees. Meanwhile PPC's BoD by its decision 12/09.01.2017, raised the issue of LARCO's pricing, including the implementation of the settlement of previous years' debts, to the Extraordinary General Shareholders Meeting (EGM) on 12.01.2017 for deciding. EGM by its decision dated on 12.01.2017 approved LARCO's pricing terms for the period 01.01.2016-31.12.2020 as well as the settlement of its debts from electricity consumption for the period 01.07.2010-31.12.2016. Furthermore, in order to be signed an electricity supply agreement between the parties LARCO's General Shareholders' Meeting by its decision on 29.03.2017, approved the draft of the above mentioned supply agreement.

In addition, it should be noted that PPC and SOVEL and Sidenor were in dispute relating to the increase of ten (10%) percent to PPC's High Voltage Tariff. This increase was effected on 1.7.2008 for PPC's High Voltage customers and hence the dispute relates to the amounts due of the aforementioned companies regarding the above mentioned increase. Then the parties agreed to fully and finally settle the dispute through arbitration proceedings before the Arbitration Court, consisting of three (3) arbitrators and according to the provisions of the Code of Civil Procedure (Article 873). After conducting the above mentioned arbitration proceedings, the relevant arbitration decision was issued (January 2016). With this decision, the Arbitration Court determined the amount of the relative increase for the period from 1.7.2008 to 31.12.2013 to a certain percentage of the 30.6.2008 applicable Invoice A 150, obliging the parties to pay the amounts due.

#### New tariffs for medium and low voltage customers

In August 2015, PPC's new tariffs for medium and low voltage customers were approved. PPC's new tariffs policy follows modern trends in the retail market and is designed in such a way in order to meet consumer needs, through the new discount policy. Furthermore, a loyalty program for residential

customers paying their bills on time and in full was launched. More specifically:

a) Creation of new corporate tariffs

PPC designed a new tariff product – “Corporate Tariff” – offering highly competitive rates to large size companies and groups of companies (with an aggregate annual electricity consumption equal to or greater than 10 GWh), serving their customers on a nationwide level through many and different points of service (100 or more power supplies) in medium and low voltage. The new “Corporate Tariff” is effective for electricity consumption as of September 1<sup>st</sup>, 2015. The validity of “Corporate Tariff” has been approved until 31.12.2018.

b) Medium Voltage customers

- The highly competitive tariffs BM1 and BM2 involving large commercial and industrial companies with an annual consumption per power supply greater than 13GWh will also apply to power supplies with an annual consumption greater than 10GW hand.
- Reduction of the remaining tariffs BF, BY and BX.

c) Low Voltage customers

After the substantial reduction in July 2014 of Tariff Γ21 addressing primarily business premises, such as shops, workshops, small crafts and office buildings, Tariff Γ22 for commercial and industrial customers with power greater than 25KVA was also reduced.

Reductions in the Medium and Low voltage tariffs are effective for electricity consumption as of October 1<sup>st</sup>, 2015.

d) Customer rewarding

PPC returned to those residential customers who have paid on time and in full their clearing bills for the year 2015, twice the value of the fixed fee in each clearing account for the year 2016. In this manner, PPC returned approximately Euro 30 mil., to customers that timely and fully pay their bills.

**New High Voltage Tariffs for the period 2016-2017**

PPC offers from 01.01.2016 to HV customers seven (7) new tariffs for Competitive Charges, which practically correspond to the distinct consumption profiles of these customers. These tariffs are applicable for electricity consumption for the period 01.01.2016 up to 31.12.2017 and customers are entitled to choose between a monthly and a ten day period billing.

These new tariffs are accompanied by incentives (discounts) to HV customers for high electricity consumption during the Minimum Load Zone (nights, weekends and holidays).

In addition to the above, the Extraordinary General Meeting of PPC’s Shareholders of 07.12.2015 decided on the duration period for the new tariffs, on the provision of volume discounts for the competitive load and energy charges based on the total annual HV electricity consumption for individual Companies or Group of companies.

For ALOUMINION, following decision 621/2015 of the Competition Committee, negotiations are in progress and until the solution of the dispute, this customer will be billed the same way as for the period 2014 – 2015. By 21.04.2016 decision of the Plenary Session of the Competition Committee, the claim of PPC and ALUMINION for an extension until 31.05.2016 for the completion of negotiations has been approved. The theme of “Electricity Supply Agreement between PPC S.A. and ALUMINION OF GREECE S.A.” was introduced at the 14<sup>th</sup> Annual General Meeting of PPC’s Shareholders, which was completed on 11.07.2016 and decided to postpone its decision on the matter for the next General Meeting. On 13.09.2016 PPC’s BoD decided to convene an Extraordinary General Meeting of PPC’s Shareholders on 05.10.2016. On the latter’s agenda the above mentioned matter was included. By its October 5<sup>th</sup> 2016 Decision, PPC’s Extraordinary General Shareholders Meeting, approved the ALOYMUNION’s pricing terms for the period 1.7.2016 - 31.12.2020, as well as the pricing terms for the period 1.1.2014 - 30.6.2016. Based on the Decision of the EGM, the Supply Agreement between

PPC and ALOUMINION was signed on October 20<sup>th</sup> 2016.

After this, out of nineteen (19) installations of High Voltage customers with a consumption share of over 99% of the total consumption in High Voltage, fourteen (14) of them have already signed a contract or a supplementary contract, while an additional supplementary contract will be signed with another customer, since the abovementioned company is under liquidation and a new administrator has not been appointed currently. The remaining four customers who have not yet signed supplementary contracts are LARCO, for which reference is made above and 3 more clients who have significant arrears. For the remaining High Voltage customers, namely 42 renewable energy facilities, supplementary contracts have been signed.

**Rewarding Program of PPC’s business customers “CONSISTENCY”**

On 02.02.2016, the Board of Directors of the Parent Company approved the new Rewarding Program of PPC’s business customers. Specifically, all business customers who will pay full their bills as well as any debt settlement installments, until payment due date, they will receive a refund (credit) on their next bill, 10% of the value of the electricity consumption in previous bill which has been paid on time.

The Program began for bills issued on 01.04.2016 and afterwards. Namely, if the bill issued on 01.04.2016 and then, will be paid on time (until payment due date), as well as any debt settlement installments, then in the immediate next bill, will be credited automatically (without customer request), the refund 10% of the value of the electricity consumption in previous bill which has been paid on time.

**New Rewarding Program of PPC’s residential and business customers “CONSISTENCY”**

In June 2016, the Board of Directors of the Parent Company approved the new Rewarding Program of PPC’s residential and business customers. Specifically, all residential and business customers who will pay full their bills as well as any debt settlement installments, until payment due date, they will receive a refund (credit) on their next bill, 15% of the value of the electricity consumption in previous bill which has been paid on time. The Program began for bills issued on 01.07.2016 and afterwards. Especially for business tariffs type BM and corporate tariff a discount 15% is provided.

Furthermore, PPC’s BoD approved a special discount on the current bills paid on time and on any settlement installments, in the context of negotiations for bilateral contracts with HV customers.

**Other arrangements for the settlement of customer debts**

On 29.03.2016, the Board of Directors of the Parent Company approved the amended Debt Settlement Regulation and decided the following arrangements for the payment of the Parent Company’s customer debts:

- From 01.04.2016 until 31.07.2016, all customers can settle their debts in thirty six (36) installments without any advance payment.

In the above mentioned arrangement will have the opportunity to participate also for the remaining of their debt and those customers that have already settled their debts under the applicable at present Settlements Regulation.

The payment of the first installment shall be effected with the approval of the Arrangement.

- From 01.08.2016 onwards for all residential and business customers (except seasonal and agricultural customers) the following will apply:

- Monthly installments: An amount equal (at first) to 30% of the average monthly bill (on an annual basis) but with a minimum number of eighteen (18) installments and a maximum of thirty six (36)

- Advances:

- a) Customers without unconventional behavior: 5%
- b) Customers with unconventional behavior: 15%

On 12.08.2016 the Board of Directors of the Parent Company approved the extension of the above mentioned Program until 30.09.2016. Furthermore, it approved from 03.08.2016 and afterwards, for the customers who were disconnected due non-payment and require debt settlement and reconnection, in order to be reconnected, among others and the following:

- For customers, who were not included in the above Rewarding Program of thirty six (36) installments and they did not have any active settlement at 01.04.2016 with programs before that date, their debt to be settled with immediate payment of 30% of the amount due and eight (8) monthly installments.
- For customers with an active settlement at 01.04.2016, which was approved before 01.04.2016, who within ten (10) days from the disconnection they do not require their inclusion in the above mentioned Rewarding Program of thirty six (36) installments effective until 30.09.2016, or they do not settle their debts on the basis of the Settlement Plan in which they have been included, their debt to be settled with immediate payment of 30% of the amount due and eight (8) monthly installments.
- For the customers who have been included in the above Rewarding Program of thirty six (36) installments, who within ten (10) days from the disconnection they do not settle their debts on the basis of the Settlement Plan, their debt to be settled with immediate payment of 30% of the amount due and eight (8) monthly installments.

On September 28<sup>th</sup> 2016, the Parent Company's Board of Directors approved the extension of the Settlements Programme of 36 installments, up to October 31<sup>st</sup> 2016. Moreover, it decided that from 01/10/2016 – 31/10/2016 for disconnected due to debts customers, which violate the metering device, their debt will be settled by the direct payment of the 15% of the debt and 12 monthly installments for the remaining amount.

On October 31<sup>th</sup> 2016, the Parent Company's Board of Directors approved the extension of the Settlements Programme of 36 installments, up to December 31<sup>st</sup> 2016, with a minimum installment of ten Euro. Moreover, it decided that from 01/10/2016 – 31/12/2016 for disconnected due to debts customers, which violate the metering device, their debt will be settled by the direct payment of the 15% of the debt and 12 monthly installments for the remaining amount.

## 41. Subsequent Events

### Repayment of loans and new loans

Within the period 01.01.2017 - 07.04.2017, the Group proceeded to debt repayments of loan installments amounting to Euro 147.1 mil. (Parent Company Euro 147.1 mil.).

In April 2017, the basic terms ("term sheet") of the syndicated bond loan of Euro 200 mil. between the Parent Company and Greek Banks were signed. The above mentioned loan has a two-year duration and bears securing through pledge of existing and future PPC's receivables from corporate customers' contracts, with the value of annual consumption based on the average of two previous years, totaling 125% on each loan outstanding balance. It is noted that there is no obligation to create "escrow account", namely the creation of an account, the movement of which is subject in the approval of Banks and provided that an event of default has not been occurred, the Parent Company has the right to move all its accounts and use the amounts paid to them by those corporate customers.

