



PUBLIC POWER CORPORATION S.A.

Financial Report

for the six-month period ended June 30, 2017

The attached Financial Report for the six month period ended June 30th, 2017, has been established according to article 5 of Law 3556/2007, has been approved by the Board of Directors of “Public Power Corporation S.A.” on September 26th, 2017, and is available for the investors, on the internet, at the web site address www.dei.gr, for at least the next ten (10) years.

INDEX

- I. Statement of the members of the Board of Directors
- II. Report of the Board of Directors
- III. Certified Auditors' Accountants' Review Report
- IV. Interim Condensed Financial Statements

I. Statement of the members of the Board of Directors

STATEMENT OF MEMBERS OF THE BOARD OF DIRECTORS

(According to article 5, par.2 of Law 3556/2007)

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:

- a) the accompanying interim Condensed Financial Statements of the Parent Company and the Group, for the six month period ended June 30, 2017, 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 the paragraphs 3 to 5 of article 5 of Law 3556/2007 and,
- b) the accompanying Board of Directors' Report, truthfully depicts the development, the performance and the status of Public Power Corporation S.A. and the companies included in the consolidation, as well as a description of the confronted major risks and uncertainties.

Athens, September 26th 2017

Chairman and CEO

Member of the Board

Member of the Board

Emmanuel Panagiotakis

Panagiotis Alexakis

Christos Papageorgiou

II. Report of the Board of Directors

PUBLIC POWER CORPORATION S.A.
SIX MONTH REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD 1.1.2017 - 30.6.2017
(In accordance with the provisions of Law 3556/2007, article 5 par. 6)

This is a condensed report of financial information of "Public Power Corporation S.A." (the Parent Company) and its subsidiaries (the Group) for the first half of the current financial year, as well as, the major events of the period and their effect on the six month financial statements. There is, also, a description of the main risks and uncertainties that the Group might face in the second half of the financial year, the outlook for this semester, as well as, the balances and transactions between PPC and its related parties.

This report also refers to Alternative Performance Measures. For details on the purpose and calculations refer to ANNEX - Definitions and reconciliations of Alternative Performance Measures ("APMs")

The six-month Report for the period ended on June 30th 2017 is available on the internet at the web site address www.dei.gr.

The annual Report of the main Subsidiaries for the year 2016, are available on the internet at the following web site addresses::

IPTO S.A.	http://www.admie.gr
HEDNO S.A.	http://www.deddie.gr
PPC RENEWABLES S.A.	http://www.ppcr.gr

PPC Group 1H 2017 financial results

Group Summary Financial Results including IPTO S.A. until 15.6.2017

	1H2017	1H2016	Δ (%)
Turnover	€ 2,484.3 m.	€ 2,664.5 m.	-6.8%
Total Operating Expenses (excl. Depreciation and net financial expenses)	€ 2,199.6 m.	€ 2,129 m.	3.3%
EBITDA	€ 284.7 m.	€ 535.5 m.	-46.8%
EBITDA margin	11.5%	20.1%	
Depreciation, total net financial expenses, share of profit/ (losses) in associated companies	€ 414.6 m.	€ 443 m.	-6.4%
Income from the sale of IPTO S.A.	€ 172.2 m.	-	
Pre-tax profits / (Losses)	€ 42.3 m.	€ 92.5 m.	-54.2%
Net income / (Loss)	€ 14.4 m.	€ 57.1 m.	-74.8%

	2Q2017	1Q2017	Δ (%)
Turnover	€ 1,115.5 m.	€ 1,368.8 m.	-18.5%
Total Operating Expenses (excl. Depreciation and net financial expenses)	€ 954.4 m.	€ 1,245.2 m.	-23.4%
EBITDA	€ 161.1 m.	€ 123.6 m.	30.3%
EBITDA margin	14.4%	9%	
Depreciation, total net financial expenses, share of profit/ (losses) in associated companies	€ 202.9 m.	€ 211.7 m.	-4.2%
Income from the sale of IPTO S.A.	€ 172.2 m.	-	
Pre-tax profits / (Losses)	€ 130.4 m.	(€ 88.1 m.)	
Net income / (Loss)	€ 88.7 m.	(€ 74.3 m.)	

Group Key financial figures from continued operations, excluding IPTO S.A.

	1H2017	1H2016	Δ (%)
Turnover	€ 2,460.8 m.	€ 2,629.5 m.	-6.4%
Total Operating Expenses (excl. Depreciation and net financial expenses)	€ 2,258.7 m.	€ 2,197.0 m.	2.8%
EBITDA	€ 202.1 m.	€ 432.5 m.	-53.3%
EBITDA margin	8.2%	16.4%	
Depreciation, total net financial expenses, share of profit/ (losses) in associated companies	€ 343.2 m.	€ 377.6 m.	-9.1%
Income from the sale of IPTO S.A.	€ 172.2 m.	-	
Pre-tax profits / (Losses)	€ 31.1 m.	€ 54.9 m.	-43.4%
Net income / (Loss)	€ 6.4 m.	€ 30.4 m.	-78.9%

In 1H2017, EBITDA decreased by € 250.8 m. (46.8%) compared to 1H2016, with the respective EBITDA margin standing at 11.5% compared to 20.1%. This reduction is attributed to the negative impact - of a total amount of € 274.6 m. - from exogenous factors, such as the additional cost due to the energy crisis, the charge for the cover of the deficit of the Special Account for Renewables, as well as the NOME type auctions at prices below cost. It must be noted however, that the negative impact of these factors was significantly higher in the first quarter of 2017 (€ 196.7 m.) compared to the second quarter (€ 77.9 m.).

It is also important that in the second quarter, the increase in bad debt provisions was zero for the first time in recent years compared to € 104.7 m. increase in 1Q2017 and € 180 m. in 2Q2016, resulting to a significant rebound of EBITDA to € 161.1 m. and of the respective margin to 14.4% compared to 1Q2017 when EBITDA was € 123.6 m. and the respective margin 9%.

Excluding the negative impact from the deficit of the Special Account for Renewables and the NOME type auctions, EBITDA in the second quarter of 2017 would be € 239 m., recording an increase of € 48.7 m. or 25.6% compared to the respective period of 2016 and the EBITDA margin would be 21.4% compared to 15.2% last year.

In the second quarter, a € 198.6 m profit was recorded in the results of the Parent Company from the sale of IPTO, which on a Group level was € 172.2 m due to the difference between the value of participation of IPTO S.A. in the Parent Company and the Group.

Pre - tax profits in 1H2017 stood at € 42.3 m. compared to € 92.5 m. in 1H2016. Respectively, net income stood at € 14.4 m. compared to € 57.1 m.

Revenues

Turnover decreased in 1H2017 by € 180.2 m. or 6.8% and amounted to € 2,484.3 m. compared to € 2,664.5 m. in 1H2016, due to the reduction in revenues from electricity sales by € 199.4 m. (€ 2,332 m. compared € 2,531.4 m.).

This decrease is attributed to the following:

- the loss of market share
- the reward of customers who pay on time by providing tariff discounts and
- the increase in the percentage ratio for the recording of non-technical losses (power thefts).

The reduction of revenues from electricity sales due to the above mentioned factors was partially offset by the increase in domestic demand by 3.4%.

1H2017 turnover, includes an amount of € 28.8 m. regarding network user's participation for their connection to the network, which posted a reduction of € 2.5 m. compared to last year.

In detail:

- Domestic electricity demand increased by 3.4% in 1H2017 to 28,053 GWh compared to 27,122 GWh in 1H2016, an increase mainly attributed to bad weather conditions in the first quarter of 2017 (especially in January and February) compared to the respective period of 2016. In 2Q2017 domestic electricity demand remained at the same level as in the respective period of 2016, while compared to 1Q2017 it was reduced by 11.8%.

Total electricity demand (including exports and pumping) increased by 5.6% since during the first half of 2017 there were increased exports from third parties through interconnections in northern Greece towards Central Europe electricity markets, due to the more attractive prices as well as the possibility of exports of the NOME auctioned quantities.

Despite the abovementioned increase in electricity demand, PPC sales declined in 1H2017 due to the reduction of PPC's average market share in the supply market. Specifically, PPC's average retail market share in the country, in terms of GWhs and not in terms of number of clients, declined to 88.2% in 1H2017 compared to 93.4% in 1H2016.

In particular, in the Interconnected System, PPC's average market share was contained to 85.5% from 90.3% in June 2016, while PPC's average market share per Voltage was 98.6% in High Voltage, 66.6% in Medium Voltage and 90.6% in Low Voltage, compared to 99.9%, 75.6% and 94.2% in June 2016, respectively.

- PPC's electricity generation and imports covered 57% of total demand in 1H2017 (54.2% in the Interconnected System), while the corresponding percentage in 1H2016 was 52.2% (49% in the Interconnected System). PPC's market share in electricity generation, as a percentage of the total load of the Interconnected System was 51% compared to 45% in 1H2016. Said increase is attributed to the fact that in 1H2017, PPC's generation covered the largest part of the aforementioned increase in demand by increasing its generation by 17.8% while generation by third parties increased only by 5.5%. It is noted that during the same period, electricity imports from third parties decreased by 23.2% compared to the respective period of 2016, since certain traders opted for exports to Central Europe electricity markets due to higher prices. Consequently, PPC was burdened with addressing the problems stemming from the emergency status in the National Natural Gas System during the period 20.12.2016 – 12.02.2017, as it was obliged to operate the natural gas fired units of Komotini and Lavrio IV burning diesel oil instead of natural gas.
- Lignite fired generation in 1H 2017 increased by 23.4% (1,525 GWh) from 6,512 GWh in 1H2016 to 8,037 GWh in 1H2017, while generation from natural gas fired units increased by 62.2% (1,432 GWh) from 2,303 GWh in 1H2016 to 3,735 GWh in 1H2017.
- As far as hydro generation is concerned, the overutilization of hydro reserves was requested in January, following the relevant decisions of the Gas Coordination Group in order to address the aforementioned energy crisis. Following that, hydro generation was contained in order to secure the minimum necessary reserves in view of the summer season. Consequently, hydro generation in 1H2017 decreased by 29.5%. The considerably low level of hydro reserves at the beginning of the year compared to the respective period in 2016, combined with the substantially lower hydro inflows resulted to hydro reserves settling at 2,160 GWh at the end of June, that is a reduction of 21.7% compared to June 2016.

Operating Expenses

Operating expenses before depreciation increased by € 70.6 m. (3.3%), from € 2,129.0 m. in 1H2016, to € 2,199.6 m. in 1H2017, mainly due to the charge for the cover of the deficit of the RES account, the cost of the energy crisis as well as NOME auctions.

It is noted though that, in the second quarter the abovementioned expenses decreased by € 107.2 m. compared to the respective period in 2016, mainly due to the aforementioned zero increase in bad debt provisions.

More specifically:

Energy mix expenditure

- Expenditure for liquid fuel, natural gas, third parties fossil fuel, CO2 and energy purchases increased by € 375.1 m. (36.4%) compared to 1H2016.

In detail:

- Liquid fuel expense increased by € 122.6 m. (61.4%), from € 199.6 m. in 1H 2016 to € 322.2 m. in 1H2017 and is attributed to :
 - the increase of liquid fuel consumption due to the increased generation of electricity by 140 GWh, in order to meet higher demand in the Non Interconnected Islands as well as the consumption of diesel for the operation of the natural gas fired units of Komotini and Lavrio IV, in order to address the energy crisis at the beginning of the winter period.
 - the increase of heavy fuel oil and diesel prices expressed in Euros (not including the Special Consumption Tax) by 39.6% and 16.7%, respectively and,
 - the increase in the expense for the Special Consumption Tax on liquid fuel, by € 42.3 m. from € 60.5 m. in 1H2016 to € 102.8 m. in 1H2017, due to the aforementioned increase in fuel quantities as well as the increase of the unit charge of the Special Consumption Tax in diesel from € 330/kL to € 410/kL since 1.1.2017.
- Natural gas expense increased to € 211.6 m. (72%), from € 123 m. in 1H2016, due to the significant increase in natural gas generation in order to meet increased demand, which to a large extent was caused by increased exports from third parties by 113.5%, as well as the increased natural gas price for electricity generation by 17.9%. Following the abolition of the Special Consumption Tax on natural gas for electricity generation since 1.6.2016, the relevant expense was zero in 1H2017 compared to € 22.7 m. in 1H2016.
- Third parties fossil fuel expense increased by € 18 m. and amounted to € 29.2 m.
- Energy purchases expense from the System and the Network increased by 26.6%, from € 586.7 m. in 1H2016 to € 742.9 m., despite the lower volume in energy purchases by 24.8%, due to :
 - the additional negative impact of € 170,3 m. from the charge imposed on suppliers for the cover of the deficit of the RES Account,
 - the significant increase of the average System Marginal Price (SMP) to € 53.1/MWh from € 42.5/MWh and
 - the net expense of € 34.3 m. which is attributed to the negative effect from electricity auctions at prices below SMP.
 Energy purchases expense includes an additional amount of € 22.9 m. which is the net impact from the Transitory Capacity Payment Mechanism, which was in effect from 1.5.2016 until 30.4.2017.

- Expenditure for PPC electricity imports, excluding expense for interconnection rights, decreased by € 3.3 m. (12.4%) settling at € 23.4 m., mainly as a result of the reduction in the volume of imports by 168 GWh (16.7%), as well as in the relevant prices by 3% due to already contracted quantities. Due to the lower volume of imports, the expense for interconnection rights settled at € 2.5 m. in 1H2017 compared to € 3.3 m. in 1H2016.
- Expenditure for CO2 emission rights decreased by € 7 m. compared to 1H2016 settling at € 77.5 m. due to lower average price of CO₂ emission allowances by 24.7% from € 6.8 / tn to € 5.12 / tn.

Payroll cost

The total payroll cost, including IPTO payroll until 15.6.2017, capitalized payroll and payroll of seasonal personnel and other personnel related benefits, remained practically stable at € 477.2 m. in 1H2017 from € 478.7 m. in 1H2016. Excluding employers' contributions and other personnel related benefits, total payroll cost amounts to € 363.5 m. and € 364.9 m., respectively.

The number of permanent employees on payroll - including IPTO - increased by 315 employees, to 19,057 on 30.6.2017 from 18,742 on 30.6.2016. The number of permanent employees on payroll, following the ownership unbundling of IPTO, amounts to 17,663 employees on 30.6.2017 compared to 17.342 on 30.6.2016.

Provisions

- In 1H2017, there was a decline by € 239.7 m in the rate of increase of bad debt provisions to € 103.7 m compared to € 343.4 m. in 1H2016. In particular, in 2Q2017, the increase in provisions was practically zero compared to a € 104.7 m. increase in 1Q2017. Adding provisions for litigation and slow moving materials, the increase of total provisions was € 114.6 m. in 1H2017 compared to € 341.7 m. in 1H2016.

In conclusion,

- In 1H2017, 55.5% of total revenues were expensed for fuel, CO₂ and energy purchases compared to 38.3% in 1H2016, mainly due to the aforementioned charge for the cover of the deficit of the Renewables Account and the additional cost due to the energy crisis. Regarding the evolution of provisions, these represent 4.6% of total revenues compared to 12.8% last year. The corresponding percentage for payroll increased to 17.4% compared to 16.3% last year, mainly due to aforementioned turnover reduction.

Other Financial information

- Depreciation expense in 1H2017 marked a slight reduction settling at € 350.4 m. compared to € 363.5 m. in 1H2016.
- Net financial expenses decreased by € 13.3m. and settled at € 66.8 m. in 1H2017, compared to € 80.1 m. in 1H2016, mainly due to lower debt level.

Capex

Capital expenditure, excluding IPTO S.A., amounted to € 203.6 m. in 1H2017 compared to € 193.4 m. in 1H2016.

Capital expenditure also includes network users' participation for their connection to the network, which stood at € 28.8 m. (compared to € 31.3 m. in 1H2016).

Net capex of PPC Group, that is capital expenditure excluding aforementioned participations, increased by € 12.7 m. or 7.8% and amounted to € 174.8 m. in 1H2017 compared to € 162.1 m. in 1H2016.

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

	1H2017	1H2016	Δ
Mining projects	50	40	10
Conventional Generation & RES projects	79	55	24
Distribution network	43	63	-20

Net debt / Overdue Payables

- Net debt, excluding IPTO S.A., was € 3,803 m. on 30.06.2017, a reduction of € 519.8 m. compared to 31.12.2016 and € 499.2 m. compared to 30.6.2016.

Net Debt evolution

(in € m)	30.6.2017	31.12.2016	30.6.2016
Gross Debt (1)	4,419.1	4,642.1	4,745.1
Cash and cash equivalents & Restricted cash (2)	613	318	439.6
Available for sale financial assets (3)	3.1	1.3	3.3
Net Debt (4) = (1) - (2) - (3)	3,803	4,322.8	4,302.2

Besides net debt reduction, a decrease of € 83 m. was also recorded in overdue payables towards other creditors of the Parent Company. Specifically, total overdue payables declined at € 676 m on 30.06.2017 compared to € 759 m. at the end of 2016.

