



**PUBLIC  
POWER  
CORPORATION S.A.**

# **Annual Report 2012**

**June  
2013**

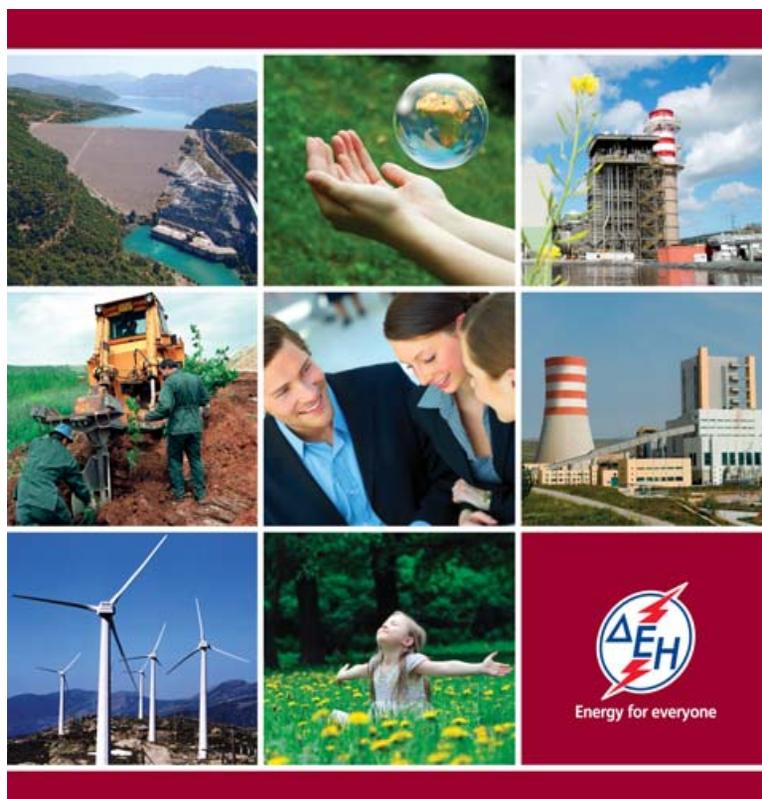


**Energy for everyone**



# ANNUAL REPORT 2012

01.01 - 31.12.2012



ATHENS, JUNE 2013

ANNUAL  
REPORT  
2012



## TABLE OF CONTENTS

| <b>PART A'</b> |  | <b>Page</b> |
|----------------|--|-------------|
| <b>1</b>       | Selected Financial & Operating Data  | <b>6</b>    |
| <b>2</b>       | Company Information  | <b>9</b>    |
| <b>3</b>       | Organizational Structure, Management - Corporate Governance, Employees           | <b>13</b>   |
| <b>4</b>       | Share Capital - Dividend   | <b>15</b>   |
| <b>5</b>       | Associates and Subsidiaries  | <b>17</b>   |
| <b>PART B'</b> |  |             |
| <b>1</b>       | Annual Financial Report  | <b>21</b>   |
|                | - Statement of Members of the Board of Directors                                 | <b>23</b>   |
|                | - Executive Summary of the Board of Directors                                    | <b>25</b>   |
|                | - Consolidated and Separate Financial Statements                                 | <b>77</b>   |
|                | - Notes to the Financial Statements  | <b>93</b>   |
|                | - Appendix I   |             |
|                | - Unbundled Financial Statements   | <b>187</b>  |
|                | - Notes to the Unbundled Financial Statements                                    | <b>208</b>  |
| <b>2</b>       | Distribution of Profits for the Year 2012  | <b>215</b>  |
| <b>3</b>       | Condensed Financial Data and Information<br>for the Year 01.01.2012 - 31.12.2012 | <b>217</b>  |
| <b>4</b>       | Related Parties Transactions   | <b>229</b>  |
| <b>5</b>       | Announcements to the ASE 2012  | <b>231</b>  |

ANNUAL  
REPORT  
2012



# PART **A'**

# 1 Selected Financial and Operating Data

## Summary Financials (Euro million)

|   | GROUP   |                      | Δ%      |
|---|---------|----------------------|---------|
|   | 2012    | 2011                 |         |
| Total Revenues                                    | 5,985.2 | 5,513.6              | 8.6%    |
| EBITDA  | 990.9   | 779.8 <sup>(1)</sup> | 27.1%   |
| EBITDA Margin                                     | 16.6%   | 14.1% <sup>(1)</sup> |         |
| Profit/(Loss) before Taxes & Fin. Expenses (EBIT) | 331.0   | 122.5                | 170.3%  |
| EBIT Margin                                       | 5.5%    | 2.2%                 |         |
| Net Income/(Loss)                                 | 30.5    | (148.9)              | -120.5% |
| EPS/(Loss) (In euro)                              | 0.13    | (0.64)               |         |
| No of Shares (million)                            | 232     | 232                  |         |
| Net Debt  | 4,679.0 | 4,702.7              | -0.5%   |

## Summary Balance Sheet & Capex (Euro million)

|                     | GROUP    |          | Δ%     |
|---------------------|----------|----------|--------|
|                     | 2012     | 2011     |        |
| Total Assets        | 16,059.1 | 16,644.8 | -3.5%  |
| Net Debt            | 4,679.0  | 4,702.7  | -0.5%  |
| Total Equity        | 5,854.5  | 6,500.4  | -9.9%  |
| Capital expenditure | 820.6    | 1,107.6  | -25.9% |

(1) Reclassifications have taken place for comparative reasons.

| PARENT COMPANY |                      | Δ%      |
|----------------|----------------------|---------|
| 2012           | 2011                 |         |
| 5,887.9        | 5,180.3              | 13.7%   |
| 812.3          | 533.7 <sup>(1)</sup> | 52.2%   |
| 13.8%          | 10.3% <sup>(1)</sup> |         |
| 217.1          | (63.7)               | -440.8% |
| 3.7%           | -1.2%                |         |
| 17.1           | (272.9)              | -106.3% |
| 0.07           | (1.18)               |         |
| 232            | 232                  |         |
| 4,239.0        | 4,200.9              | 0.9%    |

| PARENT COMPANY |          | Δ%     |
|----------------|----------|--------|
| 2012           | 2011     |        |
| 14,996.1       | 15,640.2 | -4.1%  |
| 4,239.0        | 4,200.9  | 0.9%   |
| 5,786.8        | 6,351.7  | -8.9%  |
| 717.2          | 1,002.3  | -28.4% |

# ANNUAL REPORT 2012



## 2 Company Information

### 2.1 General Information

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

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

In accordance with article 3 of the Articles of Incorporation, currently the object of the Company is:

- a) the engagement in commercial and industrial activities in the energy sector, in Greece and abroad. These activities shall include, but not be limited to:
  - the study, supervision, construction, exploitation, maintenance and operation of power plants,
  - the supply and sale of electricity,
  - the extraction, production and supply of energy raw materials,
  - the assignment to third parties, by virtue of contract, of any activity similar to those set forth herein above.
- b) the engagement in commercial and industrial activities in the telecommunications sector, the provision of services to third parties related to projects study, management and supervision issues, the provision of training services and services of occupational health and safety to third parties, the provision of services to third-party Companies on organization and information technology issues, as well as the exploitation of all kinds of assets held by the company.
- c) the establishment of companies, the participation in joint ventures, as well as, the acquisition of shares of other companies, Greek or foreign, and, in general, the participation in enterprises pursuing aims similar to those under (a) and (b) of this paragraph or, the activities of which (enterprises) are directly or indirectly related to the objective of the company or which have as objective the profitable use of the movable or immovable assets of the company and the exploitation of its resources.

In order to attain the objectives referred to in the preceding paragraph, PPC S.A. may, in particular: a) conclude any kind of contracts or agreements with domestic or foreign natural or legal persons and inter-state organizations, b) participate in the capital of existing companies or in the capital of companies to be established in the future, grant loans to the said companies and furnish guarantees in their favor, c) issue any bonded loans of any nature whatsoever and participate in the share capital of companies to which the company has granted loans through the conversion or not of the bonds of the aforesaid loans into shares.

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

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

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

| Branch of Economic Activity (STAKOD 08)                              | Total revenues 01.01.2012 – 31.12.2012 |
|--|--|
| «Generation, transmission and distribution of electric energy», 35.1 | € 5,985.2 million                      |

## 2.2 Historical background

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

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

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

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

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

The Hellenic Republic further reduced its stake in PPC through secondary offerings in December 2002 and October 2003 and now holds 51.12% of the company's share capital.

## 2.3 Overview of Company's activities

PPC S.A. is Greece's largest electricity generator and supplier, providing electricity to approximately 7.4 million customers.

PPC currently holds assets in lignite mines, power generation, transmission and distribution. PPC's current power portfolio consists of conventional thermal and hydroelectric power plants, as well as RES units, accounting for approximately 68% of the total installed capacity in the country.

PPC is active in the RES sector through its subsidiary company "PPC Renewables S.A." (PPCR), with a portfolio of wind farms, small scale hydroelectric plants as well as photovoltaic plants of total installed capacity of 116 MW (excluding the plants that PPCR participates through joint ventures, with 29 MW of their installed capacity accounting for PPCR).

Most of the country's electricity is generated at power plants in Northern Greece, in close proximity to the majority of the lignite mines, which is the primary fuel source.

Some of the islands, in close proximity to the mainland, such as the Ionian islands and certain Aegean islands, are connected to the mainland transmission system through submarine cables ("the Interconnected System").

The remaining islands, which are referred to as "the non-interconnected islands", are served by autonomous generating power plants (oil-fired). In some of the islands, demand is also covered by RES facilities. The largest power plants in the non-interconnected islands are in Crete and Rhodes (with total thermal capacity exceeding 1,000 MW).

In 2012, PPC's electricity generation including electricity imports, covered 66.7% of total demand. In addition, the Company imported 2 TWh in order to cover the needs of its customers.

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

The following table shows selected operating data for the electricity operations for the three years ended 31st December 2012, 2011 and 2010:

| <b>Year ended at 31st December</b>                            | <b>2012</b> | <b>2011</b>           | <b>2010</b>           |
|---|-------------|-----------------------|-----------------------|
| <b>Installed Capacity (GW)</b>                                | 12.5        | 12.8                  | 12.8                  |
| <b>Net Generation (TWh) <sup>(1)</sup></b>                    | 40.3        | 41.5                  | 45.5                  |
| <b>Electricity sold to end customers (TWh) <sup>(2)</sup></b> | 52.8        | 49.3                  | 51.6                  |
| <b>Customers year end (in million)</b>                        | 7.4         | 7.3                   | 7.5                   |
| <b>Number of employees</b>                                    | 19,998      | 20,821 <sup>(3)</sup> | 21,845 <sup>(3)</sup> |
| <b>Customers served per employee</b>                          | 369         | 351                   | 343                   |
| <b>Electricity sold per employee (MWh) <sup>(2)</sup></b>     | 2,641       | 2,368                 | 2,362                 |

(1) Net generation equals gross generation of electricity less internal consumption of electricity in the generating process.

(2) Including domestic sales and exports.

(3) Excluding the employees of former HTSO S.A.

In 2012, PPC's power generation mix involves generation from lignite (68.4%), oil (11.9%), natural gas (9.4%), hydroelectric (9.7%) and renewable energy sources (0.6%).

## 2.4 Challenges and Strategic priorities

PPC is currently faced with important changes, mainly relating to the regulatory framework governing the energy market liberalization, which impact significantly its operating model.

In this new competitive landscape, that is shaping up, PPC's strategic priorities are:

- cost cutting actions, over and above the significant reduction in total payroll cost achieved,
- investments in new, more efficient and environmental friendly units, for the replacement of old and inefficient plants, with the implementation of strict criteria so as to optimize the use of resources and secure the maximum possible return for the Company,
- focus on customer-centered sales philosophy in conjunction with the rationalization of tariffs, and the abolition of the current distortions in the electricity market,
- optimization of business and financial risks management,
- promotion of renewable investments in order to increase their participation in our energy mix,
- expansion in foreign markets through partnerships.

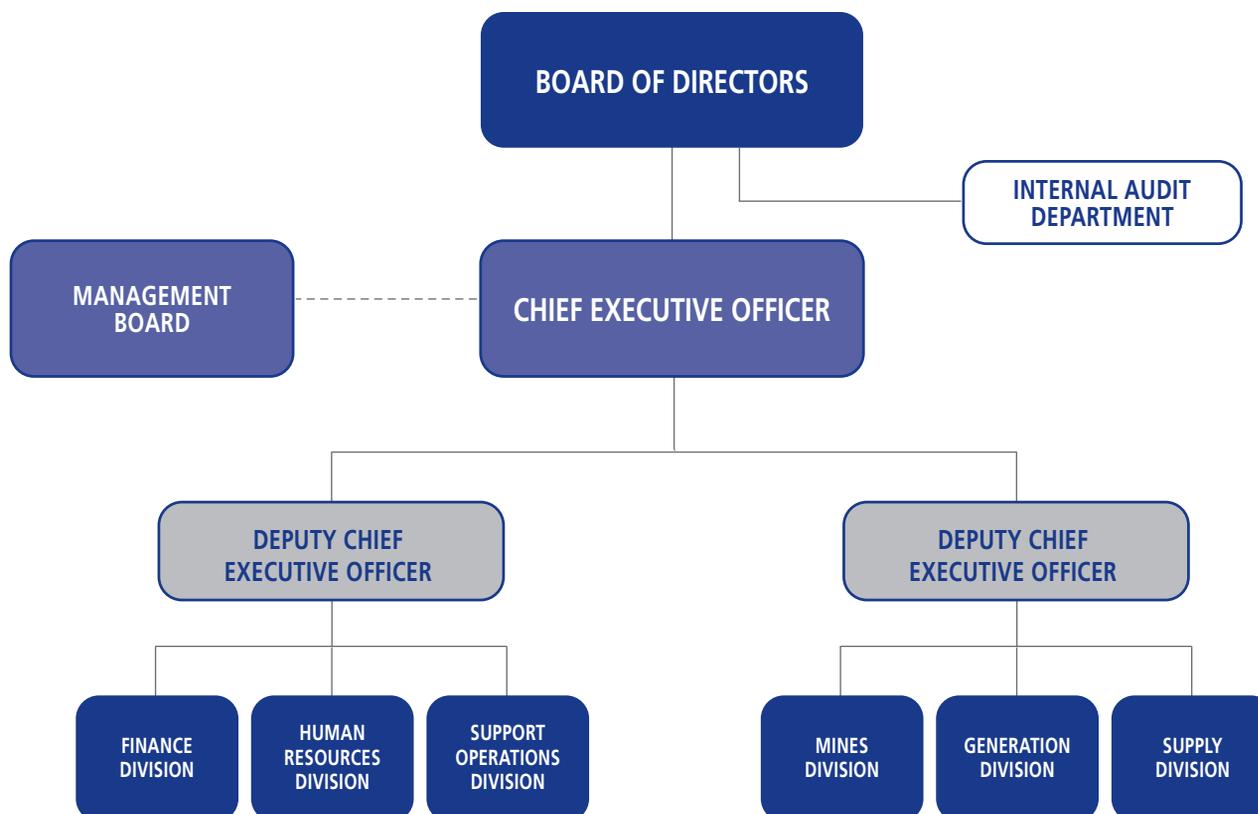
The current environment for the Greek economy in general and the electricity market, as well as the Company in particular, continues to be characterized by significant risks associated with persisting recessionary conditions and lack of liquidity in the economy and the banking sector.

Taking into account the already achieved significant productivity improvement, the long-term sustainability and growth of the Company cannot any longer rely only on internal actions for further streamlining operations, but requires also a regulatory framework which ensures healthy competition with the immediate lifting of distortions burdening, with no reason, the end consumer and the economy.

In addition, it requires the improvement of the economic conditions and liquidity, as well as the Company's ability to retain and attract experienced and skilled personnel, in accordance with corporate practices of similar European companies, which are listed and operate in competitive environment.

## 3 Organizational structure, management-corporate governance, employees

### 3.1 Organizational Structure (on 31/12/2012)



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

The following changes have taken place post 31.12.2012:

- The position of "Supervisor of Network Subsidiaries" was established, reporting directly to the Chief Executive Officer, supervising the Network Subsidiaries of PPC SA (IPTO S.A. and HEDNO S.A.).
- The positions of Deputy Chief Executive Officers were increased to three and the areas of supervision are split as follows:
  - General Divisions of Mines, Generation and Supply,
  - General Divisions of Finance and Human Resources and
  - General Division of Support Operations and the Departments of Strategy and Energy Management.

## 3.2 Management - Corporate Governance

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

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

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

The corporate governance code is posted on the web site of the Company:

[Home Page/PPC/Company profile/Corporate Governance](#)

**The Board of Directors on 31/12/2012 consisted of:**

| NAME               | POSITION                                 |
|--------------------|--|
| ZERVOS Arthouros   | CHAIRMAN BOD / C.E.O. / EXECUTIVE MEMBER |
| THEOS Konstantinos | VICE CHAIRMAN BOD – EXECUTIVE MEMBER     |

### MEMBERS

|                          |   |
|--------------------------|---|
| EKATERINARI Ourania      | EXECUTIVE MEMBER  |
| ALEXAKIS Panagiotis      | INDEPENDENT-NON EXECUTIVE MEMBER,<br>REPRESENTATIVE OF THE MINORITY SHAREHOLDERS                |
| ANTONIOU Ilias           | INDEPENDENT-NON EXECUTIVE MEMBER,<br>REPRESENTATIVE OF THE GREEK ECONOMICS AND SOCIAL COMMITTEE |
| VASSILOGEORGIS Charilaos | INDEPENDENT-NON EXECUTIVE MEMBER  |
| VERNIKOS Nikolaos        | INDEPENDENT-NON EXECUTIVE MEMBER  |
| THOMOGLOU Pavlos         | INDEPENDENT-NON EXECUTIVE MEMBER,<br>REPRESENTATIVE OF THE MINORITY SHAREHOLDERS                |
| KARAVASSILIS Ioannis     | NON EXECUTIVE MEMBER / REPRESENTATIVE OF EMPLOYEES  |
| KONSTANTOPOULOS Ioannis  | INDEPENDENT-NON EXECUTIVE MEMBER  |
| BOUZOULAS Evangelos      | NON EXECUTIVE MEMBER / REPRESENTATIVE OF EMPLOYEES  |

The Board of Directors of PPC S.A., during its meeting held on March 14th, 2013, elected Mr. Konstantinos Dologlou (Executive Member) and Mr. Konstantinos Zontanos (Independent – Non Executive Member), in replacement of the resigned members Mr. K. Theos and Mr. I. Konstantopoulos, and for the rest of their term of office, that is until 29.06.2013. Mr. K. Theos has remained as a Deputy CEO. In addition, the Board of Directors of PPC S.A. decided the election of Mr. Konstantinos Dologlou to the position of Vice Chairman of the BoD. Finally, as of 27.05.2013, Mr. Pantelis Karaleftheris and Mr. Nikolaos Fotopoulos were elected as members of the Board of Directors as representatives of employees, in replacement of Mr. Ioannis Karavassilis and Mr. Evangelos Bouzoulas whose term of office expired.

### 3.3 Employees

The total workforce consisted of 19,998 full time employees at 31st December 2012. The following table shows a breakdown of employees by category on the dates indicated:

| CATEGORY                             | 2012          | 2011                        |
|--------------------------------------|---------------|-----------------------------|
| PPC S.A.                             |               |                             |
| Administration                       | 1,429         | 2,170                       |
| Generation                           | 5,156         | 5,474                       |
| Transmission <sup>(1)</sup>          |               | 1,369                       |
| Distribution <sup>(2)</sup>          |               | 6,724                       |
| Supply                               | 930           | 959                         |
| Mines                                | 3,837         | 4,108                       |
| <b>TOTAL on the 31st December</b>    | <b>11,352</b> | <b>20,804</b>               |
| IPTO S.A.                            |               |                             |
|                                      | 1,512         |                             |
| HEDNO S.A.                           |               |                             |
|                                      | 7,117         |                             |
| PPC Renewables S.A.                  |               |                             |
|                                      | 17            | 17                          |
| <b>TOTAL on the 31st of December</b> | <b>19,998</b> | <b>20,821<sup>(3)</sup></b> |

(1) The spin-off of the Transmission segment and its contribution to the 100% subsidiary IPTO S.A. was completed within November 2011.

(2) As of May 2012, the Hellenic Electricity Distribution Network Operator S.A. (HEDNO S.A.) became operational.

(3) Excluding the employees of former HTSO S.A.

## 4 Share capital - Dividend

### 4.1 Share capital

PPC's share capital amounts to € 1,067,200,000, divided into 232,000,000 common shares of nominal value € 4.60 each.

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

The Company's shares are traded in the «Large Cap» category of the Athens Exchange (ATHEX), while in the London Stock Exchange they are traded in the form of Global Depositary Receipts (GDRs).

The company's shares are included in a number of indices such as: ATHEX Composite Share Price Index, DKO, FTSEA, FTSE, GT30TR, FTSECE, GT30P, GT30R, GT30TP, FTSENTR, SAGD, HELMSI, MSCI-Greece.

## 4.2 Shareholding Structure

The Company's shareholding structure as at 31st December 2012 was as follows:

| Shareholders  | Percentage     |
|---|----------------|
| Greek State <sup>(1)</sup>                                    | 51.12%         |
| IKA-ETAM/TAP-PPC and TAYTEKO/TEAPAP-PPC (PPC's Pension Funds) | 3.81%          |
| Institutional Investors & general public <sup>(2)</sup>       | 45.07%         |
| <b>TOTAL</b>  | <b>100.00%</b> |

### Note<sup>(1)</sup>

*In September 2012 the Hellenic Republic Asset Development Fund (HRADF) was appointed as proxy holder of the Hellenic Republic, entitled to exercise at its sole discretion, in the most appropriate way and without any guidance by the shareholder "Hellenic Republic", the voting rights of 39,440,000 ordinary shares with voting right (namely 17% of the existing share capital of the Company) without any transfer of the Hellenic Republic voting rights on PPC S.A. to HRADF.*

*The duration of such proxy is thirty six (36) months as of the date of signing of the relevant agreement, unless the objective of the proxy, is achieved earlier.*

### Note<sup>(2)</sup>

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

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

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

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

The Members of the Board possessed on 31.12.2012 in total 0.00067% of PPC's share capital.

## 4.3 Dividend

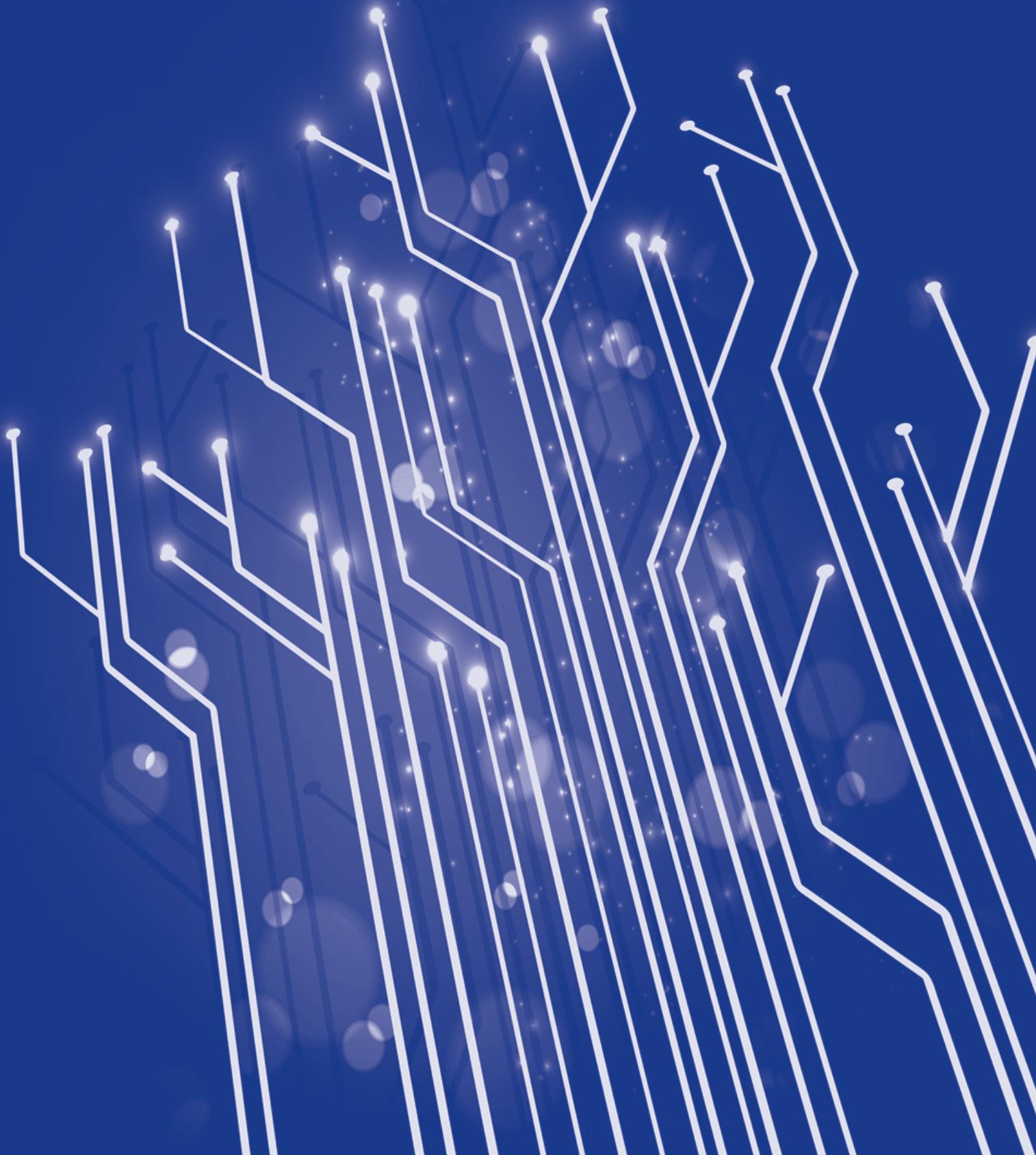
The Board of Directors of PPC decided to propose to the Annual General Meeting of shareholders a dividend payment of € 5.8 million for the year 2012.

## 5 Associates and Subsidiaries

The following table presents the participation of PPC S.A. in other companies as at 31/12/2012.

| <b>PPC S.A.</b>                                | <b>Ownership<br/>31.12.2012</b> |
|--|---------------------------------|
| PPC RENEWABLES S.A.                            | 100%                            |
| HEDNO S.A. (former PPC RHODES S.A.)            | 100%                            |
| IPTO S.A (former PPC Telecommunications S.A.)  | 100%                            |
| PPC FINANCE PLC                                | 100%                            |
| PPC Quantum Energy Ltd                         | 51%                             |
| LARCO S.A.                                     | 11.45%                          |
| WASTE SYCLO S.A.                               | 49%                             |
| <b>PPC Renewables S.A.</b>                     | <b>Ownership<br/>31.12.2012</b> |
| PPC RENEWABLES ROKAS S.A.                      | 49.0%                           |
| PPC RENEWABLES TERNA ENERGIKI S.A.             | 49.0%                           |
| PPC RENEWABLES NANKO ENERGY – MYHE GITANI S.A. | 49.0%                           |
| PPC RENEWABLES MEK ENERGIKI S.A.               | 49.0%                           |
| PPC RENEWABLES ELTEV AIFOROS S.A.              | 49.0%                           |
| PPC RENEWABLES EDF EN GREECE S.A.              | 49.0%                           |
| EEN VOIOTIA S.A.                               | 46.6%                           |
| GOOD WORKS S.A.                                | 49.0%                           |
| AIOLIKO PARKO LOYKO S.A.                       | 49.0%                           |
| AIOLIKO PARKO BAMBO VIGLIES S.A.               | 49.0%                           |
| AIOLIKO PARKO KILIZA S.A.                      | 49.0%                           |
| AIOLIKO PARKO LEFKIVARI S.A.                   | 49.0%                           |
| AIOLIKO PARKO AGIOS ONOUFRIOS S.A.             | 49.0%                           |
| RENEWABLE ENERGY APPLICATIONS LTD              | 49.0%                           |
| PHOIBE ENERGIKI PHOTOVOLTAIKA S.A.             | 100%                            |
| ARKADIKOS ILIOS ENA S.A.                       | 100%                            |
| ARKADIKOS ILIOS DIO S.A.                       | 100%                            |
| ILIAKO VELOS ENA S.A.                          | 100%                            |
| ILIAKO VELOS DIO S.A.                          | 100%                            |
| SOLARLAB S.A.                                  | 100%                            |
| ILIAKA PARKA DITIKIS MAKEDONIAS ENA S.A.       | 100%                            |
| ILIAKA PARKA DITIKIS MAKEDONIAS DIO S.A.       | 100%                            |

ANNUAL  
REPORT  
2012



# PART **B'**

ANNUAL  
REPORT  
2012



# 1 Annual Financial Report

**January 1, 2012 - December 31, 2012**

The attached Financial Report of the fiscal year 2012, has been established according to article 4 of Law 3556/2007, has been approved by the Board of Directors of "Public Power Corporation S.A." on March 28th, 2013, and is available for the investors, on the internet, at the web site address [www.dei.gr](http://www.dei.gr), for at least the next 5 (five) years.