In March 2017, the subsidiary company IPTO S.A. proceeded in refinancing existing loan obligations totaling Euro 337.1 mil. approximately, through the issuance of the syndicated bond loan of an equal amount. The Joint Venture consists of existing Greek Banks which lent us. The loan, maturing in 2021, is of floating rate with gradual repayments.

### Advance payments in PPC against debts of General Government Entities

In March 2017, according to Article 58 of Law 4075/2012, the State General Accounting Office

granted an advance payment in cash in the Parent Company amounting Euro 50 mil. against debts of General Government Entities, from overdue electricity bills. The above mentioned advance payment will be refunded by the Parent Company in installments, after the debt repayments by the General Government Entities, and in each case the remaining balance should be refunded until 29.12.2017.

Furthermore, in March 2017, the Parent Company received from the State General Accounting Office Euro 80 mil. as an advance payment on electricity consumed by the General Government Entities, for the year 2017.

### Tariff Policy

In January 2017, PPC's BoD decided to provide new incentives to consistent customers who pay their bills. In particular, it rewards with a discount 6% those customers who will prepay the total value of one year electricity bills and any arrears. The implementation of the "Prepaid Account" Program was launched for large companies while in the near future it will also be applied for households, business customers and small businesses.

# APPENDIX I

## Unbundled Financial Statements

Under the provisions of L.4001/2011  
and the approved methodology  
of the Regulatory Authority for Energy.

## SYSTEM INTEGRATION UNBUNDLED BALANCE SHEETS

December 2016

(Expressed in million Euro)

	Administration		Mines	
	2016	2015	2016	2015
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Tangible Assets	93.3	89.1	1,661.1	1,607.1
Intangible Assets	3.2	4.4	0.3	0.2
Investments in subsidiaries	21.5	21.5	37.9	155.7
Investments in associates	1.2	1.2		
Available for sale financial assets	0.8	0.3		
Other non-current assets	41.0	45.5		
Administration non-current assets	(161.1)	(162.1)	30.3	29.4
<b>Total Non-Current Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>1,729.6</b>	<b>1,792.3</b>
<b>Current Assets</b>				
Materials, spare parts and supplies, net	8.2	7.8	90.1	98.9
Trade receivables, net	56.2	103.5	7.0	0.9
Other receivables, net	204.5	144.3	52.7	(19.8)
Other current assets	62.9	53.5	(8.2)	6.1
Cash and cash equivalents	(1.3)	0.3	20.6	42.3
Administration current assets	(330.5)	(309.4)	77.2	53.3
<b>Total Current Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>239.5</b>	<b>181.6</b>
<b>Total Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>1,969.1</b>	<b>1,974.0</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share Capital			144.9	144.9
Paid-in surplus			15.0	15.0
Legal reserve	1.8	1.7	16.2	15.1
Fixed assets' statutory revaluation surplus included in share capital			(127.7)	(127.7)
Revaluation surplus law 2941	64.0	64.1	694.6	696.3
Other Reserves in Equity	(86.5)	(86.6)	(8.5)	(1.0)
Retained earnings	68.0	72.4	(248.9)	(89.7)
Administration equity	(47.3)	(51.6)	11.8	13.0
<b>Total Equity</b>	<b>(0.0)</b>	<b>0.0</b>	<b>497.4</b>	<b>665.8</b>
<b>Non-Current Liabilities</b>				
Interest bearing loans and borrowings			711.3	598.4
Post retirement benefits	2.4	2.2	114.1	107.7
Provisions	18.6	27.8	77.2	74.9
Deferred tax liability	12.7	12.9	234.2	223.6
Deferred customers' contributions and subsidies			1.1	1.3
Other non-current liabilities	18.0	16.6	0.5	0.2
Administration non-current liabilities	(51.7)	(59.5)	19.1	15.8
<b>Total Non-Current Liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>1,157.5</b>	<b>1,021.9</b>
<b>Current Liabilities</b>				
Trade and other payables	(89.7)	148.3	243.3	218.4
Short - term borrowings			0.5	2.6
Current portion of interest bearing loans and borrowings			56.7	10.7
Dividends payable	0.1	0.2		
Income taxes payable	(257.2)	(33.6)	32.1	32.1
Accrued and other current liabilities	4.8	1.5	17.1	18.5
Derivatives Liability		0.7		
Administration current liabilities	342.0	(117.0)	(35.6)	4.0
<b>Total Current Liabilities</b>	<b>(0.0)</b>	<b>0.0</b>	<b>314.2</b>	<b>286.3</b>
<b>Total Liabilities And Equity</b>	<b>0.0</b>	<b>0.0</b>	<b>1,969.1</b>	<b>1,974.0</b>

	Generation		Distribution Network		Supply		Eliminations		Total PPC	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	5,843.9	6,093.2	3,714.4	3,744.3	19.9	18.9	381.8	198.8	11,714.4	11,751.4
	43.3	59.3			8.7	10.4	(0.5)		55.0	74.3
	175.7	631.8		321.8	895.6		(0.1)	(0.1)	1,130.7	1,130.7
									1.2	1.2
							0.1	0.1	0.9	0.3
	82.2	82.2					(19.2)	(8.5)	104.1	119.2
	66.7	55.2	46.8	65.8	17.3	11.7				
	<b>6,211.8</b>	<b>6,921.7</b>	<b>3,761.2</b>	<b>4,131.9</b>	<b>941.6</b>	<b>41.1</b>	<b>362.1</b>	<b>190.2</b>	<b>13,006.3</b>	<b>13,077.2</b>
	448.5	462.0					(2.7)	1.0	544.2	569.8
	642.6	214.6	192.7	30.6	2,382.5	2,454.5	(1,714.2)	(1,104.3)	1,566.9	1,699.8
	(80.5)	(92.6)	(29.5)	1.5	84.0	28.3	42.9	160.2	274.1	221.8
	(17.0)	(23.6)	13.3	12.6	14.1	5.2	(21.3)	(12.6)	43.8	41.2
	86.2	108.8	78.3	72.8	76.4	77.1	0.2	24.2	260.4	325.4
	77.2	111.5	73.3	4.1	102.8	140.5				
	<b>1,157.0</b>	<b>780.8</b>	<b>328.1</b>	<b>121.6</b>	<b>2,659.8</b>	<b>2,705.5</b>	<b>(1,695.1)</b>	<b>(931.5)</b>	<b>2,689.3</b>	<b>2,858.1</b>
	<b>7,368.8</b>	<b>7,702.5</b>	<b>4,089.3</b>	<b>4,253.4</b>	<b>3,601.4</b>	<b>2,746.6</b>	<b>(1,333.0)</b>	<b>(741.2)</b>	<b>15,695.6</b>	<b>15,935.3</b>
	587.9	587.9	299.4	299.4	35.0	35.0			1,067.2	1,067.2
	60.8	60.8	30.9	30.9					106.7	106.7
	65.9	61.2	33.6	31.2					117.5	109.2
	(543.0)	(543.0)	(276.6)	(276.6)					(947.3)	(947.3)
	2,533.2	2,533.8	728.4	729.5	(3.6)	(3.6)			4,016.6	4,020.0
	34.0	43.2	31.6	31.6	(4.7)	(3.2)			(34.1)	(16.0)
	325.2	747.0	761.5	586.1	642.0	66.6	(2.7)	1.0	1,545.0	1,383.5
	11.9	25.6	11.8	15.3	11.8	(2.4)				
	<b>3,075.7</b>	<b>3,516.5</b>	<b>1,620.7</b>	<b>1,447.5</b>	<b>680.4</b>	<b>92.4</b>	<b>(2.7)</b>	<b>1.0</b>	<b>5,871.6</b>	<b>5,723.2</b>
	2,185.0	2,297.0	967.8	1,192.4	108.0	305.2	(21.2)	(27.9)	3,950.9	4,365.2
	139.1	131.1			24.9	23.6			280.6	264.6
	43.2	43.2			45.4	45.4	5.2	5.2	189.6	196.5
	1,000.2	921.7	34.9	48.2	(705.8)	(601.4)			576.3	605.0
	175.8	189.1	1,224.8	1,282.1					1,401.7	1,472.5
	130.8	141.7	23.2		512.1	529.3	(126.3)	(157.9)	558.3	530.0
	16.4	(23.1)	7.6	58.2	8.6	8.7				
	<b>3,690.6</b>	<b>3,700.8</b>	<b>2,258.3</b>	<b>2,580.8</b>	<b>(6.7)</b>	<b>310.9</b>	<b>(142.3)</b>	<b>(180.6)</b>	<b>6,957.4</b>	<b>7,433.8</b>
	36.1	4.3	129.5	66.2	2,696.1	1,930.5	(1,150.4)	(537.4)	1,865.0	1,830.2
	9.3	48.2	20.1	28.0	0.1	1.2			30.0	80.0
	427.6	118.4	58.3	110.7	97.4	165.6	(8.9)	(8.7)	631.1	396.7
									0.1	0.1
	69.8	69.8	3.9	3.9	165.8	103.9	1.0		15.4	176.1
	201.0	191.8	11.2	19.6	120.7	78.6	(29.7)	(15.6)	325.1	294.4
										0.7
	(141.4)	52.7	(12.6)	(3.2)	(152.4)	63.6				
	<b>602.5</b>	<b>485.2</b>	<b>210.3</b>	<b>225.1</b>	<b>2,927.7</b>	<b>2,343.4</b>	<b>(1,188.0)</b>	<b>(561.7)</b>	<b>2,866.7</b>	<b>2,778.3</b>
	<b>7,368.8</b>	<b>7,702.5</b>	<b>4,089.3</b>	<b>4,253.4</b>	<b>3,601.4</b>	<b>2,746.6</b>	<b>(1,333.0)</b>	<b>(741.2)</b>	<b>15,695.6</b>	<b>15,935.3</b>

## INTERCONNECTED SYSTEM UNBUNDLED BALANCE SHEET

December 2016

(Expressed in million Euro)