Financial Results of the Parent Company

	1H2017	1H2016
Turnover	€ 2,416.1 m	€ 2,605.0 m
EBITDA	€ 166.5 m	€ 407.6 m
EBITDA margin	6.9%	15.6%
Pre-tax profits / (Losses)	€ 6.9 m	€ 38.6 m
Net income / (Loss)	€ 0.5 m	€ 25.9 m

Financial Results of Subsidiaries

- **Hellenic Electricity Distribution Network Operator (HEDNO S.A./DEDDIE)**

	1H2017	1H2016
Turnover	€ 388.5 m	€ 365.4 m
EBITDA	€ 28.8 m	€ 17.6 m
EBITDA margin	7.4%	4.8%
Pre-tax profits / (Losses)	€ 25.6 m	€ 14.1 m
Net income / (Loss)	€ 18.4 m	€ 9.3 m

- **PPC Renewables S.A.**

	1H2017	1H2016
Turnover	€ 11.5 m	€ 11.5 m.
EBITDA	€ 6.6 m	€ 7.5 m.
EBITDA margin	57.5%	64.9%
Pre-tax profits / (Losses)	€ 2.9 m	€ 5.9 m.
Net income / (Loss)	€ 1.5 m	€ 4.3 m.

MAJOR EVENTS OF THE PERIOD

Significant events for the six month period of 2017 are analytically presented in Note 14 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 (OK)

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 their settlement in effect. Already a significant percentage of settlements is canceled through an automated procedure by PPC's IT systems due to customers' non-compliance to the respective terms.
- 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 lack of the ability to transfer debts of the same customer between its various electricity bills for household use, which accounts for the majority of customers (70% of the customers).
- Incidents where customers (both household and commercial) with debts due to electricity consumption or electricity theft, attempt to change their electricity supplier under a different name (or a different Tax Identification Number) in order to avoid restrictions that the Electricity Code imposes.
- 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.
- Customers not accepting charges that are not directly related to electricity consumption, but constitute a significant portion of the electricity bill (e.g. PSOs and Renewables levy)

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 or in areas that are declared to be in an emergency state, where customers benefiting from such decisions stop paying their bills), 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) a longer period for paying their bills (40 days from the date of issue). b) the settlement of their debts in many installments and free of interest; c) limited penalties in the case of non-payment of bills and installments, since the supply of electricity cannot be 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).
- The potential increase of commercial losses (non-technical losses), due to the non-suppression of incidents of electricity theft 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 June 30th 2017 the Group's and the Parent Company's debt obligations towards the Greek banking sector amounted to 38,6% of its 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 June 30th 2017 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 or impossible.

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, CO₂ 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 GAZROM 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 June 30st 2017 amounted to 54.2%, while at the same period, PPC Supply's average share in the retail market amounted to 88.2%.

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.

CO₂ 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 CO₂ emission rights under the EU ETS (the "EU Allowances" or "EUAs") to cover CO₂ emissions.

Since 2013, PPC is no longer allocated free CO₂ emission rights (with the exception of small quantities corresponding to thermal power generation for district heating) and as it's thermal power plants currently emit 30 Mt of CO₂ approximately on an annual basis, increased prices of CO₂ emission rights will affect its operating costs. As PPC must acquire sufficient amounts of CO₂ emission rights per year, there can be no assurance on the price level that such CO₂ emission rights will be obtained in any future year. For the period from 2013 to 2020, the Parent Company expects to acquire the required CO₂ 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 CO₂ emission rights prices by monitoring markets and developments in Europe, as well as changes in the relevant regulatory framework, it is not possible to guarantee that this risk will be completely offset.

The exposure of the Parent Company to the risk of increasing CO₂ emission rights prices is linked to its ability to fully incorporate these increases in its electricity tariffs. Therefore, any increase in CO₂ 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. CO₂ emission 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 CO₂ 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 CO₂ 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 was twelve (12) months at the most from the date of its enactment on May 1st 2016 and therefore expired on April 30st 2017. The temporary mechanism compensated only natural gas fueled thermal units and part of hydroelectric ones (lignite fueled units were excluded). This treatment created 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 twelve (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 1st .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 CO2 emission rights to electricity bills, through increased tariffs.

Concerning the 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 31st, 2013, setting the sale price of the energy component of the electricity at € 36.6/MWh for the time period from July 1st 2010 to December 31st 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. Regarding PPC's complaint to the European Commission, the Commission, by a letter / decision of June 12th 2014, informed PPC that it did not intend to further examine its complaint. The Commission subsequently issued on March 25th 2015 a decision which found that PPC's complaint required no further investigation because no state aid existed. PPC appealed (on June 29th 2015) before the General Court against this decision (as well as against the above mentioned first letter / decision). Subsequently, on August 23th 2017, the Commission notified PPC of its new Decision (number (2017) 5622 final), which, according to the text of this new Decision, revokes both the 2014 letter and its confirmatory decision of 2015, replacing them with the new Decision. With this new Decision, the Commission has accepted that the measure in question does not constitute state aid for the same reasons as it set out in its 2015 Decision, which it repealed. The deadline for challenging this Decision is two months.

Regarding PPC's petition for annulment, the Athens Court of Appeal issued on February 18th 2016 a decision, which did not accept PPC's petition. PPC has not appealed 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 28th 2014, ALOUMINION only paid part of the electricity bills amounts.

Given that PPC proceeded on January 2nd 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 9th 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 20th 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 25th 2015), CC interrupted the discussion of the case for October 14th 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 ALOUMUNION 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 1st 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 14th Annual General Meeting of PPC's Shareholders dated July 11th 2016, which decided to postpone its decision on the matter for the next General Meeting. On September 13th 2016 PPC's BoD decided to convene an Extraordinary General Meeting of PPC's Shareholders on October 5th 2016. On the latter's agenda the above mentioned matter was included.

The Extraordinary General Meeting of PPC's Shareholders approved on October 5th 2016 ALOUMINION's pricing terms for the period July 1st 2016 – December 31st 2020, as well as the pricing terms for the period January 1st 2014 – June 30th 2016. In accordance with the EGM's decisions, a Supply Agreement was signed on October 20th 2016 between ALUMINION and PPC. Under the signed agreement, ALOUMINION proceeded to a prepayment of Euro 100 mil for future electricity bills for the first contractual period July 1st 2016 to June 30th 2017, as well as to a prepayment of Euro 29.1 mil for the second contractual period of July 1st 2017 to June 30th 2018.

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 was systematically paying only a small part of its electricity consumption bills. Given that LARCO has challenged electricity tariffs for the period from July 1st 2010 to December 31st 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 CO2 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 12th 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 with its Decision 12 / 09.01.2017 the pricing terms for the period January 1st 2016 to December 31st 2020, as well as the settlement of LARCO's debts for the period July 1st 2010 to December 31st 2016. LARCO's Shareholders General Meeting respectively, approved the aforementioned electricity supply contract in order to proceed to signing it. Moreover, in order for PPC to secure the payment of its receivables under the Electricity Supply Contract, it was decided to sign a pledge agreement on a LARCO's specific account for the sum of at least of €3 million monthly. After the approval of the terms by the General Shareholders Meetings of the two companies, they proceeded to signing the electricity supply contract on June 21st 2017.

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.

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 1st 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 1st 2016 up to December 31st 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 7th 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, fifteen (15) 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). The remaining three (3) customers, have 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 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 its investment plans.

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 8th 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 provisions of it need to be further clarified via ministerial decrees and new procedures concerning publications and implementation are coming into force (indicatively a new Body will judge and issue awards on disputes arising during the bidding procedures), 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 impact 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 (a) the supply of electricity to the Non-Interconnected Islands (NII) at the same tariffs as those in the Interconnected System, (b) the supply of electricity at special rates to families with more than three children, (c) 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 (d) 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.

With RAE's decisions 457/2015 and 640/2017, compensation for the SRT for the year 2014, compensation for the SRT for the years 2015 and 2016 were determined as well as a temporary PSO compensation for the non-Interconnected Islands was approved for the years 2014, 2015 and 2016. with RAE's Decision 688/2017..

Despite the fact that with RAE's decision, the PSO compensation for 2012 and 2013 as well as the temporary one for the years 2014 – 2016 was determined (for the NII), unit charges per customer category established with Law 4067/2012 remain stable, resulting in the partial recovery of the total PSO compensation approved by RAE and a high cumulative deficit for the years 2012-2016.

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.

With RAE's opinion 10/2017 to the competent ministry, RAE in principle considers that with Law 4067/2012 there has been a change in the recovery period of the PSO compensation from the deferred refund system in force until then, according to which the annual debt due for the provision of PSOs was recovered in the following calendar year, in a simultaneous recovery system according to which the annual compensation due is recovered in the same calendar year.

Based on the above mentioned opinion, the cumulative deficit as identified by the RAE stands at € 359.97 million for the period 2012-2016 and at the same time it is proposed to adjust unit charges by customer category in order to cover the cost of supplying PSOs as well as to cover the cumulative account deficit up to 2022

PPC raised objections against RAE's Decision 357/2014, on the proper application, from RAE's part, of the calculation methodology used to determine PSO compensation for 2012 and 2013 (RAE Decision 14/2014) for the Non-Interconnected Islands resulting, according to PPC's estimation, to a reduced PSO compensation of €52 mil. approximately. Due to the above, PPC has filed a petition for Annulment to the State Council against RAE's decision 356/2014.

After the issuance of RAE's Decision 688/2017 and since the PPC's objections to the correctness of applying the methodology for calculating the PSO compensation for the Non-Interconnected Islands and for the years 2014-2016 still stand, PPC has requested the Authority to revise this Decision. The corresponding claimed additional compensation for the years in question is estimated at Euro 44mil.

In relation to the above view of RAE's opinion 10/2017 on the simultaneous recovery system according to which the annual compensation due is recovered in the same calendar year, in the Company's view and according to the current regulatory framework, a deferred refund system is still in force and the estimated aggregate unrecoverable amount of PSO compensation for the 2012-2015 period amounts to Euro 700 million including the legally claimed amounts for that period. However, if the above RAE opinion on the simultaneous recovery system is finally adopted by the State, the unrecoverable compensation for PPC for the five-year period 2012-2016, including legally claimed amounts, is estimated at Euro 635 mil.

However, in this case, the State should ensure that PPC also recovers an amount of Euro 681.7 mil., being the PSO compensation for the year 2011, which would have been normally recovered in 2012 with the deferral system which was applicable then.

By RAE's Decision 134/2016 an amendment was introduced to the revenue - expense management method of the Special Account for PSOs of the IPTO during the monthly clearing of the electricity market.

Based on the provisions included in the above Decision and the HETS and HEDN management codes, there is a time incompatibility on the management of similar transactions, between the Interconnected and the Non – Interconnected markets for the Participants in both markets, with time - lagged cash flows of receivables.

It is clear that a party liable to pay PSO charges that is also the provider of the service, should be by the regulatory framework subject to simultaneous financial transactions for both the Interconnected System and the Non-Interconnected Islands (NII) so that there is no economic charge, which, as already mentioned, does not apply.

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 were transitional – like the transitional CAM (the “Transitional Flexibility Assurance Mechanism” according to L. 4389/2016) which expired on April 30th 2017, 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 Law.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 the 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 mil. corresponding to PPC's generation activity was divided in seven monthly installments of Euro 13.8 mil 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, 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 four (4) equal installments out of the total amount of Euro 96.6 mil. The hearing of this lawsuit has been scheduled after postponement for June 7, 2017 when it was canceled. 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 30th 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 129.3 mil 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 126.4 mil.. PPC reserving all its legal rights, approved the payment of the remaining deficit of Euro 71.8 mil. 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), of Law 4414/2016 (New operating aid scheme for RES) and Decision No. 57/19.5.2017 of the Government's Economic Policy Council (Structural measures for the access of PPC SA to lignite), may have a significant impact on the Group's and the Parent Company's activities, contractual commitments and financial results.

Similarly, the package of Directives, Regulatory Decisions, Guidelines, etc. announced by the European Commission on November 30th 2016 under the general title "Clean Energy Package", which concerns the period 2021- 2030 and is currently under consultation between the European Institutions (Parliament, Commission and Council), may have a significant impact on the Group and the Parent Company.

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 1st 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 January 1st 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. Laws 4389/2016 and 4472/2017 as well as Decisions 35/2016 and 38/2016 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. More specifically, industrial electricity consumers may not buy forward products unless they maintain or develop a separate electricity supply activity.

Eventually, the first auction took place on October 25th 2016 for 460 MW of electricity for a twelve (12) month period, from December 1st 2016 to November 30th 2017. The second auction took place on January 31st 2017 for 145 MW of electricity for a twelve (12) month period, from March 1st 2017 to February 28th 2018. The third auction took place on April 26th 2017 for 145 MW of electricity for a twelve (12) month period, from June 1st 2017 to May 31st 2018, whereas on July 19th 2017 the fourth auction took place for 145 MW of electricity for a twelve (12) month period, from September 1st 2017 to August 31st 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 three (3) forward products auctions. On July 2017, the above mentioned minimum price was updated using the same calculation methodology on the actual data for the year 2016 resulting in a new starting price of €32.05 / MWh. This price was used for the fourth auction and will be applicable for auction until the end of June 2018.

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 provided for the quantities of forward electricity products to be auctioned each year to be a percentage of the annual demand of 8% for 2016, 12% for 2017, 13% for 2018 and 13% for 2019, Law 4472/2017 eventually establishes increased annual quantities of forward electricity products to be auctioned : 16% of the annual demand for 2017, 19% for 2018 and 22% for 2019. These increased quantities are valid provided that the annual target of PPC's market share decrease as provided by Law 4389/2016 is met, while if PPC's market share exceeds the annual target by more than two (2) percentage points, then the annual quantities to be auctioned will increase accordingly, which may 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, 4389/2016 and 4472/2017..

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 first four auctions was €37.39 € / MWh, €41.06 / MWh, €39.68 / MWh and €43.04 / MWh respectively, namely the prices were significantly lower than both the System Marginal Price (monthly fluctuation between €44.6 / MWh and €74.6 / MWh for the period December 2016 – July 2017) and PPC's production costs.

Risk relating to structural measures for the divestment of lignite-fired units

According to the Decision 57/19.05.2017 of the Government's Council for Economic Policy, on "The structural measures for PPC's access to lignite" and in compliance with the decisions C (2008) 824 and C (2009) 6244 of the European Commission on PPC's monopoly access to lignite, which became irreversible after the (2016) 733 and (2016) 748 decisions of the General Court of the European Union, Greece will propose to the Commission's Directorate General for Competition (DG Comp.) binding remedial structural measures based on the following principles.

- a. The measures will include PPC's divestment of lignite power generating units to existing or new alternative suppliers or other investors.
- b. PPC will not have any involvement or connection with any element of divestment, including preferential electricity supply. The purchaser (s) :
 - will be independent of and will not have any association with PPC and its affiliated companies
 - will have the financial resources, proven know-how and incentive to maintain and develop the divested portfolio of power generating stations as a viable and active competitive power in relation to PPC and other competitors.
 - on the basis of the information available, they would not cause or threaten to cause prima facie competition concerns and they would not create a risk of delay in the implementation of the structural measures.
- c. The divestment will account for about 40% of PPC's lignite power generating capacity. The exact percentage will be determined during technical discussions with the European Commission in accordance with the abovementioned decisions (the divestment will include the associated lignite reserves).
- d. The divestment will have equivalent economic characteristics to PPC's lignite power generating capacity, particularly in terms of efficiency and life, reflecting the start and end of lignite power generating capacity.
- e. The measures will be designed and implemented in accordance with the applicable and substantive competition rules. They will be finalized through the formal submission of the agreed binding proposal by the Hellenic Republic to the European Commission's Directorate-General for Competition until November 2017 and will be implemented by June 2018.

The above mentioned structural measures may have a significant impact on the Group's and the Parent Company's operation, contractual obligations, liquidity and financial results.

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 and
- 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 5th 2016 put into public consultation the Draft Guidelines and Instructions to the competent Market Operators, for the drafting up of those Markets Codes. The balancing market has not been completed by the end of June 2017. Moreover, the details of the operation of the individual markets of the Target Model (forward, pre-day, intraday and balancing) have not yet been enacted.
- 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 31st 2014. With Decision 33/2016 of the Government Council for Economic Policy, the Business Plan of HRADF was approved.

Currently and since the third 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 CO2 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 risks

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, as well as finding sufficiently competitive conditions in the domestic market and 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 such legislation, entails, 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, the media, 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. In this context, reports involving complaints and accusations for allegedly unlawful acts of executives against the Group usually involve their further investigation by the Prosecuting Authorities in the so-called preliminary proceedings, which usually ends up in the closing of the investigated case due to lack of 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 at present 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, although 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.