PUBLIC POWER CORPORATION S.A.

General Commercial Registry: 786301000  
Chalkokondyli 30 - 104 32 Athens

The Condensed Financial Statements for the fiscal year 2012 presented through pages 23 to 229, both for the Group and the Parent Company, have been approved by the Board of Directors on 28.3.2013.

CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER

**ARTHOUROS  
ZERVOS**

VICE CHAIRMAN

**KONSTANTINOS  
DOLOGLOU**

CHIEF FINANCIAL OFFICER

**GEORGE C.  
ANGELOPOULOS**

CHIEF ACCOUNTANT

**EFTHIMIOS A.  
KOUTROULIS**

## Statement of Members of the Board of Directors

### (According to article 4, par.2 of Law 3556/2007)

1. Arthouros Zervos, Chairman and C.E.O. of P.P.C. S.A.
2. Ourania Ekaterinari, Member of the Board of Directors and Deputy CEO
3. Panagiotis Alexakis, Member of the Board of Directors,

### HEREBY DECLARE

that, to the best of our knowledge:

- a. the accompanying Financial Statements of the Parent Company and the Group, for the year ended December 31, 2012, which were prepared according to the International Accounting Standards – currently in effect- as adopted by the European Union, are truthfully depicting assets, liabilities, equity and the statement of income of Public Power Corporation S.A., as well as the companies included in the consolidation, according to the provisions of article 4 of Law 3556/2007 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 March 28, 2013

CHAIRMAN  
AND C.E.O.

**ARTHOUROS  
ZERVOS**

MEMBER OF THE BOARD  
AND DEPUTY CEO

**OURANIA  
EKATERINARI**

MEMBER OF THE BOARD

**PANAGIOTIS  
ALEXAKIS**

ANNUAL  
REPORT  
2012



## Executive Summary of the Board of Directors for the fiscal year 2012

Dear Shareholders,

Following the end of the Public Power Corporation's eleventh fiscal year as a Societe Anonyme, we have the honor to submit for approval, according to the Company's statutes, the financial statements for the year ended 31.12.2012, as well as, our comments on the respective statements. Furthermore we submit for approval the unbundled financial statements for the year 2012 (Appendix I of the annual financial statements) according to the provisions of L. 2773/1999, L. 3426/2005 and L. 4001/2011 and the approved by the Energy Regulatory Authority, methodology of accounting unbundling.

The Group's subsidiaries which are consolidated in the Group's financial statements are the following: "IPTO S.A.", "PPC Renewables S.A.", "Operator of the Greek Distribution Network SA or OGDN SA" (former PPC Rhodes S.A) "Arkadikos Ilios 1 S.A.", "Arkadikos Ilios 2 S.A.", "Iliako Velos Ena S.A.", "Iliako Velos Dio S.A.", "Solarlab S.A.", "Iliaka Parka Ditikis Makedonias 1 S.A.", "Iliaka Parka Ditikis Makedonias 2 S.A.", "PPC FINANCE PLC", "PPC Quantum Energy Ltd" and, "Phoibi Energiaki Photovoltaika S.A."

Based on L. 2190/1920 article 134, PPC S.A. prepared the financial statements for the year ended 31.12.2012 (eleventh fiscal year), in accordance to International Financial Reporting Standards (IFRS), as endorsed by the European Union.

### Amendments in the current legal framework during 2012

All the amendments in the current legal framework are analytically presented in Note 2 of the Financial Statements.

## 2012 Financial Data

- EBITDA amounted to € 990.9 m in 2012 compared to € 779.8 m in 2011, increased by € 211.1 m (+27.1%), as a result of the significant reduction of payroll expense by € 154.3 m and the one-off positive impact after the settlement of outstanding financial issues between PPC and DEPA, with EBITDA margin reaching 16.6% versus 14.1% in 2011. With the exception of this settlement, EBITDA would amount to € 799.2 m (+2.5% vs 2011) with the respective margin settling at 13.4%.

On a quarterly level, EBITDA margin settled at 12.5% in 4Q2012 from -1.1% in 4Q2011.

- Total electricity demand increased in 2012 by 1,473 GWh (+2.4%) to 63.4 TWh versus 61.9 TWh in 2011. Excluding exports and pumping, electricity demand remained practically flat at 58.5 TWh. In 4Q2012, excluding pumping and exports, electricity demand decreased by 2.4% (-338 GWh) compared to the respective period of 2011.
- PPC's total electricity sales, including exports, increased by 3,437 GWh (+7%) to 52.8 TWh, mainly due to market share recovery in the retail market, after the suspension of the operation of alternative suppliers, primarily in January, and to a lesser extent in May of 2012. The corresponding revenues increased by 17.2%, driven also by the increase in Low and Medium Voltage tariffs since January 1,

2012 and February 1, 2012 respectively. On the contrary, there has been no increase in High Voltage tariffs, while the Regulator imposed a lower temporary price of € 42 /MWh for the energy component of the tariff for ALUMINIUM S.A. (effective as of 16th of May 2012) and of € 50 /MWh for LARCO S.A. (effective for 3 months starting from 10th of October 2012). As far as 4Q2012 is concerned, total revenues from electricity sales increased by 22.5% compared to the respective quarter of 2011.

- Turnover reached € 5,985.2 m, compared to € 5,513.6 m in 2011, an increase of € 471.6 m (+8.6%). The 2011 figures include € 302 m. from revenues for Transmission System Usage, whereas the respective revenues in 2012 are eliminated due to the spin-off of the Transmission segment. Thus, not accounting for the impact of the Transmission System Usage revenues, the actual increase would have been € 773.6 m (+14.8%). Turnover also includes an amount of € 112.4 m reflecting network users' contributions for their connection to the network. The abovementioned figure is reduced by € 28.2 m compared to 2011.
- In 2012, PPC's electricity generation and imports covered 66.7% of total demand, while the corresponding percentage in 2011 was 70%, a reduction of 1,083 GWh, due to lower generation from PPC's gas-fired units and the increasing share of third party generation (RES -mainly PVs- and natural gas) in the country's energy mix. In 4Q2012, PPC's share in electricity generation and imports amounted to 64.2% of total demand compared to 68.3% in 4Q2011, again due to its lower gas-fired generation. It should be noted that gas-fired generation was down by 51.3% in 4Q2012, versus 20.9% in the nine-month 2012 period.
- Expenditure for liquid fuel, natural gas and energy purchases increased by € 771.4 m, an increase of 33.1% compared to 2011, mainly driven by the higher expense for energy purchases and to a lesser extent for liquid fuel. It must also be noted that part of this increase is attributed to the impact of the following elements:
  - + € 188.6 m for the recovery of the variable cost +10% of third party generators
  - + € 143 m for the Special Consumption Tax on natural gas (€ 29.7m from the fuel purchase price of PPC and € 113.3 m associated with energy purchases from natural gas IPPs).
  - + € 48.3 m for the special lignite levy.
- The increase in PPC's retail market share, combined with lower generation from the gas-fired units of PPC, only partly offset by a slight increase of hydro power plant generation, led to a significant increase of energy purchases – not taking into account imports - from the System and the Network by 4,684 GWh (+39.8%) compared to 2011. More importantly, the total cost per MWh of the energy purchased from the System increased by 25.9%, whereas the System Marginal Price marked a decrease of 4.6%, evidencing the significant divergence between the wholesale market price, based on energy supply and demand and the final energy cost that PPC has to pay.
- The total reduction of payroll cost, including capitalized payroll, between the two periods amounts to € 178.8 m (-14.3%). The net decline in the number of permanent employees on payroll amounted to 823, from 20,821 on 31/12/2011 to 19,998 on 31/12/2012. The latter number, includes 196 employees of the segment of the former Hellenic Transmission System Operator (HTSO) that were transferred to the Independent Power Transmission Operator (IPTO) and 44 employees of the Personnel Insurance Organization that were transferred to the Hellenic Electricity Distribution Network Operator (HEDNO) and the Parent Company. The abovementioned employees (240 in total) were not included in the Group's headcount as of 31/12/2011. It is important to note that, despite the lower number of personnel, overtime and shifts (in hours) decreased by 2.9%.
- In 2012, 51.7% of the Company's total revenues were expensed for fuel and energy purchases compared to 42.3% in 2011, a fact which relates mainly to the increase of the share of energy purchase expenses, to 28.6% from 19.2% and clearly demonstrates the significant dependence of

PPC's profitability on the fluctuation of exogenous factors. On the other hand, payroll expense, which is an endogenous cost factor, continues to decrease, reaching 15.8% of total revenues compared to 19.9% in 2011.

- Net income amounted to € 30.5 m compared to losses of € 148.9 m in 2011, increased by € 179.4 m.
- The subsidiaries Hellenic Electricity Distribution Network Operator (HEDNO S.A.), IPTO S.A. and PPC Renewables S.A. posted pre-tax profits of € 29.4 m, € 35.7 m and € 9.9 m respectively. The resulting tax obligation for all three subsidiaries amounts to € 37.1 m.
- Due to the fact that:
  1. the revaluation of the networks fixed assets, which resulted from the 2009 asset appraisal conducted by an independent firm, is still not included in the Regulated Asset Base (RAB) of Transmission and Distribution networks, and thus does not earn any return, and
  2. the allowed pre-tax return of 8% on RAB, for Transmission and Distribution networks, does not reflect the current cost of capital conditions in Greece,

an impairment test was performed on the Transmission and Distribution fixed assets. As a result, the equity of IPTO, on 31.12.2012, was reduced by € 95 m and the equity of the Parent Company (owner of the Distribution assets) by € 582 m.

- Based on the net income of the Parent Company, PPC's Board of Directors will propose to the Shareholders General Assembly, a dividend payment of € 5.8 m.

## Dividend Policy

For the year 2011, PPC has declared losses, therefore the possibility of distribution of an obligatory first dividend did not incur.

For the year 2012, the Parent Company's BoD decided to propose to the General Shareholders' Meeting the distribution of dividend of Euro 5.8 mil. (Euro 0.025 per share).

## Debt Evolution

Net debt amounted to € 4,679.0 m., remaining practically at the same level compared to 31/12/2011 (€ 4,702.7 m.). Consequently, net debt/equity ratio reached 0.8 as at 31.12.2012.

## Capital Expenditure Program of Business Units

Total capital expenditure for the Parent amounted to € 718.5 m. and allocated in € 141.6 m to Mines, € 275.8 m to Generation, € 297.8 m to Distribution's Network, € 2.2 m. to the Supply and € 1.1 m. to activities of the Administrative Divisions. Capital expenditure for the Parent Company of the year 2012 are decreased by € 283.8 m., compared to those of 2011, presenting a decrease of 29%.

Total Capital expenditure of the Group for 2012 amounted to € 821.9 m. and includes Capital expenditure for PPC RENEWABLES S.A. amounting € 13.8 m., IPTSO S.A. amounting € 83.7 m and HEDNO S.A. amounting € 5.9 m. Capital expenditure for the Group of the year 2012 are decreased by € 285.7m., compared to those of 2011, presenting a decrease of 27%.

## Mines Business Unit

Capital expenditure amounted to € 141.6 m.

An amount of € 11.7 m. have been expended in Megalopolis, Euro 8.2 m. of which concern belt conveyor's elongation and improvement and € 2.2 m. to reduce slope rate of exploitation.

An amount of € 124 m. have been expended in Western Macedonia, € 11.,8 m. of which concern belt conveyor's elongation, € 12.6 m. for upgrades and construction, € 2.7 m. for new belt conveyors € 39 m. land expropriations (€ 17.2 m. for Lakkia, € 13.4 m. for Amyntaio and € 6.1 m. for Mayropigi), € 9.6 m. for first bench earthmoving works in South Field, € 9.5 m. for new Klitos mine, € 1 m. new distribution point in South Field, € 7.3 m. for the opening up and extension of mine Mavropigis and € 7.7 m. for bench floor construction in the sector of 7 in South Field, € 6,1 m. for dam construction of support of depositions, € 2.1 m. for removal of limestone and € 1.1 m. for access streets construction of mine Kardia field mine.

The remaining expenses are concerning smaller works.

The total excavations in PPC Mines amounts to 308.7 m. cubic meters and the lignite production to 61.7 m. tones. It is also noted:

- Continuation of excavation and construction works for the operation of the new belt conveyors distribution point took place in South Field Mine of the West Macedonia Lignite Center.
- Intensive excavation works carried out in the area of the new unit of Ptolemaida Power Plant (Unit V) in West Macedonia Lignite Center.
- Archaeological investigation taking place in a region of Amynteo mine caused significant delays in the operation of the overburden excavators.

In 2012 the following were issued:

1. Ministerial Decision Ministry of Environment, Energy and Climate Change n.202084/01.10.2012 «Approval of Environmental Terms for railway project variant (temporary and permanent) of the existing railway line Kozani-Ptolemais-Amynteon in SW Field Ptolemais mines.»
2. Ministerial Decision Ministry of Environment, Energy and Climate Change n.200886/26.07.2012 «Approval of Environmental Terms for road variant (temporary and permanent) of the Old National Road Kozani-Ptolemais: from Mavrodendri node to Proastion node (in the SW Field Ptolemais mines) Regional Unit of Kozani.»
3. 3. Secretary General Decision Decentralized Administration Western Macedonia-Epirus' n.10156/304/05.03.2012 "Granting license for project development of water resources in PPC / Western Macedonia Lignite Center, for regulation-diversion of Soulou stream (in a length of 10 km) in the area of Ptolemais' mines."

## Generation Business Unit

During 2012 the total net production of General Division's Power Stations was 40.00 TWh being reduced by 3.0% in comparison with that of the year 2011 (41.24 TWh). This reduction is related to demand levels, mainly in the Interconnected System (IS), and the operation of the Market in general as well as to third parties' production increase (conventional and renewables Power Stations) and Imports – Exports Balance. In comparison with 2011 the observed total reduction of 1.24 TWh is attributed mainly to Natural Gas (NG) Power Stations' production by 1.46 TWh.

The General Division's Energy Balance cost, as it concerns NG and oil consumption, was increased during the year 2012, in comparison with that of 2011, by, approximately, 8.8% or € 112.1 m. This increase is due to increased prices for fuels (by € 249.4 m.) which was partially anticipated by reduced fuel quantities consumed (by € 137.3 m.). Quantities' reduction, apart from Market operation, is due to the reduction of NG Power Units' production (by 27.9%).

The Lignite Power Units' production remained practically at the same levels while Hydros' production rose slightly, by approximately 5.9%.

The availability of thermal Units in the IS during 2012 (82%) was slightly higher than that of 2011 (80.6%). As far as the lignite Units' Availability is concerned, it remained at the levels of 2011 (from 78.8% to 78.9%).

In order to cover the increased summer demand of 2012 hired capacity of 20 MW, for Crete (Atherinolakkos), 20 MW, for Rhodes, and 20 MW, for other non – interconnected islands, was added.

Capital expenditure amounted to € 275.8 m.

In order to apply PPC S.A.'s Strategic Priorities Plan, the General Division of Generation has undertaken the implementation of Investment Projects, in order to replace obsolete Units with new ones, environmentally friendly, with state of the art technology and higher performance. As far as the Projects' progression is concerned during 2012, the following are noted:

### **Combined Cycle Unit No V of Aliveri Station, 416 MW net capacity, of € 275 m. total contractual price:**

The construction of Natural Gas and Transmission Lines networks has been completed. The commissioning of the Unit has already been started and the Unit is expected to be under commercial operation by April, 2013.

### **Megalopoli Natural Gas Combined Cycle Unit No V, 811 MW net capacity at reference conditions, of € 499.5 m. budgeted price.**

The civil works construction as well as the arrival and installation of electromechanical equipment are in progress. The Unit is expected to be under commercial operation by April, 2014.

### **Steam Electric Unit V, of Ptolemaida Station, installed capacity 550 - 660 MW (+ 140 MWth for District Heating), of pulverized lignite fuel and € 1.320 m. budget.**

On 11.12.2012 PPC S.A.'s Board of Directors instructed the President and CEO Mr. Athouros Zervos to sign the Contract with "TERNA S.A." for the construction of the above said Unit under the budgeted price of € 1.394,63 m. The above mentioned contract for the award of the study and construction of Steam Electric Unit V, of Ptolemaida was signed on March 9, 2013.

The Project is expected to be completed within 70 months from the date that the Contract will be signed.

### **Messochora HydroElectric Project (HEP):**

Following the ruling No 141/2010 by the competent Suspension Committee of the Council of State, the immediate cease of all works has been ordered at all relevant projects, as well as the cease of operation of all completed projects. Further developments, namely the final judgment, will be issued by the Plenary of the Council of State after taking into consideration the recent (11.09.2012) Decision of the European Court of Justice, to which relevant preliminary questions had been addressed referring to the compatibility of the provisions of the Law 3481/2006 with the European legal framework.

The Parent Company considers 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. PPC S.A. examines 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, i.e. independently from the other Projects of the Diversion Scheme. For this purpose, PPC has assign the updating of the Environmental Impact Assessment for HEP Messochora, whilst waits for the completion of the Water Management Study, ordered by the Ministry of Environment and Climate Change, related to the compilation of the Water Management Plan of the Catchment Areas in the water territories of the Western Central Greece, Epirus and Thessaly, in which the Catchment Area of the River Acheloos is included. Around mid December

2012, there were posted on the website <http://wfd.ypeka.gr> the Strategic Environmental Assessment of the Water Management Plans for consulting. Based on the time required for consultancy and decision making, it is estimated that the Water Management Plans will be signed by the competent Authorities in the first quarter of 2013. It is also estimated that the procedure for the issuance of the Environmental Permit for the project as an independent entity will be completed by the second quarter 2013, with a possible few months delay due to the required procedures for approval. On December 31, 2012 the aggregate amount for HEP Messochora amounted to Euro 284,7 million and is expected to require further Euro 125. million to complete the project, estimated in 2015. It is estimated that, the Project will be completed in 2015.

### **Metsovitiko HEP:**

According to decision 191/30.08.2012 of PPC S.A.'s Board of Directors, the award of Tender Hydroelectric Production Department/MTH-3 (Main and Secondary Equipment) has been approved with the provision of putting the relative Contract in effect on 01.03.2013.

At the same time the Inquiry for the remaining Civil Engineering Works (Inquiry MTH-2A) was tendered.

### **Ilarionas HEP:**

On 13.07.2012 the tapping of Diversion Tunnel as well as the filling the HEP's basin were done.

After solving various problems the Civil Works construction in HEP's Substation commenced in order to be followed by the electromechanical works.

The Electromechanical works in the Power Station have been practically completed and the completion of the Civil Works in HEP's Substation is awaited in order for the appropriate tests to be done and the HEP's Units to be put in operation within the second semester of 2013, as programmed.

### **Diesel Units in Atherinolakkos Station, 95 -105 MW total installed capacity, € 135 m. budgeted price:**

After the cancellation of the relevant Inquiry, according to the Board of Directors' decision of 28.09.2011, due to a change in the Company's priorities and needs (reduced demand, significant development of Renewables and examination of the possibility of interconnecting the Systems of Crete and Mainland in progress) the retendering of the Project, according to the new data, is examined.

### **Two new Combined Cycle Units, 260 MW maximum Power each, to be constructed in the new Korakia Station:**

The implementation of the Project as well as the technology of the Units, are directly related to the final decisions of the State, taking into account that, for the time being, the long term Energy Planning of Crete has not been finalized yet, with various alternative solutions, such as the interconnection Crete to the mainland, are under consideration.

### **New South Rhodes Station, 115.4 MW, consisting of seven similar G/S with four - stroke Diesel engines, and € 182.8 m. budgeted price:**

According to the Council of State's Decision, the approval of Environmental Terms for installing and operating the Thermal Power Station has been cancelled. PPC, in order for the Project to be continued, will conduct an Environmental Impacts Assessment according to the above mentioned Council of State's Decision and will co-operate with Project's Contractor for the management of the Contract.

### Other Non- Interconnected Islands (NII):

The planning for adding extra Capacity in the other NII during the next years has been completed.

The procedures for purchasing of the land needed for building the new Lesvos Autonomous Power Station in the location "Sarakina" in Mandamados, are in progress.

As far as the improvement of the General Division's Power Generation Units environmental behavior is concerned during 2012, the following are noted:

- During 2012 the Environmental Management Systems (EMS) of Arachthos and Aliakmonas Rivers' Hydros were certified by Independent Certification Bodies. A total of 19 EMS, which are reevaluated annually, have by now been certified by Independent Certification Bodies.

As a result of the above mentioned effort the General Division has received the Management Award for Sustainable Development in the contest of Greek Enterprises' Awards for the Environment (2011 - 2012).

- Komotini, Atherinolakkos, Meliti and Megalopolis B' Steam Electric Stations (SES) have certified, in 2012, their Job Health And Security Management Systems according to ELOT - 1801 Standard. In December Job Health And Security Management System of Chainia SES was re - certified (initial certification 1n 2010). A similar certification exists for Aghios Dimitrios SES since 2011.

In the course of implementing Article 32 of Directive 2010/75/EU, the State developed and submitted for approval to EU the Transitional National Emissions Reduction Plan concerning Units I-V of Aghios Dimitrios SES, Units III and IV of Kardia SES, Unit III and of Megalopolis A' SES, Unit IV of Megalopolis B' and unit I Meliti SES. The approval of the above said Plan by EU is expected during 2013.

## Supply Business Unit

Investments of Supply General Division have been amounted to € 2.2 m.

In particular:

- New Software System for Billing & Customer Care (SAP-IBM)
- In progress the "tailor made" preparation of the new IT system (SAP) in collaboration with IT Division, to improve the quality of provided services to customers.
- Shaping of Supply's branches under the uniform visual Corporate Identity
- Completion of process tendering procedures for implementation of visual Corporate Identity in our Branch Network for:
  - Unique image that reflects the view of a contemporary store, based on customer - oriented philosophy
  - Pleasant comfortable environment, offering simultaneously qualitative and quick service
  - Safety for employees as well as customers
  - Contract signing, referring to the realization of the aforementioned projects with a scheduled rhythm of 15 stores per year
  - Installation of several security systems such as: CCTV systems, alarm systems, and money safes with time-delay mechanism.
- Further security measures like: installation of bullet-proof windows in counters.

Supply Division's actions for 2012 are focused on the following:

### Supply Division's modernization

- Improvement of Customer Services
- Broadening of Call Center's information capabilities, through phone number 11770 for the whole country.
- Full assistance to applicants for Social Domestic Tariff (KOT).
- Implementation of customers' general requests for improvement of the image and quality of provided information within electricity bills. Implementation of single paper electricity bill with a simultaneous resource saving.
- Creating Infrastructure for e-bill: secured customer information through direct access to their account, 24 hours a day, allowing for:
  - Direct and current account data
  - Print a copy
  - Electronic filing on his computer
  - Accessibility of accounts related to all of their properties
  - Record of his accounts for a whole year
- Managing of extraordinary property tax imposed by the State, in collaboration with IT Division; simultaneously trying to minimize the impact of this extraordinary property tax billing on customer service as well as the company's image, ensuring security for all – customers and employees.
- Marketing actions in relation to client list
- Consultation with High Voltage customers for shaping new tariffs under the liberalized -for this segment - market.
- Arrangement of predetermined appointments with major customers, for effective understanding and satisfaction of their needs.
- Optimization of the procedure for meetings with major customers under an integrated communication plan with customers.
- Last Resort and Universal Service Supplier
- Ensuring uninterrupted power supply for the consumers after the collapse – during two time spans of the alternative Electric Power Suppliers.

### New Business & Services

#### *Development of new energy services*

In accordance to the requirements of Directive 2006/32 and Law No 3855/2010, the General Division of Supply is exploring the Greek market opportunities in provision of services and products. To this direction, the General Division of Supply, promoted an MoU between PPC S.A. and the Centre for Renewable Energy Sources and Saving (CRES). In April 2011 the Parent Company's Board of Directors approved a Memorandum of Understanding between PPC and the Centre for Renewable Energy Sources and Saving (CRES) intending to promote investments for improving energy efficiency in the residential sector.

### ***Proposal for development of strategic cooperation between PPC – DAMCO Energy – CONSTRUCTION INTERNATIONAL***

Processing and studying data to the sustainability of the project. Completion of legal and technical due Diligence.

## **Support Operations Business Unit**

The institution of the Support Operations Business Unit coincided in time with the spin-off of the Distribution segment and the creation of the subsidiary HEDNO. Therefore the departments of the new Business Unit contributed in the creation of the corresponding functions of the subsidiary, by providing an important amount of human resources, by adapting their organization to the new data, by compiling a new housing program and by also taking delivery of the medium and low voltage network constructed by HEDNO.

In the meantime, the existing information systems were separated into systems of the parent company and the subsidiary without disturbing their normal operation, while all the big unexpected issues (extraordinary property tax, activation of last resort and universal services as well as payroll and pension reductions) were successfully addressed.

Despite the aforementioned, there have been modernizing actions as the issuing of single sheet and electronic bills, the application of electronic auctions in purchasing and the creation of "Market Place".

Finally, in cooperation with other competent departments, long outstanding issues were settled with DEPA. The big challenges of 2013 include the reorganization of the supply chain, the completion of the new information system for Supply, the implementation of the new ERP and the application of the new housing program.

## **HEDNO S.A.**

- **Operation license for the Distribution Network and Power Systems of the Non Interconnected Islands.**

As far as the operation license of the non - interconnected islands is concerned, HEDNO has submitted in due time the relative dossier to RAE with all necessary data and the approval of the license is expected.

- **Conformity Program**

The consultation of the Conformity Program was completed on October 1st, 2012 and its approval by RAE is expected, after the submission of the requested clarifications.

## **Significant events for the year 2012**

Significant events for the year 2012 are analytically presented in Note 38 of the Financial Statements.

## Outlook for 2013

According to the Group's budget for 2013, approved by the Board of Directors (February 2013), and based on assumptions for Brent oil at \$110/bbl and a €/€ exchange rate of 1.25 respectively, the key financials are estimated to be as follows:

|                             |             |
|-----------------------------|-------------|
| Revenues from energy sales: | € 6.1 bln.  |
| Total Revenues:             | € 6.4 bln.  |
| EBITDA Margin:              | 16,5% - 17% |

It is noted that Group results are impacted, among other, by fluctuations in €/€ exchange rate, oil, natural gas and electricity prices and the price of CO<sub>2</sub> emission rights, as well as changes in the legal, regulatory and fiscal framework and bad debt evolution, which could cause deviations from the budgeted figures.

Recessionary pressures currently prevailing in the Greek economy and any prolongation of the recession had and may have in the future a negative impact on the business activity, the operational results and the financial position of the Company. In addition, financing cost and access to capital have been negatively impacted reflecting the economic crisis.

## Major Risks - Uncertainties

The Group's and the Parent's Company activities are subject to various risks. The primary objective of the Parent's Company BoD is to ensure, through the application of proper risk management systems, that potential risks are identified on time and dealt with efficiently. It should be noted, nevertheless, that any risk management system and policy thereof, can only provide a relative and never an absolute safeguard since they are designed to limit the occurrence and minimize the impact of "risks" rather than eliminate them.

### *Interest rate risk and foreign currency risk*

The Group's principal financial liabilities comprise bank loans, bonds and overdrafts. It is the Group's policy to hedge, solely for protection purposes, through derivatives the risk arising from the fluctuation of the floating interest rates and the foreign currency exchange rates of its debt portfolio. The existing derivatives transactions refer to specific interest rate swaps (conversion of floating rate liabilities to fixed rates liabilities) and forward currency contracts, in order to manage the relative risks. The main risk arising from managing the Group's debt liabilities is focused in the financial results and cash flows, mainly as a consequence of the fluctuation of interest rates and, to a minimum extent, on foreign currency exchange rates fluctuation, considering that, in the recent years, almost 100% of the existing debt is denominated in Euro.

On the contrary, the fluctuation of € / \$ exchange rate constitutes a risk concerning the Parent Company's liabilities arising from fuel purchases. In order to cover the foreign currency risk from liquid fuel purchases, the Board of Directors of the Parent Company approved in 2010 a framework policy for hedging transactions. The Parent Company is implementing, per case and according to the prevailing circumstances, hedging transactions for the aforementioned risk. It should be noted that, hedging transactions may not provide full protection against the above mentioned risks.

### *Merchandise price risk and risk from Electricity Market*

The Parent Company is exposed to the risk of an increase in prices (commodity prices) of oil, natural gas, electricity purchased from the System and the Network, CO<sub>2</sub> emission rights as well as electricity prices of direct PPC imports. The Parent Company has established a policy for hedging transaction for oil, based on which the implementation of specific hedging transactions is decided per case and according to the prevailing circumstances.

The Parent Company has not established a hedging policy against the risk arising from the volatility of natural gas prices.

In terms of the risk arising from price volatility of electricity purchases, this is hedged less and less by the vertical integration of the Parent Company (internal hedge), since PPC's Generation share in the wholesale market in 2012 amounted to 71%, while in 2011, PPC's Supply share in the retail market has exceeded 98%, following the developments in the retail market in the first half of 2012.