	Mines	
	2016	2015
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Tangible Assets	1,661.1	1,607.1
Intangible Assets	0.3	0.2
Investments in subsidiaries	37.9	155.7
Available for sale financial assets		
Other non-current assets		
Administration non-current assets	30.3	29.4
<b>Total Non-Current Assets</b>	<b>1,729.6</b>	<b>1,792.3</b>
<b>Current Assets</b>		
Materials, spare parts and supplies, net	90.1	98.9
Trade receivables, net	7.0	0.9
Other receivables, net	52.7	(19.8)
Other current assets	(8.2)	6.1
Restricted Cash	20.6	42.3
Administration current assets	77.2	53.3
<b>Total Current Assets</b>	<b>239.5</b>	<b>181.6</b>
<b>Total Assets</b>	<b>1,969.1</b>	<b>1,974.0</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share Capital	144.9	144.9
Paid-in surplus	15.0	15.0
Legal reserve	16.2	15.1
Fixed assets' statutory revaluation surplus included in share capital	(127.7)	(127.7)
Revaluation surplus law 2941	694.6	696.3
Other Reserves in Equity	(8.5)	(1.0)
Retained earnings	(248.9)	(89.7)
Administration equity	11.8	13.0
<b>Total Equity</b>	<b>497.4</b>	<b>665.8</b>
<b>Non-Current Liabilities</b>		
Interest bearing loans and borrowings	711.3	598.4
Post retirement benefits	114.1	107.7
Provisions	77.2	74.9
Deferred tax liability	234.2	223.6
Deferred customers' contributions and subsidies	1.1	1.3
Other non-current liabilities	0.5	0.2
Administration non-current liabilities	19.1	15.8
<b>Total Non-Current Liabilities</b>	<b>1,157.5</b>	<b>1,021.9</b>
<b>Current Liabilities</b>		
Trade and other payables	243.3	218.4
Short - term borrowings	0.5	2.6
Current portion of interest bearing loans and borrowings	56.7	10.7
Dividends payable		
Income taxes payable	32.1	32.1
Accrued and other current liabilities	17.1	18.5
Administration current liabilities	(35.6)	4.0
<b>Total Current Liabilities</b>	<b>314.2</b>	<b>286.3</b>
<b>Total Liabilities And Equity</b>	<b>1,969.1</b>	<b>1,974.0</b>

	Generation		Distribution Network		Supply		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	4,728.5	4,934.8	3,090.5	3,125.0	17.1	16.2	9,497.2	9,683.1
	36.4	52.1			7.5	9.0	44.2	61.3
	146.0	511.8		271.0	492.1		676.0	938.4
	82.2	82.2					82.2	82.2
	52.4	44.9	39.5	52.3	13.5	10.6	135.7	137.2
	<b>5,045.5</b>	<b>5,625.8</b>	<b>3,130.0</b>	<b>3,448.3</b>	<b>530.2</b>	<b>35.8</b>	<b>10,435.2</b>	<b>10,902.2</b>
	296.7	307.2					386.9	406.1
	265.5	213.6	164.2	25.7	2,079.3	2,133.2	2,516.0	2,373.4
	(40.1)	(66.0)	(28.8)	0.1	11.5	18.3	(4.7)	(67.4)
	(150.9)	(58.7)	0.6	0.4	13.6	3.9	(144.8)	(48.4)
	51.1	60.9	69.2	60.3	74.7	63.0	215.5	226.5
	75.5	82.3	69.2	0.5	98.2	120.1	320.2	256.1
	<b>497.8</b>	<b>539.2</b>	<b>274.4</b>	<b>87.0</b>	<b>2,277.4</b>	<b>2,338.5</b>	<b>3,289.1</b>	<b>3,146.3</b>
	<b>5,543.3</b>	<b>6,165.0</b>	<b>3,404.4</b>	<b>3,535.3</b>	<b>2,807.5</b>	<b>2,374.3</b>	<b>13,724.3</b>	<b>14,048.5</b>
	476.2	476.2	252.2	252.2	30.6	30.6	903.8	903.8
	49.2	49.2	26.1	26.1			90.3	90.3
	53.4	49.6	28.3	26.3			97.9	90.9
	(439.9)	(439.9)	(232.9)	(232.9)			(800.5)	(800.5)
	2,079.9	2,080.3	611.4	612.2	(4.0)	(4.0)	3,381.9	3,384.9
	28.9	35.7	26.6	26.6	(4.2)	(2.8)	42.8	58.4
	(54.8)	336.6	645.4	488.2	452.6	88.4	794.3	823.5
	8.6	22.0	10.2	13.0	9.1	(2.2)	39.7	45.8
	<b>2,201.4</b>	<b>2,609.7</b>	<b>1,367.2</b>	<b>1,211.7</b>	<b>484.1</b>	<b>110.0</b>	<b>4,550.1</b>	<b>4,597.1</b>
	1,618.8	1,998.9	807.1	979.3	25.0	181.5	3,162.2	3,758.1
	105.8	99.9			22.1	20.9	242.0	228.5
	32.9	32.9			39.7	39.7	149.9	147.5
	811.8	750.2	37.4	48.7	(589.9)	(505.9)	493.5	516.6
	175.6	188.8	1,035.5	1,083.7			1,212.3	1,273.9
	107.3	116.1	19.8	(0.0)	445.1	462.4	572.7	578.7
	12.5	(19.1)	6.3	35.8	8.4	7.0	46.3	39.5
	<b>2,864.7</b>	<b>3,167.8</b>	<b>1,906.2</b>	<b>2,147.6</b>	<b>(49.6)</b>	<b>205.6</b>	<b>5,878.8</b>	<b>6,542.8</b>
	(6.9)	(3.0)	101.8	51.0	2,044.6	1,748.0	2,382.8	2,014.5
	1.6	38.4	10.8	23.6		0.8	13.0	65.4
	290.5	56.0	7.0	94.6	92.3	64.2	446.6	225.5
	50.6	50.6	1.3	1.3	159.8	107.9	243.9	192.0
	207.8	198.9	3.5	9.8	136.5	84.6	365.0	311.8
	(66.5)	46.6	6.4	(4.3)	(60.2)	53.3	(155.9)	99.5
	<b>477.1</b>	<b>387.5</b>	<b>131.0</b>	<b>176.1</b>	<b>2,373.1</b>	<b>2,058.8</b>	<b>3,295.4</b>	<b>2,908.6</b>
	<b>5,543.3</b>	<b>6,165.0</b>	<b>3,404.4</b>	<b>3,535.3</b>	<b>2,807.5</b>	<b>2,374.3</b>	<b>13,724.3</b>	<b>14,048.5</b>

## CRETE UNBUNDLED BALANCE SHEET

December 2016

(Expressed in million Euro)

ASSETS	
<b>Non-Current Assets</b>	
Tangible Assets	
Intangible Assets	
Investments in subsidiaries	
Available for sale financial assets	
Other non-current assets	
Administration non-current assets	
<b>Total Non-Current Assets</b>	
<b>Current Assets</b>	
Materials, spare parts and supplies, net	
Trade receivables, net	
Other receivables, net	
Other current assets	
Cash and cash equivalents	
Administration current assets	
<b>Total Current Assets</b>	
<b>Total Assets</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>Equity</b>	
Share Capital	
Paid-in surplus	
Legal reserve	
Fixed assets' statutory revaluation surplus included in share capital	
Revaluation surplus law 2941	
Other Reserves in Equity	
Retained earnings	
Administration equity	
<b>Total Equity</b>	
<b>NON-CURRENT LIABILITIES</b>	
Interest bearing loans and borrowings	
Post retirement benefits	
Provisions	
Deferred tax liability	
Deferred customers' contributions and subsidies	
Other non-current liabilities	
Administration non-current liabilities	
<b>Total Non-Current Liabilities</b>	
<b>CURRENT LIABILITIES</b>	
Trade and other payables	
Short - term borrowings	
Current portion of interest bearing loans and borrowings	
Dividends payable	
Income taxes payable	
Accrued and other current liabilities	
Administration current liabilities	
<b>Total Current Liabilities</b>	
<b>Total Liabilities And Equity</b>	

Generation		Distribution Network		Supply		Total	
2016	2015	2016	2015	2016	2015	2016	2015
427.8	436.0	267.8	265.7	1.2	1.1	696.7	702.8
0.8	1.0			0.5	0.6	1.3	1.6
	46.2		20.9	176.5		176.5	67.1
6.3	4.4	2.9	4.9	2.4	0.4	11.6	9.7
<b>434.8</b>	<b>487.5</b>	<b>270.7</b>	<b>291.5</b>	<b>180.6</b>	<b>2.1</b>	<b>886.1</b>	<b>781.2</b>
78.2	75.4					78.2	75.4
184.6	0.2	14.5	2.2	177.3	185.2	376.4	187.6
(19.6)	(14.1)	(1.7)	0.3	28.7	(1.3)	7.3	(15.1)
130.1	70.1	1.9	1.9	0.3	0.7	132.3	72.8
1.5	6.5	3.9	5.0	0.2	5.8	5.7	17.4
0.6	10.8	1.9	1.1	2.1	8.5	4.7	20.3
<b>375.4</b>	<b>149.0</b>	<b>20.6</b>	<b>10.5</b>	<b>208.5</b>	<b>198.9</b>	<b>604.5</b>	<b>358.4</b>
<b>810.2</b>	<b>636.5</b>	<b>291.3</b>	<b>302.0</b>	<b>389.1</b>	<b>201.1</b>	<b>1,490.6</b>	<b>1,139.6</b>
43.0	43.0	19.4	19.4	2.2	2.2	64.6	64.6
4.4	4.4	2.0	2.0			6.5	6.5
4.8	4.5	2.2	2.0			7.0	6.5
(39.7)	(39.7)	(17.9)	(17.9)			(57.7)	(57.7)
221.3	221.3	45.1	45.2	(0.1)	(0.1)	266.3	266.4
1.9	2.8	2.1	2.1	(0.3)	(0.2)	3.6	4.7
130.3	171.8	27.3	17.0	93.3	(1.5)	250.9	187.3
1.6	2.1	0.5	(0.8)	1.7	(0.1)	3.9	1.2
<b>367.6</b>	<b>410.3</b>	<b>80.6</b>	<b>68.9</b>	<b>96.9</b>	<b>0.3</b>	<b>545.1</b>	<b>479.5</b>
287.6	93.4	90.9	121.6	29.1	59.0	407.7	274.0
12.8	12.0			1.6	1.5	14.3	13.4
3.5	3.5			3.5	3.5	7.0	7.0
85.8	79.1	(3.0)	(1.8)	(54.0)	(42.4)	28.8	34.8
0.1	0.2	83.8	87.3			84.0	87.5
10.0	11.0	1.5		30.6	31.6	42.2	42.6
1.3	(2.2)	0.5	6.2	0.1	0.6	1.9	4.7
<b>401.2</b>	<b>196.9</b>	<b>173.9</b>	<b>213.3</b>	<b>10.8</b>	<b>53.9</b>	<b>585.9</b>	<b>464.1</b>
(3.4)	(0.6)	10.7	5.4	325.1	96.8	332.4	101.7
1.7	4.0	4.7	1.7	0.1	0.1	6.5	5.7
64.0	23.8	22.7	5.4	0.0	45.5	86.6	74.6
(0.0)							
8.1	8.1	1.3	1.3	(0.6)	(6.7)	8.8	2.8
(7.2)	(7.2)	6.1	5.2	(3.6)	4.9	(4.6)	2.9
(21.8)	1.3	(8.7)	0.7	(39.5)	6.3	(70.0)	8.3
<b>41.4</b>	<b>29.3</b>	<b>36.8</b>	<b>19.8</b>	<b>281.4</b>	<b>146.9</b>	<b>359.6</b>	<b>196.0</b>
<b>810.2</b>	<b>636.5</b>	<b>291.3</b>	<b>302.0</b>	<b>389.1</b>	<b>201.1</b>	<b>1,490.6</b>	<b>1,139.6</b>