The Parent Company pays a special levy for the development of areas where electricity is generated from lignite, equal to 0.5% of its annual turnover.

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 1st 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.

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 and liquidity may 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 1:4 ratio (a recruitment for every four employees leaving) for the year 2017 and 1:3 for the year 2018 concerning all public sector entities. 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 the Risk Management, Planning and Control Department but Risk Management has not been staffed, as a result of the lack of experienced staff due to constraints in hiring, as well as due to other adverse factors mentioned in the previous section. 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 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 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^a of L. 2190/1920, the provision of guarantees in favor of subsidiaries is subject to the (prior or subsequent) approval of the General Meeting of Shareholders.

2H 2017 OUTLOOK

Profitability is expected to recover in the second half of the year. More specifically, for the full year and under the assumptions that the Brent oil price will be at \$ 50 / bbl, the € / \$ exchange rate at 1,13, System Marginal Price will stand at €51 / MWh and that CO2 emission rights price will be at €5.2 / ton, we estimate that the primary financial figures of the Group , excluding IPTO's activity (transmission of electricity), will stand at :

- revenues from electricity sales : € 4.6 bil.
- total revenues € 4.9 bil.
- EBITDA margin will be 12% - 13%.

These estimates do not include any additional revenue from Public Service Obligations (PSO's) compensation recovery from previous years.

BALANCES AND TRANSACTIONS WITH RELATED PARTIES

PPC balances with its subsidiaries and its associates as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017		December 31, 2016	
	Amounts in '000€		Amounts in '000€	
	Receivable	(Payable)	Receivable	(Payable)
Subsidiaries				
- PPC Renewables S.A.	1,385	-	1,260	-
- HEDNO S.A.	182,909	(473,470)	599,981	(1,028,540)
- PPC Finance PLC	-	(4,589)	-	(6,173)
- PPC ELEKTRIK	-	(123)	542	(86)
- PPC Bulgaria JSCO	-	(748)	38	(1,524)
	184,294	(478,930)	601,821	(1,036,323)
Associates				
LARCO (energy, lignite and ash)	264,713	-	242,709	-
	264,713	-	242,709	-

PPC's transactions with its subsidiaries and its associates for the period ended June 30th, 2017 and June 30th, 2016, are as follows:

	June 30, 2017		June 30, 2016	
	Amounts in '000€		Amounts in '000€	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
Subsidiaries				
- PPC Renewables S.A.	1,585	-	1,556	-
- HEDNO S.A.	611,904	(889,285)	533,242	(858,903)
- PPC Finance Plc	-	(16,916)	-	(18,551)
- PPC ELEKTRIK	12	(1,868)	954	(366)
- PPC Bulgaria JSCO	-	(9,297)	-	(15,536)
	613,501	(917,366)	535,752	(893,356)
Associates				
LARCO	(28,742)	(3,882)	29,718	(2,926)
	(28,742)	(3,882)	29,718	(2,926)

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

As of June 30th 2017, the Parent Company has guaranteed for total credit line of Euro 8 mil., through overdraft agreements. As of June 30th 2017 PPC Renewables S.A. has used Euro 896 thousand, concerning letters of guarantee.

Interest bearing loan to ADMIE (IPTO) Holdings S.A.

During the first half of 2017, the Parent Company granted an interest-bearing loan to the company ADMIE (IPTO) HOLDING SA up to a maximum of Euro 1.3 million, of which an amount of Euro 831 thousand has been disbursed. Under the contract, the loan is repayable on November 30th 2018. It should be noted that in order to secure the repayment of this loan, ADMIE (IPTO) HOLDING SA has granted to PPC a pledge on the dividends it is entitled to receive from IPTO S.A.

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. Furthermore, transactions and balances with the Electricity Market Operator (“EMO”), as well as with IPTO S.A. are presented.

	Purchases		Balance	
	Amounts in '000€		Amounts in '000€	
	30.06.2017	30.06.2016	30.06.2017	31.12.2016
ELPE, purchases of liquid fuel	126,692	-	43,535	85
DEPA, purchases of natural gas	211,594	122,819	119,728	105,314
	338,286	122,819	163,263	105,399

	June 30, 2017		December 31, 2016	
	Amounts in '000€		Amounts in '000€	
	Receivable	(Payable)	Receivable	(Payable)
EMO S.A.	112,500	(73,557)	173,764	(128,312)

	June 30, 2017		June 30, 2016	
	Amounts in '000€		Amounts in '000€	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
EMO S.A.	864,436	(1,392,699)	617,389	(961,129)

	June 30, 2017		December 31, 2016	
	Amounts in '000€		Amounts in '000€	
	Receivable	(Payable)	Receivable	(Payable)
IPTO S.A.	113,956	(740,414)	152,844	(807,989)

	June 30, 2017		June 30, 2016	
	Amounts in '000€		Amounts in '000€	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
IPTO S.A.	79,493	(283,014)	92,863	(594,465)

Further to the above, PPC enters into transactions with many, government owned, both profit and nonprofit oriented 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 compensation

Fees concerning management members (Board of Directors and General Managers) for the six month period ended June 30, 2017 and 2016 have as follows:

	GROUP		COMPANY	
	Amounts in '000€		Amounts in '000€	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
<u>Compensation of members of the Board of Directors</u>				
- Executive members of the Board of Directors	123	181	29	29
- Non-executive members of the Board of Directors	28	27	-	-
- Compensation / Extra fees	22	20	-	-
- Contribution to defined contribution plans	13	46	9	9
- Other Benefits	70	44	70	44
	256	318	108	82
<u>Compensation of Deputy Managing Directors and General Managers</u>				
- Regular compensation	351	316	268	253
- Contribution to defined contribution plans	104	86	80	66
- Compensation / Extra fees	13	-	13	-
	468	402	361	319
Total	724	720	469	401

It is noted that the amounts relating to the Group, for the period ended on June 30th 2017, do not include IPTO S.A, Compensation to members of the Board of Directors does not include standard payroll, paid to representatives of employees that participate in the Parent Company's Board of Directors. Also, it does not include the benefit for the electricity supply based on the PPC personnel invoice to the Board of Director members, the Deputy Managing Directors and the General Managers.

APENDIX

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.

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. 11 of the six - month Financial Statements).

Athens, September 26th 2017

**For the Board of Directors
The President and CEO**

Emmanuel M. Panagiotakis

III. Certified Auditors' Accountants' Review Report

THIS REPORT IS A FREE TRANSLATION OF THE GREEK ORIGINAL

Review Report on Interim Financial Information

To the Shareholders of PUBLIC POWER CORPORATION S.A.

Introduction

We have reviewed the accompanying separate and consolidated condensed statement of financial position of PUBLIC POWER CORPORATION S.A. as at 30 June 2017 and the relative separate and consolidated condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, as well as the selected explanatory notes, that constitute the interim financial information, which is an integral part of the six-month financial report under the L. 3556/2007. Management is responsible for the preparation and presentation of this condensed interim financial information, in accordance with International Financial Reporting Standards, as adopted by the European Union (EU) and which apply to Interim Financial Reporting (International Accounting Standard “IAS 34”). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard “IAS 34”.

Other Matter

The financial statements of the company PUBLIC POWER CORPORATION S.A. for the year ended 31 December 2016 had been audited by another Certified Auditor Accountant, which

expressed an unmodified opinion on 7 April 2017 on the financial statements of the previous year.

Report on Other Legal and Regulatory Requirements

Our review did not identify any inconsistency or mismatching of the other data of the provided by the article 5 of L. 3556/2007 six-month financial report with the accompanying interim financial information.

Athens, 26 September 2017

The Certified Public Accountants Auditors



Konstantinos P. Evangelinos

Institute of CPA (SOEL) Reg. No. 13151

Panagiotis V. Preventis

Institute of CPA (SOEL) Reg. No. 14501

Associated Certified Public Accountants s.a.
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IV. Interim Condensed Financial Statements



PUBLIC POWER CORPORATION S.A.

Interim Condensed Consolidated and Separate Financial Statements for the six month period ended June 30th , 2017

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

The attached interim condensed separate and consolidated financial statements have been approved by the Board of Directors of Public Power Corporation S.A. on September 26th, 2017 and they are available on the web site of Public Power Corporation S.A. at www.dei.gr.

**CHAIRMAN AND
CHIEF EXECUTIVE
OFFICER**

**VICE
CHAIRMAN**

**CHIEF FINANCIAL
OFFICER**

**ACCOUNTING
DEPARTMENT
DIRECTOR**

**EMMANUEL M.
PANAGIOTAKIS**

**GEORGE A.
ANDRIOTIS**

**GEORGE C.
ANGELOPOULOS**

**EFTHIMIOS A.
KOUTROULIS**

Public Power Corporation S.A.
General Commercial Registry: 786301000
Chalkokondyli 30 - 104 32 Athens

INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENTS OF INCOME	36
INTERIM CONDENSED FINANCIAL POSITION	38
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	39
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY	40
INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS	41
1. CORPORATE INFORMATION	42
2. LEGAL FRAMEWORK	42
3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES	49
3.1 BASIS OF PREPARATION	49
3.2 CHANGES IN ACCOUNTING POLICIES	49
4. SEASONALITY OF OPERATIONS	53
5. DISCONTINUED OPERATIONS – OWNERSHIP UNBUNDLING	53
6. INCOME TAXES (CURRENT AND DEFERRED)	55
7. INVESTMENTS IN SUBSIDIARIES	56
8. INVESTMENTS IN ASSOCIATES	57
9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES	58
10. SHARE CAPITAL	60
11. LOANS AND BORROWINGS	61
12. FAIR VALUE AND FAIR VALUE HIERARCHY	61
13. COMMITMENTS, CONTINGENCIES AND LITIGATION	63
13.1 OWNERSHIP OF PROPERTY	63
13.2 LITIGATION AND CLAIMS	63
13.3 ENVIRONMENTAL OBLIGATIONS	72
13.4 INVESTMENTS - COMMITMENTS	74
13.5 PPC RENEWABLES (PPCR)	75
13.6 BUSINESS COLLABORATION	76
14. SIGNIFICANT EVENTS	78
15. SUBSEQUENT EVENTS	79
16. SEGMENT INFORMATION	81

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENTS OF INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30th, 2017
(All amounts in thousands of Euro – except share and per share data)

	Note	Group			Group			Company	Company
		01.01.2017 – 30.06.2017	01.01.2017 – 15.06.2017	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016	01.01.2016 – 30.06.2016	01.01.2016 – 30.06.2016	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
		Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group		
REVENUES:									
Revenue from energy sales		2,331,966	-	2,331,966	2,531,361	-	2,531,361	2,327,123	2,526,949
Other sales		128,832	23,510	152,342	98,177	34,962	133,139	88,972	78,064
		2,460,798	23,510	2,484,308	2,629,538	34,962	2,664,500	2,416,095	2,605,013
EXPENSES:									
Payroll cost		406,486	26,855	433,341	403,495	29,828	433,323	276,389	276,215
Fuel		533,088	-	533,088	322,832	-	322,832	533,088	322,832
Depreciation and amortization		321,152	29,218	350,370	331,484	32,060	363,544	315,020	324,882
Energy purchases		784,570	(2,136)	782,434	632,551	(6,168)	626,383	790,410	638,503
Transmission system usage		91,093	(84,346)	6,747	93,686	(93,686)	-	91,093	93,686
Distribution network usage		-	-	-	-	-	-	185,490	194,639
Emission allowances		77,492	-	77,492	84,453	-	84,453	77,492	84,453
Provision		115,051	(456)	114,595	343,907	(2,135)	341,772	114,938	344,251
Financial expenses		107,388	42,010	149,398	113,591	12,224	125,815	102,690	113,475
Financial income		(82,592)	-	(82,592)	(66,904)	21,184	(45,720)	(57,644)	(70,108)
Profit from the sale of IPTO S.A.	5	(172,236)	-	(172,236)	-	-	-	(198,602)	-
Other (income) / expenses, net		250,880	1,086	251,966	316,133	4,068	320,201	180,672	242,822
Share of Loss / (gain) of associates and joint ventures, net		(805)	-	(805)	(1,312)	-	(1,312)	-	-
Impairment loss of marketable securities		-	-	-	10	-	10	-	10
Foreign currency loss / (gain)		(1,844)	-	(1,844)	691	-	691	(1,818)	712
PROFIT / (LOSS) BEFORE TAX		31,075	11,279	42,354	54,921	37,587	92,508	6,877	38,641
Income tax expense	6	(24,701)	(3,271)	(27,972)	(24,506)	(10,900)	(35,406)	(6,373)	(12,712)
NET PROFIT / (LOSS)		6,374	8,008	14,382	30,415	26,687	57,102	504	25,929
Attributable to :									
Owners of the Parent		6,350	8,008	14,358	30,409	26,687	57,096		
Non – controlling interests		24	-	24	6	-	6		
Earnings per share, basic and diluted		0,03	0,03	0,06	0,13	0,12	0,25		
Weighted average number of shares		232,000,000	232,000,000	232,000,000	232,000,000	232,000,000	232,000,000		

The accompanying notes are an integral part of these interim, condensed, consolidated and separate financial statements.

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30th, 2017
(All amounts in thousands of Euro)

	Group			Group			Company	Company
	01.01.2017 – 30.06.2017	01.01.2017 – 15.06.2017	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016	01.01.2016 – 30.06.2016	01.01.2016 – 30.06.2016	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
	Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group		
Net (Loss) / Profit for the period	6,374	8,008	14,382	30,415	26,687	57,102	504	25,929
Other Comprehensive (loss) / income for the period								
<i>Items of Other Comprehensive income to be reclassified to profit or loss in subsequent periods</i>								
Profit/(Loss) from change in fair values of available for sale financial assets during the period	1,806	-	1,806	(5,606)	-	(5,606)	1,806	(3,800)
Foreign currency translation	(77)	-	(77)	-	-	-	-	-
Net Other Comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods.	1,729	-	1,729	(5,606)	-	(5,606)	1,806	(3,800)
<i>Items of Other Comprehensive income not to be reclassified to profit or loss in subsequent periods.</i>	-	-	-	-	-	-	-	-
Net Other Comprehensive (loss) / income not being reclassified to profit or loss in subsequent periods	-							
Other Comprehensive (loss) / income for the period after tax	1,729	-	1,729	(5,606)	-	(5,606)	1,806	(3,800)
Total Comprehensive (loss) / income after tax	8,103	8,008	16,111	24,809	26,687	51,496	2,310	22,129
Attributable to:								
Owners of the Parent	8,079	7,984	16,087	24,803	26,681	51,490		
Non-controlling interests	24	24	24	6	6	6		

The accompanying notes are an integral part of these interim, condensed, consolidated and separate financial statements.

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED FINANCIAL POSITION
AS OF JUNE 30th, 2017
(All amounts in thousands of Euro)

	Note	GROUP		COMPANY	
		30.06.2017	31.12.2016	30.06.2017	31.12.2016
ASSETS					
Non - Current Assets:					
Property, plant and equipment, net		11,765,460	11,936,838	11,539,755	11,714,407
Intangible assets, net		53,233	58,037	47,150	54,967
Available for sale financial assets		3,082	1,276	2,695	889
Other non – current assets		132,848	125,606	326,697	319,628
Total non – current assets		11,954,623	12,121,757	11,916,297	12,089,891
Current Assets:					
Materials, spare parts and supplies, net		688,318	659,613	573,375	544,150
Trade and other receivables and other current assets		1,962,866	1,869,907	1,829,513	1,884,786
Income tax receivable		2,366	2,559	-	-
Restricted cash		101,266	110,963	101,266	110,963
Cash and cash equivalents		511,797	207,034	435,647	149,414
Total Assets from Discontinued Operations		-	2,163,564	-	916,376
Total current assets		3,266,613	5,013,640	2,939,801	3,605,689
Total Assets		15,221,236	17,135,397	14,856,098	15,695,580
EQUITY AND LIABILITIES					
Equity:					
Share capital		575,360	1,067,200	575,360	1,067,200
Share premium		106,679	106,679	106,679	106,679
Fixed assets' statutory revaluation		(947,342)	(947,342)	(947,342)	(947,342)
Revaluation surplus		4,877,890	4,748,192	3,995,785	4,016,613
Reserves		(21,975)	(35,848)	85,234	83,428
Retained earnings		858,696	1,006,418	1,566,586	1,544,987
		5,449,308	5,945,299	5,382,302	5,871,565
Non – controlling interests		119	95	-	-
Total equity		5,449,427	5,945,394	5,382,302	5,871,565
Non – Current Liabilities:					
Long - term borrowings	11	3,925,585	3,950,902	3,925,595	3,950,912
Provisions		671,857	673,746	469,995	470,191
Other non – current liabilities		2,281,219	2,549,777	2,284,932	2,281,657
Total non – current liabilities		6,878,661	7,174,425	6,680,522	6,702,760
Current Liabilities:					
Trade and other payables and other current liabilities		2,116,081	1,547,305	2,023,441	2,190,079
Dividends payable		17	63	17	63
Income tax payable		318,385	22,129	311,151	15,411
Short – term borrowings	11	30,000	30,000	30,000	30,000
Current portion of long - term borrowings	11	428,665	631,102	428,665	631,102
Total Liabilities from Discontinued Operations		-	1,784,979	-	254,600
Total current liabilities		2,893,148	4,015,578	2,793,274	3,121,255
Total Equity and Liabilities		15,221,236	17,135,397	14,856,098	15,695,580

The accompanying notes are an integral part of these interim, condensed, consolidated and separate financial statements.