Additionally, the prices of the main materials (metals, etc.), apart from fuel, used by the Group for its operation and development are defined by the international merchandise markets resulting to the Group's exposure to the risk of fluctuation of the relevant prices as well as the foreign currency risk.

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

In December 2008, the Greek National Allocation Plan for the period 2008 – 2012 was announced. The Parent Company buys systematically CO<sub>2</sub> emission rights in order to cover the deficit between the allocated rights and the actual CO<sub>2</sub> emissions. During the period 2008-2012, the deficit amounted to approximately 21 million tons which is fully covered on 31.12.2012 by the Parent Company.

Regarding the period 2013-2020, during which there are no free allocated CO<sub>2</sub> emissions rights, the Parent Company is active in the European and the International Market for compliance reasons as well as for optimizing its portfolio, either through the stock markets or with bilateral contracts. Concerning the management of the risk arising from the increase in the CO<sub>2</sub> emission rights prices, the Company is systematically monitoring the markets and the developments in Europe, acting on an ad hoc basis and under the existing circumstances.

The operating profits may be affected from future changes in the legislation and the regulatory framework of the European System of CO<sub>2</sub> emissions rights trading, as the Parent Company may realize significant expenditures in the future, in order to cover the deficit of the CO<sub>2</sub> emission rights, especially if such expenditures are not reflected in the tariffs. It should be noted that, political processes and negotiations on European Union level are in progress in order to support the CO<sub>2</sub> emission rights price, through the retraction of a certain CO<sub>2</sub> rights quantity in the beginning of the 2013 – 2020 period and its turnover at the end of the period (backloading). The Parent Company is exposed at the risk of the increase in CO<sub>2</sub> prices for the required quantities to be purchased in the future in order to be compliant with the current legislation.

### **Credit Risk**

Despite the fact that, the electricity sales are dispersed to a large number of clients within a wide range of economic activity, the current economic conditions has a serious negative impact in the liquidity of the company mainly resulting from:

- Difficulties in payment and increases in delayed payments, by Low and Medium voltage customers as well as High voltage (Industrial) customers, especially those with large outstanding balances.
- Increased number of small and medium enterprises that stop their operations due to the economic conjecture and leave outstanding balances for which relevant provisions are established.
- Continuing distortion due to fact that certain tariffs are regulated.

Credit risk may be increased due the continuance of depression, and in addition, due to the imposition to PPC by the State, of the collection of the Property tax (E.E.T.I.D.E.), through the electricity bills, might significantly influence the extent of delay in the collection of electricity bills, creating greater needs of the Parent Company's working capital. It should be noted that under the current legislation, it is not allowed to discontinue the power supply in case the Property tax is not paid, but only in case the electricity bill is not paid.

In this context, the Parent Company is systematically monitoring the effects of the abovementioned risks and is taking every possible measure to mitigate their impact, being simultaneously in fully alignment to the existing legislation and the current regulatory framework governing the electricity market.

In order to minimize the credit risk as far as cash and cash equivalents, financial instruments and derivatives are concerned the Group monitors its positions, the level and the duration of its transactions and follows a policy for the allocation of risk by conducting transactions solely with recognized financial institutions.

### **Liquidity Risk**

Liquidity risk is connected with the need to ensure adequate cash flow for the financing of the operation and the development of the Group, as well as serving its debt. The Group manages its liquidity risk by continuously monitoring and programming its policy for fulfilling its cash flows liabilities. General aim of the Group is to ensure sufficient credit lines and available cash, while aiming at the same time at the extension of the average maturity of its debt and the diversification of its funding sources as well as controlling operating costs and improving the efficiency of its resources. As a matter of fact said risk has been intensified due to the general situation of the Greek economy and the banking sector, where the liquidity is limited or almost inexistent, until, at least, the Greek Banks recapitalization process is completed. Thus, working capital needs caused by:

- The debt left by the alternative energy suppliers whose operation was suspended,
- The requirement by PPC, -due to the above- to undertake the role of Last Resort Supplier as well as of Universal Service Supplier for customers of the above suppliers, overloaded with surplus liquidity needs in order to finance customers' energy needs,
- Increase of delays in the collection of energy bills, due to the continued recession,
- The burden of tariffs with the collection of taxes and levies that are not related to the sale of electricity,
- The provided by the present legal framework variable cost recovery plus 10% of the units of independent generators,

result to additional pressures to the Group's liquidity, while, due to the aforementioned status, finding working capital is proved difficult as well as financing new projects. In the same context, for better management of the working capital, under the existing liquidity conditions, it is possible that risk might arise.

It is noted that the borrowing cost for the Parent Company and the Group from the market and their access to liquidity have been negatively impacted by the Greek Economy's status while the uncertainty deriving from this economic crisis has and it is possible to continue to have significant negative impact to the Parent Company and the Group's operating results, cash flow and financial status.

### ***The Group is exposed to risks that may arise from Financial Institutions***

The liquidity problems in the Financial Institutions sector until the completion of the Greek Banks recapitalization process, as well as the shrinkage of the Greek Bank sector through the ongoing acquisitions and mergers, could have an extremely negative impact in the business activity, financial status and the financial results of the Group.

### **Risk of exposure in competition**

The Parent Company faces increasing competition mainly in the wholesale market. Adverse changes in the competitive environment or/and actions by the competition is possible to have a negative impact to its results. At the wholesale market, share losses are due to the inclusion of independent producers' (IPPs) power plants and the increased permeation of RES units in the Energy System and Network.

At the retail market, after the suspension of operations of almost all alternative suppliers, PPC, acting as «Supplier of last resort» and «Universal Service Supplier», practically supplies with electricity the whole market.

The Parent Company may confront the competition in the Retail Market after the entrance of third party suppliers who will extract a number of Company's clients.

***Risk from the competition development in the Retail Market***

In case the development of competition in the Supply sector is implemented again without ensuring:

- the settlement of the existing distortions,
- conditions of healthy competition and balanced development of Suppliers in the Market, in the supply electricity market,
- competitive tariffs,

then the financial burden of the Company may increase affecting its clients base.

***Tariff risk for the competitive activities***

Low Voltage tariffs remain regulated and do not reflect any unfavorable fluctuations of the cost of the wholesale market. According to the provisions of the MoU (December 2012), as well as the obligations of the Hellenic Republic from the European as well as the national legislation, the Low Voltage tariffs are anticipated to be liberalized from 01/07/2013 properly adjusted in order to reflect the wholesale prices.

The total anticipated increase of the Low Voltage tariffs within 2013 will be allocated in three steps as follows:

- a' phase: 1.1.2013: 8.8%
- b' phase: 1.5.2013, with Ministerial decision,
- c' phase: 1.7.2013, fully liberalized.

Additionally, regarding the vulnerable consumers it should be noted that the conformation of the new 2013 Low Voltage tariffs, is taking under consideration a more enlarged base of criteria for their incorporation in the context of a more favorable treatment. As regards High Voltage tariffs, the envisaged consultation procedures have not yet been completed.

Additionally, on 16.5.2012 RAE, by its Decision No. 346/2012, has defined as a temporary price, on the request for interim measures on behalf of Alouminion SA, the amount of 42 € / MWh, plus the anticipated charges of PSO, RES Tax, Use of Transmission System and other taxes. The implementation of the decision would be applied to the total of working hours of the Aluminum S.A. The above provisional price will be applied until the issuance of RAE's decision on the complaint of the applicant, or the issuance of a decision of the competent arbitral court or earlier if there is a positive outcome to the negotiations between the interested parties. The abovementioned decision is causing restrictions to liquidity. The Parent Company estimates that the abovementioned decision is damaging and therefore has exercised all legal means against said RAE's decision before any National and/or European Authority.

***Risk from regulated rates of return on Network activities***

The regulated rates of return on Network investments may have a negative impact on the Groups' profitability and value, if it does not cover the reasonable return on the invested capital.

***Regulatory Risk***

Potential modifications and/or additions in the regulatory and legislative framework of the electricity market, according both to the provisions of EU legislation and the implementation of the Memorandum signed between the Hellenic Republic, IMF, EU, and ECB, as well as RAE's decisions referring to the functioning of the Electricity Market in general, may have a significant impact on the operation, the contractual commitments and the financial results of the Group.

***Risk from providing Public Service Obligations (PSOs)***

According to the methodology for PSOs calculation that was defined by a Ministerial Decision for the period 2007 – 2011 regarding the recovery of the additional cost for the electricity generation in the Non Interconnected Islands compared with the respective cost for the Interconnected System, the Group is not fully compensated for providing PSOs. According to the abovementioned methodology, the calculation of PSOs for each year, for the

period 2007 – 2011, was based on the cost of electricity generation in the Non Interconnected Islands and in the Interconnected System for the year 2006, on the total electricity generation and liquid fuel quantities consumed each year in the Non Interconnected Islands, as well as on the international fuels prices and on the fluctuation of the consumer price index per year.

Specifically, for the estimation of the annual compensation of 2011 for providing PSOs that affects 2012 tariffs, the increase of the Special Consumption Tax on liquid fuels used in power generation in the non-interconnected islands was taken into account. However, factors affecting cost, such as the premium over the commodity price, as well as the cost of transportation of fuels to the islands are not taken into account yet. It should be noted that within 2013 a new calculation methodology of PSOs for 2011 and 2012 is anticipated to be determined, after RAE's relevant consultation and according to the provision of L. 4001/2011 as applicable.

#### ***Risk from the implementation of the Memorandum of Economic and Financial Policy***

The first revision of the second Memorandum that was agreed between the Hellenic Republic and the European Union – European Central Bank – International Monetary Fund in December 2012 concerning energy matters provides for actions, the unsuccessful implementation of which may create significant risks for the Group.

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 the Memorandum of Economic and Financial Policy, may have a significant impact on the Group's activity, contractual commitments and financial results. Indicatively, the Memorandum foresees the sale of lignite or/and hydroelectric plants, which if it is not accompanied with a minimum price or / and without the retention of the asset(s) for sale within the Group, it is possible to have a negative impact on the Group's valuation and perspectives.

#### ***Risk from the absence of Fixed Asset insurance***

The Group does not insure its fixed assets in use (with the exception of the information technology equipment), and therefore an eventual significant damage may possibly have a respective adverse impact on PPC's profitability. Moreover, materials and spare parts as well as liabilities against third parties are not insured. The possibility to proceed to a Request for Tenders for the selection of an insurance company for the insurance coverage of its assets and liabilities against third parties is examined.

#### ***Credit Rating Risk***

Following the international 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, a reliable coverage plan for its capital needs, it faces the risk of a rating downgrade in the event that it does not fulfill the new stricter criteria. As it is stated in ICAP's and STANDARD AND POORS (S&P) reports, the development of PPC's liquidity as well as the difficulty to find financing within the Greek Economy, as well as the difficulty in accessing international capital market, are the basic factors of concern, and therefore S&P downgraded PPC on 07.06.2012 to CC from CCC with negative outlook and ICAP on 03.05.12 downgraded PPC to C from BB.

In case that Rating Agencies proceed to a further downgrade of PPC's credit rating, there might be a negative impact in PPC's financing.

#### ***Hydrologic Conditions***

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

#### ***Availability of lignite reserves***

The Parent Company believes that lignite reserves are adequate to cover long term levels of supply required for power generation by lignite-fired thermal power plants.

### ***EPC related risks***

The Group is contractually exposed to risks related to the supply, construction and delivery of ready-to-operate energy facilities for an agreed price. Said risks may lead to delays, litigations and finally increase of the project cost.

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

Despite the fact that under the current legislation the Group does 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 is defendant in several legal proceedings, whereas any adverse outcome against PPC will have a significant impact on the financial results.

### ***Risk from tax and other regulations***

Any potential enforcement or/and alteration in tax and other regulations, may have a negative impact on the Group's financial results.

### ***PPC is 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 sectors, continue to be considered as a public sector company in Greece. Therefore, its operations shall continue to be subject to certain laws and regulations generally applicable to public sector companies in Greece, affecting thus specific procedures, including but not limited to 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 Companies' 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 does not have the possibility to recruit or keep its experienced personnel in the entire range of its business activities while, today's average personnel age is approximately 46 years. Additionally, the Group's inability to recruit specialized personnel has a negative impact on 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 experts from competitors. But, the viability and the development of a new entity like PPC Group in the new business environment partially depend on the ability to attract and maintain experts and expertise personnel. According to L.4057/2012, concerning all kinds of recruitment, the approval of an Interministerial Committee is necessary. Potential denial or delay of the aforementioned approval will create basic lack of personnel and managers and may have negative impact on the implementation of the Groups' strategy.

### ***Organisation and Risk Management***

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

The Group has established but hasn't staffed yet (for the abovementioned reasons) the Risk Management Department. Till to date its line management is engaged in identifying and primarily assessing risks in order to submit its recommendation to the Board of Directors regarding the designing and approval of specific risk management procedures and policies.

### ***The Group faces strikes***

Most of the Group'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 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, as well as the protection of health and safety of the Group's employees and cooperators.

Changes in the environmental legislation, the legislation for the employee's health and safety may increase the compliance cost and eventually, may have an impact on the Group's profitability as well as its cash flow program.

### ***Information technology (IT) security***

A large number of the Group operations are based on information systems; therefore the Group is exposed to the risk of non availability, data integrity corruption and unauthorized access to these systems.

In order to minimize these risks, we take measures for the enhancement of the IT security, including:

- The definition of IT security policies and standards followed during the whole lifecycle of the systems.
- The existence of a special organizational unit responsible for the continuous updating of IT security policies and standards, as well as the management of the end users access rights to the IT systems.
- The coverage by maintenance contracts of all the IT products and by insurance contracts of the relevant infrastructure.
- The auditing of the security of our systems by international authority consultants and the exploitation of their findings.

Furthermore, for the systems supporting the certification, billing and collection of our revenue:

- There exists a complete backup system, as well as an emergency plan that is activated in case of loss of the main datacenter in order to start operating the backup.

### ***Unexpected events***

Unexpected events, including natural disasters, fires, war, terrorist activities, strikes etc, may lead to a breakdown or the interruption of the generation function and the electricity distribution. Additionally, adverse macroeconomic developments, as well as financial or/and operating problems of basic suppliers, contractors etc may have negative impacts regarding the purchase of liquid fuels, spare parts and materials etc as well as may increase the cost.

### ***Licensing Risk***

The Parent Company and the Group are exposed to the risks related with the licensing of their activities.

### ***Risk from impairment of Assets***

The Group and the Parent Company regarding the value of their participation in the share capital of subsidiaries and associates and the value of their tangible assets are exposed in 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 the tangible assets in the context of the periodical re-assessment of their useful economic life.

## Balances and transactions with related parties

PPC balances with its subsidiaries and its associates as of December 31, 2012 are as follows:

|  | <i>December 31, 2012</i>                  |                  |
|--|---|------------------|
|  | <b>Receivable</b>                         | <b>(Payable)</b> |
| <b>Subsidiaries</b>                            |   |                  |
| - IPTO   | -   | (526,268)        |
| - PPC Renewables S.A.                          | 43,485                                    | (856)            |
| - HEDNO(former PPC Rhodes S.A.)                | -   | (119,706)        |
| - Arkadikos Ilios Ena S.A.                     | 3   | -                |
| - Arkadikos Ilios Dio S.A.                     | 1   | -                |
|  | <b>43,489</b>                             | <b>(646,830)</b> |
| <b>Associates</b>                              |   |                  |
| PPC Renewables ROKAS S.A.                      | -   | (96)             |
| PPC Renewables TERNA Energiaki S.A.            | -   | -                |
| PPC Renewables NANKO Energy – MYHE Gitani S.A. | -   | -                |
| PPC Renewables MEK Energiaki S.A.              | -   | -                |
| EEN VOIOTIA S.A.                               | -   | -                |
| LARCO (energy, lignite and ash)                | 144,561                                   | -                |
| SENCAP S.A.                                    | -   | -                |
| Waste Syclo S.A.                               | 61  | -                |
|  | <b>144.622</b>                            | <b>(96)</b>      |
| <b>Other</b>                                   |   |                  |
|  | <i>Parent Company - December 31, 2012</i> |                  |
|  | <b>Receivable</b>                         | <b>(Payable)</b> |
| EMO S.A.                                       | 363,420                                   | (366,705)        |
| HTSO S.A.                                      | -   | -                |
|  | <b>363,420</b>                            | <b>(366,705)</b> |
|  | <i>Group - December 31, 2012</i>          |                  |
|  | <b>Receivable</b>                         | <b>(Payable)</b> |
| EMO S.A.                                       | 363,420                                   | (366,705)        |
| HTSO S.A.                                      | -   | -                |
|  | <b>363.420</b>                            | <b>(366.705)</b> |

PPC's transactions with its subsidiaries and its associates are as follows:

|  | <b>2012</b>                               |                      |
|--|---|----------------------|
|  | <b>Invoiced to</b>                        | <b>Invoiced from</b> |
| <b>Subsidiaries</b>                            |   |                      |
| IPTO S.A.                                      | 10,885                                    | (1,260,681)          |
| PPC Renewables S.A.                            | 7,184                                     | (2,099)              |
| HEDNO (former PPC Rhodes S.A.)                 | 292,944                                   | (848,055)            |
| Arkadikos Ilios Ena S.A.                       | -   | -                    |
| Arkadikos Ilios Dio S.A.                       | -   | -                    |
|  | <b>311,013</b>                            | <b>(2,110,835)</b>   |
| <b>Associates</b>                              |   |                      |
| PPC Renewables ROKAS S.A.                      | -   | (337)                |
| PPC Renewables TERNA Energiaki S.A.            | -   | -                    |
| PPC Renewables NANKO Energy – MYHE Gitani S.A. | -   | -                    |
| PPC Renewables MEK Energiaki S.A.              | -   | -                    |
| PPC Renewables ELTEV AEIFOROS S.A.             | -   | -                    |
| EEN VOIOTIA S.A.                               | 5   | -                    |
| LARCO S.A.                                     | 72,973                                    | (9,385)              |
| SENCAP S.A.                                    | -   | -                    |
|  | <b>72,978</b>                             | <b>(9,722)</b>       |
| <b>Other</b>                                   |   |                      |
|  | <b>Parent Company - December 31, 2012</b> |                      |
|  | <b>Invoiced to</b>                        | <b>Invoiced from</b> |
| EMO S.A.                                       | 158,631                                   | (850,558)            |
| HTSO S.A.                                      | -   | -                    |
|  | <b>158,631</b>                            | <b>(850,558)</b>     |
|  | <b>Group - December 31, 2012</b>          |                      |
|  | <b>Invoiced to</b>                        | <b>Invoiced from</b> |
| EMO S.A.                                       | 158,631                                   | (850,558)            |
| HTSO S.A.                                      | -   | -                    |
|  | <b>158,631</b>                            | <b>(850,558)</b>     |

SENCAP's General Extraordinary Shareholders' Meeting during its meeting held in August 5th, 2011, unanimously decided to dissolve the company as well as its liquidation. The liquidation phase was concluded in 30/7/2012 and the deletion of the company from the register took place on August 22nd, 2012 according to the 21912/22.08.2012 Announcement of the Attica Prefecture

### Provision of guarantee in favor of its subsidiary PPC Renewables.

On December 31, 2012 the Parent Company has provided a guarantee for loans amounting to Euro 7 million of its wholly owned subsidiary PPC Renewables.

### Provision of guarantee in favor of IPTO.

At December 31, 2012, the loans for IPTO, guaranteed by the Parent Company, amounted to Euro 335 mil.

## Procurement of lignite from LARCO S.A.:

On August 24, 2007 the Parent Company signed a contract for the procurement of lignite from LARCO S.A. for a total amount of 1.2 million tonnes (with a right to increase up to 15%) for a period of four years and a total amount of Euro 25.8 million. Given the fact that at the time of signing the contract LARCO S.A. had outstanding payables of an equal amount to PPC from the supply of electricity, payments for the procurement of lignite would be settled against the abovementioned receivable from LARCO S.A. PPC had made a provision for the abovementioned receivables, which was reversed in 2007, due to the fact that the collection of the amount was secured not only by the abovementioned contract, but also by a guarantee bond that LARCO S.A. raised in favour of PPC, covering the total duration of the contract and the total contractual amount. Taking under consideration the worth of lignite deliveries until July 2011 and the invoicing for August 2011 for the revised lignite prices for the deliveries of the period 01.01.2010 – 31.12.2010, the payment in full of LARCO's old debt, through the 2007 contract is considered to be completed with the deliveries of lignite made by July 2011.

LARCO S.A. is liable for sums due and payable to PPC related to the consumption of electricity since December 2008. For all sums due to PPC for the period November 1, 2008 until April 30, 2009, an action has been filed by PPC before the competent Multimembered Court of Athens (for a sum of Euro 24.2 mil.) whereas, for the sums due to PPC for the period May 2009 – October 2009 (for a total sum of Euro 18.8 mil.) an action has been filed against the said Company, the hearing of both cases having been set for November 14, 2013.

In July 2010 the Board of Directors of the Parent Company approved an agreement for the settlement of new debts incurred by LARCO's electricity consumption for the period 1.11.2008 to 30.06.2010. The above mentioned framework agreement was already approved by LARCO's Board of Directors.

As foreseen in the above mentioned agreement, a new framework agreement for the settlement of LARCO's new debts will be conducted, part of which will be paid by concluding a new lignite procurement contract, following the pattern set by the existing one. As far as payment of the rest of the debt is concerned, LARCO will disburse predetermined amounts, on a monthly basis, based on the fluctuation of nickel's stock market price.

In addition with the aforementioned contract frame, LARCO is bound to pay in time the electricity bills for the consumption for the period following July 1st, 2010. In this framework, LARCO has paid in time bills concerning electricity consumption for the months July 2010 to September 2011, part of the consumption bills for October 2011 and part of the consumption bill for October 2012.

The process of completing the contract for the settlement of new debts as well as the new contract for the procurement of lignite which depict the above mentioned framework agreement, was completed and approved by the Parent Company's Board of Directors in July 2011. It is noted that in view of the materialisation of the above mentioned contract for the settlement of new debts, LARCO has paid Euro 1 mil., in April 2011 and Euro 1 mil., in May 2011, and thus the final debt amounted to Euro 76.7mil. (principal not including interest).

The above mentioned contracts were signed on August 1st, 2011.

LARCO following the signing of the settlement of new debts has not paid the current electricity bills thus resulting to sums due on December 31, 2012 (electricity bills until November 2012 are included) to Euro 83.5 mil. (2011: Euro 28.3 mil.)

PPC's Board of Directors decided on March 12, 2012, to address a Judicial Reminder of debtor's default to LARCO in accordance with the provision of article 11 par. 12 of the existing Code for Supply for the payment of sums due from LARCO to PPC. In case of non-payment within 20 days' time as of service of the same to LARCO, PPC is to proceed with discontinuation of the supply of electricity to the respective customer. Furthermore, it was decided upon to file interim measures as against LARCO as well as an action due to debtor's default in payment before the competent Courts in order to safeguard the payment of sums due to PPC. PPC served on 16-3-2012 a Judicial Statement- Protest- Reminder of debtor's default and summoning to LARCO reserving all its rights.

PPC, after the relevant decision 100/10.04.2012 of its Board of Directors proceeded with the filing of an application of interim measures before the competent Court of Athens against LARCO for the provisory seizure of any and all of the movable assets as well as all the real property of LARCO, with the simultaneous filing of an application for an injunction and also, the filing of an action due to debtor's default in payment before the Athens Court of First Instance. PPC accordingly, filed before the abovementioned application of interim measures and the application for the granting of an injunction, the hearing of which was initially set for the 9th of May 2012 and, following a relevant petition by LARCO, the said hearing was set for the 8.6.2012 on which date after hearing of the case, the above mentioned application for an injunction of PPC was rejected by the said Court whilst following that, the hearing for the a.m. application of interim measures was set to be tried on the hearing of 27.6.2012 when the said case was again postponed for the hearing of 20.11.2012. The case was heard on the above mentioned date.

Following the aforesaid the Board of Directors of PPC by its Decision 200/28.9.2012 decided the following:

- a) to approve the termination of the contract between LARCO and PPC for the provision of energy after prior notice of 20 days' time for the payments by LARCO to PPC of any and all sums overdue
- b) to approve the termination of the relevant Contract for the settlement of new debts dated 1.8.2011 after prior notice to LARCO by PPC, for the amounts due by LARCO to PPC
- c) the filing of a supplementary action for interim measures against LARCO before the Athens Court of First Instance for the security of any and all outstanding debts of LARCO to PPC as well as the filing of an application for the granting of an injunction prohibiting the change of status of LARCO and
- d) the filing of an action against LARCO for any and all sums due to PPC for which until today no lawsuit has been filed.

PPC has filed a supplementary action for interim measures against LARCO before the Athens Court of First Instance which was heard along the main action for interim measures on the above mentioned date of 20.11.2012. Both PPC's actions were rejected by the said Court.

On 29.10.2012 an action was filed by PPC against LARCO before the Multimembered Athens Court of First Instance for the payment of all outstanding debts of LARCO to PPC amounting to the sum of 72.058.436,10 euros for the sums due to energy supply to LARCO for the period of October 2011 to August 2012. The hearing of the said case has been set for 21.5.2015.

Furthermore on the 9th of November 2012 PPC served to LARCO a Judicial Reminder of debtor's default (dated November 8, 2012) for the payment of sums due from LARCO to PPC within 20 days' time as of service of the Judicial Reminder, stating that in all other cases, PPC will proceed with discontinuation of the supply of electricity to the respective customer.

Following that, PPC has sent a letter in October 2012 to the Hellenic Republic Asset Development Fund ("HRADF")

in order to notify the total amount of the outstanding debt to PPC by LARCO as well as the structure of the same. Similarly, the immediate payment of any and all sums due was asked by PPC at the same time with the payment of all outstanding obligations towards PPC by LARCO deriving from the Contract for the Settlement of New Debts so that PPC refrains from the action of discontinuation of the supply of energy to LARCO as well as from the filing of all legal remedies against LARCO. After this letter, LARCO made payments of two instalments due to PPC related to the Contract for the Settlement of New Debts which amounted to the sum of Euro 2 mil. After the said payment, in relation also to the provision of lignite quantities (it should be noted that until the 31st of December 2012 a total of lignite quantities of a nominal value of Euro 16.9 mil. had been delivered to PPC), LARCO has only partially addressed its obligations under the abovementioned Contract for the Settlement of New Debts, thus resulting to the old debt of LARCO of Euro 76.7 mil. to be reduced to Euro 55.8 mil.

The sum of LARCO's debts on December 31st, 2012 consisting of the old debt and the current electricity bills (the electricity bill for November 2012 is included) amounts to Euro 139.2 mil. (2011: Euro 99 mil.). For the abovementioned PPC has formed adequate provisions.

On 18.10.2012 RAE Decision (N. 822/10.10.2012) was served to PPC (after the filing by LARCO of its RAE-I-153708/22.03.2012 Application – Complaint) in accordance to which, RAE ruled that the following interim measures in favour of LARCO shall apply: ie The price for the supply of electricity for LARCO will be temporarily fixed at 50 Euro/ MWh, plus fees for PSOs, Renewables and for the use of the Transmission System, plus other taxes for a period of three(3) months from the issuance of the same Decision, unless in the mean time a decision on Larco's complaint is issued or until there is an (earlier) outcome of the negotiations between the two parties, RAE inviting (by the a.m. Decision) the two parties to continue negotiations in good faith in accordance also with principles of bona mores and the basic principles of RAE for the setting of tariffs.

#### *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.

|                                | PURCHASES      |                | BALANCE         |                |
|--------------------------------|----------------|----------------|-----------------|----------------|
|                                | 2012           | 2011           | 31.12.2012      | 31.12.2011     |
| ELPE, purchases of liquid fuel | 162,359        | 156,029        | 6,858           | 4,012          |
| DEPA, purchases of natural gas | 443,419        | 409,513        | (34,402)        | 157,898        |
|                                | <b>605,778</b> | <b>565,542</b> | <b>(27,544)</b> | <b>161,910</b> |

Further to the above, PPC enters into transactions with many government owned profit or- 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 year ended December 31, 2012 and 2011 have as follows:

|   | GROUP        |              | COMPANY      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2012         | 2011         | 2012         | 2011         |
| <b>Compensation of members of the Board of Directors</b>              |              |              |              |              |
| - Executive members of the Board of Directors                         | 291          | 250          | 98           | 140          |
| - Non-executive members of the Board of Directors                     | 351          | 147          | 133          | 122          |
| - Compensation / Extra fees   | -            | -            | -            | -            |
| - Contribution to defined contribution plans                          | 46           | -            | -            | -            |
| - Other Benefits  | 12           | 16           | 12           | 16           |
|   | <b>700</b>   | <b>413</b>   | <b>243</b>   | <b>278</b>   |
| <b>Compensation of Deputy Managing Directors and General Managers</b> |              |              |              |              |
| - Regular compensation  | 893          | 1,458        | 845          | 1,355        |
| - Contribution to defined contribution plans                          | 168          | 259          | 157          | 239          |
| - Compensation / Extra fees   | -            | -            | -            | -            |
|   | <b>1,061</b> | <b>1,717</b> | <b>1,002</b> | <b>1,594</b> |
|   | <b>1,761</b> | <b>2,130</b> | <b>1,245</b> | <b>1,872</b> |

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 and related contributions to social security funds. Also, it does not include the electricity benefit based on the PPC personnel invoice to the Board of Director members, the Deputy Managing Directors and the General Managers.