## OTHER NON INTERCONNECTED ISLANDS UNBUNDLED BALANCE SHEET (INCL. RHODES)

December 2016

(Expressed in million Euro)

ASSETS	
<b>Non-Current Assets</b>	
Tangible Assets	
Intangible Assets	
Investments in subsidiaries	
Available for sale financial assets	
Other non-current assets	
Administration non-current assets	
<b>Total Non-Current Assets</b>	
<b>CURRENT ASSETS</b>	
Materials, spare parts and supplies, net	
Trade receivables, net	
Other receivables, net	
Other current assets	
Cash and cash equivalents	
Administration current assets	
<b>Total Current Assets</b>	
<b>Total Assets</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>Equity</b>	
Share Capital	
Paid-in surplus	
Legal reserve	
Fixed assets' statutory revaluation surplus included in share capital	
Revaluation surplus law 2941	
Other Reserves in Equity	
Retained earnings	
Administration equity	
<b>Total Equity</b>	
<b>NON-CURRENT LIABILITIES</b>	
Interest bearing loans and borrowings	
Post retirement benefits	
Provisions	
Deferred tax liability	
Deferred customers' contributions and subsidies	
Other non-current liabilities	
Administration non-current liabilities	
<b>Total Non-Current Liabilities</b>	
<b>CURRENT LIABILITIES</b>	
Trade and other payables	
Short - term borrowings	
Current portion of interest bearing loans and borrowings	
Dividends payable	
Income taxes payable	
Accrued and other current liabilities	
Administration current liabilities	
<b>Total Current Liabilities</b>	
<b>Total Liabilities and Equity</b>	

Generation		Distribution Network		Supply		Total	
2016	2015	2016	2015	2016	2015	2016	2015
687.6	722.5	356.2	353.5	1.6	1.6	1,045.4	1,077.6
6.1	6.2			0.7	0.9	6.8	7.1
29.7	73.8		29.9	227.1		256.8	103.7
0.0							
0.0							
8.0	6.0	4.4	8.6	1.4	0.7	13.8	15.2
<b>731.5</b>	<b>808.4</b>	<b>360.5</b>	<b>392.0</b>	<b>230.8</b>	<b>3.1</b>	<b>1,322.9</b>	<b>1,203.6</b>
73.6	79.5					73.6	79.5
192.5	0.8	14.0	2.7	125.9	136.0	332.4	139.6
(20.7)	(12.5)	1.0	1.1	43.9	11.3	24.2	(0.1)
3.8	(35.1)	10.8	10.3	0.2	0.6	14.7	(24.1)
33.6	41.4	5.2	7.5	1.5	8.3	40.3	57.1
1.0	18.5	2.1	2.6	2.5	11.9	5.7	32.9
<b>283.8</b>	<b>92.6</b>	<b>33.1</b>	<b>24.1</b>	<b>173.9</b>	<b>168.1</b>	<b>490.8</b>	<b>284.9</b>
<b>1,015.3</b>	<b>901.1</b>	<b>393.7</b>	<b>416.2</b>	<b>404.8</b>	<b>171.2</b>	<b>1,813.7</b>	<b>1,488.4</b>
68.7	68.7	27.9	27.9	2.2	2.2	98.8	98.8
7.1	7.1	2.9	2.9			10.0	10.0
7.7	7.1	3.1	2.9			10.8	10.1
(63.4)	(63.4)	(25.7)	(25.7)			(89.2)	(89.2)
232.0	232.2	72.0	72.1	0.4	0.4	304.4	304.7
3.2	4.7	2.9	2.9	(0.3)	(0.2)	5.9	7.4
249.7	238.6	88.8	80.9	96.0	(20.3)	434.5	299.3
1.7	1.5	1.1	3.1	1.0	(0.1)	3.8	4.5
<b>506.6</b>	<b>496.5</b>	<b>172.9</b>	<b>167.0</b>	<b>99.5</b>	<b>(17.9)</b>	<b>779.1</b>	<b>645.5</b>
278.6	204.8	69.7	91.5	53.9	64.7	402.2	360.9
20.6	19.3			1.3	1.2	21.9	20.5
6.8	6.8			2.2	2.2	9.0	9.0
102.6	92.4	0.5	1.3	(61.8)	(53.1)	41.3	40.7
	0.1	105.4	111.0			105.4	111.1
13.4	14.6	1.9		36.4	35.3	51.7	49.9
2.7	(1.9)	0.7	16.1	0.1	1.1	3.5	15.4
<b>424.6</b>	<b>336.2</b>	<b>178.2</b>	<b>219.9</b>	<b>32.1</b>	<b>51.5</b>	<b>635.0</b>	<b>607.6</b>
46.4	7.8	17.1	9.8	326.5	85.6	389.9	103.2
6.0	5.8	4.5	2.7		0.3	10.5	8.8
73.1	38.7	28.5	10.7	5.1	55.8	106.8	105.2
11.1	11.1	1.2	1.2	6.5	2.7	18.9	15.0
0.4	0.1	1.6	4.6	(12.3)	(10.9)	(10.3)	(6.2)
(53.1)	4.8	(10.4)	0.3	(52.7)	4.1	(116.1)	9.2
<b>83.9</b>	<b>68.4</b>	<b>42.5</b>	<b>29.3</b>	<b>273.2</b>	<b>137.6</b>	<b>399.6</b>	<b>235.3</b>
<b>1,015.3</b>	<b>901.1</b>	<b>393.7</b>	<b>416.2</b>	<b>404.8</b>	<b>171.2</b>	<b>1,813.7</b>	<b>1,488.4</b>

## SYSTEM INTEGRATION UNBUNDLED INCOME STATEMENT

December 2016

(Expressed in million Euro)

	Mines		Generation	
	2016	2015	2016	2015
<b>REVENUES</b>				
<b>Revenues from 3<sup>rd</sup> Parties</b>				
Energy sales to customers				
PSO's revenues				
Energy exports				
Energy sales to wholesale market			1,905.4	2,462.9
Capacity assurance mechanism				(4.4)
Transitional Flexibility Assurance Mechanism			53.2	
Other Services to wholesale market			6.8	12.0
Network rentals				
Customer's contribution				
PSO's revenues of other suppliers				
Other Sales	6.4	0.4	7.0	6.8
Allocated Administration Revenues	8.9	16.0	8.5	13.1
<b>Interdepartmental Revenues</b>				
Lignite yard & ash revenue	17.6	18.9		
Public Service Obligations				
Energy				
Lignite	485.5	660.4		
<b>Revenues</b>	<b>518.6</b>	<b>695.7</b>	<b>1,980.9</b>	<b>2,490.2</b>
<b>Expenses (3<sup>rd</sup> Parties)</b>				
Payroll Cost	203.5	209.7	252.6	252.9
Own production lignite			500.0	638.0
Third party lignite - Hard coal			27.4	57.6
Natural Gas			265.7	326.5
Liquid fuel			481.2	582.8
Materials & Consumables	55.4	67.3	52.7	43.2
Depreciations	136.0	135.0	368.0	380.6
Energy Purchases from third party			1.4	1.1
Energy imports				
Energy Purchases to wholesale market				
Transmission Network Fees				
Distribution Network Fees				
Utilities & Maintenance	107.3	161.3	44.4	37.2
Third party fees	1.2	1.3	9.6	10.2
Taxes and duties	26.5	29.0	38.0	44.2
CO <sub>2</sub> emissions rights			178.2	251.1
Provisions	2.0	16.2	5.5	13.0
Financial expenses	38.0	28.2	119.9	122.5
Financial income	(22.3)	(6.8)	(69.4)	(26.9)
Other (income)/expense, net	14.3	3.3	(16.9)	13.3
Impairment loss of marketable securities	1.0	0.2	3.0	0.7
Foreign currency gains/ (losses), net	0.1		0.6	0.4
Allocated Administration Expenses	46.9	70.0	44.7	54.5
<b>Interdepartmental Expenses</b>				
Lignite yard & ash expenses			17.6	18.9
Change in stock	11.4	(8.1)		
Public Service Obligations				
Energy	45.4	51.3	18.5	21.7
<b>Profit (Loss) before Tax</b>	<b>(148.1)</b>	<b>(62.3)</b>	<b>(361.7)</b>	<b>(353.2)</b>

	Distribution Network		Supply		Eliminations		Total PPC	
	2016	2015	2016	2015	2016	2015	2016	2015
			4,375.6	4,935.0	61.9		4,437.4	4,935.0
			543.4	596.3			543.4	596.3
			3.6	4.4			3.6	4.4
					(1,905.4)	(2,462.9)		
						4.4		
					(53.2)			
					(6.8)	(12.0)		
	291.4	277.9			(291.4)	(277.9)		
	55.9	54.3					55.9	54.3
			48.2	26.4			48.2	26.4
	7.4	0.1	827.9	1,002.1	(782.1)	(950.4)	66.7	58.9
			1.6	2.6	(19.0)	(31.7)		
					(17.6)	(18.9)		
			595.7	626.9	(595.7)	(626.9)		
			63.8	73.1	(63.8)	(73.1)		
					(485.5)	(660.4)		
	<b>354.6</b>	<b>332.3</b>	<b>6,459.8</b>	<b>7,266.8</b>	<b>(4,158.8)</b>	<b>(5,109.6)</b>	<b>5,155.3</b>	<b>5,675.4</b>
			42.7	41.8	59.1	61.5	557.9	565.9
					(443.0)	(611.2)	57.0	26.8
					(27.4)	(57.6)		
							265.7	326.5
							481.2	582.8
			1.0	1.0	0.2	0.2	109.3	111.7
	140.3	137.6	3.9	2.8	7.2	7.3	655.3	663.2
			966.0	1,121.0	(967.4)	(1,122.1)		
			99.3	174.2	(99.3)	(174.2)		
			2,907.0	3,453.5	(1,651.4)	(2,102.8)	1,255.6	1,350.7
			177.9	206.0			177.9	206.0
	(0.1)		668.1	690.5	(291.4)	(277.9)	376.6	412.6
			25.5	24.9	13.3	13.3	190.5	236.6
			15.2	10.6	8.2	5.9	34.3	28.0
			3.6	3.6	(68.1)	(76.8)		
							178.2	251.1
			345.5	871.0	78.0	23.7	431.0	923.9
	53.5	66.4	9.3	23.9			220.7	241.0
	(30.7)	(14.5)	(92.7)	(59.5)			(215.1)	(107.7)
	7.4	11.1	150.7	(14.8)	17.6	48.0	173.1	61.0
	1.3	0.4	0.2	0.2			5.4	1.5
	0.2		(0.5)	0.1			0.4	0.6
			10.5	12.1	(102.1)	(136.6)		
					(17.6)	(18.9)		
					(11.4)	8.1		
			595.7	626.9	(595.7)	(626.9)		
					(63.8)	(73.1)		
	<b>182.7</b>	<b>131.3</b>	<b>530.8</b>	<b>77.1</b>	<b>(3.7)</b>	<b>0.2</b>	<b>200.0</b>	<b>(206.9)</b>