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30th, 2017
(All amounts in thousands of Euro)

	Share Capital	Share Premium	Legal Reserve	Revaluation Surplus	Fixed Assets Statutory Revaluation Surplus	Other Reserves			Retained Earnings	Total	Non-Controlling Interests	Total Equity
						Fair Value of financial assets available for sale	Foreign exchange, tax-free and other reserves	Other reserves total				
Balance, January 1, 2016	1,067,200	106,679	109,203	4,752,277	(947,342)	-	(119,718)	(119,718)	943,165	5,911,464	92	5,911,556
- Net profit for the period	-	-	-	-	-	-	-	-	57,096	57,096	6	57,102
- Other comprehensive income / (loss) for the period after tax	-	-	-	-	-	-	(5,606)	(5,606)	-	(5,606)	-	(5,606)
Total Comprehensive income / (loss) for the period, after tax	-	-	-	-	-	-	(5,606)	(5,606)	57,096	51,490	6	51,496
- Transfers from retirements of fixed assets	-	-	-	(606)	-	-	-	-	606	-	-	-
- Other movements	-	-	-	1	-	-	-	-	2	3	-	3
Balance, June 30, 2016	1,067,200	106,679	109,203	4,751,672	(947,342)	-	(125,324)	(125,324)	1,000,869	5,962,957	98	5,963,055
Balance, January 1, 2017	1,067,200	106,679	117,524	4,748,192	(947,342)	-	(153,372)	(153,372)	1,006,418	5,945,299	95	5,945,394
- Net profit for the period	-	-	-	-	-	-	-	-	14,358	14,358	24	14,382
- Other comprehensive income / (loss) for the period after tax	-	-	-	-	-	1,806	(77)	1,729	-	1,729	-	1,729
Total Comprehensive income / (loss) for the period, after tax	-	-	-	-	-	1,806	(77)	1,729	14,358	16,087	24	16,111
- Transfers from retirements of fixed assets	-	-	-	(20,828)	-	-	-	-	20,828	-	-	-
- Sale of IPTO S.A.	(491,840)	-	(12,815)	150,526	-	-	24,959	24,959	(183,175)	(512,345)	-	(512,345)
- Other movements	-	-	-	-	-	-	-	-	267	267	-	267
Balance, June 30, 2017	575,360	106,679	104,709	4,877,890	(947,342)	1,806	(128,490)	(126,684)	858,696	5,449,308	119	5,449,427

The accompanying notes are an integral part of these interim, condensed, consolidated and separate financial statements.

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30th, 2017
(All amounts in thousands of Euro)

	Share Capital	Share Premium	Legal Reserve	Revaluation Surplus	Fixed Assets Statutory Revaluation Surplus	Other Reserves			Retained Earnings	Total Equity
						Fair Value of financial assets available for sale	Foreign exchange, tax-free and other reserves	Other reserves total		
Balance, January 1, 2016	1,067,200	106,679	109,203	4,020,016	(947,342)	-	(16,043)	(16,043)	1,383,482	5,723,195
- Net profit for the period	-	-	-	-	-	-	-	-	25,929	25,929
- Other comprehensive income / (loss) for the period, after tax	-	-	-	-	-	-	(3,800)	(3,800)	-	(3,800)
Total Comprehensive income / (loss) for the period, after tax	-	-	-	-	-	-	(3,800)	(3,800)	25,929	22,129
- Transfers from retirements of fixed assets	-	-	-	(606)	-	-	-	-	606	-
- Other movements	-	-	-	-	-	-	-	-	7	7
Balance, June 30, 2016	1,067,200	106,679	109,203	4,019,410	(947,342)	-	(19,843)	(19,843)	1,410,024	5,745,331
Balance, January 1, 2017	1,067,200	106,679	117,524	4,016,613	(947,342)	-	(34,096)	(34,096)	1,544,987	5,871,565
- Net profit for the period	-	-	-	-	-	-	-	-	504	504
- Other comprehensive income / (loss) for the period, after tax	-	-	-	-	-	1,806	-	1,806	-	1,806
Total Comprehensive income / (loss) for the period, after tax	-	-	-	-	-	1,806	-	1,806	504	2,310
- Transfers from retirements of fixed assets	-	-	-	(20,828)	-	-	-	-	20,828	-
Share capital decrease from the sale of IPTO	(491,840)	-	-	-	-	-	-	-	-	(491,840)
- Other movements	-	-	-	-	-	-	-	-	267	267
Balance, June 30, 2017	575,360	106,679	117,524	3,995,785	(947,342)	1,806	(34,096)	(32,290)	1,566,586	5,382,302

The accompanying notes are an integral part of these interim, condensed, consolidated and separate financial statements.

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30th, 2017
(All amounts in thousands of Euro)

	GROUP		COMPANY	
	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
Cash Flows from Operating Activities				
Profit / (loss) before tax from continued operations	31,075	54,921	6,877	38,641
Adjustments :				
Depreciation and amortization	357,402	369,429	351,172	362,681
Amortization of customers' contributions and subsidies	(36,250)	(37,946)	(36,152)	(37,799)
Interest expense	92,892	102,277	92,892	102,277
Capital gain from the sale of IPTO S.A.	(172,236)	-	(198,602)	-
Other adjustments	85,026	281,163	80,528	262,212
Changes in assets	(288,634)	(232,542)	(178,832)	(225,909)
Changes in liabilities	(10,307)	80,074	(94,647)	(52,619)
Discontinued operations	51,488	183,724	-	-
Net Cash from Operating Activities	110,456	801,100	23,236	449,484
Cash Flows from Investing Activities				
Capital expenditure of fixed and intangible assets	(197,931)	(228,104)	(190,087)	(216,119)
Proceeds from customers' contributions and subsidies	517	1,657	517	1,655
Interest and dividends received	143,408	43,729	150,588	69,419
Investments	(299)	(42)	(150)	-
Proceeds from the sale of IPTO S.A.	623,208	-	623,208	-
Discontinued operations	(20,320)	(88,504)	-	-
Net Cash used in Investing Activities	548,583	(271,264)	584,076	(145,045)
Cash Flows from Financing Activities				
Net change in short term borrowings	-	(50,000)	-	(50,000)
Proceeds from interest bearing loans and borrowings	246,225	100,000	246,225	65,000
Principal payments of interest bearing loans and borrowings	(469,167)	(183,968)	(469,167)	(148,968)
Interest paid and loans' issuance fees	(95,939)	(106,804)	(98,091)	(108,389)
Dividends paid	-	-	(46)	-
Discontinued operations	(109,650)	22,266	-	-
Net cash used in Financing Activities	(428,531)	(218,506)	(321,079)	(242,357)
Net increase/ (decrease) in cash and cash equivalents	230,508	311,330	286,233	62,082
Cash and cash equivalents at the beginning of the period including IPTO S.A.	501,118	451,670	149,414	197,592
Cash and cash equivalents from discontinued operations	(219,829)	(188,433)	-	-
Cash and cash equivalents at the end of the period	511,797	574,567	435,647	259,674

The accompanying notes are an integral part of these interim, condensed, consolidated and separate financial statements.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

SELECTED DISCLOSURE NOTES

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, 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 1st 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 June 15th the Parent Company lost control of the subsidiary IPTO SA while on June 20th 2017 the full ownership unbundling of IPTO SA was completed as provided for in articles 142 et seq. Of Law 4389/2016.

On May 1st 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 June 30th 2017, the number of staff employed by the Group was 17,663 (2016: 18,742 including 1,400 employees of IPTO SA). At June 30th 2017, 90 employees of the Group (2016: 91 including 5 employees of IPTO SA), have been transferred to several State agencies (ministries, organizations, etc.), out of which, 86 were compensated by PPC (2016: 83 including 4 employees of IPTO SA). The total payroll cost of such employees, for the first six month period of 2017 amounted to Euro 1,717 (2016: Euro 1,650 including Euro 70 relating to IPTO SA). Additionally, PPC's transferred employees in EFKA (Greek Single Social Security Institution) amounted to 272 on June 30th 2017, for which payroll amounted to Euro 5,865.

PPC Group generates electricity in its own 61 power generating stations of the Parent Company and from the additional stations which belong to its wholly owned subsidiary PPC Renewables and distributes electricity to consumers through its own distribution lines for Medium and Low voltage of 237,727 kilometres which are managed by its wholly owned subsidiary "Hellenic Distribution Network Operator (HEDNO S.A.)". PPC Group has also constructed a 950 kilometres Network of High Voltage lines pertaining to Distribution facilities and approximately 164 kilometres of urban fibre optics network

Lignite consumed by the Parent Company's lignite-fired power stations is extracted, mainly, from its own lignite mines.

2. LEGAL FRAMEWORK

CHANGES IN THE LEGAL FRAMEWORK FOR THE ELECTRICITY MARKET – 1st Half 2017

GENERAL PROVISIONS FOR THE INTERNAL ELECTRICITY MARKET

- 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 the provisions of Law 4425/2016, the transfer of 34% of PPC's shares which the Greek State owns, to the Public Holding Company under establishment will be effected. Law 4389/2016 "Urgent Provisions for the implementation of the Financial Targets and Structural Reforms Agreement and other provisions" provides, among others, the following:

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

2. LEGAL FRAMEWORK (CONTINUED)

- 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 ADMIE (IPTO) Société Anonyme – P.H.C. ADMIE(IPTO)S.A.). The price per share for that sale will be equal to the price to be paid by the strategic investor as above.

Following the amendment of the Law 4389/2016, by Law 4447/2016, the share price was deemed to be determined after the valuation of 25% of the share capital of IPTO as an independent total. The valuation will be carried out by an independent valuator, which will be jointly selected by P.H.C. ADMIE (IPTO) S.A. and PPC S.A..

The Share Purchase Agreement («SPA») should have been concluded by 28 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 should have been concluded until 31 October 2016.

In compliance with Law 4389/2016, the Invitation to Submit an Expression of Interest was issued and published following the July 11th 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 Réseau 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 24th 2016, while the SPA was signed on December 16th 2016.

On January 17th 2017, the PPC's Shareholders General Meeting approved (a) the establishment of a 100% subsidiary company under the name "Holding Company ENERGIKI S.A. - (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.

Furthermore, with a subsequent amendment of Law 4389/2016 by Law 4467/2017, it was stipulated that immediately after PPC's carve out to its shareholders of the shares that it holds in ADMIE (IPTO) Holding S.A. (former Holding Company ENERGIKI S.A.), P.H.C. ADMIE (IPTO) S.A. will acquire all the Shares of ADMIE (IPTO) Holding S.A. to be held by the Greek State and HRADF.

In May 2017, PPC's General Shareholders Meeting approved the transfer of 25% of the share capital of IPTO to P.H.C. ADMIE (IPTO) S.A. for a price determined by an independent valuator (Euro 295.6 million) as well as the Share Purchase Agreement - SPA which was signed.

The aforementioned corporate actions were completed within the stipulated timeframes, while the introduction of ADMIE (IPTO) Holding S.A. in the main securities market of the Athens Stock Exchange (ATHEX) was carried out.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

2. LEGAL FRAMEWORK (CONTINUED)

More specifically, on June 15th 2017 PPC's shares were traded without the right to return in kind to the shareholders of PPC of the shares of ADMIE (IPTO) HOLDING SA (51% of the share capital of IPTO SA), while on June 20th 2017, the transfer of the 25% and 24% of the share capital of IPTO to P.H.C. ADMIE (IPTO) S.A. and to the Strategic Investor (State Grid Europe Limited) respectively was completed.

- The articles of association of P.H.C. ADMIE (IPTO) S.A were approved, by which matters concerning the share capital, the procedure for increasing or decreasing the share capital, the rights of the shareholder, the establishment, convocation, and the responsibilities of the Shareholders General Meeting and the Board of Directors, the auditors, the distribution of profits, the annual financial statements, its resolution and liquidation, its first fiscal year, as well as any other relevant matter arising from current legislation on société anonymes are regulated. The Greek State is represented by the Minister of Environment and Energy or his legal representative
- According to the Decision 35 (OG B' 1473/25.5.2016) of the Government's Council for Economic Policy for the introduction of forward electricity products, 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 effected through four auctions, as follows: 145 MWh/h on January 31st 2017, 145 MWh/h on April 26th 2017, 145 MWh/h on July 19th 2017 (According to an announcement by EMO) and 246 MWh/h on October 18th 2017. Within 2017 three (3) auctions have been completed for a total 435 MW, with the product price ranging between €37.37 / MWh and €43.05 /MWh. with the mid-price being at €41.26 / MWh
Up to this date and during the mechanism's implementation, a significant variation between the total quantity of use declarations and load declarations, especially in low load hours was observed and therefore RAE made regulatory interventions (Amendment of the relevant Code of Transactions) to ensure the proper use of those products, as base products, discouraging the submission of extremely high declarations covering peak loads, to increase the secondary market liquidity and to further strengthen the usage purpose of the forward products (RAE Decision 184/2017).
- Law 4472/2017 was passed, amending the provisions of L. 4389/2016 concerning :
 - a) Arrangements for the establishment of an Electricity Sale Mechanism by PPC, pursuant to auctions of forward electricity products with physical delivery and
 - b) Arrangements for the implementation of the full ownership unbundling of IPTO SA, pursuant to Directive 2009/72 / EC

In particular, the following amendments are introduced:

- a) The annual rates of decrease of PPC's share in the retail market of the interconnected system, until the year 2019 in relation to its share in August 2015 shall be as follows:
 - For the year 2016: Eight percentage points (8%), with PPC's share standing at 87.24%.
 - For the year 2017: Twelve percentage points (12%), with PPC's share standing at 75.24%.
 - For the year 2018: Thirteen percentage points (13%), with PPC's share standing at 62.24%.
 - For the year 2019: Thirteen percentage points (13%), with PPC's share standing at 49.24%.
- b) The annual quantity of electricity that will be auctioned per year will be equal with the following percentages on the total electricity quantity for the Interconnected System of the previous year :
 - For the year 2016 : Eight percentage points (8%)
 - For the year 2017 : Sixteen percentage points (16%). Physical deliveries of four percentage points (4%) from the quantity for the year 2017 will begin on December 1st 2017.
 - For the year 2018 : Nineteen percentage points (19%). Physical deliveries of six percentage points (6%) from the quantity for the year 2018 will begin on December 1st 2018.
 - For the year 2019 : Twenty two percentage points (22%). Physical deliveries of nine percentage points (9%) from the quantity for the year 2019 will begin on December 1st 2019.

The aforementioned were approved with Decision 58 of the Government's Council for Economic Policy (OG B' 1690/16.05.2017), which includes the updated Implementation Plan for NOME Auctions. The mechanism to be applied in the first sub-period will be a Special Purpose Regulated Mechanism, with the annual quantities of electricity auctioned to be equal to the above-mentioned percentages multiplied by the total quantity of electricity for the interconnected system of the previous year.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

2. LEGAL FRAMEWORK (CONTINUED)

The joint ministerial decision setting the minimum price of the forward products to be auctioned (starting auction price) will be reviewed in June of each year, taking into account the published financial statements of PPC SA. for the previous year and the revised cost of CO₂ emission rights prevailing in December of the previous year. It is noted that PPC's market share reduction target until 2019 remain unchanged.

Concerning the methodology for determining the minimum bid price for the forward electricity products, to be auctioned, RAE's Impact Report on the six – month implementation of NOME Auctions to be published on July 2017 will be taken into account. In the event that the decrease of PPC's retail market share in the Interconnected System falls short of at least two (2) percentage points of the reduction target for the corresponding semester, as determined by the division of the annual target in the corresponding semesters, RAE will increase the quantities to be auctioned for the first (and not the third, as was applicable) six month - period after the end of the six month reference period, by an equivalent increase in the quantities to be auctioned during that six-month period. At the same time, an additional Joint Semi-Annual Impact Report issued by the Greek Authorities and the Institutions is introduced in December 2017 and every six months thereafter, which, taking into account the introduction of the Target Model in the electricity market and the full implementation of structural measures for lignite, will evaluate (a) a possible adjustment of the NOME mechanism, including the modification of forward electricity product quantities to be auctioned after the implementation of structural measures for lignite, and (b) the possible need to adopt additional structural measures in line with the characteristics of PPC's power generating stations portfolio.