Based on L. 4110/2013 the above mentioned compensation by the year 2013 will be subject to an income tax of 40% instead of the 35% which was in effect until 31.12.2012.

# Statement of Corporate Governance

## 1. Introduction

### Code of Corporate Governance applying to the Company

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

The observance of the principles of corporate governance constitutes the major commitment and priority of PPC S.A. in view of its important role in the Greek Economy, as well of the public service character of its services.

It is noted that the Company is subject to specific laws and regulations applicable to companies of the wider public sector, as long as the Hellenic Republic, as the main shareholder, holds 51% of its share capital. Consequently, its business shall continue to fall under the laws and provisions applicable to companies owned by the Greek State and shall affect specific procedures such as those concerning, indicatively and not restrictively, the policy of personnel remuneration. The said laws and provisions, to which the current competitors of the Company are not expected to be subject, may restrict its operating flexibility and the implementation of the relevant best practices of corporate governance. To date the Hellenic Republic still holds 51.12% of the share capital. The Hellenic Republic Asset Development Fund (HRADF) was appointed as proxy holder of the Hellenic Republic, entitled to exercise at its sole discretion, in the most appropriate way, and without any guidance by the shareholder "Hellenic Republic", the voting rights for 39,440,000 ordinary shares with voting right (namely 17% of the existing share capital of the company) without transferring to HRADF the voting rights of the Hellenic Republic on PPC SA. In accordance with the Act of Legislative Content dated 7.9.2012, which was ratified by article 2 of Law 4092/2012, the obligatory participation of the Hellenic Republic by at least 51% in the share capital was abolished. Following the resolution of the Extraordinary General Meeting dated 30.11.2012, the article of the Articles of Incorporation which provided for the participation of the Hellenic Republic by at least 51% of the share capital was abolished. Such amendment to the Articles of Incorporation, on one hand, enables harmonization with the applicable legislation and on the other, renders feasible the reduction of the current participation rate of the Hellenic Republic in the Company's share capital.

PPC has drawn up and implements its own Code of Corporate Governance. The said Code was updated on February 2013 (BoD Resolution 5/19.02.2013) and is posted on the company's website ([www.dei.gr](http://www.dei.gr))

The basic axes of the Corporate Governance System of PPC are the following:

### Governing Bodies

Composition of the Governing Bodies, competencies and functioning.  
Committees of the Board of Directors and competences thereof.

### Shareholders

Competences and functioning of the General Meeting of Shareholders, shareholders' rights, shareholders' briefing, as well as reference to the data required in accordance with article 10 par. 1 of Directive 2004/25/EC of the European Parliament.

### Internal audit and risk management

Main characteristics of the Company's internal audit and risk management systems in relation with the procedure of financial statements' drawing up.

## 2. Corporate Governance Practices implemented by PPC in addition to Law (article 2 par. 2 of L. 3873/2010)

1. The prohibition applied to the members of the Board of Directors concerning the performance of competitive acts is valid for a period of two years following termination for any reason whatsoever of the term of office of the Board member or his retirement from the Board of Directors (article 13 par.2 of Articles of Incorporation, Code of Corporate Governance "Prohibition of competition – Participation in the Board of Directors of subsidiary companies" page 10).
2. The Board of Directors consists of different categories of members: 6 members elected by the main shareholder during a General Meeting where he is the only participant, 2 members elected by the minority shareholders in a Special General Meeting where only the minority shareholders participate, 2 members elected by GENOP-PPC and 1 member designated by the Economic and Social Committee (article 9 of Articles of Incorporation, Code of Corporate Governance "Composition of the Board of Directors" page 5).
3. In case that the positions of Chairman and CEO coincide to the same person, the Board of Directors shall also elect a Vice Chairman (article 14 of Articles of Incorporation, Code of Corporate Governance "Chairman and Vice Chairman of the Board of Directors" page 10).
4. Apart from the Board of Directors and the CEO, the Governing Bodies of the Company include the Management Board (article 8 of Articles of Incorporation, article 3 of Rules of Operation, Code of Corporate Governance "Governing Bodies" page 5).
5. There are Deputy CEOs who report to the CEO (article 15a of Articles of Incorporation, Code of Corporate Governance "Deputy Chief Executive Officers" page 11).
6. A Remunerations Committee has been established, consisting of three (3) non executive members of the Board of Directors, two of whom at least are independent (article 17 of Articles of Incorporation, Code of Corporate Governance "Remuneration and Compensation of Members", page 13).
7. A Management Contract is signed between PPC and the CEO (article 16 of Articles of Incorporation, Code of Corporate Governance "Management Contract and follow-up of its implementation page 12).
8. Persons of recognized standing or with specialized experience or expertise in specific areas may be hired as Special Consultants, in order to support the CEO or the Deputy CEOs or the General Managers in carrying out their duties. The number of special consultants shall not exceed ten (10). They shall be hired by the CEO under fixed-term employment contracts of up to three years.
9. By virtue of the Resolution of the Board of Directors no 38/23.02.2009, a Corporate Governance and Monitoring Committee of the subsidiary company of PPC S.A. under the trade name "PPC Renewables S.A." was established. The said Committee, by virtue of the Resolution of the Board of Directors no 97/14.04.2010, consists of the Chairman of PPC Renewables S.A., the CEO of PPC Renewables S.A., the Deputy CEO of PPC S.A. who supervises the Corporate Functions Divisions of PPC SA, the General Manager of Finance of PPC S.A. and the General Counsel of PPC S.A.

## 3. Description of internal audit and risk management systems in relation with the procedure of financial statements' drawing up

### 3.1 Safeguards at corporate level

The Internal Audit of PPC is performed by the Internal Audit Department (IAD). The IAD is supervised by the Audit Committee which consists of three independent-non executive members of the Board of Directors, who have been appointed by the General Meeting of the Shareholders.

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

- follow up of the financial information procedure,
- follow up of the effective operation of the internal audit and risk management system, as well as follow up of the proper operation of the IAD.
- follow up of the process of compulsory audit of individual and consolidated financial statements,
- review and follow up of issues relating to the existence and preservation of the objectivity and independence of chartered auditors-accountants concerning, in particular, other services rendered by them to the Company and its subsidiaries.

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

### 3.2 Safeguards for information systems

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

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

### 3.3 Safeguards for the procedure of drawing up financial statements and reports

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

- **Allocation of Competencies**  
The executives being involved have clearly defined roles and areas of responsibility, thus reinforcing the effectiveness of the Internal Audit System.
- **Procedures for accounting monitoring and drawing up of financial statements**  
Integrated policy principles for the operation of the Accounting Services of the Group.

Procedures in relation to the issuing of financial statements and their consolidation at Group level.

Regular follow up of the International Financial Reporting Standards, as these are adopted by the European Union, and respective adaptation of the accounting principles and policies of the Group, as required.

A special approval by the top executives of the Company is required for the posting of accounting entries, which concern specialized, non recurrent accounting events.

Verifications are being carried out by the Information Department on the information subsystems data, before being integrated into General Accounting.

Regular communication of the executives of the Finance Division with the Top Management and the Audit Committee for the ratification and recording of important events that influence financial statements.

Regular communication of the Chartered Auditors with the Top Management and the Audit Committee with regard to the progress and the results of the Company's compulsory audit.

- **Procedures for property safekeeping**

Implementation of safeguards for fixed assets, reserves, assets-cheques and client management information systems. Indicatively we mention the existence of analytical procedures and audit mechanisms for carrying out the annual materials inventory.

- **Transaction approval limits**

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

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

##### 4.1 Share Capital Structure

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

##### 4.2 Restrictions in transferring Company shares

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

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

Major participant is the Hellenic Republic holding 51,12%.

Significant participation (over 5%) on December 31, 2012 had the Hellenic Republic and Silchester International Investors LLP.

|           |   |        |
|-----------|---|--------|
| 13/9/2011 | 1. «Silchester International Investors LLP» acting as investment manager for its client<br>- <i>Silchester International Investors International Value Equity Trust.</i>  | 5.01%  |
| 8/12/2011 | 2. «Silchester International Investors LLP» acting as investment manager for the following clients:<br>- <i>Silchester International Investors International Value Equity Trust,</i><br>- <i>Silchester International Investors International Value Equity Taxable Trust,</i><br>- <i>Silchester International Investors International Value Equity Group Trust,</i><br>- <i>Silchester International Investors Tobacco Free International Value Equity Trust,</i><br>- <i>The Calleva Trust.</i> | 13.80% |

On September 2012 the Hellenic Republic Asset Development Fund (HRADF) was appointed as proxy holder of the Hellenic Republic, entitled to exercise at its sole discretion, in the most appropriate way and without any guidance by the shareholder "Hellenic Republic", the voting rights of 39,440,000 ordinary shares with voting right (namely 17% of the existing share capital of the Company) without any transfer of the Hellenic Republic voting rights on P.P.C. S.A. to HRADF.

The duration of such proxy is thirty six (36) months as of the date of signing of the relevant agreement, unless the objective of the proxy, is achieved earlier.

#### 4.4 Shares with special control rights

There are no shares granting special control rights, *stricto sensu*. It is hereby noted, the procedure of election of the members of the Board of Directors, (articles 9 and 19 of the Company's Articles of Incorporation), through two General Meetings of Shareholders. In the first one only the majority shareholder –the Hellenic Republic– among the company's shareholders participates, while in the other only the minority shareholders participate.

#### 4.5 Voting rights restrictions

- According to article 9 par.2 (a) of the Company's Articles of Incorporation, the minority shareholders are not entitled to participate in the General Meeting of shareholders [in which among others participate the majority shareholder (the Hellenic Republic)], by which six (6) members of the Board of Directors, the CEO included, are elected.
- According to article 19 of the Company's Articles of Incorporation, whenever an election of a minority representative to the Board of Directors is required (it is provided in article 9 par. 2c of the Articles of Incorporation that two (2) minority representatives participate in the Board of Directors) a Special General Meeting is convened, in which only the minority shareholders are entitled to vote.

#### 4.6 Agreements between Company's shareholders

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

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

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

- Six (6) members, including the CEO, are elected by the General Meeting of the majority shareholder (the Hellenic Republic) in which the minority shareholders are not entitled to participate.
- Two (2) members representing the Company's employees are elected by the members of the Most Representative Trade Union of the Company.
- Two (2) members are elected by a Special General Meeting of the minority shareholders (article 19 of the Company's Articles of Incorporation).
- One (1) member is designated by the Economic and Social Committee (ESC) who is involved in agencies performing activities similar to those of the Company.

In the event that, for any reason whatsoever, any representative of the employees or the representative of ESC is not elected or in the event any vacancy in the office of the aforesaid representatives is not promptly filled or/and in the event that the minority shareholders have not appointed their representatives in the Board of Directors or in the event they have not filled in the office of the said members, this shall not impede the Board of Directors' constitution and functioning, without said members.

According to article 9 par. 5a of the Company's Articles of Incorporation, in case that, for any reason whatsoever, there is a vacancy in the office of a member of the Board of Directors elected by the General Meeting of the majority shareholder (Hellenic Republic ) (procedure per article 9 par. 2a of the Company's Articles of Incorporation), the remaining Board members shall elect another member for the balance of the term of the vacant member and such election shall be certified at the next meeting of the General Meeting.

According to article 19 par. 1 of the Company's Articles of Incorporation, in case that, for any reason whatsoever, there is resignation or a vacancy in the office of a member of the Board of Directors elected by the Special General Meeting of the minority shareholders, they shall be substituted by the same procedure applied for their election.

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

According to article 7 par.3 of the Company's Articles of Incorporation, the Company may, by resolution of the Board of Directors, issue provisional share warrants, which shall be exchanged for the final ones upon their issuance.

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

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

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

Many loan agreements provide that, in case of change in ownership, if the participation of the Hellenic Republic in the Company's share capital is reduced to less than 51%, this should constitute an event of default.

In addition, the change in PPC's share capital, which will lead to change in control over the Company is a reason for an "Accelerated Put/Call Event" according to the Shareholders Agreement between PPC S.A. and Urbaser, relating to WASTE SYCLO S.A., and will initiate the procedure of the "Accelerated Put/Call Notice", within a specific deadline. The Non Defaulting Party may require to purchase all the shares of the Defaulting Party according to the foreseen procedure in the Shareholders Agreement.

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

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

PPC has signed employment contracts with the Chairman and Chief Executive Officer Mr. A. Zervos, with the Vice Chairman and Deputy CEO Mr. K. Theos and with the Deputy CEO Mrs Our. Ekaterinari.

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

#### **5.1 Competence of the General Meeting**

1. The General Meeting of shareholders is the supreme authority of the company and shall have the right to make decisions on all matters concerning the company, unless otherwise stipulated in the Articles of Incorporation, and more particularly to decide regarding:
  - a) The amendment of the Articles of Incorporation. Such amendments are also deemed to include the increase or reduction of the share capital, subject to the provisions of article 6 of the Articles of Incorporation and article 34 par. 2 of Codified Law 2190/1920, as applicable. The decisions concerning amendments to the Articles of Incorporation shall be valid, provided that the relevant amendment is not prohibited by an express provision of the Articles of Incorporation or by law,
  - b) The election of Board Members, pursuant to articles 9 and 19 of the Articles of Incorporation, of the Chief Executive Officer and of the regular auditors,
  - c) The approval of the balance sheet of the company,
  - d) The distribution of the annual profits,

- e) The issue of loan through bonds convertible into shares, subject to the provisions of article 6 of the Articles of Incorporation. The issue of bonded loans not convertible into shares shall be permitted also by virtue of a resolution of the Board of Directors,
  - f) The merger, division (demerger), conversion, revival, extension of term or dissolution of the company and
  - g) The appointment of liquidators.
2. Any holder of fully-paid up voting shares shall participate in the General Meeting of shareholders of the company only to the extent of the number of shares which he holds.

## 5.2 Convocation of the General Meeting

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

## 5.3 Invitation to the General Meeting

1. The Invitation to the General Meeting, with the exception of repeat General Meetings and of meetings regarded as such, shall clearly state at least the venue, date and time of the meeting, the items on the agenda, the shareholders entitled to participate, as well as precise instructions about the way the shareholders shall be able to participate in the meeting and exercise their rights in person or by proxy, or potentially through remote attendance (from a distance), shall be available in a prominent place at the registered office of the company and shall be published as follows:
  - a) In the Bulletin of Sociétés Anonymes and Limited Liability Companies of the National Official Gazette, in accordance with article 3 of the Presidential Decree dated 16/22 January 1930 on "Bulletin of Sociétés Anonymes".
  - b) In a daily newspaper published in Athens, which according to the opinion of the Board of Directors has a nation-wide circulation, selected from among the papers listed in article 3 of Legislative Decree 3757/1957 regarding "Prerequisites to Be Met by Newspapers Which Publish Material Referring to Sociétés Anonymes and Limited Liability Companies" (National Official Gazette, volume A, issue no. 184), as applicable.
  - c) In a daily financial newspaper from among those designated in paragraph 2c of article 26 of Codified Law 2190/1920.
  - d) In two newspapers with a wide circulation in Europe and the United States, provided that this shall be permitted by the standing legislation of the place of publication.
2. The General Meeting shall be convened at least twenty (20) days prior to the date set for the meeting, inclusive of days legally excluded (holidays). Publication in the Bulletin of Sociétés Anonymes and Limited Liability Companies of the National Official Gazette shall be made at least ten (10) full days and in the other newspapers twenty (20) days prior to the said appointed date. In the event of repeat General Meetings, the time limits set forth herein are reduced by one half.
3. The day of publication of the notice of invitation to attend a General Meeting and the day on which such meeting shall be held are not counted.
4. Besides the information of par.1 herein, the invitation shall also:
  - a) include at least the following information:

- aa) shareholders rights of par. 2, 3, 6 and 7 of article 29 of the Articles of Incorporation, stating the time period within which each right may be exercised, by the respective deadlines specified in the above paragraphs of article 29 of the Articles of Incorporation or alternatively the closing date by which such rights may be exercised, on condition that the detailed information is posted, with an explicit reference in the invitation, on the company's website [www.dei.gr](http://www.dei.gr), and
    - bb) the procedure for the exercise of the voting rights by proxy and more in particular the printed forms used by the company to this end, as well as the means and methods provided for in article 23 of the Articles of Incorporation, in order that the company receives electronic notifications of any appointment and revocation of proxy holders.
  - b) the record date as provided for in article 23 par. 2 of the Articles of Incorporation in accordance with article 28a par. 4 of Codified Law 2190/1920, as applicable, pointing out that only those persons having the shareholding capacity on such date shall have the participation and voting right at the General Meeting.
  - c) the location where the full text of documents and draft resolutions provided for in cases c) and d) of par. 5 of article 23 of the Articles of Incorporation are made available, as well as their reception mode.
  - d) the company's website address where the information of par. 5 of article 23 of the Articles of Incorporation are posted.
5. The company publishes in the print media of par. 1 herein a summary of the invitation containing at least the precise address of the venue, the time and the hour of the meeting, the shareholders entitled to participate, as well as an explicit reference to the address of the company's website where the full text of the invitation and the information provided for in par. 3 of article 27 of Codified Law 2190/1920 are posted.

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

## 5.4 Participation in the General Meeting

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

The shareholding capacity shall be evidenced by providing a relative written certificate from the above entity or alternatively a confirmation through direct online connection of the company with the records of the latter. The shareholdings capacity shall be valid on the commencement of the fifth (5th) day prior to the date of the General Meeting (Record Date) and the relative written or electronic certificate with regard to the shareholding capacity shall be serviced to the company at the latest the third (3rd) day prior to the date of the General Meeting. Shareholders may attend the repeat General Meeting in accordance with the same formal requirements set out above. The shareholding capacity shall be valid on the commencement of the fourth (4th) day prior to the holding of the repeat General Meeting (Record Date of repeat General Meetings), while the relative written or electronic certificate with regard to the shareholding capacity shall be serviced

to the company at the latest the third (3rd) day prior to the General Meeting. Only those holding the shareholding capacity on the above Record Date shall be considered vis-à-vis the company to be entitled to participate and vote at the General Meeting. In case of non compliance with the provisions of Article 28a of Codified Law 2190/1920, as applicable, said shareholders may attend the General Meeting only upon authorization of the General Meeting.

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

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

## 5.5 Ordinary Quorum and Majority

1. A quorum of the General Meeting shall be deemed to be achieved for the proper discussion of the issues on the agenda, when shareholders representing at least one fifth (1/5) of the paid-up share capital are present or represented thereat.
2. If the quorum referred to in the preceding paragraph is not obtained, the General Meeting shall be held again within twenty (20) days from the date of the postponed meeting, following invitation being notified at least ten (10) days prior to the meeting date. At such repeat meeting a quorum shall be deemed to be obtained in order to duly discuss the items set out in the original agenda, independently of the proportion of the paid-up share capital represented thereat.

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

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

## 5.6 Extraordinary Quorum and Majority

1. As an exception, for resolutions involving:
  - a) change in the nationality of the company,
  - b) modification of the object of the company,
  - c) issuance of bonded loans convertible into shares, as stipulated by article 20 par. 1(e) of the Articles of Incorporation,
  - d) increase of the shareholders' obligations,
  - e) increase of the share capital subject to the provisions of article 6 of the Articles of Incorporation, or unless it is imposed by law or is effected by capitalization of reserves,
  - f) decrease of the share capital, with the exception of the case of par. 6 article 16 of Codified Law 2190/1920, as applicable, or with the exception of those cases which are regulated in a different manner, according to a special law or to the Articles of Incorporation,
  - g) change in the manner of profits' distribution,
  - h) restriction or abolition of the pre-emption right of the old shareholders in all cases of increase of the share capital not effected by transfers in kind or by the issuance of convertible bonds
  - i) merger, division (demerger), conversion, revival, extension of term or dissolution of the company,
  - j) granting or renewing of powers to the Board of Directors for the increase of the share capital or the issuance of bonded loan in accordance with the provisions of article 6 par. 2(b) of the Articles of Incorporation, and
  - k) any amendment to the present article and in any other case provided for by the law, a quorum shall be deemed to be obtained for the proper transaction of the business set out in the agenda, when shareholders representing two thirds (2/3) of the paid-up share capital are present or represented at the relevant meeting.
2. If the said quorum is not obtained, a second General Meeting shall be held in accordance with the provisions of paragraph 2, article 24 of the Articles of Incorporation, a quorum of which shall be obtained for the proper transaction of the business set out in the original agenda when at least one half (1/2) of the paid-up share capital is represented thereat. If such quorum is still not obtained, the General Meeting shall be held upon notice of invitation and convened as stipulated above, a quorum of which shall be obtained when shareholders representing at least one fifth (1/5) of the paid-up capital are present or represented at said meeting.

In the event that quorum has not been not obtained, a new notice of invitation is not required on condition that the venue and time of the repeat meetings, as provided for by law, are set in the initial invitation, and that at least ten (10) full days intervene between each postponed meeting and each repeat one.
3. The resolutions stipulated in par. 1 of the article herein shall be made by a two-thirds (2/3) majority of the votes represented at the General Meeting.

## 5.7 Chairmanship of the General Meeting

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

## 5.8 Agenda - Minutes of the Meetings

1. The discussions and the resolutions of the General Meeting shall be limited to the items on the agenda published in accordance with article 22 of the Articles of Incorporation.

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

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

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

## 5.10 Minority Rights

1. At the request of shareholders representing one twentieth (1/20) of the paid-up share capital, the Board of Directors shall be bound to convene an extraordinary General Meeting, setting the date of such a meeting, which shall not be later than forty five (45) days from the date of service of such request to the Chairman of the Board of Directors. The agenda items shall be stated in detail in the said request. If the General Meeting is not convened by the Board of Directors within twenty (20) days from the service of the said request, the meeting shall be convened by the requesting shareholders at the expense of the company, upon decision of the Single-Member Court of First Instance at the company's registered seat, issued following the procedure of interim measures. The place and date of the meeting, as well as the items on the agenda, shall be defined by the said decision.
2. At the request of shareholders representing one twentieth (1/20) of the paid-up share capital, the Board of Directors shall be obliged to insert additional items in the agenda of a General Meeting already convened, if the relative request has been submitted to the Board of Directors at least fifteen (15) days prior to the General Meeting. The request for the insertion of additional items in the agenda shall be accompanied by the reasoning or a draft resolution to be approved by the General Meeting. The revised agenda shall be published or notified under the responsibility of the Board of Directors, pursuant to article 26 of Codified Law 2190/1920, as applicable, according to the same procedure as above, thirteen (13) days prior to the date of the General Meeting; at the same time it shall be made available to the shareholders on the company's website along with the reasoning or the draft decision submitted by the shareholders in accordance with the provisions of par. 5 of article 23 of the Articles of Incorporation.

3. At the request of shareholders representing one twentieth (1/20) of the paid-up share capital, the Board of Directors shall make available to the shareholders in accordance with the provisions of par. 5 article 23 of the Articles of Incorporation, at least six (6) days prior to the General Meeting any draft resolutions on items included in the initial or the revised agenda, provided that such request is submitted to the Board of Directors at least seven (7) days prior to the date of the General Meeting.
4. The Board of Directors shall have no obligation to proceed to the insertion of items in the agenda nor to publish or notify such items along with the reasoning and the draft resolutions submitted by the shareholders in accordance with the above par. 2 and 3 respectively, if their content is obviously contrary to Law and morality.
5. At the request of shareholders representing one twentieth (1/20) of the paid-up share capital, the Chairman of the General Meeting shall be obliged to postpone, only once, the decision making by the ordinary or extraordinary General Meeting for all or for specific items, setting at the same time, as date for the continuation of the meeting, the one specified in the request of the shareholders, which may not be later than thirty (30) days from the date of postponement.

The General Meeting, which follows the postponed one, is deemed to be in continuation of the previous one and no repetition of the formalities for the publication of the shareholders' invitation is required. New shareholders may also attend this meeting, by complying with the provisions of article 23 of the Articles of Incorporation.

6. a) At the request of shareholders representing one twentieth (1/20) of the paid-up share capital submitted to the company, the Board of Directors shall be bound to announce to the General Meeting of shareholders, provided it is an ordinary General Meeting, the amounts paid by the company for any reason whatsoever, within the last two (2) years, to members of the Board of Directors, to the General Managers, to the Managers or other employees of the company, as well as any other benefit paid to the said persons or any contract of the company concluded with the above mentioned persons for any reason whatsoever.
- b) At the request of any of the shareholders, submitted to the company within at least five (5) full days prior to the General Meeting, the Board of Directors shall be obliged to provide the requested information with respect to the company affairs, to the extent that such information is useful for the actual evaluation of the agenda items. The Board of Directors may give a common reply to all shareholders' requests having the same content. There shall be no obligation to provide information, on condition that such information is already posted on the company's website, especially in question and answer form.

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

7. At the request of shareholders representing one fifth (1/5) of the paid-up share capital submitted to the company within the time limit referred to in the preceding paragraph, the Board of Directors shall be obliged to provide during the General Meeting to the said shareholders information on the progress of the affairs and on the financial condition of the company. The Board of Directors may refuse to provide the requested information, if sufficient material grounds exist, recording the reasons for such refusal in the minutes.
8. In the cases referred to in paragraphs 6 a) and 7 of the article herein, any issue in dispute over the validity of the reasons for such refusal by the Board of Directors shall be resolved by the Single-Member Court of First Instance at the company's registered seat, following the procedure of interim measures.
9. At the request of shareholders representing one twentieth (1/20) of the paid-up share capital, a resolution concerning any item on the agenda of the General Meeting shall be made by roll call.

10. In all cases referred to in paragraphs 1 up to 7 of the article herein, the shareholders submitting such a request shall be obliged to provide evidence of their shareholding capacity, in accordance with article 23 of the Articles of Incorporation, as well as of the number of their shares granting them the above rights, whether by providing a relative certificate by the entity where the respective securities are being kept or by confirmation of their shareholding capacity through direct online connection between the above-mentioned entity and the company.
11. Shareholders of the company representing one twentieth (1/20) of the paid-up share capital shall have the right to request by the Single-Member Court of First Instance of the company's registered seat the performance of an audit of the company. Such audit shall be ordered, in the event it is assumed that certain acts reported against the company violate the provisions of the law, of the Articles of Incorporation, or of the resolutions of the General Meeting. In all cases, the petitions requesting an audit shall be filed within three (3) years from the date of approval of the annual financial statements of the financial year within which such reported acts took place.
12. Shareholders of the company representing one fifth (1/5) of the paid-up share capital shall have the right to request of the court referred to in the preceding paragraph the performance of an audit of the company, provided it is assumed from the general progress of the company affairs, that the management thereof is not carried out in accordance with the principles of honesty and prudence. The last period of paragraph 3 article 40 of Codified Law 2190/1920 shall not be applicable.
13. Shareholders who make a request in accordance with paragraphs 11 and 12 of the article herein, must provide evidence to the Court that they are in possession of the shares, as stipulated in article 23 of the Articles of Incorporation, granting them the right to request the audit of the company.

## 6. Composition and operation of the Governing Bodies

### 6.1 Governing Bodies

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

- a) the Board of Directors,
  - b) the Chief Executive Officer and
  - c) the Management Board.
1. The Board of Directors shall consist of eleven (11) members divided into executive and non executive members and elected for a three-year term. In order to ensure continuity in the administration of the affairs and the representation of the company, the term of office of each member may be extended ipso jure until the first Ordinary General Meeting to be held after the expiration of term of each member.
  2. The Board of Directors shall consist of:
    - a) Six (6) members, including the Chief Executive Officer, elected by the General Meeting of the shareholders of the company, in which, however, cannot participate the shareholders who are entitled to attend the Special Meeting stipulated in article 19 of the Articles of Incorporation. The Board of Directors shall elect from among the said members its Chairman and Vice Chairman, pursuant to article 14 of the Articles of Incorporation.
    - b) Two (2) members representing the employees of the company. These members shall be elected by direct, general ballot and by means of the proportional representation system within a time period of two (2) months from the relevant notification to the most representative trade union (ASOP). The election of the representatives of the employees to the Board of Directors shall be conducted by an election committee appointed by the most representative trade union of the company, in which (committee) at least one representative from the remaining trade unions of the company shall participate. The procedure of the said election, the appointment of the

local election committees, the time and the details of the polling, as well as the counting of the votes and the announcement of the results thereof, shall be the job of said committee, which shall be presided over by a judicial functionary pursuant to the provision of article 11 of Law 1264/1982 concerning "Democratization of the Trade-union Movement – The Rights of the Unions" (Official Gazette, volume A, issue no. 79). The same procedure shall also apply to the appointment of the substitute members in replacement of the members of the Board elected in accordance with the procedure set forth in the paragraph herein. In case the substitute member resigns or leaves his office vacant, for any reason whatsoever, his position shall be occupied by the substitute member who follows next in order.