## INTERCONNECTED SYSTEM UNBUNDLED INCOME STATEMENT

December 2016

(Expressed in million Euro)

	Mines	
	2016	2015
<b>REVENUES</b>		
<b>Revenues from 3<sup>rd</sup> Parties</b>		
Energy sales to customers		
PSO's revenues		
Energy exports		
Energy sales to wholesale market		
Capacity assurance mechanism		
Transitional Flexibility Assurance Mechanism		
Other Services to wholesale market		
Network rentals		
Customer's contribution		
PSO's revenues of other suppliers		
Other Sales	6.4	0.4
Allocated Administration Revenues	8.9	16.0
<b>Interdepartmental Revenues</b>		
Lignite yard & ash revenue	17.6	18.9
Energy		
Lignite	485.5	660.4
<b>Revenues</b>	<b>518.6</b>	<b>695.7</b>
<b>Expenses (3<sup>rd</sup> Parties)</b>		
Payroll Cost	203.5	209.7
Own production lignite		
Third party lignite - Hard coal		
Natural Gas		
Liquid fuel		
Materials & Consumables	55.4	67.3
Depreciations	136.0	135.0
Energy Purchases from third party		
Energy imports		
Energy Purchases to wholesale market		
Transmission Network Fees		
Distribution Network Fees		
Utilities & Maintenance	107.3	161.3
Third party fees	1.2	1.3
Taxes and duties	26.5	29.0
CO <sub>2</sub> emissions rights		
Provisions	2.0	16.2
Financial expenses	38.0	28.2
Financial income	(22.3)	(6.8)
Other (income)/expense, net	14.3	3.3
Impairment loss of marketable securities	1.0	0.2
Foreign currency gains/(losses), net	0.1	
Allocated Administration Expenses	46.9	70.0
<b>Interdepartmental Expenses</b>		
Lignite yard & ash expenses		
Change in stock	11.4	(8.1)
Public Service Obligations		
Energy	45.4	51.3
<b>Profit (Loss) before Tax</b>	<b>(148.1)</b>	<b>(62.3)</b>

Generation		Distribution Network		Supply		Total	
2016	2015	2016	2015	2016	2015	2016	2015
				3,815.9	4,355.0	3,815.9	4,355.0
				461.2	515.0	461.2	515.0
				3.6	4.4	3.6	4.4
1,153.9	1,604.5					1,153.9	1,604.5
	(4.4)						(4.4)
53.2						53.2	
6.8	12.0					6.8	12.0
		253.3	244.9			253.3	244.9
		46.0	44.2			46.0	44.2
				48.2	26.4	48.2	26.4
6.6	6.6	7.4	0.1	713.3	880.5	733.7	887.6
6.1	9.2			1.4	2.2	16.4	27.5
						17.6	18.9
				62.3	71.1	62.3	71.1
						485.5	660.4
<b>1,226.5</b>	<b>1,627.8</b>	<b>306.7</b>	<b>289.2</b>	<b>5,105.8</b>	<b>5,854.6</b>	<b>7,157.6</b>	<b>8,467.3</b>
187.1	187.4			37.8	37.0	428.4	434.1
500.0	638.0					500.0	638.0
27.4	57.6					27.4	57.6
265.7	326.5					265.7	326.5
28.0	36.0					28.0	36.0
34.0	24.8			0.9	0.9	90.2	93.0
284.2	297.3	118.8	116.5	3.5	2.4	542.5	551.2
				0.5		0.5	
				99.3	174.2	99.3	174.2
				2,907.0	3,453.5	2,907.0	3,453.5
				177.9	206.0	177.9	206.0
		(0.1)		576.5	606.1	576.4	606.1
33.9	28.1			21.8	21.1	163.1	210.6
6.7	7.7			13.0	9.1	20.9	18.2
37.3	43.4			2.1	3.1	65.8	75.4
156.6	225.7					156.6	225.7
1.7	10.3			306.3	765.2	309.9	791.7
84.0	103.5	42.3	54.7	4.4	12.4	168.7	198.9
(8.7)	(22.8)	(24.2)	(11.9)	(77.8)	(49.7)	(173.0)	(91.3)
2.1	0.6	5.2	7.7	155.5	(11.9)	166.3	4.3
0.7	(0.3)	1.0	0.3	0.1	0.2	4.2	1.2
0.7	(0.3)	0.1		(0.5)	0.1	0.4	(0.2)
32.6	39.1			9.1	10.4	88.7	119.5
17.6	18.9					17.6	18.9
						11.4	(8.1)
				513.5	545.6	513.5	545.6
16.9	19.7					62.3	71.1
<b>(432.6)</b>	<b>(419.1)</b>	<b>163.5</b>	<b>121.9</b>	<b>355.0</b>	<b>69.1</b>	<b>(62.1)</b>	<b>(290.4)</b>

## CRETE UNBUNDLED INCOME STATEMENT

December 2016

(Expressed in million Euro)

<b>REVENUES</b>	
<b>Revenues from 3<sup>rd</sup> Parties</b>	
Energy sales to customers	
PSO's revenues	
Energy exports	
Energy sales to wholesale market	
Capacity assurance mechanism	
Other Services to wholesale market	
Network rentals	
Customer's contribution	
PSO's revenues of other suppliers	
Other Sales	
Allocated Administration Revenues	
<b>Interdepartmental Revenues</b>	
Lignite yard & ash revenue	
Public Service Obligations	
Energy	
Lignite	
<b>Revenues</b>	
<b>Expenses (3<sup>rd</sup> Parties)</b>	
Payroll Cost	
Own production lignite	
Third party lignite - Hard coal	
Natural Gas	
Liquid fuel	
Materials & Consumables	
Depreciations	
Energy Purchases from third party	
Energy imports	
Energy Purchases to wholesale market	
Transmission Network Fees	
Distribution Network Fees	
Utilities & Maintenance	
Third party fees	
Taxes and duties	
CO <sub>2</sub> emissions rights	
Provisions	
Financial expenses	
Financial income	
Other (income)/expense, net	
Impairment loss of marketable securities	
Foreign currency gains/(losses), net	
Allocated Administration Expenses	
<b>Interdepartmental Expenses</b>	
Lignite yard & ash expenses	
Change in stock	
Public Service Obligations	
Energy	
<b>Profit (Loss) before Tax</b>	

Generation		Distribution Network		Supply		Total	
2016	2015	2016	2015	2016	2015	2016	2015
				287.1	301.5	287.1	301.5
				41.3	41.8	41.3	41.8
366.3	407.5					366.3	407.5
		19.5	17.5			19.5	17.5
		5.0	3.8			5.0	3.8
0.1	0.2			57.1	60.7	57.2	60.9
0.8	1.2			0.1	0.2	0.9	1.3
				286.9	298.7	286.9	298.7
				1.2	1.6	1.2	1.6
<b>367.2</b>	<b>408.8</b>	<b>24.5</b>	<b>21.3</b>	<b>673.8</b>	<b>704.5</b>	<b>1,065.5</b>	<b>1,134.6</b>
25.9	25.2			2.8	2.6	28.7	27.8
239.7	280.2					239.7	280.2
6.5	4.1			0.1	0.1	6.6	4.1
34.7	34.6	10.1	9.2	0.2	0.1	45.1	43.9
				492.4	566.4	492.4	566.4
				47.1	43.8	47.1	43.8
1.8	1.3			1.9	2.0	3.7	3.3
0.3	0.3			1.1	0.7	1.4	1.0
0.6	0.6			0.7	0.2	1.3	0.9
11.4	13.4					11.4	13.4
2.9	1.1			19.8	51.9	22.7	53.0
17.9	7.1	6.0	6.4	1.7	5.4	25.6	18.9
(10.3)	(1.5)	(3.5)	(1.4)	(7.1)	(4.8)	(20.8)	(7.7)
(2.5)	0.2	0.7	0.8	(2.4)	(1.6)	(4.2)	(0.6)
0.4		0.1				0.6	0.1
0.1	0.1					0.1	0.1
3.9	5.0			0.7	0.9	4.7	5.9
				41.3	41.8	41.3	41.8
1.2	1.6					1.2	1.6
<b>32.6</b>	<b>35.5</b>	<b>11.0</b>	<b>6.2</b>	<b>73.4</b>	<b>(5.0)</b>	<b>117.1</b>	<b>36.6</b>

## OTHER NON INTERCONNECTED ISLANDS UNBUNDLED INCOME STATEMENT (INCL. RHODES)

December 2016

(Expressed in million Euro)

<b>REVENUES</b>							
<b>Revenues from 3<sup>rd</sup> Parties</b>							
Energy sales to customers							
PSO's revenues							
Energy exports							
Energy sales to wholesale market							
Capacity assurance mechanism							
Other Services to wholesale market							
Network rentals							
Customer's contribution							
PSO's revenues of other suppliers							
Other Sales							
Allocated Administration Revenues							
<b>Interdepartmental Revenues</b>							
Lignite yard & ash revenue							
Public Service Obligations							
Energy							
Lignite							
<b>Revenues</b>	<b>387.2</b>	<b>453.6</b>	<b>23.4</b>	<b>21.8</b>	<b>680.3</b>	<b>707.7</b>	<b>1,090.9</b>
<b>Expenses (3<sup>rd</sup> Parties)</b>							
Payroll Cost	39.6	40.3			2.2	2.2	41.7
Own production lignite							
Third party lignite - Hard coal							
Natural Gas							
Liquid fuel	213.5	266.6					213.5
Materials & Consumables	12.3	14.3			0.1	0.1	12.3
Depreciations	49.0	48.6	11.4	12.0	0.2	0.2	60.6
Energy Purchases from third party	1.4	1.1			473.1	554.6	474.4
Energy imports							
Energy Purchases to wholesale market							
Transmission Network Fees							
Distribution Network Fees					44.6	40.6	44.6
Utilities & Maintenance	8.7	7.7			1.8	1.8	10.4
Third party fees	2.6	2.1			1.1	0.8	3.7
Taxes and duties	0.2	0.2			0.8	0.3	1.0
CO <sub>2</sub> emissions rights	10.3	12.0					10.3
Provisions	0.9	1.6			19.4	53.9	20.4
Financial expenses	18.0	11.9	5.2	5.2	3.2	6.1	26.5
Financial income	(10.5)	(2.6)	(3.0)	(1.1)	(7.8)	(5.0)	(21.3)
Other (income)/expense, net	(5.8)	7.9	1.5	2.6	(2.4)	(1.3)	(6.7)
Impairment loss of marketable securities	0.4	0.1	0.1		0.1		0.6
Foreign currency gains/(losses), net	(0.1)	0.6					(0.1)
Allocated Administration Expenses	8.1	10.4			0.6	0.8	8.8
<b>Interdepartmental Expenses</b>							
Lignite yard & ash expenses							
Change in stock							
Public Service Obligations					40.9	39.6	40.9
Energy	0.4	0.4					0.4
<b>Profit (Loss) before Tax</b>	<b>38.3</b>	<b>30.5</b>	<b>8.1</b>	<b>3.1</b>	<b>102.4</b>	<b>13.1</b>	<b>148.9</b>