Following the above, based on the Joint Ministerial Decision ΑΠΕΗΛΓ/Φ1/οικ.178634 (Official Gazette B2278 / 04.07.2017), the resulting minimum bid price for the auctioned forward electricity products (starting price) for June 2017 is set to thirty-two euros and five cents per MWh (32.05 € / MWh) (compared to 37.37 € / MWh set in O.G. B2848 / 07.09.2016). Also, based on Decision 68 of the Government's Council for Economic Policy, PPC's prepayment rate paid which is paid after the primary auction, was set at 3% on the valuation of the distributed product.

- Decision 57 / 2017 of the Government's Council for Economic Policy, on the structural measures for PPC's access to lignite was published, which concerns the binding remedial structural measures, which Greece will propose to the Commission's Directorate General for Competition (DG Comp.) until November 2017 and to be implemented by June 2018 in compliance with the decisions C (2008) 824 and C (2009) 6244 of the European Commission on PPC's monopoly access to lignite, which became irreversible after the (2016) 733 and (2016) 748 decisions of the General Court of the European Union. The binding remedial structural remedies will be designed in accordance with the following principles :
 - The measures will include PPC's disinvestment of lignite power generating units to existing or new alternative suppliers and other investors.
 - PPC will not have any involvement or connection with any element of disinvestment, including preferential electricity supply. In line with the Commission's communication on structural measures acceptable under Regulation 139/2004 and Regulation 802/2004, the purchaser (s) a) will be independent of and will not have any association with PPC and its affiliated companies; b) have the financial resources, proven know-how and incentive to maintain and develop the disinvested portfolio of power generating stations as a viable and active competitive power in relation to PPC and other competitors, and c) on the basis of the information available, they would not cause or threaten to cause prima facie competition concerns and they would not create a risk of delay in the implementation of the structural measures.
 - Disinvestment will account for about 40% of PPC's lignite power generating capacity. The exact percentage will be determined during technical discussions with the European Commission in accordance with the abovementioned decisions. The disinvestment will include the associated lignite reserves, in accordance with paragraph 248.1 of the Commission's Decision C (2008) 824, which states that "the Hellenic Republic could reallocate some of the rights currently enjoyed by PPC in this case and given that the lignite reserves are connected to the nearby electricity generating units, access to the lignite reserves should be combined with the transfer of the ownership or the franchise of the respective unit ". The disinvestment will have equivalent economic characteristics to PPC's lignite power generating capacity, particularly in terms of efficiency and life, reflecting the start and end of lignite power generating capacity.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

2. LEGAL FRAMEWORK (CONTINUED)

- On September 6th 2017, RAE put into public consultation a proposal for a new Transitory Flexible Compensation Mechanism following the expiration on April 30th 2017 of the Transitional Flexibility Compensation Mechanism. The new proposed transitional mechanism differs from the previous one in that it will be purchasing and will concern two (2) flexibility products, a three-hour and a one-hour, the cost of which will be derived from supply and demand, but will not exceed the maximum of € 25000 / MW. The new mechanism is similar to the old one, since it entirely excludes lignite fired units from the flexibility option and also discriminates against hydro power plants and benefits open and combined cycle gas plants. RAE's consultation ended on September 22nd 2017.

HELLENIC ELECTRICITY TRANSMISSION SYSTEM (HETS)

- RAE by its Decision 404/2016, approved the Required Revenue of the HETS Operator for 2017 to the amount of Euro 202.6 mil. Based on the required revenue of 2017, the new use of transmission system charges were determined (RAE Decision 456/2016). Moreover, RAE by its Decision 253/2015 amended the provisions of the Grid Control Code and of the methodology for the determination of the Required Revenue so that interconnection rights auction costs (clause Π3) are taken into account.
- With its 394/2016 decision (Use of Congestion Income, from the country's international interconnections access rights, for the year 2017), RAE 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.
- Following RAE's Decision 67/2017 (OG B 774 / 13.03.2017) RAE monitors and oversees the progress of the implementation of the Markets and the elaboration on the individual Codes by the Market Operators and, within the framework of its responsibilities, decides on the issuance of directions to the relevant Operators for the preparation of the Market Codes provided for in Law 4425/2016, distinct for each of these Markets and communicates them to IPTO and EMO for their respective actions.
- According to RAE's Decision 346/2017, the coefficients for the penalty calculation of the Transitory Flexibility Compensation Mechanism as well as the Deviation Clearing Schedule were determined with appropriate modifications to the Greek Electricity Transmission System Management Code and the Market Clearing Manual
- IPTO S.A. was certified as an Ownership Unbundled Transmission Operator in the context of its full ownership unbundling from PPC S.A. and in compliance with the fact that it is now under the control of a person or persons from a third country or third countries (RAE Decision 475/2017)
- For the year 2017 in the context of the Mechanism of Settlement between the Operators of the Transmission System, 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).

HELLENIC ELECTRICITY DISTRIBUTION NETWORK (HEDN)

- The Annual Cost and the Required Revenue for the use of HEDN were approved by RAE for 2017 by its 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 set (RAE Decision 455/2016).
- HEDNO published the announcement for the market opening in Rhodes island on January 2nd 2017, following the adoption of all the necessary methodologies for the market operation in the NII (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 1st 2017. It should be noted that the derogation (Decision 2015/536/EU) has been granted till the full installation of the necessary infrastructure in the NII and, in any case, it expires on February 17th 2019
- With RAE's Decision 236/2017 (O.G. B 1871 / 30.05.2017) the Electricity Theft Manual was approved in accordance with paragraph 23 of article 95 of the Electricity Distribution Network Code, which specifies the framework of locating electricity thefts, the estimation methodology of the non-recorded energy and the procedure for collecting the corresponding amounts.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

2. LEGAL FRAMEWORK (CONTINUED)

Then with RAE's Decision 237/2017 (O.G. B 1946 / 07.06.2017), the framework, the general directions, the implementation rules and any other necessary issues for the implementation of the provisions on the issue of electricity theft were determined.

In particular, it was determined:

- The administratively determined price, the increment rate and the charges for the Network Operator's compensation for the costs of tracking and managing the electricity thefts,
- The revenue allocation keys from established electricity thefts and the allocation of collected sums from electricity thefts.

SPECIAL FEE FOR THE REDUCTION OF CO2 EMISSIONS (ETMEAR - ex RES Fee) and RES Special Account (ELAPE)

- Under the new RES operational support scheme (N. 4414/2016) and the provision for a new source of revenues for the RES Special Account, electricity suppliers will be compelled to pay (from October 1st 2016) a compensation, to 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 determined 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. 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, based on the above methodology 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 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.
- RAE published the new charges for ETMEAR which are applicable from January 1st 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, as well as the provisions of Law 4414/2016 have been taken into account.
With its latest announcement on July 5th 2017, RAE announced that it had considered the necessity of adjusting ETEMAP's charges at its plenary meeting on 29 June 2017 and decided that there was no need to review them in the present circumstances.

RAE reached this Decision :

- After examining the evolution of revenues and expenses of ELAPE according to the "Monthly Report on the Special Account of RES and CHP of the Interconnected System and Network - May 2017-settlement of April 2017" and found that ELAPE continues to be surplus and its cumulative debt will be eliminated by the end of 2017
- ELAPE will remain in surplus throughout the year 2018
- The sharp and sudden fluctuations in ETMEAP charges bring a significant and multidimensional financial burden on all final consumers and hence on the liquidity of the market.
It should be noted that the cumulative accounting debt of the RES Account of the Interconnected System and Network according to Law 4414/2016 should be eliminated by the end of December 2017.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

2. LEGAL FRAMEWORK (CONTINUED)

PUBLIC SERVICE OBLIGATIONS (PSOs)

- By RAE's Decision 640/2017 (O.G. B 3057 / 6.9.2017), the consideration due for the years 2015 – 2016 by Suppliers to cover the cost of the SRT and of the Tariff for families with more than three children was approved.
- Respectively, with RAE's Decision 688/2017 (O.G. B 3058 / 6.9.2017), the temporary consideration to cover the costs of providing PSOs in the Non-Interconnected Islands for the years 2014, 2015 and 2016 was approved.

Finally, with RAE's opinion 10/2017, the Authority issued an opinion to the Ministry of Environment and Energy on the cumulative deficit of the PSO account created in the period 2012-2016, due to the fact that revenue remained stable from 2012 onwards according to Law 4067/2012. The Authority also submitted its proposals to cover this deficit by the year 2022.

A relevant reference for the above is also made in the "Major Risks-Uncertainties" section of the Board of Directors' Interim Report.

OTHER ISSUES

- The maximum annual charge of electricity customers for covering Public Service Obligations (PSOs) was adjusted for 2017 amounting to Euro 773.795, according to the average annual change in the consumer price index, as published by the Hellenic Statistical Authority (ELSTAT) (RAE Decision 241/2017).

The total consumptions of the beneficiaries of the Multi member family Tariff and of the Social Solidarity Tariff up to the four-month consumption limits applicable to each category of beneficiaries are exempted from PSO charges, as well as the four - month daylight consumption of 10,000 kWh for recipients of the Solidarity Service Invoice (Laws 4296/2014 and 4467/2017).

- The supply tariffs of PPC SA, as a Last Resort Electricity Supplier, were approved, for the fifth year of the service (RAE Decision 223/2016) and uplift rates are as follows:
 - a) 5% for the HV customers on the wholesale market cost
 - b) 10% for MV customers on the current PPC's MV customer tariffs and
 - c) 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 fifth year of the service (RAE Decision 226/2017) 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).
- As the appointment of PPC as the Last Resort and Universal Service Provider for a period of five (5) years expires on March 22nd 2018, RAE has issued relevant calls for expressions of interest and the regulation of the relevant terms and the procedure used for the selection of the Last Resort and Universal Service Provider for a period of three (3) years beginning on March 23rd 2018 (Decisions 573/2017 and 574/2017). It should be noted that in the absence of interest in the invitations issued, the supplier with the largest market share per customer category is appointed by RAE's decision as the provider of the Services.
- The Regulation on the Operation of the Energy Efficiency Obligation Scheme was approved, following Law 4342/2015 (Harmonization of the Greek legislation with the Energy Efficiency Directive 2012/27 / EU for the energy efficiency (OG B' 1242 / 11.04.2017). According to the Regulation, from January 1st 2017, an energy efficiency obligation scheme has been introduced to ensure that energy distributors and / or energy suppliers in the retail market, which were designated as obligated parties, achieve a cumulative energy savings target in the end-use by December 31st 2020. PPC SA, as an electricity supplier, undertakes a savings target of 30 Ktoe (tonne of oil equivalent) for the year 2017
- With a Decision of the Minister of Environment and Energy (OG B' 1547 / 05.05.2017) the terms and conditions for the development of photovoltaic plants by self-producers with energy and virtual energy offset were set out in. With virtual clearing, it is possible to offset the electricity produced with the total electricity consumed by self-producers, irrespective of the area it is produced and consumed. Also, the type and content of the Energy and Virtual Energy Clearing Conventions have been determined. The implementation of energy netting or virtual energy netting will be extended in the future, covering other renewable technologies also.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

2. LEGAL FRAMEWORK (CONTINUED)

- The advance payments to the electricity suppliers in respect to the arrears of debts or other debts of the General Government entities were approved (Decision of the Ministry of the Economy No.2/16456/DLD of Law 4455/23.02.2017). On March 8th 2017 an amount of Euro 50,000 was paid by the State Treasury to PPC. Subsequently, the granting of a cash advance to the Public Power Corporation SA was approved, amounting to Euro 80,000 against the total annual liabilities of the central administration bodies for the payment of electricity bills for the fiscal year 2017.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

Basis of preparation of financial statements

The accompanying interim condensed consolidated and separate financial statements ("financial statements") for the six month period ended June 30th 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting" which defines the form and the content of the interim financial statements. The accompanying financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the latest annual financial statements as at December 31st 2016 made publicly available.

The accompanying 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 and its subsidiaries 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.

Approval of Financial Statements: The Board of Directors approved the accompanying financial statements, on September 26th, 2017.

3.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies applied to the separate and consolidated financial statements are the same as those applied to the annual separate and consolidated financial statements for the year ended December 31st, 2016 with the exception of the following revised standards and interpretations, that will be effective in subsequent periods.

IAS 12 (Amendments) "Recognition of deferred tax assets on unrealized losses"

The amendments clarify the accounting treatment for the recognition of deferred tax assets on unrealized losses arising from debt securities measured at fair value. The Amendment applies to annual accounting periods beginning on or after January 1st 2017 and has not been endorsed by the EU. The amendment is not expected to have a significant impact on the Parent Company's and the Group's financial statements. The Group is in the process of assessing the impact of this amendment on its financial statements.

IAS 7 Statement of Cash Flows (Amendment) "Disclosures"

The amendment introduces mandatory disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Based on the amendment to IAS 7, an entity is required to provide disclosures that assist investors to evaluate changes in those liabilities from financing activities including changes in the cash flow statement as well as changes from non-cash items. The amendment is effective for annual periods beginning on or after January 1st 2017 and has not yet been adopted by the European Union.

The amendment is not expected to have a significant impact on the Parent Company's and the Group's financial statements. The Group is in the process of assessing the impact of this amendment on its financial statements.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

3.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Annual improvements to IFRS – Cycle 2014-2016

The amendments of the 2014 – 2016 cycle have been issued by the IASB on December 8th 2016. The below mentioned amendment is effective for annual periods beginning on or after January 1st 2017 and has not yet been endorsed by the European Union. This amendment is not expected to have a significant impact on the Parent Company's and the Group's financial statements

- **IFRS 12 Disclosures of participations in other entities: Clarification of the purpose of the standard.**

The amendment clarified the scope of the standard by specifying that the disclosure requirements of the standard other than those in paragraphs B10-B16 apply to the entity's investments mentioned in Paragraph 5, that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Standards and Interpretations mandatory for subsequent periods, with no early adoption by the Parent Company or the Group.

The below mentioned new Standards, Amendments and Interpretations have been issued but their adoption is mandatory for subsequent periods. The Parent Company and the Group have not adopted them earlier.

- **IFRS 9 Financial Instruments and subsequent adjustments to IFRS 9 – Classification and measurement**

On July 24th 2014 IASB issued the final version of IFRS 9, which includes the classification and measurement, the impairment and hedge accounting for financial assets and financial liabilities. The Standard will replace IAS 39 and all earlier versions of IFRS 9. Financial assets are measured at amortized cost, at fair value through profit or loss, or at fair value through other comprehensive income based on the business model of the entity for the management of financial assets and contractual cash flows of financial assets.

With the exception for the entity's credit risk, the classification and measurement of financial liabilities has not changed in relation to the existing requirements.

The application of IFRS 9 is mandatory for annual periods beginning on or after January 1st 2018 and has been endorsed by the European Union on November 22nd 2016. The Group is in the process of assessing the impact of this standard on the Group's financial statements.

- **IFRS 14 Regulatory Deferral Accounts**

On January 30th 2014, IASB issued the standard with the purpose of determining the financial reporting requirements for the "Transitional Accounts of Regulated Activities" balances that arise when an entity provides goods or services to customers at a price or a percentage that is subject to special regulation by the state

IFRS 14 allows an entity that adopts IFRS for the first time to continue to account, with minor changes, balances in the "transition accounts of regulated activities" in accordance with previous accounting standards, both during the first IFRS adoption as well as in subsequent financial statements. Balances and movements of these accounts are presented separately in the statements of financial position, income statement and other comprehensive income while specific disclosures are required. The new standard is effective for annual periods beginning on or after January 1st 2016 and is not adopted by the European Union. The Group chose, according to the Standard, not to apply it.

- **IFRS 15 Revenue from contracts with customers**

IASB issued on May 28th 2014 IFRS 15 "Revenues from contracts with customers" and including amendments issued on September 11th 2015 is effective for annual periods beginning on or after January 1st 2018. It is the new Standard applied for revenue recognition.

IFRS 15 replaces IAS 18, IAS 11 and IFRIC13, IFRIC 15, IFRIC 18 and SIC – 31.

The new standard establishes a five-step model that will apply to revenue recognition arising from a single customer contract (with limited exceptions), regardless of the type of revenue transaction or industry.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

3.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The requirements of the Standard will also apply to the recognition and measurement of gains and losses on the sale of certain non-financial assets that are not produced by the entity's ordinary activities (eg, sales of property, plant and equipment or intangible assets). Extensive disclosures, including the analysis of total revenue, information on performance obligations, changes in contract asset balances and contractual obligations between periods and key judgments and estimates will be required. IFRS 15 was adopted by the European Union on 22 September 2016.

The Group is in the process of assessing the impact of this standard on the Group's financial statements.