- c) Two (2) members representing the minority shareholders, pursuant to the provisions of article 19 of the Articles of Incorporation.
  - d) One (1) member designated by the Economic and Social Committee (ESC) and coming from agencies relating to the activities of the company. The member designated by the ESC shall be proposed as a member within a time period of two (2) months as of its notification to the said Committee by the Minister of Environment, Energy and Climate Change and shall be appointed by virtue of Decision of the said Minister. The same procedure shall also apply to the substitution of the said member, in the event of resignation or vacancy in the office of said member for any reason whatsoever as well as to the revocation of said member.
3. In the event that for any reason whatsoever any representative of the employees or the representative of ESC is not elected or in the event any vacancy in the office of the aforesaid representatives is not promptly filled within the time limit of two (2) months as of the notification of the agencies, this shall not impede the constitution and functioning of the Board of Directors.
4. In the event that for any reason whatsoever the minority shareholders shall not elect the members representing such minority or in the event they shall not fill any vacancy in the office of said members, this shall not impede the constitution and functioning of the Board of Directors.
5. a) In case that for any reason whatsoever there shall be a vacancy in the office of a Board Member elected in accordance with the procedure set forth in paragraph 2 a) of the present article, the remaining members of the Board shall elect another member for the balance of the term of the member in the office of whom a vacancy has occurred, and such election shall be certified at the next meeting of the General Meeting.
- b) In the event of a vacancy in the office of the Chief Executive Officer for any reason whatsoever the Chairman of the Board of Directors shall temporarily act as Chief Executive Officer or if the posts of Chairman of the Board of Directors and of Chief Executive Officer coincide to the same person, the Vice Chairman of the Board of Directors, appointed pursuant to article 14 par. 1 of the Articles of Incorporation, shall act as Chief Executive Officer. In such instances, the Board of Directors shall call a meeting of the General Meeting of shareholders within the shortest possible time for the election of the new Chief Executive Officer.
- c) In the event of a vacancy in the office of the Chairman of the Board of Directors for any reason whatsoever the Chief Executive Officer of the company shall temporarily act as Chairman or if the posts of Chairman of the Board of Directors and of Chief Executive Officer coincide to the same person, the Vice Chairman of the Board of Directors, appointed pursuant to article 14 par. 1 of the Articles of Incorporation, shall act as Chairman. In the event of a vacancy in the office of both the Chairman and the Chief Executive Officer, and should no Vice Chairman of the Board of Directors have been elected, the Chairman shall be substituted by the senior member of the Board of Directors.
- d) In the event that the Chief Executive Officer or the Chairman are absent or temporarily unable to perform their functions, the Vice Chairman and, if there is no Vice Chairman, a person designated by the Board of Directors among its members who have been elected by the General Meeting in accordance with Article 9 par. 2 a) of the Articles of Incorporation, shall substitute for them.

6. Failure to certify the election or the substitution of a Board Member by the General Meeting shall not invalidate the resolutions of the Board of Directors taken with the participation of the said member.

## 6.2 Competence of the Board of Directors

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

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

## 6.3 Convocation and Functioning of the Board of Directors

1. The Board of Directors shall meet at the seat of the company and/or outside its seat at the facilities of PPC at Kozani, Megalopolis and Aliveri, upon the call of the Chairman or his substitute on such day and hour as determined by him, whenever required following the needs of the company.

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

#### 6.4 Liability of the Board Members

1. The Board Members shall be liable to the company for any fault committed by them during the performance of their duties, as specifically provided for under articles 22a and 22b of Codified Law 2190/1920, as applicable.
2. The Board Members shall be bound to keep absolute secrecy with regard to all confidential information in respect of the affairs of the company coming to their knowledge in their capacity as Board Members.
3. The appointment and the dismissal for any reason whatsoever of the Board Members and of the persons empowered to represent the company jointly or severally shall be subject to publicity, as stipulated by articles 7a and 7b of Codified Law 2190/1920, as applicable, together with their identity particulars.

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

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

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

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

## 6.7 Chief Executive Officer

1. The Chief Executive Officer of the company shall be elected by the General Meeting of shareholders for a three-year term of office.
2. The Chief Executive Officer shall be the highest-ranking executive officer of the company, he/she shall be at the head of all the services thereof, conduct their activities, decide on the further organization of the company within the scope of the Articles of Incorporation and the relevant resolutions of the Board of Directors, make the necessary decisions within the framework of the provisions governing the operation of the company, of the approved plans and budgets, of the Strategic Plan (S.P.), of the Business Plan (B.P.), and of the terms of the Management Contract he/she has entered into with the company pursuant to Article 16 of the Articles of Incorporation. The Chief Executive Officer shall represent the company within the limits of his duties on the basis of the Articles of Incorporation or of the resolutions of the Board of Directors and may authorize or empower other persons, members of the Board or low-ranking or high-ranking executives of the company to represent him/her.
3. The Chief Executive Officer shall have the following duties under the Articles of Incorporation, as well as all other duties, which shall be delegated to him/her upon resolution of the Board of Directors. He/She shall:
  - a) Submit to the Board of Directors of the company the proposals and recommendations required for the attainment of the company's objects, as specified in the Strategic Plan and the Business Plan.
  - b) Make decisions on the conclusion of contracts of a value to be determined on each occasion by decision of the Board of Directors.

## 6.8 Deputy Chief Executive Officers

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

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

1. A Management Contract shall be entered into by and between the company, represented by the Chairman and, in the event that the positions of Chairman of the Board and Chief Executive Officer coincide, by a specially authorized member of the Board of Directors designated by decision of the Board of Directors and the Chief Executive Officer. By virtue of the said Contract, the goals which the Chief Executive Officer undertakes to achieve during his/her term of office shall be specified within the framework of the Strategic Plan and the Business Plan.
2. The Management Contract shall in particular include:
  - a) The terms and rules for the achievement of the goals of the Business Plan and the procedure of follow-up of its implementation.
  - b) The terms and conditions of its amendment, particularly in case of revision of the Business Plan.
  - c) Special occasions of material or moral reward to the Chief Executive Officer at the end of the financial year and/or at the expiry of his/her term of office. This reward is given in such cases where the annual or overall goals of the Business Plan have been achieved to a degree higher than the one provided for in the Management Contract thanks to his/her special skills, initiatives and diligence.
  - d) The grounds for its termination.
  - e) The indices of crucial financial figures, which might include indicatively indices of product manufacturing cost or of services furnishing, of productivity, of HR degree of development, of quality of manufactured products or of services rendered.
  - f) The total amount allocated annually for personnel expenditures in relation to the other key financial figures of the company.
3. The Management Contract shall be terminated by the Board of Directors on the grounds stipulated therein, in the event that there is a substantial deviation from the financial figures or from the deadlines set for the achievement of its goals that cannot be sufficiently justified or for any other important reason. The Chief Executive Officer shall have no voting right in the meeting for the adoption by the Board of Directors of the decision authorizing termination of the Management Contract. Upon termination of the Management Contract, the Chief Executive Officer shall be ipso jure removed from office and relieved from his/her capacity as member of the Board of Directors. As regards his/her substitution up until the election of a new Chief Executive Officer by the General Meeting, the provisions of article 9, par. 5 b. of the Articles of Incorporation shall be applicable.

## 6.10 Remuneration and Compensation of Members

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

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

## 6.11 General Managers

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

## 6.12 Management Board

1. A Management Board (MB) shall be formed within the company.
2. The MB shall be composed of the Chief Executive Officer who acts as its Chairman, the Deputy Chief Executive Officers, if any, and the General Managers.

The General Counsel of the Company may attend its meetings at the discretion of the Chief Executive Officer.

3. The Management Board shall operate in conformity with the decisions of the Board of Directors, ensuring the necessary collective handling of administrative and operational issues of the company, as well as the consistency in its operation. Within this framework, the MB shall be responsible for important matters concerning inter alia the productivity, the performance of the company units, the organization and operation of activities of the company, as well as for the budget and the Strategic and the Business Planning.

Moreover, the MB shall decide on the conclusion of contracts concerning supplies, assignment of projects, furnishing of services and generally any kind of financial contract up to an amount fixed as per case by the Board of Directors. It shall also make decisions and settle any matter pertaining to the execution of said contracts.

4. The MB shall operate in accordance with its Rule of Operation, as approved by the Board of Directors upon recommendation by the Chief Executive Officer.

### 6.13 Representation of Minority Shareholders

1. Whenever election of a minority representative to the Board of Directors is required, the minority shareholders shall be invited by the Board of Directors to a special General Meeting at the seat of the company, having as sole item on the agenda the election of the Board Members who are entitled to elect the aforesaid representative. For the calling of said special meeting, articles 25, 26, 26a, 27, 28a and 30 of Codified Law 2190/1920 and articles 22 and 23 of the Articles of Incorporation shall be applicable, and the decisions shall be made in accordance with the usual quorum and majority requirements by applying accordingly the provisions of article 29 par. 1 and 2 of Codified Law 2190/1920. Every shareholder, who participates properly with the right to vote, shall be entitled to propose at least three (3) full days prior to the General Meeting and vote the members he/she/it wishes, irrespective of the number of shares held by the latter. In the event of resignation or vacancy of the office, for any reason whatsoever, of any member of the minority shareholders elected in accordance with the procedure set forth herein, the same election procedure is repeated, as provided under the present paragraph.
2. In all other respects, the provisions of article 18 of Codified Law 2190/1920 shall apply accordingly or directly, as per case.

### 6.14 Management Board Committees

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

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

- the follow up of the financial information procedure,
- the follow up of the efficient operation of the internal audit system and of the risk management system, as well as the follow up of the proper operation of the Internal Audit Department,
- the follow up of the process of compulsory audit of individual and consolidated financial statements,

- the review and follow up of issues related to the objectivity and independence of chartered auditors-accountants, particularly with regard to other services they provide to the Company and its subsidiaries.

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

The Audit Committee consists of Mr. P. Alexakis, Mr. I. Antoniou and Mr. N. Vernicos.

In 2012 The Audit Committee, within the framework of its competencies related to the monitoring of the IAD smooth operation, met 18 times with executives of the said Department. The aim of these meetings was to brief the Audit Committee about the findings and the results of the audits performed by the IAD, as well as the progress of the organizational and operational restructuring of the IAD. In addition, the Audit Committee met 6 times for the briefing about issues concerning the Financial Department.

Mr. P. Alexakis participated in 22 meetings, Mr. I. Antoniou in 20 meetings and Mr. N. Vernicos in 22 meetings.

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

The Remunerations Committee consists of Mr. P. Alexakis, Mr. N. Vernikos and Mr. I. Konstantopoulos.

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

By virtue of L.3833/10, L.3845/10 and 4092/12, the remunerations of the collective governing bodies and of the members of the Board of Directors were reduced by 50% per meeting. In parallel, the remunerations of the executives may in no case exceed the ceiling set forth by the said laws.

As a result, the remunerations of the Board members are clearly defined and the Remunerations Committee practically has not the power to perform its duties. That means that the establishment of the above remunerations directly by the Law renders to a great extent inactive the duties of the said committee.

The Remunerations Committee was convened in 2012 for briefing purposes concerning the pay roll and the salary cost of top executives and the members of the BoD.

## 6.15 Board of Directors' Members

### PPC S.A. BOARD OF DIRECTORS (31/12/2012)

|                             |  | As of      | Until      |
|-----------------------------|--|------------|------------|
| ZERVOS<br>Arthouros         | CHAIRMAN OF THE BOD - C.E.O.<br>EXECUTIVE MEMBER   | 20.12.2012 | 20.12.2015 |
| THEOS<br>Konstantinos       | VICE CHAIRMAN OF THE BoD<br>EXECUTIVE MEMBER   | 14.12.2011 | 29.6.2013  |
| <b>Members</b>              |  |            |            |
| EKATERINARI<br>Ourania      | EXECUTIVE MEMBER   | 14.12.2011 | 29.6.2013  |
| ALEXAKIS<br>Panagiotis      | INDEPENDENT - NON EXECUTIVE MEMBER /<br>REPRESENTATIVE OF THE MINORITY                               | 17.12.2012 | 17.12.2015 |
| ANTONIOU<br>Ilias           | INDEPENDENT - NON EXECUTIVE MEMBER /<br>REPRESENTATIVE OF THE GREEK ECONOMIC<br>AND SOCIAL COMMITTEE | 29.6.2010  | 29.6.2013  |
| VASSILOGEORGIS<br>Charilaos | INDEPENDENT - NON EXECUTIVE MEMBER   | 14.12.2011 | 29.6.2013  |
| VERNIKOS<br>Nikolaos        | INDEPENDENT - NON EXECUTIVE MEMBER   | 14.12.2011 | 29.6.2013  |
| THOMOGLIOU<br>Pavlos        | INDEPENDENT - NON EXECUTIVE MEMBER /<br>REPRESENTATIVE OF THE MINORITY                               | 14.12.2012 | 17.12.2012 |
| KARAVASSILIS<br>Ioannis     | NON EXECUTIVE MEMBER /<br>REPRESENTATIVE OF EMPLOYEES  | 2.3.2010   | 2.3.2013   |
| KONSTANTOPOULOS<br>Ioannis  | INDEPENDENT - NON EXECUTIVE MEMBER   | 25.4.2012  | 29.6.2013  |
| BOUZOULAS<br>Evangelos      | NON EXECUTIVE MEMBER /<br>REPRESENTATIVE OF EMPLOYEES  | 2.3.2010   | 2.3.2013   |

The Board of Directors of PPC S.A., during its meeting dated March 14th, 2013, elected Mr. Konstantinos Dologlou (Executive Member) and Mr. Konstantinos Zontanos (Independent – Non Executive Member), in replacement of resigned members Mr. K. Theos and Mr. I. Konstantopoulos, and for the rest of their term of office, that is until 29.06.2013. Moreover, the Board of Directors of PPC S.A. also decided the election of Mr. Konstantinos Dologlou to the position of Vice Chairman of the BoD.

The Board of Directors has met 41 times within 2012. The participation frequency of each member at the BoD meetings is as follows:

| A/A | MEMBERS                  | BoD MEETINGS |
|-----|--------------------------|--------------|
| 1   | ZERVOS ARTHOUROS         | 41           |
| 2   | THEOS KONSTANTINOS       | 41           |
| 3   | EKATERINARI OURANIA      | 41           |
| 4   | ALEXAKIS PANAGIOTIS      | 38           |
| 5   | ANTONIOU ILIAS           | 39           |
| 6   | VASSILOGEORGIS CHARILAOS | 35           |
| 7   | VERNIKOS NIKOLAOS        | 38           |
| 8   | THEOKLITOS LEONIDAS      | 12           |
| 9   | KONSTANTOPOULOS IOANNIS  | 26           |
| 10  | THOMOGLIOU PAVLOS        | 29           |
| 11  | KARAVASSILIS IOANNIS     | 41           |
| 12  | BOUZOULAS EVANGELOS      | 40           |

## CVs of the Board Members

### **Arthouros Zervos,** *Chairman & CEO*

Arthouros Zervos is a Professor at the National Technical University of Athens and presently Chairman and Chief Executive Officer of (P.P.C.) Public Power Corporation – Greece as well as Chairman of Public Power Corporation Renewables in Greece.

He was born on 28/07/1952 in Corfu Greece. In 1974 he received his Bachelor of Science in Engineering, and in 1975 his Master of Science in Engineering, both from the Department of Aerospace and Mechanical Sciences of Princeton University, U.S.A. He continued his studies at the Université P.et M.Curie in Paris, where he took his Diplôme d'Etudes Approfondies (D.E.A) de Mécanique Expérimentale des Fluides- Aérodynamique in 1978 and his Diplôme de Docteur – Ingénieur in 1981.

Professor Arthouros Zervos is Chairman of Renewable Energy Policy Network for the 21st Century (REN21) and President of Hellenic Electricity Association (H.EL.AS). He has been President of the European Wind Energy Association (EWEA) from 2001 to 2013, President of the European Renewable Energy Council (EREC) from 2000 to 2012 and President of the Global Wind Energy Council (GWEC) from 2005 to 2010.

He has more than 30 years of high – level expertise in policy, science, research and technology across the European renewable energy sector. He has led the key European renewable energy bodies. He has acted as policy advisor to Governments, EU bodies and policy fora.

As Faculty Member at the National Technical University of Athens since 1982, he has been teaching courses on wind energy, renewable energy sources and aerodynamics and he has been leading and implementing 76 R&D, demonstration, dissemination and training projects funded by the European Commission and Greek public authorities. He is responsible for the Wind Energy Specialization of the European Renewable Energy Master, organized by EUREC – Agency in collaboration with eight European Universities since 2003.

During the period 1990-1995 he worked as a scientific officer in the Renewable Energy Unit of DG Research of the European Commission in Brussels.

He is the author of more than 180 publication in international magazines and conference proceedings and author, co-author, editor, contributor, coordinator of 50 publications. He was the lead author of the White Paper on Renewable Sources of Energy of the EC in 1997. He is member of the Advisory Board of the International Journal of Sustainable Energy, member of the Editorial Board of the Wind Energy Journal, as well as member of the Editorial Board of the IET Renewable Power Energy Journal.

He has been the Chairman of 18 international conferences, participated and presented at more than 220 international conferences, in 170 of them as invited speaker. He has been Chairman of the scientific / programme committee of ten international conferences, member of 25 scientific committees and of 60 Organising/Steering Committees.

He is fluent in four languages: Greek (mother language), English, French and Italian.

### **Konstantinos Theos,** *Vice Chairman, Deputy CEO, supervising the Mines, Generation and Supply Divisions*

Mr Kostantinos Theos was born in Athens in 1961.

He holds a Diploma in Civil Engineering from the National Technical University of Athens (1985). He received the Diplôme d' Etudes Approfondies (D.E.A.) in 1989 from the École Central de Paris and the École Nationale des Ponts et Chaussées and the Diplôme de Docteur Ingénieur in 1994 from the École Nationale des Ponts et Chaussées (Paris).

He has worked as an expert-consultant on EU issues, Community programmes and on development and investment issues in the private sector.

He served as Secretary General for Investments and Development in the Ministry of Economy & Finance having as main responsibilities the coordination of EU structural funds programmes, the support to private investment and the National Public Investments Budget, as well as Advisor on EU Programmes in the Ministry of Development as well as in the Ministry of National Economy.

He worked as a columnist on economic and development policy issues at the "IMERISSIA" newspaper for 5 years.

He was Head of the Strategic Planning Unit at the Prime Minister's Office during the period 2009-2011. He has been a member of the Board of Directors of NIREUS AQUACULTURE S.A., Public Gas Company (DEPA) and Greek Exports S.A.

### **Ourania Ekaterinari,**

#### ***Deputy CEO supervising the Corporate Functions Divisions***

Mrs Ourania Ekaterinari is Deputy CEO of Public Power Corporation SA since January 2010. She is also executive member of the Board of Directors since December 2011. She is heading the activities of Finance Division, Human Resources Division and Support Operations Division.

From February 2012 until February 2013, Mrs Ekaterinari was member of the Supervisory Board of ADMIE SA (Independent Power Transmission Operator).

Before working for PPC, she held senior positions in Athens and London in corporate & investment banking for more than ten years, both at international and Greek financial institutions such as BNP Paribas (2006-2010), Deutsche Bank (1999-2001) and EFG Eurobank (2001-2006). Prior to banking, in the 90s, she worked in the oil & gas industry at Texaco in London in project development in the Caspian Region. At the beginning of her career, she worked as an electrical engineer in Greece and in Denmark.

Mrs Ekaterinari is the first Greek woman to be announced member of the "Rising Talents Network" of the International "Women's Forum for the Economy and the Society" (October 2010).

She is a graduate from Aristotle University of Thessaloniki with a diploma in Electrical Engineering and holds an MBA from the City University Business in London.

She served as Deputy Chairman at the Permanent Committee of Energy of the Technical Chamber of Greece (TEE).

### **Panagiotis Alexakis,**

#### ***Member***

Mr Panagiotis Alexakis is a professor of Managerial Economics and Finance at the Department of Economics of the Athens University.

He has been a scholar of the "Alexander S. Onassis Public Benefit Foundation". He has also taught at the Department of Business Administration of the University of the Aegean and at the Hellenic Open University. His scientific work is recognized worldwide.

He has worked as financial consultant and has held managerial posts in various companies. Indicatively: He was responsible for the organization and functioning of the organized derivative exchange market, May 1998-June 2004 (Athens Derivatives Exchange and Athens Derivatives Clearing House S.A.) He was appointed Chairman and CEO of the Athens Stock Exchange S.A (August 2000-June 2004) as well as Chairman (2000-2003) and CEO (2000-2004) of the Hellenic Exchanges S.A.

He was member of the Board of Directors of the Hellenic Capital Market Commission (August 2000-September 2004), member of the Scientific Council of the Hellenic Banks Association (1994-2004), Advisor to the Cyprus Stock Exchange on Corporate Governance issues (Sept. 2004-Sept. 2007). He served as Administration Advisor and member of the Board of Directors of the Investment Bank of Greece (Sept. 2004 - Jan. 2006) and as Executive Vice Chairman of NIREUS AQUACULTURE S.A (2006-2009). Since 2010 he is member of the Board of Directors of TA.NE.O. S.A.

Since 2006 he is member of the Scientific Council of the Entrepreneurship Club of Athens.

### **Ilias Antoniou,**

#### ***Member***

Mr Ilias Antoniou was born in Athens in 1972. In 1996 he graduated from the National and Kapodistrian University of Athens, School of Sciences, Department of Geology with specialization in the Geographic Information Systems. He worked at the respective laboratory of the Department of Geology.

He participated in many researches and publications with various research groups. From 1998 to 2001 he cooperated with offices specializing in Geological studies.

In 2003 he was elected as Secretary General of the Youth organization in the European Socialist Party having its seat in Brussels. Since September 2005 he serves as employee at the University of Athens.

### **Charilaos Vassilogeorgis,**

#### ***Member***

Mr Charilaos Vassilogeorgis was born in Thessaloniki in 1963. He is a graduate of the Law School of Aristotle University of Thessaloniki with Postgraduate Studies in Public Law and Tax Law at the same University. He was admitted to the Thessaloniki Bar Association in 1990 and works as attorney-at-law specializing mainly in Civil, Banking, Commercial, Corporate and Bankruptcy Law. He has extensive experience in dispute resolution before the Courts and out of Court, as well as in the conclusion of any kind of trade agreements.

He is a senior partner and founder of VASSILOGEORGIS & PARTNERS Law Firm which employs twelve attorneys at law and represents before Court and out of Court many known Greek and foreign companies. He is also member of the Board of Directors of companies listed in the Athens Stock Exchange, as well as of unlisted companies and is active in their business planning. From 1999 to 2011 he held various positions of responsibility in the Legal Department of EFG EUROBANK ERGASIAS. In 1999 till 2000 he held the position of special associate on issues of companies' development in the Ministry of Development. In 2009 he was admitted at the Athens Bar Association.

### **Nicolaos A. Vernicos,**

#### ***Member***

Mr Nicolas A. Vernicos, is a 4th generation Shipowner from the island of Sifnos who is President of the International Chamber of Commerce (ICC-Hellas), Member of the Board of Directors of the Hellenic Chamber of Shipping, Member of the Board of Directors of Piraeus Chamber of Commerce and Industry, President of its Shipping Activities Department, member of the advisory Board to the Minister of Merchant Marine for coastal passenger services to the Greek islands and Hon Consul of Mexico for Piraeus and the islands. At the same time he is president of the NICOLAS E. VERNICOS Tugs & Salvage, group of maritime companies, founded in Constantinople in the 19th century, Vice President of VERNICOS YACHTS S.A., Vice President of EUROCORP INVESTMENT SERVICES S.A. Financial Services, Member of Conseil de Surveillance of GLOBAL EQUITIES Compagnie Financiere, Paris and member of the Board of Directors of Public Power Corporation (PPC).

He served as chairman and/or member of the Board of Directors among others, in the following companies: Olympic Airways and subsidiaries; Hellenic Shipyards of Skaramanga; Hellenic Duty Free Shops; National Bank of Greece (France); Attica Group, MINION, etc. He has also served as Prefectural Advisor of Attica and Piraeus for several years. He was Lloyd's Underwriting Member (1977-2000).

He has represented Greece in OCDE and UNCTAD Conferences.

In addition to his business activities, Mr. Vernicos is active in the sectors of culture and environment. He has served as Member of the Board of Directors of the Hellenic Society for the Protection of the Environment and the Cultural Heritage, the European Cultural Centre of Delphi, the Association for the Creation of a New Building for the Greek National Opera and "Maria Callas" Academy and Vice President of the Comité pour le Rapprochement de l' Économie et de la Culture (CEREC), and founder of the Kastella Centre of Contemporary Art.

Mr Nicolas A. Vernicos was born in 1945, he holds a M.Sc. in Economics from the Athens University of Economics (ASOEE). He is married with 3 children and a grandchild.

### **Ioannis Konstantopoulos,**

#### *Member*

Mr. Ioannis Konstantopoulos was born in 1970. He graduated from the Economics Department of the Athens University of Economics and holds a MSc degree in Finance from the University of York (UK).

During the period 1994 - 1999 he was researcher at the Foundation for Economic and Industrial Research (FEIR) and since 1999 he has worked for several companies in the financial sector such as Intertrust Mutual Funds S.A., the Athens Stock Exchange and Geniki Bank.

He is married and has one daughter.

### **Pavlos Thomoglou,**

#### *Member*

Mr Thomoglou Pavlos was born in Athens in 1945. He is married with three children. He is the owner of a Textile Dyeing and Finishing Plant and he is also active in New Technologies Applications for security systems. He graduated from Lycee Leonin and holds a bachelor's degree in Economics and Business Administration and a master's degree in Dyeing and Textile Technologies; he has written several articles on Human Resource Management and Communication, Human Relationships etc. He speaks English and German. Since 1978 he has been an elective member of the Athens Chamber of Commerce & Industry.

In 2011, he won the elections and was appointed Vice President of the Athens Chamber of Commerce & Industry. He is also member of the Textile Industry Association of Greece, as well as member of the Industry Association of Central Greece.

He has also been Chairman of the Board of Industry Association of Viotia, member of the Board of Interinvest AEEX (Investment Company listed in ASE), member of the Board of Interproject S.A. (Investment Consultancy), as well as member of the Board of the Bank of Central Greece. From 1989 to 1993 he served as Vice President of the Industrial Department of the Athens Chamber of Commerce & Industry. From 1994 to 2002 he served as Elective Regular Representative of the Athens Chamber of Commerce & Industry in the Central Association of Greek Chambers. He also served as President of several Exporting Departments of Athens Chamber of Commerce & Industry and from 2002 to 2006 he served as President of the Industrial Department of Athens Chamber of Commerce & Industry.

**Ioannis Karavassilis,***Member*

Mr Ioannis Karavassilis was recruited in 1981 at Kardia Thermal Power Plant of PPC as technician and has worked at the Control Room.

In 1990 he was elected to the Board of Directors of GENOP-DEH (General Federation of Employees of PPC) until 30.03.1997.

From 1989 to 1994 he served as president of TDE/ETE of Kardia TPP and participated in many GENOP-PPC conferences.

In 1997 he was appointed Chairman of the Board of Directors of the Association «I ENOSI» until 30.03.2006. On 20.5.2003 he was elected to the Board of Directors of the GSEE (Greek General Confederation of Labour) until 30.3.2011.

On 25.7.2005 he was appointed chairman of the INE (Institute for Employment and Labour) - GSEE (Greek General Confederation of Labour) - ADEDY (Supreme Administration of Greek Civil Servants) of West Macedonia.

Since 30.10.2006 he has been a member of the Association «SPARTAKOS» and has been representing the Association at various conferences of Labour Unions and GENOP-PPC.

He is very active in the trade union movement and has participated in many conferences in Greece, in the Balkan countries, as well as in Europe with corresponding labour unions.

**Evangelos Bouzoulas,***Member*

Mr Evangelos Bouzoulas was born in 1956 and has worked at different PPC Power Plants.

He served as trainer at PPC's Technical Training Centers, wrote several books on related subjects and has introduced new technologies (LASER) in training.

He also served as professor at the Sivitanidios Public School of Trades and Vocations.

He was appointed member of the Supreme Committee for Occupational Health & Safety of the Ministry of Labour as representative of GSEE (Greek General Confederation of Labour).

In 1992, he was elected to the positions of Organizing Secretary, Treasurer and Secretary General of the Association of PPC Technicians,.

In 2004, he was elected Secretary General of GENOP-PPC KHE and remained in that post until he was appointed member of the Board of Directors of PPC S.A. as employees' representative in 2010.

In 2010 he was elected Secretary General of GSEE (Greek General Confederation of Labour) and remained in that post until 2011.

He is very active in the trade union movement and has participated in many conferences in Greece, in the Balkan countries, as well as in Europe with corresponding labour unions.