Generation		Distribution Network		Supply		Total	
2016	2015	2016	2015	2016	2015	2016	2015
				272.6	278.5	272.6	278.5
				40.9	39.6	40.9	39.6
385.3	450.8					385.3	450.8
		18.5	15.4			18.5	15.4
		4.9	6.4			4.9	6.4
0.3				57.5	60.8	57.9	60.9
1.6	2.7			0.1	0.2	1.7	2.9
				308.8	328.2	308.8	328.2
				0.4	0.4	0.4	0.4
<b>387.2</b>	<b>453.6</b>	<b>23.4</b>	<b>21.8</b>	<b>680.3</b>	<b>707.7</b>	<b>1,090.9</b>	<b>1,183.1</b>
39.6	40.3			2.2	2.2	41.7	42.5
213.5	266.6					213.5	266.6
12.3	14.3			0.1	0.1	12.3	14.3
49.0	48.6	11.4	12.0	0.2	0.2	60.6	60.8
1.4	1.1			473.1	554.6	474.4	555.7
				44.6	40.6	44.6	40.6
8.7	7.7			1.8	1.8	10.4	9.5
2.6	2.1			1.1	0.8	3.7	2.9
0.2	0.2			0.8	0.3	1.0	0.5
10.3	12.0					10.3	12.0
0.9	1.6			19.4	53.9	20.4	55.5
18.0	11.9	5.2	5.2	3.2	6.1	26.5	23.2
(10.5)	(2.6)	(3.0)	(1.1)	(7.8)	(5.0)	(21.3)	(8.7)
(5.8)	7.9	1.5	2.6	(2.4)	(1.3)	(6.7)	9.2
0.4	0.1	0.1		0.1		0.6	0.1
(0.1)	0.6					(0.1)	0.6
8.1	10.4			0.6	0.8	8.8	11.2
				40.9	39.6	40.9	39.6
0.4	0.4					0.4	0.4
<b>38.3</b>	<b>30.5</b>	<b>8.1</b>	<b>3.1</b>	<b>102.4</b>	<b>13.1</b>	<b>148.9</b>	<b>46.7</b>

## CONSOLIDATED AND SEPARATE BALANCE SHEET as of December 31<sup>st</sup>, 2016

(Expressed in million Euro - except per share data)

	Company		IPTO	
	12/31/16	12/31/15	12/31/2016	12/31/15
<b>ASSETS</b>				
<b>Non – Current Assets:</b>				
Tangible assets	11,714.4	11,751.4	1,583.9	1,597.7
Intangible assets, net	55.0	74.3	0.0	0.1
Investments in subsidiaries	1,130.7	1,130.7	-	-
Investments in joint ventures	-	-	-	-
Investments in associates	1.2	1.2	-	-
Available for sale financial assets	0.9	0.3	-	-
Other non- current assets	104.1	119.2	33.4	-
<b>Total non-current assets</b>	<b>13,006.3</b>	<b>13,077.2</b>	<b>1,617.4</b>	<b>1,597.8</b>
<b>CURRENT ASSETS:</b>				
Materials, spare parts and supplies, net	544.2	569.8	41.6	40.0
Trade receivables, net	1,566.9	1,699.8	659.5	850.8
Other receivables, net	274.1	221.8	69.9	34.8
Income tax receivable	-	-	-	-
Other current assets	43.8	41.2	172.0	37.6
Cash and cash equivalents	149.4	197.6	294.1	188.4
Restricted Cash	111.0	127.8	-	-
Assets held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>2,689.3</b>	<b>2,858.1</b>	<b>1,237.1</b>	<b>1,151.6</b>
<b>Total Assets</b>	<b>15,695.6</b>	<b>15,935.3</b>	<b>2,854.5</b>	<b>2,749.4</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity:</b>				
Share capital	1,067.2	1,067.2	38.4	38.4
Share premium	106.7	106.7	-	-
Legal reserve	117.5	109.2	12.8	12.8
Fixed assets' statutory revaluation surplus included in share capital	(947.3)	(947.3)	639.7	639.7
Revaluation surplus	4,016.6	4,020.0	-	-
Other Reserves	(34.1)	(16.0)	171.4	173.9
Retained earnings	1,545.0	1,383.5	35.7	149.1
<b>Total Equity Attributable To Owners Of The Parent</b>	<b>5,871.6</b>	<b>5,723.2</b>	<b>898.1</b>	<b>1,014.0</b>
<i>Non-Controlling Interest</i>	-	-	-	0.0
<b>Total Equity</b>	<b>5,871.6</b>	<b>5,723.2</b>	<b>898.1</b>	<b>1,014.0</b>
<b>NON-CURRENT LIABILITIES:</b>				
Interest bearing loans and borrowings	3,950.9	4,365.2	145.0	126.0
Post retirement benefits	280.6	264.6	29.9	27.7
Provisions	189.6	196.5	54.9	43.6
Deferred tax liabilities	576.3	605.0	143.5	138.0
Deferred customers' contributions and subsidies	1,401.7	1,472.5	209.4	134.9
Other non-current liabilities	558.3	530.0	6.1	6.6
<b>Total Non-Current Liabilities</b>	<b>6,957.4</b>	<b>7,433.8</b>	<b>588.8</b>	<b>476.7</b>
<b>CURRENT LIABILITIES:</b>				
Trade and other payables	1,865.0	1,830.2	696.1	743.2
Short – term borrowings	30.0	80.0	47.0	47.0
Current portion of interest bearing loans and borrowings	631.1	396.7	306.1	317.1
Dividends payable	0.1	0.1	92.9	-
Income tax payable	15.4	176.1	45.7	5.2
Accrued and other current liabilities	325.1	294.4	179.7	146.2
Derivative liability	-	0.7	-	-
<b>Total Current Liabilities</b>	<b>2,866.7</b>	<b>2,778.3</b>	<b>1,367.6</b>	<b>1,258.7</b>
<b>Total Liabilities and Equity</b>	<b>15,695.6</b>	<b>15,935.3</b>	<b>2,854.5</b>	<b>2,749.4</b>

	HEDNO		Other Companies		Eliminations		Group	
	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
<b>ASSETS</b>								
<b>Non – Current Assets:</b>								
Tangible assets	37.2	40.1	171.6	176.5	11.5	24.5	13,518.5	13,590.2
Intangible assets, net	3.1	4.1	0.5	0.5	(0.5)	(0.5)	58.1	78.6
Investments in subsidiaries	-	-	-	-	(1,130.7)	(1,130.7)	-	-
Investments in joint ventures	-	-	-	-	-	-	-	-
Investments in associates	-	-	19.8	22.4	(0.0)	(0.0)	21.0	23.6
Available for sale financial assets	-	-	0.4	-	-	-	1.3	0.3
Other non- current assets	0.0	0.0	700.5	700.6	(700.0)	(700.0)	138.0	119.7
<b>Total non-current assets</b>	<b>40.3</b>	<b>44.2</b>	<b>892.9</b>	<b>900.0</b>	<b>(1,819.8)</b>	<b>(1,806.8)</b>	<b>13,736.9</b>	<b>13,812.5</b>
<b>CURRENT ASSETS:</b>								
Materials, spare parts and supplies, net	142.2	177.0	0.6	0.8	(27.4)	(40.2)	701.2	747.4
Trade receivables, net	450.6	254.9	24.2	18.6	(987.3)	(979.9)	1,713.8	1,844.2
Other receivables, net	25.8	11.7	9.7	9.9	(143.6)	(32.3)	236.1	245.9
Income tax receivable	-	-	-	0.0	22.6	22.5	22.6	22.5
Other current assets	20.7	33.1	4.5	4.4	(128.3)	(53.7)	112.7	62.6
Cash and cash equivalents	5.1	19.0	52.5	46.6	-	-	501.1	451.7
Restricted Cash	-	-	-	-	0.0	-	111.0	127.8
Assets held for sale	-	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>644.4</b>	<b>495.7</b>	<b>91.5</b>	<b>80.3</b>	<b>(1,264.0)</b>	<b>(1,083.6)</b>	<b>3,398.5</b>	<b>3,502.1</b>
<b>Total Assets</b>	<b>684.7</b>	<b>539.9</b>	<b>984.4</b>	<b>980.3</b>	<b>(3,083.8)</b>	<b>(2,890.3)</b>	<b>17,135.4</b>	<b>17,314.6</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity:</b>								
Share capital	37.6	37.6	97.4	97.4	(173.4)	(173.4)	1,067.2	1,067.2
Share premium	-	-	55.3	55.3	(55.3)	(55.3)	106.7	106.7
Legal reserve	0.2	0.2	2.7	2.1	(15.7)	(15.2)	117.5	109.2
Fixed assets' statutory revaluation surplus included in share capital	-	-	-	-	(639.7)	(639.7)	(947.3)	(947.3)
Revaluation surplus	42.9	43.6	24.7	24.7	664.0	664.0	4,748.2	4,752.3
Other Reserves	-	-	(0.3)	(0.3)	(290.4)	(277.2)	(153.4)	(119.7)
Retained earnings	(39.1)	(34.5)	54.2	47.4	(589.4)	(602.4)	1,006.4	943.2
<b>Total Equity Attributable To Owners Of The Parent</b>	<b>41.6</b>	<b>46.9</b>	<b>234.0</b>	<b>226.7</b>	<b>(1,099.9)</b>	<b>(1,099.2)</b>	<b>5,945.3</b>	<b>5,911.5</b>
<i>Non-Controlling Interest</i>	-	0.0	-	-	0.1	0.1	0.1	0.1
<b>Total Equity</b>	<b>41.6</b>	<b>46.9</b>	<b>234.0</b>	<b>226.7</b>	<b>(1,099.8)</b>	<b>(1,099.2)</b>	<b>5,945.4</b>	<b>5,911.6</b>
<b>NON-CURRENT LIABILITIES:</b>								
Interest bearing loans and borrowings	-	-	700.0	700.0	(700.0)	(700.0)	4,095.9	4,491.2
Post retirement benefits	165.7	154.5	-	-	0.0	0.0	476.3	446.8
Provisions	36.0	37.0	1.8	3.6	-	-	282.4	280.6
Deferred tax liabilities	(43.1)	(42.4)	13.0	11.5	5.1	5.1	694.8	717.3
Deferred customers' contributions and subsidies	-	-	4.3	4.5	(0.0)	(0.0)	1,615.4	1,611.9
Other non-current liabilities	5.5	4.8	19.9	21.3	-	(0.1)	589.8	562.6
<b>Total Non-Current Liabilities</b>	<b>164.1</b>	<b>153.9</b>	<b>739.0</b>	<b>740.9</b>	<b>(694.9)</b>	<b>(695.0)</b>	<b>7,754.5</b>	<b>8,110.4</b>
<b>CURRENT LIABILITIES:</b>								
Trade and other payables	429.2	260.7	5.1	4.6	(1,015.7)	(990.0)	1,979.6	1,848.7
Short – term borrowings	-	-	-	0.0	-	-	77.0	127.0
Current portion of interest bearing loans and borrowings	-	-	-	-	-	-	937.2	713.8
Dividends payable	-	-	-	-	(92.9)	-	0.1	0.1
Income tax payable	6.7	16.0	(0.0)	1.6	-	0.0	67.9	198.8
Accrued and other current liabilities	43.1	62.4	6.3	6.6	(180.4)	(106.2)	373.7	403.5
Derivative liability	-	-	-	-	-	-	-	0.7
<b>Total Current Liabilities</b>	<b>478.9</b>	<b>339.1</b>	<b>11.4</b>	<b>12.7</b>	<b>(1,289.1)</b>	<b>(1,096.2)</b>	<b>3,435.5</b>	<b>3,292.7</b>
<b>Total Liabilities and Equity</b>	<b>684.7</b>	<b>539.9</b>	<b>984.4</b>	<b>980.3</b>	<b>(3,083.8)</b>	<b>(2,890.3)</b>	<b>17,135.4</b>	<b>17,314.6</b>