Standards and Interpretations not yet endorsed by the European Union

- **IFRS 16 "Leases"**

On January 13th 2016 IASB issued IFRS 16 which replaces IAS 17. The purpose of the Standard is to ensure that lessees and lessors provide useful information that reasonably discloses the substance of transactions in leases. IFRS 16 introduces a single model for the accounting treatment on the part of the lessee requiring the lessee to recognize assets and liabilities for all lease agreements with a maturity of more than 12 months, unless the underlying asset is of non – significant value. Regarding the accounting treatment by the lessor, IFRS 16 effectively intergrades the requirements of IAS 17. Therefore, the lessor continues to categorize leases as operating or finance leases and to follow a different accounting treatment for each type of contract. IFRS 16 is effective for annual periods beginning on or after January 1st 2019 and has not been endorsed by the European Union. The Group is in the process of assessing the impact of this standard on its financial statements.

- **IFRS 17 "Insurance Contracts"**

In May 18th 2017 IASB issued IFRS 17, which replaces IFRS 4.

IFRS 17 establishes the principles for the registration, valuation, presentation and disclosure of insurance contracts, in order to provide a more uniform valuation and presentation approach for all insurance contracts.

IFRS 17 requires the measurement / valuation of insurance liabilities at current value using:

- unbiased expected weighted estimates of future cash flows based on updated assumptions,
- Discount rates reflecting the cash flow characteristics of contracts and estimates of the financial and non-financial arising from the issue of policies.
- The new Standard is effective for annual periods beginning on or after January 1st 2021 and it has not yet been endorsed by the European Union.

The Group is in the process of assessing the impact of this standard on its financial statements.

• **IFRS 10 (Amendment) — "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The main consequence of the amendment adopted by the Council on 11 September 2014 is that the full profit or loss is recognized when a transaction includes a business (whether it is hosted in a subsidiary or not). A partial gain or loss is recognized when a transaction includes assets that do not constitute a business, even if those assets are housed in a subsidiary. The amendment is effective for annual periods beginning on or after January 1st 2016 and it has not yet been endorsed by the European Union. The Group is in the process of assessing the impact of applying the amendment to its financial statements.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

3.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- **IFRS 2: Share – based Payments (Amendment) “Classification and measurement of Shared-based payment transactions”**

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting treatment for modifications on terms that change an award that is cash-settled or equity-settled. It also introduces an exception to the principles of 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 amendment is effective for annual periods beginning on or after January 1st, 2018 and has not yet been endorsed by the European Union. The Group is in the process of assessing the effect of applying the amendment to its financial statements.

- **IFRS 4 (Amendment) - Applying the new IFRS 9 together with IFRS 4.**

IASB issued in September 12th 2016 amendments to IFRS 4 to address the concerns arising from the application of the new IFRS 9 before applying the new amended by the Board IFRS 4. The amendments introduce two approaches: overlapping and postponement . The modified standard will:

- Allow insurance companies to recognize in other comprehensive income, rather than profit or loss, the volatility that may arise when IFRS 9 is applied before new insurance contracts.
- Provide to insurance companies, an optional temporary exemption from the application of IFRS 9 until 2021.

The amendment is effective for annual periods beginning on or after January 1st, 2018 and has not yet been endorsed by the European Union. The Group is in the process of assessing the effect of applying the amendment to its financial statements

- **Clarifications to IFRS 15 - Revenue from Contracts with Customers**

In April 2016, IASB issued clarifications to IFRS 15. The amendments to IFRS 15 do not alter the basic principles of the Standard but provide clarifications as to the application of these principles. The amendments clarify how a performance obligation is recognized in a contract, how it is determined whether an entity is the originator or the trustee, and how it is determined whether the income from the grant of a license should be recognized at a particular time or over time. The amendment is effective for annual periods beginning on or after January 1st, 2018 and has not yet been endorsed by the European Union. The Group is in the process of assessing the effect of applying the amendment to its financial statements.

Annual Improvements to IFRS, 2014 – 2016 Cycle

The following amendments of the 2014 - 2016 cycle, were issued by the Council on December 8th 2016, are effective for annual periods beginning on or after January 1st 2018 and have not yet been endorsed by the European Union. The following amendments are not expected to have a material impact on the Company's (and / or the Group's) financial statements unless otherwise stated

- **IFRS 1 First Time Adoption of IFRSs**

The amendment eliminates the "Short-term exemptions from IFRSs" provided in Appendix E of IFRS. 1 on the grounds that they have now served their purpose and are no longer necessary

- **IAS 28 (Amendment) “Measurement of investments in associates and Joint ventures at fair value”.**

The amendment clarifies that the option given, for investments in associates or joint ventures held by an entity that is a qualifying asset management entity or other qualifying entity, to be measured at fair value through profit or loss is available for each investment to an associate or joint venture separately at initial recognition.

- **IAS 40 Investment Property (Amendment) “Transfers of Investment Property”**

The amendment to IAS 40 which was issued by IASB on December 8th 2016, clarifies that an entity may transfer a property to or from investment property when and only when there is evidence of change in use. A change in use occurs if the property meets or ceases to meet, the definition of investment property. A change in management's intentions to use the property is not in itself an indication of a change in use.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

3.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The amendment is effective for annual periods beginning on or after January 1st, 2018 and has not yet been endorsed by the European Union. The Group is in the process of assessing the effect of applying the amendment to its financial statements

• **IFRIC 22 :Foreign currency transactions and advance consideration**

IFRIC 22 clarifies the accounting treatment for transactions involving the collection or payment of foreign currency advances. In particular, it applies to foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary obligation arising from the payment or receipt of advances before the entity recognizes the related asset, expense or income. According to the Interpretation, the date of the transaction for the purpose of determining the exchange rate is the date of the initial recognition of the non-monetary prepayments for the asset or the obligation to receive an advance. If there are multiple payments or receipts in advance, the transaction date is determined separately for each payment or collection.

The interpretation is effective for annual periods beginning on or after January 1st, 2018 and has not yet been endorsed by the European Union. The Group is in the process of assessing the effect of applying this interpretation to its financial statements

• **IFRIC 23 (Interpretation) “(Uncertainty over Income Tax Treatments”**

IFRIC 23 applies to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty as to the correctness of the tax treatment in accordance with IAS 12. In this the case should be considered:

- whether tax treatments should be considered collectively or individually and under the assumption that audits will be carried out by the tax authorities having full knowledge of the relevant information
- the possibility that tax Authorities will accept the way taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates are determined and
- Reassessing judgments and assessments if circumstances change

The interpretation is effective for annual periods beginning on or after January 1st, 2019 and has not yet been endorsed by the European Union. The Group is in the process of assessing the effect of applying this interpretation to its financial statements

4. SEASONALITY OF OPERATIONS

PPC's operation is subject to intense seasonality due to the increased demand for electricity during the summer and winter months, a trend which is not reflected in its operating results as these are affected by external factors (e.g. fuel prices, hydrological conditions etc.).

5. DISCONTINUED OPERATIONS – OWNERSHIP UNBUNDLING

As described in Note 2, in December 31st 2016 the process of the ownership unbundling of the subsidiary IPTO S.A. was in progress according to the provisions of Law. 4389/2016 (Articles 142-149 and 152).

The Group's and Parent Company's Management believed 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" were met and as a consequence, investment in IPTO S.A. was classified as held for sale and distribution accordingly (Discontinued Operations).

In this context, on June 15th 2017 (ex-rights date) the Group lost 51% of the voting rights on the share capital of the subsidiary IPTO SA, owned by its 100% subsidiary ADMIE (IPTO) HOLDING S.A., through the transfer to the existing shareholders of PPC SA of the shares of ADMIE (IPTO) HOLDING S.A. that was held, while the full ownership unbundling was completed on June 20th 2017 with the transfer of 25% and 24% of the share capital of IPTO S.A, to t P.H.C. ADMIE (IPTO) S.A. and to the Strategic Investor (State Grid Europe Limited) respectively, resulting on the transfer of all assets and liabilities classified as Discontinued operations. The total consideration for the transfer of the 49% of the share capital of IPTO SA amounted to € 623,208.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

5. DISCONTINUED OPERATIONS – OWNERSHIP UNBUNDLING (CONTINUED)

In the Parent Company's Income Statement, the profit from the transaction of the full ownership unbundling of the subsidiary IPTO SA amounted to Euro 198,602, while it is noted that in the figures of 2016 a net amount of € 92.9 million was recorded as PPC's revenue, representing a capital return (cash upstream) from IPTO SA to PPC. This capital return was decided by the General Assembly of the shareholders of IPTO SA in 2016 and was effected in 2017.

In the Income Statement, in income from discontinued operations for the period 01.01.2017 – 15.06.2017 the income of IPTO S.A. until June 15th 2017 is included.

Profit from the sale of IPTO SA after intra-group eliminations amounted to Euro 172,236 and is reflected in the results for the first half of the year 2017.

Profit before tax from discontinued operations for the period 01.01.2017 – 15.06.2017 amounting to Euro 11,279, represents profits before tax of IPTO S.A. for this period taking into account intra – group transactions.

In the following table an analysis of the Group's assets and liabilities from discontinued operations is presented as of June 15th 2017.

Non – Current Assets

Property, plant and equipment and intangible assets	1,580,204
Other non – current assets	26,266
	1,606,470

Current Assets

Materials, spare parts and supplies	46,815
Trade receivables and other current assets	1,120,864
Cash and cash equivalents	219,829
	1,387,508

Total Assets from discontinued operations	2,993,978
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Non – Current Liabilities

Long – term borrowing	473,972
Other non – current liabilities	448,324
	922,296

Current Liabilities

Trade and other payables	1,124,319
Short – term borrowings	20,952
	1,145,271

Total Liabilities from discontinued operations	2,067,567
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PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

6. INCOME TAXES (CURRENT AND DEFERRED)

	Group		Company	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Current income taxes	317,753	86,686	298,971	78,172
Deferred income tax	(293,052)	(62,706)	(292,598)	(65,986)
Additional taxes	-	526	-	526
Total Continuing Operations	24,701	24,506	6,373	12,712
Discontinued Operations	3,271	10,900	-	-
Total income tax	27,972	35,406	6,373	12,712

According to Greek Tax Legislation, companies that have their residence in Greece are subject to an income tax rate of 29% and an income tax prepayment of 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, by case and by company, against the event of additional taxes being imposed by the tax authorities.

Based on the applicable Income Tax Code, since the fiscal year 2011 and until the fiscal year 2016, 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".

Moreover, effective January 2014, the appropriate tax authorities (Centre for Auditing Big Companies) have commenced a tax audit for the Parent Company's fiscal years 2009, 2010 and 2011, which is still in progress.

In the following table unaudited tax years for the Parent Company and the subsidiaries of the Group are presented:

Company	Country	Unaudited years since
PPC S.A. (Parent Company)	Greece	2009
PPC Renewables S.A.	Greece	2012
HEDNO S.A.	Greece	2012
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 PHOTOVOLTAICS S.A.	Greece	2007

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

7. INVESTMENTS IN SUBSIDIARIES

The direct subsidiaries of the Parent Company and the value of the investment are as follows:

	Company	
	30.06.2017	31.12.2016
IPTO S.A. (Notes 2 and 5)	-	-
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 ELEKTRIK TEDARIK VE TICARET AS	1.350	1.350
PPC ALBANIA	150	-
	214.501	214.351

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 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
	30.06.2017	31.12.2016		
PPC Renewables S.A.	100%	100%	Greece, 1998	RES
HEDNO S.A.	100%	100%	Greece, 1999	HEDN
IPTO S.A.	-	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 A.E.	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 ENERGIKI PHOTOVOLTAICS S.A	100%	100%	Greece, 2007	RES
PPC ALBANIA	100%	-	Albania, 2017	Supply of power

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

8. INVESTMENTS IN ASSOCIATES

The Group's and the Parent Company's associates as of June 30th 2017 and December 31st, 2016 are as follows (equity method):

	Group		Company	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Larco S.A.	-	-	-	-
PPC Renewables ROKAS S.A.	2,021	2,160	-	-
PPC Renewables TERNA Energiaki S.A.	2,944	3,161	-	-
PPC Renewables NANKO Energy – MYHE Gitani S.A.	2,363	2,204	-	-
PPC Renewables MEK Energiaki S.A.	1,592	1,314	-	-
PPC Renewables ELTEV AIFOROS S.A.	2,609	2,532	-	-
PPC Renewables EDF EN GREECE S.A.	8,625	8,479	-	-
Aioliko Parko LOYKO S.A.	20	20	-	-
Aioliko Parko BAMBO VIGLIES S.A.	23	23	-	-
Aioliko Parko KILIZA S.A.	27	27	-	-
Aioliko Parko LEFKIVARI S.A.	25	25	-	-
Aioliko Parko AGIOS ONOUFRIOS S.A.	28	28	-	-
Renewable Energy Applications LTD	27	27	-	-
WASTE SYCLO S.A.	42	46	221	221
PPC Solar Solutions S.A.	970	971	980	980
	21,316	21,017	1,201	1,201

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
		30.06.2017	31.12.2016		
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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

PPC balances with its subsidiaries and its associates as of June 30th 2017 and December 31st 2016 are as follows:

	June 30, 2017		December 31, 2016	
	Receivable	(Payable)	Receivable	(Payable)
Subsidiaries				
-PPC Renewables S.A.	1,385	-	1,260	-
-HEDNO S.A.	182,909	(473,470)	599,981	(1,028,540)
-PPC Finance Plc.	-	(4,589)	-	(6,173)
-PPC ElektriK	-	(123)	542	(86)
-PPC Bulgaria JSCO	-	(748)	38	(1,524)
	184,294	(478,930)	601,821	(1,036,323)
Associates				
LARCO (energy, lignite and ash)	264,713	-	242,709	-
	264,713	-	242,709	-

PPC's transactions with its subsidiaries and its associates for the period ended June 30th, 2017 and June 30th, 2016, are as follows:

	June 30, 2017		June 30, 2016	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
Subsidiaries				
- PPC Renewables S.A.	1,585	-	1,556	-
- HEDNO S.A.	611,904	(889,285)	533,242	(858,903)
- PPC Finance Plc	-	(16,916)	-	(18,551)
- PPC ELEKTRIK	12	(1,868)	954	(366)
- PPC Bulgaria JSCO	-	(9,297)	-	(15,536)
	613,501	(917,366)	535,752	(893,356)
Associates				
LARCO	(28,742)	(3,882)	29,718	(2,926)
	(28,742)	(3,882)	29,718	(2,926)

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

As of June 30th 2017, the Parent Company has guaranteed for total credit line of Euro 8 mil., through overdraft agreements. As of June 30th 2017 PPC Renewables S.A. has used Euro 896, concerning letters of guarantee.

Interest bearing loan to ADMIE (IPTO) Holding S.A.

During the first half of 2017, the Parent Company granted an interest-bearing loan to the company ADMIE (IPTO) HOLDING SA up to a maximum of Euro 1,300, of which an amount of Euro 831 has been disbursed. Under the contract, the loan is repayable on November 30th 2018. It should be noted that in order to secure the repayment of this loan, ADMIE (IPTO) HOLDING SA has granted to PPC a pledge on the dividends it is entitled to receive from IPTO S.A.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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. Furthermore, transactions and balances with the Electricity Market Operator ("EMO"), as well as with IPTO S.A. are presented.

	Purchases		Balance	
	30.06.2017	30.06.2016	30.06.2017	31.12.2016
ELPE, purchases of liquid fuel	126,692	-	43,535	85
DEPA, purchases of natural gas	211,594	122,819	119,728	105,314
	338,286	122,819	163,263	105,399

	June 30, 2017		December 31, 2016	
	Receivable	(Payable)	Receivable	(Payable)
EMO S.A.	112,500	(73,557)	173,764	(128,312)

	June 30, 2017		June 30, 2016	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
EMO S.A.	864,436	(1,392,699)	617,389	(961,129)

	June 30, 2017		December 31, 2016	
	Receivable	(Payable)	Receivable	(Payable)
IPTO S.A.	113,956	(740,414)	152,844	(807,989)

	June 30, 2017		June 30, 2016	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
IPTO S.A.	79,493	(283,014)	92,863	(594,465)

Further to the above, PPC enters into transactions with many, government owned, both profit and nonprofit oriented 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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Management compensation

Fees concerning management members (Board of Directors and General Managers) for the six month period ended June 30, 2017 and 2016 have as follows:

	GROUP		COMPANY	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
<u>Compensation of members of the Board of Directors</u>				
- Executive members of the Board of Directors	123	181	29	29
- Non-executive members of the Board of Directors	28	27	-	-
- Compensation / Extra fees	22	20	-	-
- Contribution to defined contribution plans	13	46	9	9
- Other Benefits	70	44	70	44
	256	318	108	82
<u>Compensation of Deputy Managing Directors and General Managers</u>				
- Regular compensation	351	316	268	253
- Contribution to defined contribution plans	104	86	80	66
- Compensation / Extra fees	13	-	13	-
	468	402	361	319
Total	724	720	469	401

It is noted that the amounts relating to the Group, for the period ended on June 30th 2017, do not include IPTO S.A.