## 6.16 Outside Professional Engagements of the Members of the Board of Directors

| NAME                    | PROFESSION   | Participation as member in the BoD of other non profit Organizations (in any capacity e.g. Independent member, Executive member, Independent Non Executive member etc.) |
|-------------------------|--|---|
| ZERVOS ARTHOUROS        | Professor at the National Technical University of Athens | BoD Chairman / PPC Renewables   |
|                         |  | President of EWEA (European Wind Energy Association)  |
| THEOS KONSTANTINOS      | Civil Engineer   | -   |
| EKATERINARI OURANIA     | Electrical Engineer                                      | Geotechnologiki A.T.E.<br>Member of the BoD   |
| ALEXAKIS PANAGIOTIS     | Professor at the University of Athens                    | TA.NE.O S.A.<br>Independent Non Executive Member  |
|                         |  | AGROTIKI ASFALISTIKI S.A.<br>Independent Non Executive Member   |
|                         |  | Property Development and Management Company of the Athens University<br>Independent Non Executive Member  |
| ANTONIOU ILIAS          | Geologist - Employee at the University of Athens         | -   |
| VASSIOGEORGIS CHARILAOS | Lawyer   | P.C.D.C. A.E.<br>Independent Non Executive Member of the BoD  |
|                         |  | VIOTROS SA<br>Independent Non Executive Member of the BoD   |
|                         |  | THEMELION S.A.<br>Independent Non Executive Member  |
| VERNICOS NIKOLAOS       | Economist – Shipowner                                    | National Greek Committee of the International Chamber of Commerce (ICC – Hellas) (NGO)<br>Chairman  |
|                         |  | Hellenic Chamber of Shipping<br>Member of the BoD   |
|                         |  | Piraeus Chamber of Commerce & Industry<br>Member of the BoD   |
|                         |  | N.E. Vernicos Tugs & Salvage<br>President   |
|                         |  | VERNICOS YACHTS S.A.<br>Vice President  |
|                         |  | CONSORTIUM TRAVEL A.E.<br>Vice President  |
|                         |  | EUROCORP INVESTMENT SERVICES S.A.<br>Vice President   |
|                         |  | GLOBAL EQUITIES Compagnie Financière Paris (ex ASSYA)<br>Member of Conseille de Surveillance  |
| KONSTANTOPOULOS IOANNIS | Economist-Bank Employee                                  | -   |
| THOMOGLOU PAVLOS        | Economist – Businessman                                  | Vice President of the Athens Chamber of Commerce & Industry   |
|                         |  | RED-LINE S.A.<br>Member of the BoD  |
| KARAVASSILIS IOANNIS    | PPC S.A. employee  | -   |
| BOUZOULAS EVANGELOS     | PPC S.A. employee  | -   |

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

There is no provision for granting of shares, call options on the company stocks or other similar titles for the members of the Board.

Nevertheless, there are other contractual provisions as regards the executive members of the Board of Directors, such as:

- Compensation for service termination in case that the Company decides to terminate the contract
- Personal use of company-provided vehicle including driver, maintenance, insurance and fuels.
- Expense benefit during the performance of their duties (travel expenses, mobile phone, restaurant bills, etc.) provided that these expenses are accompanied by the necessary receipts and are approved by the Company based on its policy.

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

By virtue of L.3833/10 and 3845/10 and 4092/12, the remunerations of the executive members of the Board of Directors are not allowed to exceed the ceiling established by the said Laws. As a result, they are clearly defined and do not include variable performance related elements.

### 6.18 Information on the Deputy CEOs and the General Managers

On the date of issuance of the present statement (28.3.2013), the Deputy CEOs and the General Managers of PPC S.A. are the following:

***Kostas Theos,***

Deputy CEO supervising the Mines, Generation and Supply Divisions.

***Ourania Ekaterinari,***

Deputy CEO supervising the Corporate Functions Divisions (Finance Division, Human Resources Division and Support Operations Division).

***Angelopoulos Georgios,***

General Manager of Finance Division, Economist.

***Aravantinos Nikolaos,***

General Manager of Support Operations Division, Mechanical-Electrical Engineer.

***Damaskos Georgios,***

General Manager of Human Resources Division - Electrical Engineer - Economist.

***Karalazos Lazaros,***

General Manager of Supply Division, Electrical Engineer.

***Kopanakis Ioannis,***

General Manager of Generation Division, Electrical Engineer.

***Nikolakakos Panagiotis,***

General Manager of Mines Division, Mining Metallurgical Engineer – Economist.

The Board of Directors of PPC S.A., during its meeting held on March 19th, 2013, decided the appointment of Mr. Konstantinos Dologlou, Vice Chairman of the BoD of PPC S.A., to the position of Deputy Chief Executive Officer, responsible for the Mines, the Generation and the Supply Divisions. The appointment of Mr. Dologlou will be effective as of 1.4.2013. In addition, at the same meeting, PPC's BoD also decided the appointment of Mr. Michael Broustis, Director of the Financial Department, to the position of Supervisor of the Network Subsidiaries, at the level of General Manager. The appointment of Mr. Broustis will be effective as of 1.4.2013.

Athens, March 28, 2013

For the Board of Directors  
The Chairman and CEO

Arthouros Zervos

ANNUAL  
REPORT  
2012





## Consolidated and Separate Financial Statements





**PUBLIC POWER CORPORATION S.A.**

**Consolidated and Separate  
Financial Statements  
December 31, 2012**

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

The attached separate and consolidated financial statements have been approved by the Board of Directors of Public Power Corporation S.A. on March 28th, 2013 and they are available on the web site of Public Power Corporation S.A. at **[www.dei.gr](http://www.dei.gr)**.

CHAIRMAN AND CHIEF  
EXECUTIVE OFFICER

**ARTHOUROS  
ZERVOS**

VICE CHAIRMAN

**KONSTANTINOS  
DOLOGLOU**

CHIEF FINANCIAL  
OFFICER

**GEORGE C.  
ANGELOPOULOS**

CHIEF ACCOUNTANT

**EFTHIMIOS A.  
KOUTROULIS**



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## INDEPENDENT CERTIFIED AUDITOR'S ACCOUNTANT'S REPORT

### To the Shareholders of Public Power Corporation S.A.

#### Introduction

We have audited the accompanying separate and consolidated financial statements of Public Power Corporation S.A., which comprise the separate and consolidated statements of financial position as at 31st December 2012, and the related separate and consolidated income statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of Public Power Corporation S.A. and its subsidiaries as at 31st December 2012, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## Emphasis of Matters

We draw your attention to the following issues:

1. In note 37 to the financial statements, disputes with the company ALOUNMINIO S.A. under court and arbitrary procedures with respect to the pricing terms of supplied energy, are described and that, as the aforementioned legal and/ or arbitration procedures are currently outstanding, it is not possible to estimate any potential assets or liabilities that may arise from their final outcome.
2. In note 3 to the financial statements, where estimates and judgements of the Management of the Parent Company and the Group are described, with respect to the preparation of the financial statements on a 'going concern' basis, as well as, that at 31st December 2012, the Parent Company's total current liabilities exceed its total current assets, and, thus, it may not be able to meet part of its contractual obligations if it does not proceed with the immediate refinancing of its short term loan obligations. As further described in Note 3, the Parent Company is under negotiations with the lending banks for the refinancing of its loan obligations. In this context, the Parent Company has received letters of intent from the majority of the lending banks for their participation in the refinancing based on the proposed term sheet as approved by the Management.

Our opinion is not qualified with respect to these matters.

## Report on Other Legal and Regulatory Requirements

The Board of Directors' Report includes a statement of Corporate Governance, which provides the information required by paragraph 3d of article 43a of Codified Law 2190/1920.

We confirm that the information given in the Board of Directors' Report is consistent with the accompanying separate and consolidated financial statements in the context of the requirements of articles 43a, 108 and 37 of Codified Law 2190/1920.

We have also audited the Company's unbundled balance sheets as at 31st December 2012 and the unbundled statements of income before tax for the period from 1st January 2012 to 31st December 2012. Management is responsible for the preparation for these balance sheets and statements of income before tax ("the unbundled financial statements") in accordance with Law 4001/2011 and the unbundling methodology approved by the Regulatory Authority for Energy which is further discussed in detail in Appendix I in the accompanying notes.

The audit of the unbundled financial statements mainly includes the determination of whether the Company has properly applied the unbundling allocation rules and whether it has complied with its obligation for the avoidance of discriminations and cross-subsidizations among activities.

In our opinion, the unbundled financial statements presented in Appendix I in the accompanying notes have been prepared in accordance with Law 4001/2011 and the unbundling methodology approved by the Regulatory Authority for Energy.

Athens, 29 March 2013

THE CERTIFIED AUDITOR ACCOUNTANT

PANAGIOTIS PAPAZOGLOU  
S.O.E.L. No. 16631

ERNST & YOUNG (HELLAS)  
CERTIFIED AUDITORS ACCOUNTANTS S.A.  
11th KM NATIONAL ROAD ATHENS-LAMIA  
14451 METAMORFOSI  
S.O.E.L. R.N. 107

## STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

(All amounts in thousands of Euro, unless otherwise stated - except for share and per share data)

|  | Note | Group              |                    | Company          |                  |
|--|------|--------------------|--------------------|------------------|------------------|
|  |      | 2012               | 2011               | 2012             | 2011             |
| <b>REVENUES:</b>   |      |                    |                    |                  |                  |
| Revenue from energy sales                                    | 4    | 5,717,239          | 4,878,586          | 5,705,105        | 4,864,280        |
| Other sales  | 4.13 | 267,983            | 634,966            | 182,806          | 316,052          |
|  |      | <b>5,985,222</b>   | <b>5,513,552</b>   | <b>5,887,911</b> | <b>5,180,332</b> |
| <b>EXPENSES:</b>   |      |                    |                    |                  |                  |
| Payroll cost   | 5.13 | 729,297            | 834,705            | 403,283          | 763,634          |
| Lignite  |      | 733,229            | 829,811            | 733,229          | 829,811          |
| Liquid Fuel  |      | 940,710            | 803,746            | 940,710          | 803,746          |
| Natural Gas  |      | 444,495            | 469,424            | 444,495          | 469,424          |
| Depreciation and Amortization                                | 8.13 | 513,490            | 512,354            | 448,765          | 452,390          |
| Energy purchases   | 6    | 1,716,273          | 1,056,980          | 1,734,376        | 1,067,569        |
| Materials and consumables                                    |      | 107,349            | 118,436            | 69,445           | 112,530          |
| Transmission system usage                                    | 7    | 92,690             | 315,595            | 283,768          | 315,595          |
| Distribution system usage                                    |      | -                  | -                  | 407,885          | -                |
| Utilities and maintenance                                    |      | 81,392             | 66,796             | 23,473           | 60,160           |
| Third party fees   |      | 52,253             | 53,549             | 32,778           | 47,584           |
| CO <sub>2</sub> emission rights                              | 9    | 57,086             | 9,322              | 57,086           | 9,322            |
| Provision for risks  |      | 8,272              | (6,529)            | 2,567            | (1,040)          |
| Provision for slow - moving materials                        | 20   | 4,534              | 7,688              | 7,388            | 7,766            |
| Allowance for doubtful balances                              |      | 324,581            | 222,706            | 264,811          | 221,774          |
| Financial expenses   | 10   | 277,327            | 226,851            | 245,905          | 201,394          |
| Financial income   | 11   | (42,309)           | (43,664)           | (76,343)         | (43,346)         |
| Other (income)/expenses, net                                 | 12   | (151,365)          | 96,481             | (183,188)        | 83,774           |
| Loss / (Gain) of associates and joint ventures, net          | 18   | (2,067)            | (194)              | -                | 97               |
| Impairment loss of marketable securities                     | 23   | 1,414              | 25,564             | 1,414            | 25,564           |
| Foreign currency (gains) / loss, net                         |      | 1,173              | (269)              | 1,173            | (269)            |
|  |      | <b>5,889,824</b>   | <b>5,599,352</b>   | <b>5,843,020</b> | <b>5,427,479</b> |
| <b>PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b> |      |                    |                    |                  |                  |
|  |      | <b>95,398</b>      | <b>(85,800)</b>    | <b>44,891</b>    | <b>(247,147)</b> |
| Income tax expense   | 14   | (64,869)           | (63,147)           | (27,796)         | (25,789)         |
| <b>PROFIT / (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>  |      |                    |                    |                  |                  |
|  |      | <b>30,529</b>      | <b>(148,947)</b>   | <b>17,095</b>    | <b>(272,936)</b> |
| <b>PROFIT AFTER TAX FROM DISCONTINUING OPERATIONS</b>        |      |                    |                    |                  |                  |
|  | 13   | -                  | -                  | -                | <b>113,890</b>   |
| <b>LOSS ON TRANSFER SPIN OFF OF TRANSMISSION OPERATIONS</b>  |      |                    |                    |                  |                  |
|  | 13   | -                  | -                  | -                | <b>(113,890)</b> |
| <b>PROFIT / (LOSS) AFTER TAX</b>                             |      |                    |                    |                  |                  |
|  |      | <b>30,529</b>      | <b>(148,947)</b>   | <b>17,095</b>    | <b>(272,936)</b> |
| <b>Profit Earnings per share, basic and diluted</b>          |      |                    |                    |                  |                  |
|  |      | <b>0.13</b>        | <b>(0.64)</b>      |                  |                  |
| <b>Weighted average number of shares</b>                     |      |                    |                    |                  |                  |
|  |      | <b>232,000,000</b> | <b>232,000,000</b> |                  |                  |

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

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

(All amounts in thousands of Euro, unless otherwise stated - except for share and per share data)

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2012             | 2011             | 2012             | 2011             |
| <b>PROFIT / (LOSS) FOR THE PERIOD, NET</b>  | <b>30,529</b>    | <b>(148,947)</b> | <b>17,095</b>    | <b>(272,936)</b> |
| <b>Other Comprehensive income / (loss)</b>  |                  |                  |                  |                  |
| - (Loss) from change of fair values of available for sale financial assets during the year                        | -                | (15,637)         | -                | (15,637)         |
| - Reclassification adjustments due impairment of available for sale financial assets included in income statement | -                | 25,564           | -                | 25,564           |
| - Impairment of fixed assets  | (677,000)        | -                | (582,000)        | -                |
| <b>Other comprehensive income /(loss) for the year after tax</b>  | <b>(677,000)</b> | <b>9,927</b>     | <b>(582,000)</b> | <b>9,927</b>     |
| <b>Total Comprehensive income/(loss) after tax</b>  | <b>(646,471)</b> | <b>(139,020)</b> | <b>(564,905)</b> | <b>(263,009)</b> |

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

## BALANCE SHEETS - DECEMBER 31, 2012

(All amounts in thousands of Euro, unless otherwise stated - except for share and per share data)

|   | Note | Group             |                   | Company           |                   |
|---|------|-------------------|-------------------|-------------------|-------------------|
|   |      | 31.12.2012        | 31.12.2011        | 31.12.2012        | 31.12.2011        |
| <b>ASSETS</b>                               |      |                   |                   |                   |                   |
| <b>Non - Current Assets:</b>                |      |                   |                   |                   |                   |
| Tangible Assets                             | 15   | 12,903,591        | 13,702,609        | 11,143,858        | 11,885,466        |
| Intangible assets, net                      | 16   | 54,377            | 92,703            | 53,445            | 92,512            |
| Investments in subsidiaries                 | 17   | -                 | -                 | 1,065,657         | 1,000,935*        |
| Investments in joint ventures               |      | -                 | -                 | -                 | -                 |
| Investments in associates                   | 18   | 20,030            | 15,943            | 49                | 49                |
| Available for sale financial assets         | 23   | 5,021             | 6,435             | 5,021             | 6,435             |
| Other non- current assets                   |      | 34,148            | 50,793            | 32,158            | 48,356            |
| <b>Total non-current assets</b>             |      | <b>13,017,167</b> | <b>13,868,483</b> | <b>12,300,188</b> | <b>13,033,753</b> |
| <b>Current Assets:</b>                      |      |                   |                   |                   |                   |
| Materials, spare parts and supplies, net    | 20   | 855,337           | 847,585           | 629,599           | 793,809           |
| Trade receivables, net                      | 21   | 1,320,910         | 979,816           | 1,264,686         | 977,596           |
| Other receivables, net                      | 22   | 404,737           | 266,816           | 393,671           | 219,056           |
| Income tax receivable                       |      | 627               | 102,981           | -                 | 94,302            |
| Other current assets                        |      | 39,407            | 59,795            | 45,222            | 27,274            |
| Cash and cash equivalents                   | 24   | 279,427           | 364,495           | 221,208           | 339,539           |
| Restricted cash                             | 24   | 141,500           | 154,833           | 141,500           | 154,833           |
| <b>Total Current Assets</b>                 |      | <b>3,041,945</b>  | <b>2,776,321</b>  | <b>2,695,886</b>  | <b>2,606,409</b>  |
| <b>Total Assets</b>                         |      | <b>16,059,112</b> | <b>16,644,804</b> | <b>14,996,074</b> | <b>15,640,162</b> |
| <b>EQUITY AND LIABILITIES</b>               |      |                   |                   |                   |                   |
| <b>Equity:</b>                              |      |                   |                   |                   |                   |
| Share capital                               | 25   | 1,067,200         | 1,067,200         | 1,067,200         | 1,067,200         |
| Share premium                               |      | 106,679           | 106,679           | 106,679           | 106,679           |
| Legal reserve                               | 26   | 107,491           | 107,491           | 107,491           | 107,491           |
| Fixed assets' statutory revaluation surplus |      | (947,342)         | (947,342)         | (947,342)         | (947,342)         |
| Revaluation surplus                         |      | 4,284,610         | 4,984,663         | 3,559,308         | 4,211,132         |
| Other Reserves                              | 27   | 207,738           | 207,738           | 207,738           | 207,738           |
| Retained earnings                           |      | 1,028,083         | 973,961*          | 1,685,715         | 1,598,842*        |
| <b>Total Equity</b>                         |      | <b>5,854,459</b>  | <b>6,500,390</b>  | <b>5,786,789</b>  | <b>6,351,740</b>  |

|  | Note | Group             |                   | Company           |                   |
|--|------|-------------------|-------------------|-------------------|-------------------|
|  |      | 31.12.2012        | 31.12.2011        | 31.12.2012        | 31.12.2011        |
| <b>Non-Current Liabilities:</b>                          |      |                   |                   |                   |                   |
| Interest bearing loans and borrowings                    | 29   | 3,302,887         | 3,565,542         | 3,026,223         | 3,142,670         |
| Post retirement benefits                                 | 31   | 250,611           | 241,152           | 160,352           | 228,213           |
| Provisions   | 32   | 224,376           | 213,011           | 135,979           | 194,439           |
| Deferred tax liabilities                                 | 14   | 212,254           | 405,265*          | 209,249           | 332,074*          |
| Deferred customers' contributions and subsidies          | 33   | 1,800,767         | 1,867,078         | 1,661,634         | 1,725,286         |
| Other non-current liabilities                            | 34   | 533,105           | 498,250           | 528,764           | 498,190           |
| <b>Total Non-Current Liabilities</b>                     |      | <b>6,324,000</b>  | <b>6,790,298</b>  | <b>5,722,201</b>  | <b>6,120,872</b>  |
| <b>Current Liabilities:</b>                              |      |                   |                   |                   |                   |
| Trade and other payables                                 | 35   | 1,686,816         | 1,391,246         | 1,640,557         | 1,346,165         |
| Short – term borrowings                                  | 36   | 301,529           | 233,735           | 241,500           | 224,000           |
| Current portion of interest bearing loans and borrowings |      | 1,500,564         | 1,429,201         | 1,338,956         | 1,335,066         |
| Dividends payable  | 28   | 175               | 210               | 175               | 210               |
| Income Tax Payable                                       |      | 128,619           | 26,577            | 116,392           | -                 |
| Accrued and other current liabilities                    | 37   | 258,965           | 270,074           | 145,519           | 259,036           |
| Derivative liabilities                                   | 30   | 3,985             | 3,073             | 3,985             | 3,073             |
| <b>Total Current Liabilities</b>                         |      | <b>3,880,653</b>  | <b>3,354,116</b>  | <b>3,487,084</b>  | <b>3,167,550</b>  |
| <b>Total Liabilities and Equity</b>                      |      | <b>16,059,112</b> | <b>16,644,804</b> | <b>14,996,074</b> | <b>15,640,162</b> |

\* The above amounts have been remeasured and differ from the published annual financial statements of December 31, 2011 and reflect adjustments as explained in note 3.1 to the annual financial report

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

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY DECEMBER 31, 2012

(All amounts in thousands of Euro, unless otherwise stated - except for share and per share data)

|   | Share<br>Capital | Share<br>Premium | Legal<br>Reserve | Revaluation<br>Surplus |
|---|------------------|------------------|------------------|------------------------|
| <b>Balance, December 31, 2010</b>                                 | <b>1,067,200</b> | <b>106,679</b>   | <b>107,491</b>   | <b>5,013,103</b>       |
| - Net profit for the year   | -                | -                | -                | -                      |
| - Other Comprehensive income after taxes                          | -                | -                | -                | -                      |
| <b>Total comprehensive income after tax</b>                       | -                | -                | -                | -                      |
| - Transfers   | -                | -                | -                | (28,530)               |
| - Dividends   | -                | -                | -                | -                      |
| - Other Movements   | -                | -                | -                | 90                     |
| <b>Balance, December 31, 2011</b>                                 | <b>1,067,200</b> | <b>106,679</b>   | <b>107,491</b>   | <b>4,984,663</b>       |
| <b>Balance, December 31, 2011</b>                                 | <b>1,067,200</b> | <b>106,679</b>   | <b>107,491</b>   | <b>4,984,663</b>       |
| - Net profit for the year   | -                | -                | -                | -                      |
| - Other comprehensive income / (loss)<br>after taxes for the year | -                | -                | -                | (677,000)              |
| <b>Total comprehensive income / (loss) after tax</b>              | -                | -                | -                | <b>(677,000)</b>       |
| - Transfers from retirements of fixed assets                      | -                | -                | -                | (23,137)               |
| - Transfers   | -                | -                | -                | 84                     |
| - Other Movements   | -                | -                | -                | -                      |
| <b>Balance, December 31, 2012</b>                                 | <b>1,067,200</b> | <b>106,679</b>   | <b>107,491</b>   | <b>4,284,610</b>       |

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

### OTHER RESERVES

| Fixed Assets<br>Statutory<br>Revaluation<br>Surplus | Fair value of<br>available for<br>sale financial<br>assets | Tax - free<br>and Other<br>Reserve | Other<br>Reserves<br>Total | Retained<br>Earnings | Total<br>Equity |
|---|--|------------------------------------|----------------------------|----------------------|-----------------|
| (947,342)   | (10,176)   | 207,987                            | 197,811                    | 1,224,586            | 6,769,528       |
| -   | -  | -                                  | -                          | (148,947)            | (148,947)       |
| -   | 9,927  | -                                  | 9,927                      | -                    | 9,927           |
| -   | 9,927  | -                                  | 9,927                      | (148,947)            | (139,020)       |
| -   | -  | -                                  | -                          | 29,839               | 1,309           |
| -   | -  | -                                  | -                          | (183,280)            | (183,280)       |
| -   | -  | -                                  | -                          | 68                   | 158             |
| (947,342)   | (249)  | 207,987                            | 207,738                    | 922,266              | 6,448,695       |
| (947,342)   | (249)  | 207,987                            | 207,738                    | 973,961*             | 6,500,390*      |
| -   | -  | -                                  | -                          | 30,529               | 30,529          |
| -   | -  | -                                  | -                          | -                    | (677,000)       |
| -   | -  | -                                  | -                          | 30,529               | (646,471)       |
| -   | -  | -                                  | -                          | 23,137               | -               |
| -   | -  | -                                  | -                          | (84)                 | -               |
| -   | -  | -                                  | -                          | 540                  | 540             |
| (947,342)   | (249)  | 207,987                            | 207,738                    | 1,028,083            | 5,854,459       |

\* The above amounts have been remeasured and differ from the published annual financial statements of December 31, 2011 and reflect adjustments as explained in note 3.1 to the annual financial report

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

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts in thousands of Euro, unless otherwise stated - except for share and per share data)

|   | Share<br>Capital | Share<br>Premium | Legal<br>Reserve | Revaluation<br>Surplus |
|---|------------------|------------------|------------------|------------------------|
| <b>Balance, December 31, 2010</b>                                       | <b>1,067,200</b> | <b>106,679</b>   | <b>107,491</b>   | <b>4,976,962</b>       |
| - Net profit for the year   | -                | -                | -                | -                      |
| - Other comprehensive income / (loss)<br>after taxes for the year       | -                | -                | -                | -                      |
| <b>Total comprehensive income / (loss)<br/>for the period after tax</b> | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>               |
| - Transfers from disposals of assets                                    | -                | -                | -                | (28,530)               |
| - Transfers   | -                | -                | -                | (737,300)              |
| - Dividends   | -                | -                | -                | -                      |
| <b>Balance, December 31, 2011</b>                                       | <b>1,067,200</b> | <b>106,679</b>   | <b>107,491</b>   | <b>4,211,132</b>       |
| <b>Balance, December 31, 2011</b>                                       | <b>1,067,200</b> | <b>106,679</b>   | <b>107,491</b>   | <b>4,211,132</b>       |
| - Net profit for the year   | -                | -                | -                | -                      |
| - Other comprehensive income / (loss)<br>after taxes for the year.      | -                | -                | -                | (582,000)              |
| <b>Total comprehensive income / (loss)<br/>for the period after tax</b> | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>(582,000)</b>       |
| - Transfers from retirements of fixed assets                            | -                | -                | -                | (21,571)               |
| - Transfers from retirements of fixed assets                            | -                | -                | -                | (48,253)               |
| - Other Movements   | -                | -                | -                | -                      |
| <b>Balance, December 31, 2012</b>                                       | <b>1,067,200</b> | <b>106,679</b>   | <b>107,491</b>   | <b>3,559,308</b>       |

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

### OTHER RESERVES

| Fixed Assets<br>Statutory<br>Revaluation<br>Surplus | Fair value of<br>available for<br>sale financial<br>assets | Tax - free<br>and Other<br>Reserve | Other<br>Reserves<br>Total | Retained<br>Earnings | Total<br>Equity |
|---|--|------------------------------------|----------------------------|----------------------|-----------------|
| (947,342)   | (10,176)   | 207,987                            | 197,811                    | 1,237,533            | 6,746,334       |
| -   | -  | -                                  | -                          | (272,936)            | (272,936)       |
| -   | 9,927  | -                                  | 9,927                      | -                    | 9,927           |
| -   | 9,927  | -                                  | 9,927                      | (272,936)            | (263,009)       |
| -   | -  | -                                  | -                          | 28,530               | -               |
| -   | -  | -                                  | -                          | 737,300              | -               |
| -   | -  | -                                  | -                          | (183,280)            | (183,280)       |
| (947,342)   | (249)  | 207,987                            | 207,738                    | 1,547,147            | 6,300,045       |
| (947,342)   | (249)  | 207,987                            | 207,738                    | 1,598,842*           | 6,351,740*      |
| -   | -  | -                                  | -                          | 17,095               | 17,095          |
| -   | -  | -                                  | -                          | -                    | (582,000)       |
| -   | -  | -                                  | -                          | 17,095               | (564,905)       |
| -   | -  | -                                  | -                          | 21,571               | -               |
| -   | -  | -                                  | -                          | 48,253               | -               |
| -   | -  | -                                  | -                          | (46)                 | (46)            |
| (947,342)   | (249)  | 207,987                            | 207,738                    | 1,685,715            | 5,786,789       |

\* The above amounts have been remeasured and differ from the published annual financial statements of December 31, 2011 and reflect adjustments as explained in note 3.1 to the annual financial report.