## CONSOLIDATED AND SEPARATE STATEMENT OF INCOME for the year ended December 31<sup>st</sup>, 2016

(All amounts in millions of Euro - except per share data)

	Company		IPTO	
	12/31/16	12/31/15	12/31/16	12/31/15
<b>REVENUES</b>				
Revenue from energy sales	4,984.5	5,535.8	1,179.7	1,180.6
Revenue from system usage	-	-	-	239.7
PSO's revenues	-	-	-	26.3
Other sales	170.7	139.6	238.8	16.8
	<b>5,155.3</b>	<b>5,675.4</b>	<b>1,418.5</b>	<b>1,463.5</b>
<b>EXPENSES:</b>				
Payroll cost	557.9	565.9	63.7	62.7
Lignite	57.0	26.8	-	-
Liquid Fuel	481.2	582.8	-	-
Natural Gas	265.7	326.5	-	-
Depreciation and Amortization	655.3	663.2	63.2	61.7
Energy purchases	1,255.6	1,350.7	1,179.7	1,180.6
PSO's fees	-	-	-	26.3
Materials and consumables	109.3	111.7	3.0	1.5
Transmission system usage	177.9	206.0	-	-
Distribution system usage	376.6	412.6	-	-
Utilities and maintenance	190.5	236.6	6.8	5.5
Third party fees	34.3	28.0	3.9	6.9
CO <sub>2</sub> emission rights	178.2	251.1	-	-
Provision for Land restoration	-	-	-	-
Provision for risks	12.2	36.6	11.8	27.5
Provision for slow - moving materials	0.8	8.4	0.2	(0.4)
Allowance for doubtful balances	418.0	879.0	(4.7)	(2.1)
Financial expenses	220.7	241.0	37.3	34.3
Financial income	(215.1)	(107.7)	(2.6)	(3.2)
Other (income) expenses, net	173.1	61.0	2.2	0.0
Loss/(Gain) of associates and joint ventures, net	-	-	-	-
Impairment loss of marketable securities	5.4	1.5	-	-
Foreign currency (gain)/loss, net	0.4	0.6	-	-
	<b>4,955.2</b>	<b>5,882.3</b>	<b>1,364.4</b>	<b>1,401.6</b>
<b>Profit/(Loss) before Tax</b>	<b>200.0</b>	<b>(206.9)</b>	<b>54.1</b>	<b>61.9</b>

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	HEDNO		Other Companies		Eliminations		Group	
	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
	921.7	1,045.0	66.8	39.3	(2,155.0)	(2,253.6)	4,997.7	5,547.1
	-	715.6	-	-	-	(955.4)	-	-
	-	-	-	-	-	(26.3)	-	-
	921.8	198.6	37.0	37.0	(1,108.9)	(203.5)	259.5	188.6
	<b>1,843.5</b>	<b>1,959.2</b>	<b>103.8</b>	<b>76.3</b>	<b>(3,263.8)</b>	<b>(3,438.7)</b>	<b>5,257.2</b>	<b>5,735.7</b>
	268.9	258.4	2.5	2.5	(8.6)	(9.2)	884.4	880.3
	-	-	-	-	-	-	57.0	26.8
	-	-	-	-	-	-	481.2	582.8
	-	-	-	-	-	-	265.7	326.5
	7.4	6.6	6.4	6.2	-	-	732.3	737.7
	928.5	1,045.0	35.9	10.9	(2,172.2)	(2,274.1)	1,227.6	1,313.2
	-	-	-	-	-	(26.3)	-	-
	33.6	30.7	-	0.0	(0.0)	-	145.8	144.0
	-	-	-	-	(177.9)	(206.0)	-	-
	-	278.0	-	-	(376.6)	(690.6)	-	-
	541.7	255.0	3.8	3.6	(496.4)	(216.4)	246.4	284.3
	27.7	26.7	0.9	0.5	(17.5)	(18.0)	49.3	44.0
	-	-	-	-	-	-	178.2	251.1
	-	-	(1.8)	(0.4)	1.8	0.4	-	-
	(0.9)	-	-	0.0	-	(0.0)	23.1	64.1
	(0.4)	1.3	0.1	0.1	-	-	0.8	9.4
	1.1	-	-	-	-	-	414.4	876.9
	0.1	0.1	39.2	37.1	(46.4)	(46.4)	250.9	266.0
	(0.4)	(0.5)	(2.3)	(0.6)	123.7	44.4	(96.7)	(67.6)
	22.4	18.6	0.6	0.8	21.3	23.5	219.6	103.9
	-	-	(1.2)	(3.2)	-	-	(1.2)	(3.2)
	-	-	3.6	-	-	-	9.0	1.5
	-	-	(0.1)	0.0	0.0	(0.0)	0.3	0.6
	<b>1,829.6</b>	<b>1,919.8</b>	<b>87.7</b>	<b>57.4</b>	<b>(3,148.9)</b>	<b>(3,418.8)</b>	<b>5,088.0</b>	<b>5,842.3</b>
	<b>13.8</b>	<b>39.4</b>	<b>16.1</b>	<b>18.9</b>	<b>(114.9)</b>	<b>(20.0)</b>	<b>169.2</b>	<b>(106.6)</b>

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## NOTES TO THE UNBUNDLED FINANCIAL STATEMENTS

### 1. General Information

According to the provisions of European Directive 2009/72/EC, as well as the provisions of Law 4001/2011, which integrates the aforementioned European Directive into the national legislation, unbundling is the separation of financial statements (balance sheet and income statement) of an integrated electric utility into different financial statements for each one of its activities.

The unbundled financial statements will reflect each activity's financial position, assets and liabilities, as if such activities prepared financial statements had they been separate (independent) legal entities.

PPC, as a vertically organized integrated electric utility, keeps in its internal accounting, separate accounts for its activities and prepares separate balance sheets and statements of income for each one of its activities (balance sheet and statement of income before tax – hereinafter referred to as “unbundled financial statements”), as if these activities were carried out by different entities, in order to avoid discriminations, cross subsidization and distortion of competition.

Further to the above, PPC should keep separate accounts for its activities carried out in the non-interconnected islands.

The accounting principles applied for the preparation of the unbundled financial statements are those applied for the preparation of the Company's separate and consolidated financial statements.

The unbundling methodology applied by the Company for the preparation of the accompanied unbundled financial statements was approved by the 266/2014 Decision of the Regulatory Authority for Energy. Additionally, in the Non – Interconnected System the transactions of energy between PPC's Generation and Supply and HEDNO, are carried out according to RAE's Decision 641/2013.

### 2. Accounting Unbundling Methodology

The methodology applied for the preparation of the unbundled financial statements consists of the following phases:

- Determination of activities into which the integrated electric utility should be unbundled.
- Preparation of unbundled trial balances.
- Preparation of unbundled balance sheets.
- Preparation of the unbundled statements of income.
- Quantification of inter-segment revenues and expenses among activities through the application of an internal pricing system.

#### Determination of activities into which the integrated electric utility should be unbundled

The activities for unbundled financial statements are prepared, on a first level, are Mines, Generation, Distribution Network, Supply, and Corporate.

On a second level, these activities are presented as follows:

- **Interconnected System**
  - Mines
  - Generation
  - Distribution network
  - Supply
- **System of Crete**
  - Generation
  - Distribution network
  - Supply

- **System of other Non Interconnected Islands**

- Generation
- Distribution network
- Supply

- **Corporate**

#### *Mines*

Mines include the lignite extraction activity carried out in the Lignite Centers of West Macedonia and Megalopolis.

#### *Generation*

Generation includes the electricity generation activities in the Interconnected System, the System of Crete and the System of Non Interconnected Islands.

#### *Distribution*

Distribution Network includes the rental of assets to HEDNO SA in the Interconnected System, the System of Crete and the System of Non Interconnected Islands.

#### *Supply*

Supply reflects the Company's activity which monitors relationships with final customers in the Interconnected System, the System of Crete and the System of Non Interconnected Islands.

#### *Corporate*

The Corporate is the administrative departments of the Parent Company, which provide support to PPC's activities.

The Balance Sheet and Statement of Income of the Corporate is further allocated based on certain allocation rules, which are described in detail in the following pages.

Related parties are reflected as a separate activity in the group unbundled financial statements.