Compensation to members of the Board of Directors does not include standard payroll, paid to representatives of employees that participate in the Parent Company's Board of Directors. Also, it does not include the benefit for the electricity supply based on the PPC personnel invoice to the Executive Board of Director members, the Deputy Managing Directors and the General Managers.

10. 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, 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 31st 2016, 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 ENERGI AKI S.A." (ADMIE (IPTO) HOLDING SA thereafter) 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 "ENERGI AKI 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 575,360 divided into 232,000,000 common shares of Nominal Value of Euro two and forty-eight cents (Euro 2.48) each.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

11. LOANS AND BORROWINGS

During the first half of 2017, the Group proceeded to debt repayments amounting to Euro 469.17 mil. (Parent Company Euro 469.17 mil.) including the A Series of an International Bond, amounting to Euro 200 mil.

In April 2017, the Parent Company issued a syndicated secured common bond loan of Law 3156/2003 with Hellenic Banks, amounting to Euro 200 mil., maturing in 2019, with gradual repayments. This loan has a floating guarantee on PPC's business receivables.

In June 2017 the Parent Company proceeded to an Early Repayment of Bonds amounting to Euro 25 mil. under the term 11.4 of the contract of the above syndicated secured common bond loan of Law 3156/2003 with Hellenic Banks amounting to Euro 200 million

In particular, following the collection by PPC of the price for the sale and transfer of shares issued by IPTO SA on 20.06.2017, a) to the strategic investor State Grid Europe Limited, for 24% of the share capital of the Company for an amount of Euro 327.6 million and b) to P.H.C. ADMIE (IPTO) S.A for 25% of the share capital of IPTO SA at a price of Euro 295.6 million, the term of the aforementioned bond loan, which concerns the early repayment of Bonds amounting to Euro 25 million was activated.

Also, during the period May - June 2017, the Parent Company drew down an amount of Euro 46.2 million to finance part of the cost of the construction of the Lignite Unit "Ptolemaida V" relating to a Bond Loan of Euro 739 million with a consortium of foreign banks supported by the German Euler Hermes Export Credit Insurance Organization.

	GROUP		COMPANY	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
- Bank Loans	2,023,485	2,082,955	2,023,485	2,082,955
- Bonds Payable	2,365,616	2,529,088	2,365,626	2,529,098
Unamortized portion of loan issuance fees	(34,851)	(30,039)	(34,851)	(30,039)
Total long term borrowings	4,354,250	4,582,004	4,354,260	4,582,014
Less current portion:				
- Bank Loans	197,182	173,091	197,182	173,091
- Bonds Payable	241,879	466,879	241,879	466,879
Unamortized portion of loan issuance fees	(10,396)	(8,868)	(10,396)	(8,868)
Total current portion of borrowings	428,665	631,102	428,665	631,102
Non-current portion of borrowings	3,925,585	3,950,902	3,925,595	3,950,912
Short term borrowings	30,000	30,000	30,000	30,000
Total loans and borrowings	4,384,250	4,612,004	4,384,260	4,612,014

Credit Rating

On June 30th 2017, PPC's credit rating from S&P and ICAP credit houses was set "CCC" with negative outlook and "F" respectively

12. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation 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 and they are not based on observable market data.

During the reporting period there were no transfers between level 1 and level 2, and no transfers into and out of level 3 for the fair value measurement.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

12. FAIR VALUE AND FAIR VALUE HIERACHY (CONTINUED)

The following tables present a comparison of the carrying amount of the Group's and the Parent Company's financial instruments that are carried at amortized cost and their fair value as well as the tangible fixed assets which are revalued periodically:

Group	Carrying amount		Fair value	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Non – financial assets				
Fixed Assets	11,765,460	11,936,838	11,765,460	11,936,838
Financial Assets				
Trade receivables	1,652,959	1,597,997	1,652,959	1,597,997
Restricted cash	101,266	110,963	101,266	110,963
Cash and cash equivalents	511,797	207,034	511,797	207,034
Financial Liabilities				
Long-term borrowings	4,354,250	4,582,004	4,294,875	4,514,548
Trade payables	1,749,348	1,283,795	1,749,348	1,283,795
Short term borrowings	30,000	30,000	30,000	30,000
Parent Company	Carrying amount		Fair value	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Non – financial assets				
Fixed Assets	11,539,755	11,714,407	11,539,755	11,714,407
Financial Assets				
Trade receivables	1,612,598	1,566,858	1,612,598	1,566,858
Restricted cash	101,266	110,963	101,266	110,963
Cash and cash equivalents	435,647	149,414	435,647	149,414
Financial Liabilities				
Long-term borrowings	4,354,260	4,582,014	4,294,885	4,514,558
Trade payables	1,498,589	1,864,956	1,498,589	1,864,956
Short term borrowings	30,000	30,000	30,000	30,000

The fair value of investments available for sale, restricted cash, cash and cash equivalents as well as financial derivative instruments equals their carrying amount.

Fair value of trade receivables and trade accounts payable approximate their carrying amounts. 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.

As at June 30th 2017, the Group and the Parent Company held the following financial instruments measured at fair value:

Financial Assets	Fair value		Fair value Hierarchy
	30.06.2017	31.12.2016	
Group			
Investments available for sale	3,082	1,276	Level 1
Parent Company			
Investments available for sale	2,695	889	Level 1

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

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.

13. COMMITMENTS, CONTINGENCIES AND LITIGATION

13.1 OWNERSHIP OF PROPERTY

Major matters relating to the ownership of the Group's assets, are as follows:

1. The Parent Company has completed the registration of its property through a fixed assets registry. These assets 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.
2. 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.
3. 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 according to Art. 9 of Law 2941/2001.

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 in operation (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. It is examined –in the newly formed legal framework- the conduction of a tender for the selection of an insurance company to cover for assets as well as liabilities against third parties.

13.2 LITIGATION AND CLAIMS

The Group from continuing operations is a defendant in several legal proceedings arising from its operations. The total amount claimed by third parties as at June 30, 2017 amounts to Euro 1,573 mil. as further detailed below:

1. **Claims with contractors, suppliers and other claims:** A number of contractors and suppliers have raised claims against the Group. These claims are either pending before courts or under arbitration and mediation proceedings. The total amount involved is Euro 574 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 Group for damages incurred as a result of alleged electricity-generated fires and floods. The total amount involved is Euro 44 mil.
3. **Claims by employees:** Employees are claiming the amount of Euro 222 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 June 30, 2017, PPC Personnel Insurance Organization (former "PPC PIO", former "PPC PIO", EFKA at present) had filed, before the courts, seven (7) lawsuits against PPC, claiming an amount in total of Euro 87.7 mil., 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 (EFKA at present) 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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

The lawsuit was scheduled to be heard in the Multimember Court of First Instance in Athens on September 18th, 2014 but it was postponed for February 23, 2017, when it was tried and a decision 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 Decisions of the Supreme Court 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 established 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 date for the discussion of the appeal has been taken place by the court for discussion on 03.11.2014. The discussion of the appeal took place and the preliminary ruling 11872/2016 was issued, which obliges TSMEDE to produce to the Court the documents referred to in the judgment and then the case will be discussed again in order to issue a final decision .

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 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 has been filed by General Federation of PPC Personnel (GENOP DEI/KHE). The applicant for annulment, GENOP / KHE, filed a written declaration of resignation (No. 2144 / 31.03.2017) which was, accepted by the President of the Supreme Court.

8. 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 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 amount 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 amount for the above mentioned sums amounts to Euro 40.6 mil.

The lawsuits are scheduled to be heard on May 18, 2017 in the Multimember Court of First Instance in Athens and was postponed for February 28th 2019. 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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

For the above amounts, the Group from continuing operations and the Parent Company have established provisions which as of June 30, 2017 amounted to Euro 208 mil. and Euro 121 mil., respectively (30.06.2016: Group: Euro 201 mil. and Parent Company: 123 mil.), which are considered adequate for the expected losses arising from the final judgment.

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 such legislation, entails, 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, the media, 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. In this context, reports involving complaints and accusations for allegedly unlawful acts of executives against the Group usually involve their further investigation by the Prosecuting Authorities in the so-called preliminary proceedings, which usually ends up in the closing of the investigated case due to lack of 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 at present 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, although to date, none of the proceedings initiated against the Group and the Group's officers or directors has resulted in any criminal convictions.

PPC's audit by the European Commission's Directorate-General for Competition

Since February 2017, a European Commission's Directorate-General for Competition audit of the Parent Company is in progress in accordance with Article 20 of the Regulation 1/2003 of the European Union. The audit is carried out pursuant to a relevant Commission's decision dated February 1st 2017 for alleged abuse of a dominant position on the wholesale market for the production of electricity from 2010 onwards. This audit is in progress.

Litigation with "Alouminion of Greece" (ALOUMINION)

1. 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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

The European Commission by a letter in June 12th, 2014, 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. PPC has challenged the Commission's second decision in front of the General Court of the European Union (case T-352/2015). On 31 May 2017 the Court delivered its judgment in favor of PPC in Case C-228/16 P (PPC v Commission, T-639/14, which concerned the annulment of the aforementioned decision of June 12th 2014), in which it accepted the claim of PPC to set aside the above-mentioned order of the General Court of February 9th 2016 (regarding the dismissal of the first above mentioned trial T-639/14) and ordered the case to be referred back to the General Court for a ruling on PPC's claims. The Court therefore referred the case to the General Court of the European Union. Subsequently, on 23 August 2017, the Commission notified PPC of its new Decision (No. (2017) 5622 final), which, according to the text of this new Decision, revokes the letter of 2014 and its confirmatory decision of 2015 replacing them with this new above mentioned Decision. With this new Decision, the Commission has accepted that the measure in question does not constitute state aid for the same reasons as it set out in its repealed Decision of 2015. The deadline for challenging this Decision is two months.

2. 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 26th 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 13th, 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 1st, 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 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 13th, 2011. ALOUMINION has applied in writing for an oral procedure to be conducted before the General Court. The Court has adjudicated this case (for oral proceedings) on July 13th.

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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

Subsequently, the Commission sent a new Letter (May 2nd 2017) indicating that it did not accept ALOUMINION's arguments and called on the Greek authorities to proceed with the temporary recovery of the aid plus an interest and send the relevant supporting documents within twenty (20) working days of receipt of the Commission's letter. PPC sent a letter to ALOUMINIO asking the company to proceed with the payment of the amount of state aid to PPC within the deadline set by the Commission (May 31st 2017). PPC then forwarded this letter to the Central State Aid Unit, which subsequently sent it to the European Commission's Directorate-General for Competition. Subsequently, PPC sent a new extrajudicial document (since July 11th 2017) to ALOUMINIO (already "MYTILINEOS S.A. – GROUP OF COMPANIES") by which PPC called it again to pay the amount of that state aid plus the interest (Euro 21,910,586.96). PPC also stated to ALOUMINIO that if the two-week period set by the extrajudicial document will be expired, in accordance with the European Commission's decision, PPC will take legal action in order to claim the above-mentioned amount of state aid. The above mentioned extrajudicial document was sent to the Central State Aid Unit (LTC-IC) which subsequently sent it to the European Commission's Directorate-General for Competition.

3. Continuation of ALOUMINION Pricing

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 ALUMINION 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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

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 20th 2016 between ALOUMINION and PPC. Under the signed agreement, ALOUMINION proceeded to a prepayment of Euro 100 mil for future electricity bills for the first contractual period July 1st 2016 to June 30th 2017, as well as to a prepayment of Euro 29.1 mil for the second contractual period of July 1st 2017 to June 30th 2018.

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, 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, 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, 2012, but it was postponed for September 26, 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 appealed against the above mentioned decision on June 19th 2017 (Decision 3680/2014 of the Court of Appeals). 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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

Complaint against the European Commission's Decision regarding lignite extraction rights

On May 13th, 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, 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, 2009, the European Commission issued a decision (which was notified to PPC on August 7, 2009), in which the measures for the compliance with the decision of March 5, 2008 were determined 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, Ellasona, 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, 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, 2012.

On March 25, 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 20th, 2012. The hearing of the case took place on October 3, 2013.

On July 17, 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 A .E. " Greek Energy & Development SA " as interveners in support of the Commission and " MYTILINEOS SA.", " PROTERGIA SA " and "ALOUMINIUM SA" 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 15th 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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

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 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, when it was canceled on EMO's initiative. And this, given that in the middle of the litigation lawsuit, the State Council's Decision 1761/2016 cleared the legal challenge of the validity of RAE's Decision 285/2013 which constituted 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.

In addition and following the above mentioned EMO's Information Notes from November 2016, the PPC's BoD under its decision 146/21.12.2016, decided among other things to approve the payment of Euro 71,766,679.78, in twelve (12) equal monthly interest-free installments to the conventional Producers starting from 1.1.2017, regarding the deficits of the Day Ahead Schedule (DAS), due to default of financial obligations by third party suppliers during 2011 and 2012, according to Article 61 of the Power Exchange Code for Electricity, under the condition of signing of an agreement with all the parties involved.

However, 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, 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 on 09.11.2017.

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 together) 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 on the initiative of Elpedison, which is the first applicant, and upon consent of EMO and PPC.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

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 mil. and Euro 3.8 mil. 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 main applicant PROTERGIA THERMAL POWER PLANT AGIOY NIKOLAOS S.A. resigned from its main lawsuit in December 2016, and EMO with its e-mail on 20.03.2017, informed PPC 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 were postponed upon a relevant consensus of all litigants.

In summary, all the aforementioned related trials (lawsuits HERON II , PROTERGIA and EMO’s notices) were 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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

13.3 ENVIRONMENTAL OBLIGATIONS

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. Regarding the projects of the Acheloos River Diversion Scheme to Thessaly, the Decision (11.09.2012) of the European Court of Justice was notified, to which relevant preliminary questions had been addressed by the Council of State referring to the compatibility of the provisions of Law 3481/2006 with the European legal framework. The Council of State by its Decision 26/2014 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.

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 was 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.

Finally, the Joint Ministerial Decision regarding the Environmental Terms for HPP Messochora was signed on 04.08.2017, therefore, the construction of the remaining works and the procedure for expropriation of the remaining land could proceed, in order to make it possible to start the operation of the Project, which is estimated in the 1st half of 2020.

On June 30, 2017 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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

2. 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, 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, 2014 by the Greek authorities and was approved by the EU on July 07, 2014. The Joint Ministerial Decision for TNERP was issued in August 2015 (Nr. 34062/957/E103/2015). Finally, according to the above, SES AgiosDimitrios, 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 within the framework of Directive 2010/75/EU, and is coordinated by the EIPPCB (European IPPC Bureau). With the European Commission's decision 2017/1442 on 31.07.2017, the Conclusions on Best Available Techniques for Large Combustion Plants – BREF LCP were determined under Directive 2010/75/EU. The Decision was published in the Official Journal of the European Union on August 17th 2017. Following the adoption, of the legally binding, conclusions of the revised Manual, additional investments in PPC's major thermal stations may be required.

3. On November 28, 2015 Directive 2015/2193 of the European Parliament and the Council's of November 25th 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 (SO₂), Nitrogen oxides (NO_x) 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, formerly used for 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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

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 the Environmental Permit for Amyntaio and Megalopolis Mines.

CO₂ Emissions

During March and May 2013, CO₂ emission licenses have been issued for all 31 PPC installations, for the 3rd implementation phase of the European Union Emissions Trading System (EU ETS phase III, from 1 January 2013 to 31 December 2020). On November 2015 the license of the Lignite Centre of Western Macedonia thermal station was revoked due to its decommissioning. On May 2017 the licenses of Ptolemaida and Agios Georgios thermal stations were revoked due to their decommissioning, and as a result PPC's bound installations amount to twenty-eight (28).

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 CO₂.

Emission Allowances (CO₂)

According to the current European and National legislation, during the 3rd 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 CO₂ emissions for 2016, the emission allowances that PPC for the period January 1st 2016 to December 31st 2016 amounted to 28.4 Mt. During 2016, PPC has been allocated with about 72.8 thousand emission allowances for district heating emissions.

Based on provisional ex-post data, the CO₂ emissions of the Parent Company's bound plants for the period 01.01.2017 – 30.06.2017 amount to 15.1 Mt. Moreover, according to updated forecasted data, the total CO₂ emissions from 01.07.2017 up to 31.12.2017 are estimated at about 15.8 Mt. It should be noted that the emissions of 2017 will be considered final by the end of March 2018, when the verification of the annual emissions reports (for the year 2017) by accredited third party verifiers is completed. Consequently, the total CO₂ emissions that PPC will have to deliver for the period 01.01.2017 – 31.12.2017 are estimated at 30.9 Mt.

13.4 INVESTMENTS - COMMITMENTS

A new Steam Electric unit 660 MW in Ptolemaida

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 first stage of the implementation of the Convention was completed. On 24.11.2015 the Protocol for unhindered access to the Worksite was signed.