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

## STATEMENTS OF CASH FLOWS - DECEMBER 31, 2012

(All amounts in thousands of Euro, unless otherwise stated - except for share and per share data)

|  | Group            |                | Company          |                |
|--|------------------|----------------|------------------|----------------|
|  | 2012             | 2011           | 2012             | 2011           |
| <b>Cash flows from operating activities</b>  |                  |                |                  |                |
| (Loss)/Profit before tax from continuing operations                                      | 95,398           | (85,800)       | 44,891           | (247,147)      |
| (Loss)/Profit before tax from discontinuing operations<br>(note 13)                      | -                | -              | -                | 113,890        |
| Adjustments:   |                  |                |                  |                |
| Depreciation and amortization  | 722,527          | 722,679        | 651,570          | 657,419        |
| Devaluation of fixed assets  | 14,500           | 11,001         | 14,500           | 10,374         |
| Amortization of customers'<br>contributions and subsidies                                | (76,893)         | (75,725)       | (70,876)         | (70,429)       |
| Provision for CO <sub>2</sub> Deficit and valuation                                      | 51,321           | 6,833          | 51,321           | 6,833          |
| Impairment loss of marketable securities   | -                | 25,564         | -                | 25,564         |
| Fair value loss of derivative instruments  | 912              | 3,073          | 912              | 3,073          |
| Share of loss / (profit) of joint venture  | -                | -              | -                | 97             |
| Share of loss / (profit) of associates   | (2,067)          | (97)           | -                | -              |
| Interest income  | (42,309)         | (43,664)       | (76,343)         | (43,346)       |
| Sundry provisions  | 324,772          | 222,358        | 282,535          | 227,055        |
| Unrealized foreign exchange (gains) / losses<br>on interest bearing loans and borrowings | 504              | 1,157          | 504              | 1,336          |
| Unbilled revenue   | (126,731)        | (90,536)       | (126,731)        | (90,536)       |
| Retirements of fixed assets and software   | 25,307           | 22,033         | 24,583           | 22,033         |
| Amortization of loan origination fees  | 7,930            | 5,348          | 7,405            | 4,545          |
| Interest expense   | 251,776          | 205,546        | 222,646          | 182,420        |
| <b>Operating profit before working capital changes</b>                                   | <b>1,246,947</b> | <b>929,770</b> | <b>1,026,917</b> | <b>803,181</b> |
| (Increase)/decrease in:  |                  |                |                  |                |
| Accounts receivable, trade and other   | (490,021)        | (231,340)      | (526,264)        | (301,346)      |
| Other current assets   | 20,388           | (34,782)       | (18,929)         | (4,849)        |
| Materials, spare parts and supplies  | (13,928)         | (5,303)        | (34,702)         | (9,132)        |
| Increase/(decrease) in:  |                  |                |                  |                |
| Trade and other payables   | 295,570          | 540,502        | 390,957          | 495,917        |
| Other non - current liabilities  | 34,855           | (8,989)        | 30,574           | (8,990)        |
| Accrued and other liabilities excluding interest   | 16,808           | 62,130         | (54,865)         | 60,386         |
| Income tax paid  | (50,370)         | (268,921)      | -                | (268,404)      |
| Distribution business unit spin - off  | -                | -              | 216,998          | -              |
| Discontinued operations  | -                | -              | -                | 174,807        |
| <b>Net Cash from Operating Activities</b>  | <b>1,060,249</b> | <b>983,067</b> | <b>1,030,686</b> | <b>941,570</b> |

|   | Group            |                    | Company          |                    |
|---|------------------|--------------------|------------------|--------------------|
|   | 2012             | 2011               | 2012             | 2011               |
| <b>Cash Flows from Investing Activities</b>                         |                  |                    |                  |                    |
| Interest and dividends received                                     | 42,309           | 43,664             | 39,367           | 43,346             |
| Capital expenditure of fixed assets and software                    | (798,033)        | (1,130,904)        | (728,761)        | (1,027,959)        |
| Proceeds from subsidies   | 10,582           | 17,498             | 7,224            | 17,518             |
| Investments in subsidiaries and associates<br>and other investments | (2,224)          | 1,649              | (8,578)          | (24,146)           |
| Distribution business unit spin - off                               | -                | -                  | (120,167)        | -                  |
| Discontinued operations   | -                | -                  | -                | (66,528)           |
| <b>Net Cash used in Investing Activities</b>                        | <b>(747,366)</b> | <b>(1,068,093)</b> | <b>(810,915)</b> | <b>(1,057,769)</b> |
| <b>Cash Flows from Financing Activities</b>                         |                  |                    |                  |                    |
| Net change in short term borrowings                                 | 67,794           | (16,515)           | 17,500           | (26,000)           |
| Proceeds from interest bearing loans<br>and borrowings              | 1,080,500        | 928,313            | 1,080,500        | 928,313            |
| Principal payments of interest<br>bearing bonds and borrowings      | (1,272,296)      | (692,108)          | (1,193,561)      | (513,001)          |
| Interest paid and issuance fees paid                                | (273,914)        | (207,377)          | (242,506)        | (182,420)          |
| Dividends paid  | (35)             | (183,241)          | (35)             | (183,241)          |
| Discontinued operations   | -                | -                  | -                | (184,953)          |
| <b>Net Cash used in Financing Activities</b>                        | <b>(397,951)</b> | <b>(170,928)</b>   | <b>(338,102)</b> | <b>(161,302)</b>   |
| <b>Net increase / (decrease) in cash and cash equivalents</b>       | <b>(85,068)</b>  | <b>(255,954)</b>   | <b>(118,331)</b> | <b>(277,501)</b>   |
| <b>Cash and cash equivalents at beginning of year</b>               | <b>364,495</b>   | <b>620,449</b>     | <b>339,539</b>   | <b>617,040</b>     |
| <b>Cash and cash equivalents at the end of the year</b>             | <b>279,427</b>   | <b>364,495</b>     | <b>221,208</b>   | <b>339,539</b>     |

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

ANNUAL  
REPORT  
2012



# Notes to the Financial Statements

## December 31, 2012

(All amounts in thousands of Euro, unless otherwise stated - except for share and per share data)

### 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.

The accompanying financial statements include the separate financial statements of PPC and the consolidated financial statements of PPC and its subsidiaries ("the Group"). In addition, based on L. 2773/1999, L. 3426/2005 and L. 4001/2011 the unbundled financial statements are presented in Appendix I, of the separate and consolidated financial statements.

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

At December 31, 2012, the number of staff employed by the Group and the Parent Company was 20,030 and 11,369 (2011: 20,821 and 19,452), respectively.

At December 31, 2012, 114 employees of the Group (2011: 148), have been transferred to several State agencies (ministries, organizations, etc.) out of which, 106 were compensated by PPC (2011: 128). The total payroll cost of such employees, at December 31, 2012, amounted to Euro 3,882 (2011: Euro 4,596) and is included in the income statement.

PPC Group generates electricity in its own 63 power generating stations of the Parent Company and from the additional 46 stations which belong to its wholly owned subsidiary PPC Renewables, facilitates the transmission of electricity through its own power lines of approximately 12,178 kilometres (which is owned by its wholly owned subsidiary Independent Power Transmission Operator (IPTO) and distributes electricity to consumers through its own distribution lines (Medium and Low voltage) of 231,200 kilometres, approximately.

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

The Group PPC has also constructed approximately 1,900 kilometres of fibre optics network along its transmission lines, approximately 200 kilometres of urban underground fibre optics network and approximately 17 kilometres of underwater fibre optics network.

In the year ended December 31, 2012, the spin off and contribution of the General Division of Distribution to its wholly owned subsidiary "Hellenic Electricity Distribution Network Operator (HEDNO) S.A." was concluded.

## 2. LEGAL FRAMEWORK

### Changes in the legal framework of the Electricity Market in 2012.

#### GENERAL PROVISIONS FOR THE INTERNAL ELECTRICITY MARKET

- The Medium Term Fiscal Strategy Plan of 2013-2016 was recently approved, which includes modifications of some provisions of L.4001/2011 related to electricity (N.4093/2012).
  - (a) Briefly it is stated that in the case where the foreseen projects on the development of the Hellenic Electricity Transmission System are not implemented due to Independent Power Transmission Operator (IPTO) fault, Regulatory Authority for Energy (RAE) will take measures to ensure the System development. Meanwhile, the Authority may delegate all or specific functions of IPTO to an independent Operator if there's a continuous breach of the legal obligations of IPTO and continuous discriminatory behavior in favor of PPC.
  - (b) The same text also refers to the need for appropriate measures and adopting Decisions to tackle energy poverty. The deadline for taking such action is extended until 31.07.2013.
  - (c) Finally, it is stated that the 17% of PPC sale is expected to take place in 2014. It is appropriate here to mention that the mandatory approval of the Ministerial Committee for Privatizations has been also enacted (Law 4092/2012) in the case of acquisition by individuals of over 20% in former Public Utilities of strategic importance, such as PPC, as well as the abolition of the minimum percentage of the government in those utilities.
- On July 23, 2012 RAE announced its initial proposals for the total reconstruction and efficient operation of the national electricity market as well as the appropriate time schedules.

The final proposals RAE were formed after the public consultation results and the constructive dialogue among the market participants and the Authority. Due to the unfavorable economic conditions in which the structural changes have to be done, the market design should take into account the need for dispersion of the credit risk minimizing, as far as possible, the resulting cost of that risk management.

The proposed changes by RAE therefore have as goals:

- The compression of the electricity generation and supply cost
- Creating a suitable background to achieve harmonization of the domestic market with its neighboring countries, within the Target Model.
- Ensuring access for all participants, in equivalent manner, to the available energy resources in the country.
- Removing distortions and cross-subsidies in retail tariffs, particularly in low voltage tariffs which remain regulated, with rational allocation of costs between the various categories of consumers.
- Supporting the changes in the natural gas market.

The Ministry for the environment, energy and climate change, with a recent letter to RAE, announced that it accepts the final proposals of RAE in terms of the design of the wholesale and retail market.

- Article 12 of Law 4138/2013 contains a provision according which HRADF is entitled to ask from the companies of which it is a shareholder or on the shares of which it carries voting rights, or the companies' assets have been transferred to HRADF for transfer in view of their privatization, all the information relating to the legal entity and is, depending on the particular characteristics of each company, necessary so that the shortlisted candidates can evaluate the assets and liabilities, the financial position, the profits and losses and the prospects of the company, solely for the purpose of carrying out the legal, financial and technical audit of these companies (due diligence) in the context of privatization. The above information also includes information classified as confidential under contracts binding these companies, where such contracts are governed by Greek Law.

## HELLENIC ELECTRICITY TRANSMISSION SYSTEM (HETS)

- IPTO S.A. will not always be under the direct or indirect control of the State, according the Legislative Act published in the OG A' 268/31.12.2011. It has also been certified as ITO, according to 672/2012 RAE Decision.
- IPTO announced, on 29.06.2012, that from Monday July 9 2012, it will publish on daily basis an RES generation prediction, except wind parks that are already being published, thus aiming to accurately estimate both the energy entering to the system for the daily operation of the Day Ahead Scheduling and the System Marginal Price. The publication of these forecasts will be done with the same schedule applied to the RES system, it will be by RES category and will cover the 24 hours of the next day so as to be taken into account in the Day Ahead Scheduling.
- IPTO S.A., will receive on a monthly basis and by each registered lignite power generator unit, a special lignite power generation electricity fee. The revenues from these fees are revenues of the special managing account and thus will be rendered each month by IPTO SA to EMO SA (Decision Δ5/Β/οικ.3982/17.2.2012 - OG B' 342/16.2.2012).
- The transmission system and distribution network use's charges were defined for the year 2013, with entry into force and implementation on 01.02.2013 (RAE Decisions 1016 & 1017/2012). The new charges result into reductions to all customers categories. The reductions have resulted by using the revenues from the interconnections allocation of IPTO and are equal to Euro 26,898,687.71 (RAE Decision 839/2012 – OG B' 3097/23.11.2012).

## HELLENIC ELECTRICITY DISTRIBUTION NETWORK (HEDN)

- The Hellenic Energy Distribution Network Operator (HEDNO), which is a wholly owned PPC subsidiary, started its operation on May 1st 2012 aiming to manage the Hellenic Distribution Network.
- On 21.08.2012, HEDNO SA recommended, together with a cost-effective analysis, the installation of approximately 7,5 million "smart meters", according to provisions of L.4001/2011. RAE positively opinioned for the pilot implementation of the smart meters (Opinion 10/2012) and is expected to determine a) the criteria for integrating the cost of this project to the regulated asset base of HEDN and its recovery through the distribution network use charges and b) the criteria of integrating the cost of the development of smart meters on a larger scale to the regulated asset base of HEDN. The large scale gradual replacement of the metering systems by the smart ones was also approved by the Ministry for the Environment, Energy and Climate Change (OG B' 297/13.2.2013).
- The budgeted average variable cost for the non-interconnected islands is defined by RAE every six months, taking into account the estimates of the HEDNO for the electricity produced by thermal plants and RES units, the quantities of fuel and the average additional variable cost of thermal units for Crete, Rhodes and the other non-interconnected islands, as well as international crude oil prices (\$ / bbl) and the euro / dollar parity in the last quarter thus
  - The budgeted average variable cost for the first half of 2012 is 180.20 €/MWh (Decision 244/2012-OG B' 1269/11.04.2012).
  - The budgeted average variable cost for the second half of 2012 is determined to 192.43 €/MWh (RAE Decision 785/2012 – OG B' 2784/2012).
  - The actual corresponding amount for 2011 was defined by RAE's Decision 435/2012 (OG. B' 1953/15.06.2012) in 163.15 €/MWh.

## CODES AND MANUALS

- The final texts of the Grid Control Code and Power Exchange Code of the Hellenic Electricity Transmission System were approved by RAE (Decisions 56 and 57, OG B 104 and 103 respectively/31.01.2012).
- The Manual of the Grid Control Code was approved by RAE, consisting of seven (7) individual manuals prepared by IPTO as follows:
  - Dispatching Manual,
  - Market Manual
  - Market Settlement Manual
  - Capacity Assurance Mechanism Manual
  - Meters and Measurements Manual
  - General Provisions Manual
  - Vocabulary Manual

The Manual of the Power Exchange Code was also approved (OG B' 52/16.01.2013).

- RAE issued Decision 1528/2011 (OG B 3221/30.12.2011) according to which Articles 44, paragraph 2 and 203 paragraph 1 of Grid Control Code and Power Exchange Code are amended so that Power Producers will exclude Special Consumption Tax in Natural Gas from the operating cost of natural gas power plants during the injection offers procedure in the DAS System.
- By Decision 773/2012 (OG. B 2654/28.09.2012) the provisions of article 288 of the Grid Control Code of the Hellenic Transmission System were amended regarding the validity extension of the Transitional Capacity Assurance Mechanism for an extra reliability year, from October 2012 to September 2013.
- Provisions of the Grid Control Code of the Electricity System were modified concerning: a) the definition of the required revenue of the HETS, b) its allocation to all customers and c) the definition of the settlement amount of that revenue (RAE Decision 840/2012 OG B 3060/19.11.2012).

## SUPPLIER OF LAST RESORT (SLR) – UNIVERSAL SERVICE PROVIDER (USP)

- After the activity cessation of certain suppliers in the retail electricity market there was a need to amend certain provisions of the Supply Code by Ministerial Decision (OG B 97/31.01.2012) in order for necessary arrangements to be introduced in the regulatory framework due to activation of the Supplier of Last Resort (SLR). Corresponding amendments have been incorporated in the Grid Control Code and in the Measurements Management and Network Suppliers Periodic Settlement Manual regarding the SLR (RAE Decision 53/2012 – OG B' 90/30.1.2012).
- Temporary arrangements have been adopted so that the consumers can stay in the SLR status for more than the originally planned three months, since lots of difficulties were observed during the inclusion and non-inclusion process on SLR and USP status, both for Suppliers, Operators and Consumers (RAE Decision 279/12.04.2012).
- Meanwhile RAE, under its authority described in Law 4001/2011, called, through an announcement, the interested parties to express their interest in providing the services of “Supplier of Last Resort” and “Universal Service Provider” (RAE Decisions 543 and 544/2012). The deadline for the expression of interest was the 24th of September 2012. By a newer announcement the deadline was extended until 31.10.2012. Only PPC Supply expressed its interest for that service. RAE accepted PPC's nomination submitted on 31.10.2012 for the Last Resort Supplier services (RAE Decision 114/2013) and the Universal Service Provider services (RAE Decision 115/2013) and sets PPC as the Supplier of these services for a period of 5 years (OG B' 682/22.03.2013). The same Gazette also includes RAE's Decision 95/2013 regarding the methodology of calculating the return concerning the Last Resort Supplier service, in accordance with Article 56 of L.4001/2011.

- In this context, and until the completion of the procedure for the definition of the Universal Service Provider, the calculation methodology of the potential costs of PPC for the service of USP was published as well as the ways to cover it (RAE Decision 545/2012 - OG B 2043/27.06.2012). According to that methodology PPC may impose a surcharge up to 7% on the competitive charges price list, for all customers who are part of this regime, as a return for covering the costs for providing this service. This increase will be valid until the USP customers sign a contract with a supplier of their choice.
- After the required modifications and according to L.4001/2011, the new Electricity Supply Code was announced (Ministerial Decision is pending, after RAE's Opinion 14/2012).

### PUBLIC SERVICE OBLIGATIONS (PSOs)

- To ensure public service obligations supply (PSOs) in the electricity sector, a legislative regulation was published (L.4067/2012 - OG A' 79 / 9.4.2012) according which, from 1.1.2012 the persons liable for the PSOs are the respective users of each electricity supply, in order for the electricity suppliers to continue providing unimpeded those services. The PSOs return is paid to the electricity suppliers with a distinct charge to the bills they receive. After the entry into force of this Law, the ministerial Decision HA/B/Φ.1.17/2123/2857/2010 of the ministry for Environment, Energy and Climate Change and the RAE decision 1527/2011 are repealed.
- The maximum annual Customer charge limit per consumption point to cover the PSOs supply charges for the year 2012 was readjusted to € 799,289 according to RAE Decision 433/2012 (OG B 1883/14.06.2012). The corresponding amount for the year 2013 was determined to € 811,278 (RAE Decision 55/2013).
- According to Ministerial Decision (YAPE/F1/oik.28287/12.12.2011), each year, amounts equal to 1% on the pre-tax value of electricity sales from RES, are retained by the Operator and delivered to the licensed suppliers in order to be, ultimately, credited to the beneficiary household customers (as an incentive to the areas where RES are installed) through electricity bills. The same decision contains also the credits return methodology to the licensed suppliers. In the context of that decision, RAE determined the presumptive unit credit for 2012 to be 124.31 € / MWh (OG B 1660/15.05.2012 - RAE Decision 325/2012). The presumptive unit credit for the year 2013 was determined to 140.23€/MWh (RAE Decision 73/2013).

### PPC TARIFFS

- The price lists for the competitive charges of the low voltage tariffs of PPC S.A. were defined for 2012, with the possibility of redefining them every semester (OG B' 7/5.1.2012), as well as the corresponding ones for the year 2013 (OG 20/10.01.2013). The PPC expenses to be recovered for the year 2013 and the LV customers were established in the amount of 2,890,000,000 € (OG B 5/07.01.2013). The new regulated tariffs of PPC for the year 2013 for the low voltage customers were defined with a weighted average increase of 3%. Meanwhile the tariffs concerning the special categories customers (social household tariff, large families tariffs) were not modified. Especially for the social household tariff, and taking into account the deterioration of the economic situation, the broadening and strengthening of the household tariff reduced prices limits was necessary, in order to cover the entire consumption (exempting the nocturnal tariff) (OG B' 94/21.1.2013). The recipients of the household tariff as well as the large families tariff will be exempted from the public services charges of the total daily consumption (L.4123/2013-OG A' 43).
- It should be noted, finally, that article 29 par.6 of L.2773/1999 has come into force, so that the PPC supply tariffs for the low voltage till 30.06.2013, - following an opinion by RAE- are to be approved by the Ministry of Environment, Energy and Climate change, which can have a retroactive effect (L.4038/2012 a' para. 1- OG A 14/02.02.2012).

### ETMEAR – SPECIAL FEE FOR THE REDUCTION OF CO<sub>2</sub> EMISSIONS (ex RES Fee)

- ETMEAR is allocated uniformly over the entire Greek territory to each customer in accordance with the methodology defined by the Minister for Environment, Energy and Climate Change, after RAE's opinion. The revenues of that special fee are part of the Special Account revenues of the Energy Market Operator. The calculations for the income resulting from ETMEAR are done in an annual budgeting base (OG A' 229/2012). The coefficients of the methodology are specified in the 12th month of each year to be applied to the following calendar year and are revised the sixth month of each calendar year if necessary, taking into account changes in revenues and expenses of the Special Account (OG A' 229/2012). For the period 2013-2014 the amount of the charges is set so that the deficit of the Special Account to be fully depreciated by the end of the biennium.
- In the context of the provisions for ETMEAR, RAE has defined the numerical values for the coefficient of the allocation methodology for the period of August 2012- June 2013. The average readjustment of ETMEAR, in effect by 21.08.2012, resulted to 7.50 €/MWh (previously 5.43 €/MWh). (RAE Decision 698/2012 - OG B' 2325/16.08.2012).
- The new average readjustment of ETMEAR, for the first semester of 2013 amounts to 9.32 €/MWh (RAE Decision 1/2013). The maximum annual Customer charge per consumption point was determined in the amount of 1,000,000 €, and will be adjusted annually according to the annual change in the consumer price index (L.4123/2013-OG A' 43).

### CO<sub>2</sub> EMISSIONS RIGHTS

- In OG B' 65/26.1.2012 the total amount of greenhouse gas emissions allowance offered for auction for the year 2012 and the additional quantity of allowances for the months November - December 2011 were announced (over and above the one specified in the ministerial decision οικ.186446/2011 (OG B' 575/11.04.2011) through spot transactions, which can be equal up to ten million allowances. The auction of the above mentioned quantity was gradually executed during the period from 1.11.2011 to 31.12.2012. The auctions are carried out as mandated by the Ministry or any other authorized person especially for that purpose, at a date which will be promptly announced in each stock.

### OTHER ISSUES

- A Levy for the development of the Industrial Areas Generating Energy by the Thermal Lignite Power Plants of Florina, Kozani and Arcadia, of 0.5% is imposed in PPC's annual revenues (L. 4062/2012). The allocation of the funds resulting from the imposition of the fee to the specific regions will be proportional to the electricity produced from the thermal lignite Power Plants of the above areas (OG B' 400/22.2.2013).
- RAE issued the Decision 261/2012 for approval - presentation of the final text of the Arbitration Regulation under Article 37 of Law 4001/2011.
- Following verbal and written complaints of consumers, the Consumer Ombudsman issued a press release making recommendations to PPC SA and HEDNO SA so that: a) these companies should make arrangements with interested consumers, taking into account their actual financial situation and ability to pay the electricity consumption bill and b) in the case of objective difficulty of the consumers to repay their debts, it is advisable to the Companies to transfer those consumers in the Universal Service Regime, under the same conditions existing for the consumers of the «Last resort», until the adoption of the regulations for the implementation of the «Universal Service». At the same time it has appealed to the Ministry of Environment, Energy and Climate Change and RAE for the acceleration of the legislative acts issuance in order to address the energy poverty issue.

### 3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

#### 3.1. Base of preparation

##### *Statement of compliance*

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

##### *Amendment of corresponding amounts of December 31st, 2011*

- a. During the current year, the Parent Company ascertained that the value of its participation in the subsidiary, which received, through spin-off and contribution, the transmission activity, should be increased by the amount of Euro 184 mil. due to increased deferred tax liabilities that have been attributed to the subsidiary at the spin-off date (note 14). The value of the investment has been reclassified in the Financial Statements of the Parent Company on September 30, 2012. Given that the above mentioned spin-off was recorded for the first time at the financial statements of the Parent Company on December 31, 2011, the value of the investment and of the deferred tax liabilities has been reclassified at the corresponding financial statements on December 31, 2011.

It is noted that the above mentioned reclassification had no effect on the Parent Company and the Group's financial position or income.

- b. The Parent Company at December 31, 2012 has redefined the amount of deferred taxes for its fixed assets. The remeasurement resulted in a decrease of the deferred tax liability of Euro 51,695 with an equal increase of retained earnings for the Parent Company and the Group at December 31, 2011 (note 14 and consolidated and separate statement of changes in equity).

##### *Approval of financial statements*

The Board of Directors of the Parent Company approved the accompanying financial statements for the year ended December 31, 2012 on March 28th, 2013. These financial statements are subject to approval by the Parent Company's General Assembly of shareholders.

##### *Basis of preparation of financial statements*

The accompanying separate and consolidated financial statements (thereon "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.

At December 31, 2012 total current liabilities of the Group and the Parent Company exceed the total current assets by the amount of approximately Euro 838,708. and Euro 791,198, respectively, and they may not be able to meet part of their contractual obligations, if they do not proceed with the immediate refinancing of their short term loan obligations.

The Parent Company is in the final stage of discussions (with the respective agreement being essentially final) with the relationship banks for an initial refinancing facility which will incorporate maturities of Euro 1.1 billion. Specifically, the Board of Directors of the Parent Company has approved the terms of the syndicated bond loan («term sheet») of an amount up to Euro 1.1 billion, with initial maturities from May 2013 until February 2014. This refinancing is a financial bridge loan until 04.04.2014, of the total redemptions of the Parent Company to the banks participating in it. For the above mentioned refinancing, the Parent Company has received a letter of intent from the banks which cover 100% of the above mentioned syndicated loan, in which all the basic refinancing terms are mentioned. In the same letter the business terms are almost final, with the provision of approval by the banks' relevant approval sectors.

Furthermore the Parent Company and the syndicated banks have agreed in principal on an MoU, which has been approved by the Parent Company's Board of Directors and is expected to be signed shortly. In the abovementioned memorandum it is mentioned, among others, that the parties have entered in discussions for the conclusion (until 31.12.2013) of the financial terms of the syndicated loan. The above mentioned refinancing is expected to include, not only the redemptions of the banks participating in the bridge loan but also redemptions of other banks of year 2013 as well and redemptions for years after 2013.

In light of the above, the management of the Parent Company and the Group estimates that the above mentioned refinancings will be concluded successfully and therefore the financial statements of the Parent Company and the Group have been prepared on the basis that PPC and its subsidiaries will continue as a going concern.

### ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries, drawn up to December 31 each year. Subsidiaries (companies in which the Group directly or indirectly through other subsidiaries has an interest of more than one half of the voting rights or otherwise has power to exercise control over their operations) have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary is accounted for as an equity transaction. All significant inter-company balances and transactions have been fully eliminated as well as unrealized inter – group gains and losses. Where necessary, the accounting policies of subsidiaries have been revised to ensure consistency with the policies adopted by the Group. It is noted that certain of the abovementioned requirements have not a retroactive effect. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of net assets acquired were recognized as goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a bidding obligation to cover these.

In case that the Group does not have the control of a subsidiary then the following are:

Derecognized:

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

Recognized:

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

### ***3.2. Changes in Accounting Policies***

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2012:

- IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements
- IAS 12 Income Taxes (Amended) - Recovery of Underlying Assets

### 3.3. Significant Accounting Judgements and Estimates

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

#### *Post-retirement benefits*

The Parent Company's employees and pensioners of the Group are entitled to supply of energy at reduced tariffs. Such reduced tariffs to pensioners are considered to be retirement obligations and are calculated at the discounted value of the future retirement benefits deemed to have accrued at year-end based on the employees earning retirement benefit rights steadily throughout their working period. The above mentioned obligations are calculated on the basis of financial and actuarial assumptions. Further details, according to the basic assumptions and estimates, are included in Note 31.

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

The Group carries their property, plant and equipment at revalued amounts (estimated fair values) as determined by an independent firm of appraisers. Revaluations are performed periodically (every three to five years). The determination of the fair values of property, plant and equipment requires from management to make assumptions, estimates and judgments with respect to the ownership, the value in use and the existence of any economic, functional and physical obsolescence of property, plant and equipment. The last revaluation of the fixed assets was conducted on December 31, 2009. The management of the Group estimates that any change in the fixed assets' fair values had not a significant impact on the accompanying.

Separate and consolidated financial statements of December 31, 2012. Furthermore, the Management has to make certain estimates with respect to the total and the remaining useful lives of depreciable assets, which are subject to a periodic review. The total useful lives, as appraised, are included in Note 3.4.

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

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

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

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

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

### ***Provisions for risks***

The Group is establishing provisions concerning claims by third parties against companies of the Group and which might lead to an outflow of resources for their settlement. Provisions are established based on claim and the possible outcome of the trial.

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

The provision for doubtful debts is established for high voltage customers on specific balances, when there are indications that the debts will not be collected. For medium and low voltage customers, the Company is establishing a general provision for the total of their outstanding balances of more than 3 and 6 months respectively, per customer. This policy is reviewed periodically in order to be readjusted according to the outstanding circumstances. Additional details are included in Note 21 and 22.

### ***Provisions for income taxes***

Current income tax liabilities for the current and prior years are measured at the amounts expected to be paid to the taxation authorities, using the tax rates that have been enacted by the balance sheet date. Provision for income taxes includes taxes reported in the respective income tax returns and potential additional tax assessments that may be imposed by the tax authorities upon settlement of the open tax years on the basis of the findings of prior tax audits. The final settlement of the income taxes might differ from the income taxes that have been accounted for in the financial statements. For the year 2011 the Parent Company and several of its subsidiaries is audited for tax purposes by the Certified Auditors Accountants in accordance with the provisions of Article 82 para. 5 L. 2238/1994. The audit for the year 2012 is ongoing and the relative tax conformity report will be issued after the publication of the financial statements for the year 2012. If, at the completion of the tax audit, additional tax liabilities result, we estimate that these will have no material effect on the financial statements. Deferred taxes are recognized on carried forward tax losses to the extent that it is probable that future taxable profits will occur to offset carried forward tax losses. Deferred tax receivables that are recognized require Management to make assessments as to the time and level of realization of future taxable profits.

### ***Accounting treatment of spin –off to a subsidiary***

The management proceeds to significant judgments regarding the proper presentation of the spin –off and contribution of the segment by the Parent Company to the 100% subsidiary in exchange for shares, as the accounting treatment for similar transactions between companies under common control is not explicitly provided for in IFRS. More details on the accounting treatment are disclosed in note 13.

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

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

## **3.4. Principal Accounting Policies**

### ***Foreign currency translation***

The functional and reporting currency of all the Group entities is the Euro. Transactions involving other currencies are converted into Euro using the exchange rates, which were in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities that are denominated in other currencies are adjusted to reflect the current exchange rates. Gains or losses resulting from foreign currency adjustments are reflected in foreign currency gains (losses), net, in the accompanying statements of income. The non- monetary elements in foreign currency which are valued in acquisition cost are converted with the exchange rate of the date of

acquisition. The non monetary elements which are measured at fair value in foreign currency are converted using the exchange rate at the date of definition of fair value. The profit or loss by the conversion of non monetary elements is handled the same way that profit or loss by the conversion of fair value of these elements are handled.