#### Preparation of unbundled trial balances

In the Company's accounting system, each the cost centre and the profit centre represents an organizational entity, in which the assets and liabilities are recorded. In order for these trial balances to be generated, the following tasks are performed, which are applied per account and cost/profit centre for the minimum account degree in General Accounting:

- Cost/profit centers are recorded in order to identify the boundaries of activities and then all cost/profit centers to be assigned to activities with which they are related to.
- The sum totals of the cost/profit centers and accounts are reconciled with the comprehensive trial balance of the Company.
- The trial balance accounts are codified and grouped into sections of the balance sheet and of the income statement based on Company's consolidated Financial Statements.

#### Preparation of unbundled balance sheets

At the end of each financial year, balance sheets are prepared for each of the four activities (Mines, Generation, Distribution Network, Supply) in the Interconnected System, in the Crete System and in the Non – Interconnected Islands System.

The balance sheet for each activity is prepared under the principle of independent accounting.

The accounts of each balance sheet are as follows:

- Direct, which include the direct charges and credits of the accounts of the relevant profit centers of the corresponding level of activity.
- Indirect of the administration departments, which derive from the administration departments of each

activity and include its allocated balance sheet accounts.

- Indirect of the Corporate, which include the allocated balance sheet accounts, which are presented in a separate line on each activity's balance sheet.

Additionally, the Balance Sheets of PPC's subsidiaries are depicted separately.

#### **Preparation of the unbundled statements of income**

For each accounting period income statements are prepared for each of the four activities (Mines, Generation, Distribution Network, Supply) in the Interconnected System, in the Crete System and in the Non – Interconnected Islands System. Additionally, the Income Statements of PPC's subsidiaries are depicted separately.

Income statement accounts of financial nature are allocated to activities based on the loans of each activity.

Then, income statement account balances that have remained in Corporate are allocated in the activities.

For the allocation of revenues and expenses to Activities the criterion is based on direct expenses of every Activity, with the exception of expenses that relate to the system of customers' monitoring and billing that are assigned only to Supply. Upon completion of the above allocations, the Statements of income for each Activity are prepared.

The Corporate expenses and revenues allocated to the activities are presented separately in a line item in each activity.

#### **Quantification of inter-segment revenues and expenses among activities through the application of an internal pricing system**

Within the framework of an integrated utility products and services are exchanged among its activities, which would be recorded if these activities would operate as independent entities.

In order for these products and services to be quantified and recorded, an internal pricing system is applied if necessary (where there is no external determination of internal exchanges). The most important services and products internally exchanged in PPC among its Activities, that are presented in the Unbundled Financial Statements are the following:

<b>Product/Service</b>	<b>Activity which Renders</b>	<b>Activity which Receives</b>
<b>Interconnected system</b>		
Lignite	Mines	Generation
Other Services	Mines	Generation
Self-consumption energy	Supply	Mines, Generation
<b>System of Crete</b>		
Self-consumption Energy	Supply	Generation
Return of receivable Public Service Obligations	Interconnected Supply	Supply of Crete
<b>System of other non-interconnected islands</b>		
Self-consumption Energy	Supply	Generation
Return of receivable Public Service Obligations	Interconnected Supply	Supply of non-interconnected islands

Each activity's revenues from product sales or services to another activity are quantified, through the internal pricing system. Also, the activity that receives the product/ service records the related cost.

#### **The internal revenues – expenses for each activity are defined as follows**

##### **In the interconnected system**

The internal energy sales for self-consumption are calculated based on each Activity's metered consumption of energy with the average marginal price including the Return of receivable Public Service Obligations, Transmission System Tariffs and IPTO uplift charge.

The Mines internal revenue is calculated in accordance of the agreement for the lignite supply between Mines and Generation. The lignite supply contract determines the internal lignite market, i.e the lignite sales of the activity of the Lignite General Division to the activity of the Generation General Division. The contract covers the consumption of the lignite stations on a continuous basis, as well as with the necessary stock for the specific period. The calculation of the relative amounts takes place on the monthly basis, taking into account the monthly consumption and the calorific value of the lignite delivered.

##### **In the Non-Interconnected system**

The internal energy sales are calculated based on each activity's metered consumption of energy priced by the average revenue of PPC's tariffs for the sale of electricity to Medium Voltage for Industrial Use customers.

The Public Service Obligations (PSOs) that are invoiced by Supply to its customers, third party PSOs as well as self consumption PSOs are allocated as an internal revenue of Crete and the Non Interconnected Islands' Supply.

Additionally Supply receives as revenue electricity sales (self consumptions) to Generation (internal expense).

## ANALYSIS OF REVENUES - EXPENSES FROM GENERATION AND SUPPLY

(Expressed in million Euro)

	Generation		Supply	
	2016	2015	2016	2015
<b>INCOME</b>				
<b>Energy Sales</b>			<b>4,919.0</b>	<b>5,531.4</b>
Competative charges			3,516.3	3,914.4
<i>Revenue from low voltage sales</i>			2,700.5	2,825.6
<i>Revenue from medium voltage sales</i>			577.3	764.8
<i>Revenue from high voltage sales</i>			238.6	323.9
Transmission system usage			199.8	210.9
<i>Revenue from low voltage sales</i>			157.1	162.9
<i>Revenue from medium voltage sales</i>			25.6	31.5
<i>Revenue from high voltage sales</i>			17.2	16.5
Distribution system usage			664.3	701.6
<i>Revenue from low voltage sales</i>			616.1	642.5
<i>Revenue from medium voltage sales</i>			48.2	59.2
Revenue from other charges			17.0	18.6
<i>Revenue from low voltage sales</i>			13.5	14.2
<i>Revenue from medium voltage sales</i>			3.5	4.4
Unbilled revenue and other revenue *			-21.9	89.5
Revenue from PSO			543.4	596.3
<i>Revenue from low voltage sales</i>			421.7	460.7
<i>Revenue from medium voltage sales</i>			110.0	125.4
<i>Revenue from high voltage sales</i>			11.7	10.2
<b>Wholesale Energy Sales</b>	<b>1,965.4</b>	<b>2,470.4</b>		
<i>Sales of energy to IPTO - EMO</i>	1,103.5	1,546.8		
<i>Sales of energy to HEDNO</i>	751.6	858.4		
<i>Revenue from Special Consumption Tax</i>	20.1	53.9		
<i>Revenue from covering the generation variable cost recovery</i>	30.3	3.8		
<i>Revenue from securing sufficient capacity</i>	0.0	-4.4		
<i>Transitional Flexibility Assurance Mechanism</i>	53.2	0.0		
<i>Ancillary services</i>	6.8	12.0		
<b>Other sales</b>			<b>827.9</b>	<b>1,002.1</b>
<i>Revenue from reconnection fees</i>			2.8	1.0
<i>Other income from consumers</i>			4.4	3.2
<i>Revenue from the special fee for the reduction of CO<sub>2</sub> emissions</i>			793.1	970.2
<i>Commission from Municipal Levy and tax</i>			27.6	27.7
<b>EXPENSES</b>			<b>3,972.3</b>	<b>4,748.6</b>
<b>Purchases of energy - Interconnected System</b>			<b>2,907.0</b>	<b>3,453.5</b>
<i>Purchases of energy by IPTO - EMO</i>			1,911.5	2,392.7
<i>Special Consumption Tax</i>			42.8	82.0
<i>Special fee for the reduction of CO<sub>2</sub> emissions</i>			685.1	854.7
<i>Securing sufficient capacity</i>			0.2	-0.4
<i>Transitional Flexibility Assurance Mechanism</i>			101.7	0.0
<i>Coverage of the generation variable cost recovery</i>			30.5	5.3
<i>Charge according to the thermal units' variable cost</i>			32.7	28.7
<i>Ancillary services</i>			49.8	55.3
<i>Settlement of losses - clearances</i>			24.8	32.8
<i>RES Special Account</i>			28.4	0.0
<i>Other expenses</i>			-0.4	2.5
<b>Energy Imports</b>			<b>99.3</b>	<b>174.2</b>
<b>Energy Purchases From No Interconnected Islands</b>			<b>743.0</b>	<b>858.4</b>
<b>Energy Purchases From RES</b>			<b>112.3</b>	<b>144.5</b>
<b>Revenue from the special fee for the reduction of CO<sub>2</sub> emissions from no interconnected islands</b>			<b>110.7</b>	<b>118.1</b>

\* For the revenue resulting from unbilled and other income there is no breakdown in competitive - monopoly charges to customers.

## 2. DISTRIBUTION OF PROFITS FOR THE YEAR 2016

	Profit of the year	200,042,000.00
	<b>Total</b>	<b>200,042,000.00</b>
<b>MINUS</b>	Income Tax	33,628,000.00
	<b>Retained Earnings</b>	<b>166,414,000.00</b>
	1. Legal Reserve	8,320,700.00
	2. Dividends	
	3. Retained Earnings	158,093,300.00
	<b>Total</b>	<b>166,414,000.00</b>

**Note:** Due to significant contracted capex and the Parent Company's needs, the Board of Directors propose not to distribute a dividend for 2016.

## 3. RELATED PARTIES TRANSACTIONS

### RELATED PARTY TRANSACTIONS FOR THE YEAR 2016

(Amounts in thousands of Euro)

	31.12.16
<b>Due from:</b>	
IPTO S.A.	152,844
PPC RENEWABLES S.A.	1,260
HEDNO S.A.	599,981
PPC Elektrik	542
PPC Bulgaria JSCO	38
<b>TOTAL</b>	<b>754,665</b>
<b>Due to:</b>	
IPTO S.A.	807,989
PPC RENEWABLES S.A.	0
HEDNO S.A.	1,028,540
PPC FINANCE Plc	6,173
PPC Elektrik	86
PPC Bulgaria JSCO	1,524
<b>TOTAL</b>	<b>1,844,312</b>
<b>Revenues from:</b>	
SERVICES RENDERED TO IPTO S.A.	204,939
SERVICES RENDERED TO PPC RENEWABLES S.A.	3,280
SERVICES RENDERED TO HEDNO S.A.	1,144,839
SERVICES RENDERED TO PPC Elektrik	2,550
SERVICES RENDERED TO PPC Bulgaria JSCO	45
<b>TOTAL</b>	<b>1,355,653</b>
<b>Expenses to:</b>	
EXPENSES FROM SERVICES TO IPTO S.A.	1,217,093
EXPENSES FROM SERVICES TO PPC RENEWABLES S.A.	0
EXPENSES FROM SERVICES TO HEDNO S.A.	1,820,297
EXPENSES FROM SERVICES TO PPC Finance Plc	37,061
EXPENSES FROM SERVICES TO PPC Elektrik	833
EXPENSES FROM SERVICES TO PPC Bulgaria JSCO	32,532
<b>TOTAL</b>	<b>3,107,816</b>



**PUBLIC POWER CORPORATION S.A. - HELLAS**

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**Publication Supervision:**

Corporate Affairs and Communications Department PPC S.A.

**Design - Art Supervision:**

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