PPC has already paid, in accordance with the conventional provisions, the two advance payments of 197.88 mil. each against relevant Letters of Guarantee of Advance Payment amounting to Euro 226.77 mil. each.

Currently, the submission of studies and plans for the completion of the industrialization of the various parts of the Project as well as for the construction of civil engineer works are underway.

At the same time civil engineer works and the industrialization of the equipment are in progress while the gradual arrival of the equipment at the Project site and the erection of the metal structure of the boiler's main scaffold have already begun.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

On 05.04.2017, following the relevant decision of the Board of Directors of the Company, the Supplement No 1 of the Convention 11 09 5052 of Thermal Projects Engineering – Construction Department was issued. With this Supplement, the Conventional Table of Materials and Prices was replaced with a new Table of Materials and Prices which includes a further analysis of the prices in accordance with a relevant conventional term.

On 30.06.2017 the total expenditure for the Project amounted to Euro 605 mil.

A new diesel engine Power Plant 115,4MW in South Rhodes 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 2016 due to the provisions of EIA (Environmental Impact Assessment) were restarted, and the installation on land of the oil pipeline from the Station to the coastal installations as well as the immersion of the subsea oil pipeline were completed.

The construction works of the coastal installations were completed.

The trial operation of the units is expected to start at the end of 2017 and they will be gradually put into normal operation early 2018.

On 30.06.2017 the total expenditure for the project amounts to Euro 160 mil.

A new combined cycle unit at Megalopolis 811MW

The Unit was conventionally put into commercial operation on 27.01.2016. Performance tests of the Unit have already been executed and the evaluation report for the said tests was submitted by the Third Party. Moreover, the compliance tests of the Unit with the Management Code of the Greek Transmission System were executed. The Temporary Acceptance Procedure of the Unit is in progress.

On 30.06.2017 the total expenditure for the Project amounted to Euro 515 mil.

13.5 PPC RENEWABLES (PPCR)

Hybrid Project in Ikaría

The project of a 6.85 MW total capacity combines the utilization of two renewable energy sources, Wind and Hydroelectric. Until today, material supplies and works have been completed at a rate of about 85%. The completion of the project delayed significantly due to contractual disputes with the contractor and excess of budget. At this stage, works are restarted in order the wind park and SHPP Proespera to be in operation at the end of 2017. The total project will be completed at the beginning of 2019.

Research, Development and Exploitation Rights of the geothermal fields

The Company has leased from the Greek State the geothermal Research and Management rights of 4 non-investigated public mining sites: a) Milos-Kimolos-Polyagos, b) Nisyros, c) Lesvos and d) Methana.

While maintaining the exclusive Research and Management rights, the Company seeks a Partner to co-exploit the geothermal areas for power generation. For this purpose, following a tender, the Company has commissioned a consortium of Financial and Technical Services Consultants to prepare and carry out the Partner Finding and Selection process, aiming at the construction and operation of the geothermic power stations, in the aforementioned 4 leased areas.

On 10/6/2017 the "Call for Expressions of Interest for the Selection of a Partner in the field of geothermal power generation (installation of geothermal power plants)" was published. The deadline for submitting expression of interest expired on 04/08/2017. Those selected at the first phase, will be invited to submit Binding Tenders, at a second phase. According to our planning, the final selection of the Partner is expected to be completed by December 2017.

Biomass project

The Company has accelerated the process for the project "Installation and Operation of Biomass Combustion Plant for the production of electrical and thermal energy" in Amyntaio, Florina. For this purpose, in collaboration with the European Bank for Reconstruction and Development (EBRD), a study entitled "Technical Review and Project Preparation for a Biomass CHP Plant", is being prepared, with the following deliverables:

- Assessment of the availability of raw material.
- Investigation of the suitability of alternative technologies.
- Financial analysis of the project and preparation of the procedures.

The study is scheduled to be completed by the end of August 2017. Subsequently, the Company intends to launch a tender for the selection of a Partner for the joint implementation of the project.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

Repowering of SHPP Louros

The public tender concerning the assignment of the project for the modernization and renovation of SHHP LOUROS (8.7 MW) was completed with the award of the Contractor. On 28.04.2017 the construction contract was signed with the partner companies «ABB S.A.» and «EMEK S.A.». The reconstruction works were started and the project will be delivered in 22 months.

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 0061/16/5300 and 0062/16/5300 have been declared unsuccessful, as there was no offer for these Tenders until the expiration of the submission deadline on 02.03.2017 and 03.03.2017, respectively.

PPC Renewables S.A. plans to reissue the International Public Tenders for the construction of the above mentioned Wind Parks. However this time, there should be separate tenders for the Supply of the Wind Turbines and for the implementation of Civil and Electrical Engineering projects, instead of Turn-Key Tenders for the construction of the Wind Parks, according to last Tenders.

Statute Amendment - Expanding Activities

PPC RENEWABLES S.A. decided to extend its activities and to expand in foreign markets. For this purpose, the Company's statute was amended by decision of the General Meeting of 06.06.2017, in order to include the additional activities a) supply, installation, commissioning and technical support of energy systems, b) provision of energy services to consumers' installations with energy efficiency contracts and provision of energy-saving services, c) waste management and d) treatment of seawater or brackish water for desalination, the trade of drinking water or irrigation.

Partnerships – Financing of activities

PPC RENEWABLES S.A. is available for business partnerships with investors - strategic partners in order to implement its investment program. The Company is also examining funding opportunities for the repowering of existing projects or new projects by commercial banks, the European Investment Bank, the European Bank for Reconstruction and Development or other international organizations.

In this context, on 23.08.2017 a memorandum of cooperation was signed, between PPCR and the Chinese SUMEC Group, for the development of RES projects in Greece and neighboring countries, as well as for the provision of energy services and in particular energy saving, a field in which SUMEC has extensive experience.

13.6 BUSINESS COLLABORATION

Memorandum of Cooperation between PPC and DEPA

On 08.09.2016, PPC and DEPA signed a memorandum of cooperation 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 and have recruited a specialized Consultant for the preparation of a Relevant Feasibility Study for the purpose of implementing the Memorandum of Understanding

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. The PPC-CMEC MoU will also depend on the disinvested PPC's portfolio of power generating stations (Decision 57/2017 of the Government's Council for Economic Policy), which will be finally agreed between the Government and the European Commission.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

Moreover, on October 24th 2016 PPC and CMEC signed a Strategic Cooperation Agreement, under which the two companies will examine in the future their cooperation for investing in Greece and other countries of interest. In the period 16-19 Jan. 2017 a group of CMEC experts visited Meliti Plant and the Mines which feed it, for data collection and talks with the respective PPC team.

Recruitment of Strategy Advisor

Within the second Quarter of 2017, the Parent Company's BoD decided to award to McKinsey & Company the support work on the configuration of structural measures which are required for the further liberalization of electricity market and the updating its Strategic and Business Plan.

Project for the 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.

Collaboration framework with DEPA S.A.

The conventional pending issues of years 2013-2016 between PPC and DEPA, which had been arisen from the unilateral determination of the implementation of the new DESFA transportation tariffs by DEPA as far as the usage cost of borders' entry points is concerned, as well as the pricing of natural gas purchases, were settled.

Furthermore, it should be noted that an additional expenditure of Euro 24 mil. (including interest) occurred to 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. The above mentioned expenditure burdened the results for the year 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 the Parent Company 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 approaching 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. Moreover, 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.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

13. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

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 1:4 ratio (a recruitment for every four employees leaving) for the year 2017 and 1:3 ratio for the year 2018 of all the broader public sector bodies. 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.

14. SIGNIFICANT EVENTS

LARCO Tariffs

PPC's BoD by its decision Nr. 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 January 12th 2017. The EGM by its decision dated January 12th 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. Article 3(ii) of the Pricing Terms provided that for securing PPC's future contractual claims, an amount of at least Euro 3 mil. from each of LARCO's monthly electricity bill will be paid directly by the largest customers of LARCO, by virtue of the assignment of equal claims of LARCO from them. Then and before signing the relevant contract, LARCO declared inability to abide by this term and proposed the reformation of the term in question through a monthly pledge of at least Euro 3 mil. on its bank account. As a result, the Board of Directors by its Decision Nr. 38 / 30.03.2017 approved and recommended to the General Meeting the amendment in question. The EGM by its Decision dated 12.06.2017 approved the above mentioned amendment.

It is noted that LARCO's General Shareholders' Meeting by its Decision on March 29th 2017, also approved the draft of the above mentioned Supply Agreement in order for an Electricity Supply Agreement to be signed between the parties. Following the approvals of the General Meetings of the two companies, the Electricity Supply Agreement was signed on June 21st 2017.

Commercial policy and Management of overdue debts

PPC, in order to manage the problem of overdue debts, proceeded in making decisions and implementing combining actions with key objectives:

- Limiting the rate of increase of debts and protecting PPC from new doubtful receivables
- Improving the collectability and enhancing the liquidity
- Improving consistent customers' behavior through incentives and enhancing the sustainability of settlements
- Limiting those customers who do not pay constantly as well as customers with delinquent behavior (incidents of electricity thefts, violation of the metering devices)

More specifically:

PPC provided a Settlement Program of thirty six (36) installments for all customers with a duration from 01.04.2016 to 10.01.2017. At the same time, the Rewarding Program "CONSISTENCY" was implemented since April 2016 with a discount of 10% to the consistent business customers, while since July 2016 the discount increased to 15% with the Program expanding to consistent residential customers.

Taking into account the results of the above mentioned Programs, PPC provided in 2017 new Settlement Programs, focusing its efforts on individual customer segments in combination with the amount of their debt. It also launched special Programs for certain categories of customers namely the "Second Chance" Program for those customers who have not been able to meet their debt settlement, as well as the Program for customers with debts up to Euro 500.

Since there is a client portion with greatly reduced response, despite the flexible Program of 36 installments and the incentives for consistency in paying bills and installments, the Company proceeded with a tender for the recruitment of a consultant regarding the Company's collectability. We expect that this consultant will not propose horizontal solutions, but measures and products based on international practices of individualized approach, which will be more effective for both the Company and customers. The Company's aim is not only to improve liquidity, but to upgrade customer relationships, a more meaningful communication with each customer individually, who will have a consultant next to him and not a simple collector.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

14. SIGNIFICANT EVENTS (CONTINUED)

At the same time PPC maintained the Rewarding Program "CONSISTENCY", while from the beginning of 2017 provides the Program "Prepaid Account" in all large corporate customers with a discount of 6%, if they choose to prepay the total value of one year bills. This program expanded to residential, business and agricultural customers from mid-June 2017.

Landslide of Amyntaio Mine

On June 10th 2017, a materials' landslide of a large scale occurred in Amyntaio Mine of the Western Macedonia Lignite Center which included a large part of the mine excavation area. The landslide and the masses that shifted were about 80 million cubic meters resulting in severe damages to part of the mine's fixed equipment.

In particular four of the six excavators were affected and part of the lignite conveyor equipment. One of the four affected excavators is directly repairable at a low cost.

The direct financial impacts are related to the damage occurred to the fixed equipment, the value of which has been depreciated significantly. In any case, its replacement is not necessary given that the remaining equipment, combined with contractors' equipment, if required, is sufficient to cover the needs of SES Amyntaio.

The long-term impacts concern the part of the field that may not be fully exploitable, the value of which will be evaluated after a drilling survey. In any case, the deposits of the 28 million tonnes remaining in the mine, are related to the expansion of the operation of SES Amyntaio Units, following their relevant environmental upgrading for the decade 2021-2030. It is estimated that a significant part of the deposit will be recovered using the company's equipment and contractors' equipment.

For the operation of the Units as they are, under the known 17,500 hour limited operating regime, there is a sufficient portion of the deposit that has not been affected by the landslide and its extraction will start before the beginning of the winter season. It is noted that the deposit of the Amyntaio Mine before the landslide corresponded to 5-7% of PPC's total deposits. Moreover, for the supply of SES Amyntaio, the exploitation of the adjacent Lakkias' deposit has already begun by using contractors' equipment.

The findings of landslide were completed and submitted by the professor's Committee of NTUA and AUTH and by the managers and former managers of PPC. The main conclusions are that, the landslide was caused by a confluence of many factors and that this is not a typical phenomenon, in the sense that it is not caused by common factors of Mines' landslides. The findings are being studied by the PPC's services and detailed information and explanations for its conclusions will be provided to the competent bodies.

Finally with regard to the expropriation and relocation of the Anargyri Village the exact imprinting will be available after the provided statutory actions and procedures.

Lawsuit of EMO against HEDNO

On June 19th 2017, HEDNO S.A. served a notice to PPC on EMO's lawsuit against HEDNO S.A. With this notice HEDNO S.A. asks PPC S.A. to intervene in favor of HEDNO S.A. in the trial in which EMO claims from HEDNO S.A. debts from invoices. In particular, EMO S.A. with its lawsuit claims amounts with interest from partially paid and unpaid invoices which incorporate receivables from the RES Special Account in the Non Interconnected Islands (mainly debts from ETMEAR, PVs on rooftops, RES Generation in the Non Interconnected Islands and balancing of the Special Account in the Non Interconnected Islands). The claim from EMO's part amounts to approximately Euro 140 mil. while interest due for late payment amounts to Euro 3.6 mil. PPC participated in this trial by submitting proposals on 11.9.2017. A decision is pending.

15. SUBSEQUENT EVENTS

Repayment of loans and new loans

In August 2017, the Parent Company, drew from the European Investment Bank, the amount of Euro 30 mil., for the project "Distribution VI" of a total financing line of Euro 415 mil., bearing the Greek Republic's guarantee.

In September 2017, the Parent Company, drew an amount of Euro 168 mil. regarding a Bond Loan of an amount of Euro 739 mil., for financing part of the construction cost of the new Lignite Unit Ptolemaida V with a consortium of foreign banks supported by the German Export Credit Insurance Organization "Euler Hermes".

Memorandum of Cooperation between PPC and China Development Bank (CDB)

In the context of the 82nd Thessaloniki International Fair and the Conference organized by PPC with subject "Investment Opportunities in Southeastern Europe – Trends and Challenges in the Energy Sector", a Memorandum of Cooperation between PPC and China Development Bank (CDB) was signed on September 9th.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

15. SUBSEQUENT EVENTS (CONTINUED)

The Memorandum provides for the development of a strategic partnership between PPC and CDB to finance projects in the energy sector in Greece and in the wider region, including the Balkans, Eastern Europe, Turkey and the Middle East.

CDB is a development bank under the direct supervision of the Council of the State of China and is one of the largest financial institutions in the world.

Memorandum of Cooperation between PPC and the Chinese Company SHENHUA

In the context of the 82nd Thessaloniki International Fair, a Memorandum of Cooperation between PPC and Shenhua Group Corporation Limited of China was signed on September 10th 2017. The Memorandum of Cooperation provides for cooperation between PPC and SHENHUA in various mutually beneficial sectors, including electricity generation and RES projects, research and development, energy efficiency, natural gas infrastructure, etc., both in Greece and in the wider region including the Balkans, Eastern Europe, Turkey and the Middle East.

SHENHUA is one of the largest and most technologically advanced energy companies in China with activities ranging from coal and energy, to railways, ports and shipping.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30th, 2017

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

16. SEGMENT INFORMATION

Sales and inter segment results are as follows:

	Sales		Net Profit (Loss)	
	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016	01.01.2017 – 30.06.2017	01.01.2016 – 30.06.2016
<u>Interconnected system</u>				
Mines	295,346	226,726	(4,203)	(112,323)
Generation	802,070	542,686	(103,049)	(290,077)
Distribution Network	158,232	146,486	118,761	65,002
Supply	<u>2,486,267</u>	<u>2,631,428</u>	<u>(150,640)</u>	<u>227,521</u>
	3,741,915	3,547,326	(139,131)	(109,877)
<u>Creta Network</u>				
Generation	209,570	168,647	36,401	25,806
Distribution Network	10,902	11,690	8,505	4,046
Supply	<u>310,336</u>	<u>330,062</u>	<u>24,601</u>	<u>38,959</u>
	530,808	510,399	69,507	68,811
<u>Non-Interconnected Islands System</u>				
Generation	201,174	173,292	20,616	10,857
Distribution Network	12,194	10,941	8,599	2,825
Supply	<u>319,495</u>	<u>316,423</u>	<u>41,025</u>	<u>45,321</u>
	532,863	500,656	70,240	59,003
Parent Company Eliminations	(2,389,491)	(1,953,368)	6,261	20,704
Total (Parent Company)	2,416,095	2,605,013	6,877	38,641
IPTO S.A.	-	694,714	-	55,648
HEDNO S.A.	1,221,027	866,083	25,586	14,079
Other Subsidiaries – Affiliates	59,754	46,852	3,115	5,953
Group Eliminations	(1,212,568)	(1,548,162)	6,776	(21,812)
Group Income tax	-	-	(27,972)	(35,407)
Grand total (Group)	2,484,308	2,664,500	14,382	57,102