### ***Intangible assets***

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

#### ***Software***

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

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

The Parent Company acquires CO<sub>2</sub> emission rights in order to meet its obligation resulting from the shortage of allocated emission allowances as compared to actual emissions made. The Parent Company is implementing the net liability method, according to which a liability for emissions is recognized when the emissions are in excess from the allocated allowances and the acquired CO<sub>2</sub> allowances (taking into account the maximum allowed proportion between EUAs and CERs). This liability is accounted in fair values to the extent that PPC has the obligation to cover the CO<sub>2</sub> emission deficit through purchase (after the set of any acquired CO<sub>2</sub> emission rights). Emission rights purchased and additionally acquired are recognized as an intangible asset, at cost less any accumulated impairment losses.

#### ***Tangible Assets***

Tangible assets are initially recognised at their acquisition cost which includes all direct attributable expenses for their acquisition or construction. Subsequent of their initial recognition, tangible assets (with the exception of mines and lakes which are valued at cost minus accumulated depreciation and eliminations) are valued at their fair values minus accumulated depreciation and eliminations. Estimations of fair values are performed periodically by independent appraisers (every three to five years) in order to ensure that fair value does not differ significantly from the net value of the asset. The last assets' evaluation was completed December 31st 2009. Any valuation increase is credited to the revaluation surplus net of deferred taxes. At the date of revaluation, accumulated depreciation is offset against pre depreciation accounting values and net amounts are restated according to restated amounts. Any decrease is first offset against an earlier valuation increase in respect of the same fixed asset and thereafter charged to the income statement. Upon disposal of revalued tangible asset, the relevant portion of the revaluation surplus is released from the revaluation surplus directly to retained earnings. Repairs and maintenance are charged to expenses as incurred. Subsequent future expenditures are capitalized when they increase the asset's useful life, improve its productivity or decrease its operational cost. For all assets retired or sold, their acquisition cost and related depreciation are removed from the accounts at the time of sale or retirement, and any gain or loss is included in the statement of income.

#### ***Borrowing costs***

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

#### ***Depreciation***

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

### Buildings and Civil Works

|                          |       |
|--------------------------|-------|
| Buildings of general use | 50    |
| Industrial buildings     | 40-50 |
| Dams                     | 50    |

### Machinery and Equipment

|                                |       |
|--------------------------------|-------|
| Thermal power plants           | 35-40 |
| Gas Turbines                   | 30    |
| Mines                          | 20-40 |
| Hydro power plants             | 50    |
| Autonomous diesel power plants | 25    |

### Transmission

|             |    |
|-------------|----|
| Lines       | 35 |
| Substations | 35 |

### Distribution

|   |    |
|---|----|
| Substations                                 | 35 |
| Low and medium voltage distribution network | 35 |

**Transportation assets** 15

**Furniture, fixtures and equipment** 5-25

### *Mining activities*

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

### *Investments in subsidiaries*

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

### *Investments in associates*

These are entities in which the Group has significant influence and which are neither a subsidiary nor a joint venture of the Group. The Group's investments in associates are accounted for under the equity method of accounting. The investments in associates are carried on the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less possible provisions for any impairment in value. The income statement reflects separately the Group's share of the results of its associates, while amounts that are registered by the associates directly to their equity are recognized directly to the Group's equity. Non - realizable profit or loss resulting from the transactions of the Group with said associates are eliminated to the extent of the interest in the associates. The associates' accounting principles are adjusted, when necessary, in order to comply with those adopted by the Group. In the separate financial statements such investments are accounted for at cost less any accumulated impairment losses.

### ***Investments in joint ventures***

The Group has interests in joint venture which are jointly controlled entities with other companies with which the Group has a contract. In the consolidated financial statements, investments in joint ventures are accounted for under the equity method. The investments in joint ventures are carried on the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment value. The consolidated statement of income reflects the Group's share of the results of its joint ventures while amounts that are registered by the joint ventures directly to their equity are recognized directly to the Group's equity.

Non-realizable profit or loss incurring from the transactions of the Group with those joint ventures is eliminated to the extent of the interest in the joint ventures. The joint ventures' accounting principles are adjusted, when necessary, in order to comply with those adapted by the Group. In the separate financial statements such investments are accounted for at cost less any impairment losses.

### ***Impairment of assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The fair value of sale (after the deduction of sales costs) is determined, in each case, according to the implementation of a revaluation model. Impairment losses of continuing operations are recognized to the income statement, except if the particular asset is valued in fair values and then the impairment loss is recognised as a decrease of the already recognised surplus value. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized for the asset in prior years. Such reversal is recognized in profit and loss unless the asset is carried at revalued amounts in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, to be divided equally to future time spans on a systematic basis over its remaining useful life.

### ***Investments and other financial assets***

Financial assets in the scope of IAS 39 are classified based on their nature and their characteristics in financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

### ***Financial assets at fair value through profit and loss***

This category includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in income.

### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

### ***Held - to - maturity investments***

Financial assets with fixed payments and fixed maturity are classified as held - to - maturity, when the Group has the intention and the ability to hold them to maturity. Held - to - maturity investments which are held for an infinite or non - defined maturity cannot be classified into this category.

Held - to - maturity investments are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the investments are derecognized or eliminated as well as through the amortization process.

### ***Available-for-sale investments***

Available-for-sale investments are those non-derivative financial assets that are not classified in any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognized as a separate component of equity. On disposal, impairment or de-recognition of the investment, the cumulative gain or loss is transferred to the income statement. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models. When the fair value cannot be determined reliably, the investments are measured at their acquisition cost.

If an available-for-sale asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Impairment losses that have been recognized previously in the income statement and relate to investments in shares are not reversed through the profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

### ***Impairment of financial assets***

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

### ***Assets carried at amortized cost***

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred)

The cash flows are discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss

is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

### ***Inventories***

Inventories include consumables, materials, lignite and liquid fuel.

### ***Materials and consumables***

Materials and consumables are stated at the lower of cost or net realizable value, the cost being determined using the weighted average method, which takes under consideration the net realizable value of the end product in which they are incorporated. These materials are recorded in inventory when purchased and then are expensed or capitalized to plant, as appropriate, when installed.

### ***Lignite (self-produced and purchased)***

The cost of lignite inventories which have been excavated / purchased but not yet consumed at the date of the financial statements is depicted at the balance sheet. Lignite inventories are stated at the lower of production cost / purchase cost and net realizable value, which takes under consideration the net realizable value of the end product in which they are incorporated with the cost being determined using the weighted average production / purchase cost method. Production / purchase cost mainly consists of expenses incurred in order for lignite inventories to be brought to its present location. Consumption of lignite is separately reflected in operating expenses in the accompanying statement of income.

### ***Liquid fuel***

Liquid fuel is stated at the lower of cost and net realisable value which takes under consideration the net realisable value of the end product in which it is incorporated. The cost of liquid fuel reflects purchase price plus any taxes (other than VAT), levies and other costs necessary to bring it to its present location and condition and is determined using the weighted average method for the period. Liquid fuel costs are expensed as consumed and are separately reflected in the accompanying statements of income.

### ***Cash and cash equivalents***

The Group considers time deposits and other highly liquid investments with original maturity of three months or less, to be cash equivalents.

### ***Share capital***

Share capital represents the par value of shares fully issued and outstanding. Any proceeds in excess of par value are recorded in share premium. Expenses related directly to new shares issuance are recognized directly to Equity net of proceeds.

### ***De-recognition of financial assets and liabilities***

#### ***Financial Receivables***

A financial receivable (or, where applicable a part of a financial receivable or part of a group of similar financial receivables) is derecognized where: (1) the rights to receive cash flows from the asset have expired, (2) The Group retain the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement and (3) The Parent Company/ Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Group / Parent Company has transferred its rights to

receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchase option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### ***Financial liabilities***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

### ***Offsetting of financial assets and liabilities***

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when the Group has a legally enforceable right to set off the recognized amounts and intends to either settle such asset and liability on a net basis or realize the asset and settle the liability simultaneously.

### ***Interest bearing loans and borrowings***

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, they are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs.

### ***Provisions for risks and expenses, contingent liabilities and contingent claims***

Provisions are recognised when the Group has a present legal, contractual or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle this obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the present value of the expenditure expected to be required to settle the obligation. Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

### ***Post- retirement benefits***

The Parent Company employees and pensioners of the Group are entitled to supply of energy at reduced tariffs. Such reduced tariffs to pensioners are considered to be retirement obligations and are calculated at the discounted value of the future retirement benefits deemed to have accrued at year-end based on the employees earning retirement benefit rights steadily throughout the working period. Retirement obligations are calculated on the basis of financial and actuarial assumptions. Net costs for the period are included in the payroll cost in the statements of income and consist of the present value of the benefits earned in the year, decreased by the benefits offered to the pensioners. The retirement benefit obligations are not funded. Unrecognized actuarial gains or losses that exceed 10% of the projected benefit obligation at the beginning of each period are recognized by the margin method over the remaining service period of active employees and included as a component of net pension cost for a year.

### ***Subsidies for fixed assets***

The Group obtains subsidies from the Hellenic Republic and from the European Union (through the investment budget of the Hellenic Republic) in order to fund specific projects executed through a specific time period. Subsidies are recorded upon collection and are reflected as deferred income in the accompanying balance sheet. Amortization is accounted for in accordance with the remaining useful life of the related assets, and is included in depreciation and amortization in the accompanying statements of income.

### ***Customers and producers contributions in the construction of fixed assets and Contributions of fixed assets from customers and producers***

Customers and producers, who are connected with the transmission and distribution network, are required to participate in the initial network connection cost (metering devices, lines, substations, etc.) or other type of infrastructure, through the deposit of institutionally defined amounts or through fixed assets contribution (few cases). Until December 31, 2008, due to the lack of detailed accounting guidance under current IFRS, the Group has elected to record upon collection of contribution from customers and producers., for the construction of assets needed for their connection with the network, and were reflected in the Balance Sheet as deferred income. Their amortization was accounted for in accordance with the remaining useful life of the related financed assets and was included in the depreciation and amortisation of the income statement (the Group / Parent Company implemented the accounting policy used for contributions). From January 1st, 2009, the Group / Parent Company implementing earlier the Interpretation 18 "Transfers of Assets from Customers" recognize the cash and the assets received from customers and producers needed for their connection with the network, in fair values in the Income Statement. For cash received until December 31st, 2008, the Group / Parent Company used the previous adopted accounting policy.

### ***Derivative financial instruments and hedging***

The Parent Company uses derivative financial instruments to hedge its risks associated with interest rate, of foreign currency and liquid fuel prices fluctuations consumed by the Parent Company. Such derivative financial instruments are measured at fair value at the balance sheet date. The fair value of such derivatives is determined by reference to market values for similar instruments and it is confirmed with the respective financial institutions with which the Parent Company has concluded the relative contacts. The effective part of hedges that qualify for hedge accounting is recognized directly to equity if it is related to cash flow hedges while the ineffective part is charged to the separate income statement. If the hedge is related to effective fair value hedges, the gain or loss from remeasuring the derivative hedging instrument at fair value is recognized in profit or loss and the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is also recognized in profit or loss. Under cash flow hedge accounting, when the hedged firm commitment results in the recognition of non-financial asset or a non-financial liability, then, at the time the asset or liability is recognized the associated gains or losses that had previously been recognized in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognized in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

Certain derivatives, although characterized as effective hedges based on Group policies, do not meet the criteria for hedge accounting in accordance with the provisions of IAS 39 and, therefore, gains or losses are recognized in the statement of income.

### ***Income taxes (current and deferred)***

#### ***Current Income Taxes:***

Current income tax expense consists of income taxes for the current year based on the Parent Company's profits and on the other companies of the Group as adjusted in its tax returns and, provisions for additional income taxes to cover potential tax assessments which are likely to occur from tax audits by the tax authorities, using the enacted or substantively enacted tax rates.

### **Deferred Income Taxes**

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax base and the book value of assets and liabilities. Deferred income tax liabilities are recognized for all taxable temporary differences. Except where the deferred income tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognized for all deductible temporary differences, carried forward of unused tax credits and unused tax losses, to the extent that it is possible that taxable profit will be available against the deductible temporary differences and the carried forward of unused tax credits and unused tax losses can be utilized. Except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; the deferred tax assets are reviewed at each balance sheet date and reduced at the time where it is not considered as possible that enough taxable profits will be presented against which, a part or the total of assets can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

### **Defined contribution plans**

The Parent Company and the Group recognize as an expense the contribution for the employees' services payable to IKA –ETAM /TAP DEH, ETEA, TAYTEKO (defined contribution plans) and as a liability the amount that has not been paid yet.

### **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from all types of electricity sales is accounted for on an accrual basis. At each balance sheet date, unbilled revenue is recorded to account for electricity delivered and consumed by customers but not yet billed. Deductions from reduced consumption of electricity as defined by specific return policies of the Group are accounted when they can reliably be estimated (based on historical data, if available or on prior year's data). Revenue from rendering of services is recognized based on the stage of completion of the service rendered and to the extent that the related receivable will be collected. Revenue from interest is recognized within the period incurred and revenue from dividends is recognized when the Group's right on such dividends is approved by the respective bodies of the companies' that declare them.

### **Electricity**

Electricity costs are expensed as purchased and separately reflected in the accompanying statement of income.

### **Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right or use the asset.

#### **Group as a lessee**

Leases, which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight line basis over the lease term.

#### **Group as a lessor**

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as revenue in the statement of income on a straight line basis over the lease term.

### **Earnings/ (Losses) per share**

The basic and diluted earnings per share, are computed by dividing net income by the weighted average number of shares outstanding during the relevant year. The weighted average number of shares is derived by adding the existing shares, that the share capital is divided, with the rights that the Parent Company owns and potentially could exercise.

### **Subsequent events**

Post period-end events that provide additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes.

### **Non-current Assets Held for Sale and Discontinued Operations**

The Group classifies a non-current asset (or disposal group) as held for sale, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In sale transactions, all exchanges of non - current assets for other non - current assets are included, if the transaction has commercial value.

The basic preconditions to classify a non-current asset (or a disposal group) as held for sale are that it must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets / groups and its sale must be highly probable.

Immediately, before the original classification of the non - current asset or disposal group as held for sale, the current asset or disposal group is evaluated based on the appropriate per case IFRS.

Non - current assets (or disposal group) classified as held for sale will be measured at the lower of its carrying amount and fair value less costs to sell and any possible resulting impairment losses will be recognized in the income statement. Any subsequent increase in fair value will be recognized, but not in excess of the cumulative impairment loss which was previously recognized.

While a non-current asset (or non-current assets that are included in a disposal group) is classified as held for sale it should not be depreciated or amortized.

### **Operating Segment**

According to L. 4001/2011, the Group is obliged to prepare and integrate in its financial statements, accounting unbundled financial statements for each sector. These include the Parent Company's activities in the Sectors of Mines, Generation, Distribution, Following the spin - off of the former General Division of Transmission to IPTO. In 2011, which was incorporated as PPC's subsidiary, according to the model of the Independent Transmission Operator and all organizational units as well as activities of HTSO that pertained to management, operation, development and maintenance of the Transmission System apart from the Dially Ahead Schedule. In 2012 the Distribution Activity was transferred to HEDNO, a wholly owned PPC subsidiary. During the contribution of the General Division of Distribution to its subsidiary HEDNO PPC. has maintained the ownership of the fixed assets as well as the assets of the Distribution Network and the Non- Interconnected Islands' Network. As a result, information disclosures by operational sector as well as the principles of segment as presented in IFRS 8 "Operating Segment" are stated in the Appendix 1.

## **3.5. New Standards and Interpretations Issued but not yet Effective**

The new standards, amendments / improvements of standards or Interpretations listed below, were issued but have not been adopted in the accounting period, beginning in January 1, 2012:

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**

The amendment is effective for annual periods beginning on or after 1 July 2012. The amendment to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to

profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from other items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance.

- **IAS 19 Employee Benefits (Revised)**

The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is in the process of assessing the effect of this amendment on its financial statements.

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**

The Standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. As a consequence of the new IFRS 11 "Joint arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", IAS 28 "Investments in Associates", has been renamed IAS 28 "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates. The management of the Group has assessed that this revision has no impact on the Group's financial statements.

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**

The amendment is effective for annual periods beginning on or after 1 January 2014. These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The management of the Group has assessed that this revision has no impact on the Group's financial statements.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**

The amendment is effective for annual periods beginning on or after 1 January 2013. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The effect of this amendment pertains to presentation and does not have any impact on the Group's financial statements.

- **IFRS 9 Financial Instruments: Classification and Measurement**

The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. This standard has not yet been endorsed by the EU.

- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**

The new standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group is in the process of assessing the effect of this amendment on its financial statements.

- **IFRS 11 Joint Arrangements**

The new standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. IFRS 11 replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly-controlled Entities — Non-monetary Contributions by Venturers”. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Group is in the process of assessing the effect of this amendment on its financial statements.

- **IFRS 12 Disclosures of Interests in Other Entities**

The new standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group is in the process of assessing the effect of this amendment on its financial statements.

- **IFRS 13 Fair Value Measurement**

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is in the process of assessing the effect of this amendment on its financial statements.

- **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

The interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation applies to waste removal (stripping costs) incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The Group is in the process of assessing the effect of this amendment on its financial statements.

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. This project has not yet been endorsed by the EU.

- **IAS 1 Presentation of Financial Statements:** This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.

- **IAS 16 Property, Plant and Equipment:** This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- **IAS 32 Financial Instruments, Presentation:** This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.
- **IAS 34 Interim Financial Reporting:** The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.
  
- **Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**

The guidance is effective for annual periods beginning on or after 1 January 2013. The IASB issued amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements and IFRS 12 "Disclosure of Interests in Other Entities". The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application' in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" to provide transition relief. This guidance has not yet been endorsed by the EU.
  
- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment applies to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 "Consolidated Financial Statements", reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. This amendment has not yet been endorsed by the EU.

#### 4. REVENUES

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2012             | 2011             | 2012             | 2011             |
| <b>Energy sales:</b>                        |                  |                  |                  |                  |
| - High voltage                              | 423,072          | 433,884          | 423,072          | 433,884          |
| - Medium voltage                            | 1,097,515        | 908,738          | 1,098,383        | 908,738          |
| - Low voltage                               | 4,182,668        | 3,521,658        | 4,183,650        | 3,521,658        |
| - Renewable Energy Sources                  | 13,984           | 14,306           | -                | -                |
|   | <b>5,717,239</b> | <b>4,878,586</b> | <b>5,705,105</b> | <b>4,864,280</b> |
| <b>Fees charged to HTSO (currently EMO)</b> |                  |                  |                  |                  |
| - Transmission system fees                  | 21,746           | 302,025          | -                | 243,240          |
| - Administrative fees                       | 8,708            | 8,647            | 640              | 8,647            |
|   | <b>30,454</b>    | <b>310,672</b>   | <b>640</b>       | <b>251,887</b>   |
| - Interconnection rights                    | 21,426           | -                | -                | -                |
| - Received customers' contributions         | 112,449          | 140,594          | 106,531          | 140,354          |
| - Public Service Obligations                | 12,623           | 53,053           | 12,623           | 53,053           |
| - Distribution Network Revenue              | 18,926           | 63,655           | -                | 63,655           |
| -Other                                      | 72,105           | 66,992           | 63,012           | 69,660           |
|   | <b>237,529</b>   | <b>324,294</b>   | <b>182,166</b>   | <b>326,722</b>   |
| Discontinued Operations (Note 13)           | -                | -                | -                | (262,557)        |
| <b>Total</b>                                | <b>5,985,222</b> | <b>5,513,552</b> | <b>5,887,911</b> | <b>5,180,332</b> |

#### 5. PAYROLL COST

|                                   | Group          |                | Company        |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2012           | 2011           | 2012           | 2011           |
| Payroll cost                      | 803,649        | 954,237        | 463,457        | 948,610        |
| Employer's social contributions   | 254,174        | 290,066        | 180,398        | 287,747        |
| Provision for reduced tariffs     | 11,367         | 3,668          | 5,516          | (5,739)        |
| Payroll cost included in          |                |                |                |                |
| - fixed assets                    | (123,769)      | (148,321)      | (29,964)       | (139,693)      |
| - lignite production              | (216,124)      | (264,945)      | (216,124)      | (264,945)      |
|                                   | <b>729,297</b> | <b>834,705</b> | <b>403,283</b> | <b>825,980</b> |
| Discontinued Operations (Note 13) | -              | -              | -              | (62,346)       |
| <b>Total</b>                      | <b>729,297</b> | <b>834,705</b> | <b>403,283</b> | <b>763,634</b> |

**Law 4024/2011 "Pension adjustments, single public pay scale, labor reserve and other directions of the medium term fiscal strategy 2012-2015"**

The provisions of law 4024/2011 are applied since November 1st, 2011.

#### **Tayteko (former PPC – PIO) Employees transferred to Insurance organizations**

In article 13, of the Legislative Act published in OG 256/31.12.2012, employees of TAYTEKO (former PPC PIO) are referred to as "employees transferred to Insurance organizations" (482 people) and is provided for that: " the payroll expense as well as the respective insurance contributions for PPC's transferred employees burden PPC, who will be compensated by the Insurance organizations which will result by the implementation of Chapter 2 of L. 4024/2011 which pertains to the payroll regime of public servants of art. 4 of the same Law. This is effective by 01.01.2013.

## 6. ENERGY PURCHASES

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2012             | 2011             | 2012             | 2011             |
| Arrangements of differences                                      | 886,954          | 659,028          | 886,954          | 659,028          |
| Imports  | 112,205          | 94,461           | 112,205          | 94,461           |
| Other imports  | 145,895          | 131,225          | 156,953          | 141,814          |
| Net charge to secure sufficient capacity                         | 71,255           | 21,439           | 71,255           | 21,439           |
| Purchase rights  | 14,422           | 8,709            | 21,467           | 8,709            |
| Net charge for coverage of the generation variable cost recovery | 319,193          | 130,611          | 319,193          | 130,611          |
| Special taxes  | 161,553          | 161,553          | -                | -                |
| Other purchase   | 4,796            | 11,507           | 4,796            | 11,507           |
| <b>Total</b>   | <b>1,716,273</b> | <b>1,056,980</b> | <b>1,734,376</b> | <b>1,067,569</b> |

## 7. TRANSMISSION SYSTEM USAGE

|  | Group         |                | Company        |                |
|--|---------------|----------------|----------------|----------------|
|  | 2012          | 2011           | 2012           | 2011           |
| Transmission network fees                  | 16,868        | 240,101        | 207,946        | 240,101        |
| Recovery of administrative costs from HTSO | 5,782         | 20,168         | 5,782          | 20,168         |
| Arrangement of losses                      | 63,607        | 37,704         | 63,607         | 37,704         |
| Net charge of ancillary services           | 6,433         | 17,622         | 6,433          | 17,622         |
| <b>Total</b>                               | <b>92,690</b> | <b>315,595</b> | <b>283,768</b> | <b>315,595</b> |

## 8. DEPRECIATION AND AMORTIZATION

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2012           | 2011           | 2012           | 2011           |
| Depreciation/ amortization:                                   |                |                |                |                |
| - Fixed assets (note 15)                                      | 718,717        | 717,836        | 648,749        | 652,630        |
| - Software (note 16)  | 3,811          | 4,843          | 2,821          | 4,789          |
| - Transfer to subsidies and customers contributions (note 33) | (77,108)       | (75,725)       | (70,876)       | (70,429)       |
| Depreciation included in lignite excavation cost              | (131,929)      | (134,600)      | (131,929)      | (134,600)      |
| <b>Total</b>  | <b>513,490</b> | <b>512,354</b> | <b>448,765</b> | <b>452,390</b> |

## 9. EMISSION ALLOWANCES (CO<sub>2</sub>)

Based on the temporary resultsThe CO<sub>2</sub> emissions of the Parent Company's bound plants for the period 01.01.2012 – 31.12.2012 amounts to 47.3 Mt CO<sub>2</sub>, thus the total CO<sub>2</sub> emissions for 2012 are estimated to 47.3 Mt, approximately. It should be noted that the emissions of 2012 will be considered final by the end of March 2013, when the verification of the annual emissions reports by accredited third party verifiers is completed. 42.5 Mt CO<sub>2</sub> allowances have been allocated to the 31 existing bound plants of the Parent Company for 2012, while for the same year additional emission rights amounting to 0.6 Mt were allocated to the Parent Company due to new entrance units. According to the above, it is estimated that the Parent Company will exhibit a shortage of emission allowances for 2012 amounting to 4.2 Mt CO<sub>2</sub>.

PPC S.A. proceeded to a sale of 2.5 Mt of EUAs of a total value of Euro 21.19 mil., in the context of the management of its portfolio of CO<sub>2</sub> emission rights.

|   | <u>2012</u>          | <u>2011</u>         |
|---|----------------------|---------------------|
| Cover of deficit from purchased EUAS                                    | 34,170               | -                   |
| Cover of deficit from purchased CERS                                    | 17,612               | 5,324               |
| Cover of prior year deficit (difference of market price with provision) | 3,265                | (8,865)             |
| Provision for cover of current year deficit                             | 217                  | 10,375              |
| Managing expenses   | <u>1,822</u>         | <u>2,488</u>        |
| <b>Total</b>  | <u><b>57,086</b></u> | <u><b>9,322</b></u> |

## 10. FINANCIAL EXPENSES

|  | <u>Group</u>          |                       | <u>Company</u>        |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | <u>2012</u>           | <u>2011</u>           | <u>2012</u>           | <u>2011</u>           |
| Interest Expenses                                      | 251,375               | 205,546               | 222,646               | 203,691               |
| Bank charges   | 1,667                 | 1,294                 | 1,506                 | 1,294                 |
| Amortization of loans' issuance costs                  | 7,930                 | 5,201                 | 7,405                 | 4,545                 |
| Changes in derivatives' fair value (note 30)           | 912                   | 3,073                 | 912                   | 3,073                 |
| Commissions on letter of guarantee                     | 12,192                | 7,758                 | 11,293                | 7,337                 |
| Finance cost on mine restorations provision (Note. 32) | 1,503                 | 1,445                 | 1,503                 | 1,445                 |
| Other  | <u>1,748</u>          | <u>2,534</u>          | <u>640</u>            | <u>1,876</u>          |
|  | <u><b>277,327</b></u> | <u><b>226,851</b></u> | <u><b>245,905</b></u> | <u><b>223,261</b></u> |
| Discontinued Operations (Note 13)                      | -                     | -                     | -                     | (21,867)              |
| <b>Total</b>   | <u><b>277,327</b></u> | <u><b>226,851</b></u> | <u><b>245,905</b></u> | <u><b>201,394</b></u> |

## 11. FINANCIAL INCOME

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2012          | 2011          | 2012          | 2011          |
| Interest on outstanding energy receivables                | 27,470        | 19,256        | 27,470        | 19,257        |
| Interest on bank and time deposits (note 24)              | 11,546        | 21,307        | 9,298         | 21,199        |
| Dividends from Subsidiaries                               | -             | -             | 36,976        | -             |
| Dividends from investments "available-for-sale" (note 23) | 523           | -             | 523           | -             |
| Other   | 2,770         | 3,101         | 2,076         | 2,898         |
|   | <b>42,309</b> | <b>43,664</b> | <b>76,343</b> | <b>43,354</b> |
| Discontinued Operations (Note 13)                         | -             | -             | -             | (8)           |
| <b>Total</b>  | <b>42,309</b> | <b>43,664</b> | <b>76,343</b> | <b>43,346</b> |

## 12. OTHER (INCOME) EXPENSE, NET

|  | Group            |                 | Company          |                 |
|--|------------------|-----------------|------------------|-----------------|
|  | 2012             | 2011            | 2012             | 2011            |
| <b>OTHER EXPENSE</b>                   |                  |                 |                  |                 |
| Transportation and travel expenses     | 10,165           | 14,769          | 7,150            | 15,438          |
| Taxes and duties                       | 24,472           | 20,794          | 18,095           | 19,589          |
| Loss on disposals of fixed assets      | 30,420           | 12,393          | 24,045           | 6,849           |
| Impairment of construction in progress | 14,500           | 11,001          | 14,500           | 10,374          |
| Extraordinary Provisions               | -                | 35,003          | -                | 35,003          |
| Consumables                            | 8,077            | 7,194           | 5,361            | 6,666           |
| Other                                  | 12,340           | 18,129          | 11,499           | 20,535          |
| <b>Total</b>                           | <b>99,974</b>    | <b>119,283</b>  | <b>80,650</b>    | <b>114,454</b>  |
| <b>OTHER REVENUE</b>                   |                  |                 |                  |                 |
| Penalties to suppliers/ contractors    | (1,473)          | (5,893)         | (1,340)          | (5,811)         |
| Subsidies on expenses                  | (412)            | (654)           | (404)            | (654)           |
| Income from rentals                    | (477)            | (400)           | (477)            | (400)           |
| Income from settlement with DEPA       | (191,788)        | -               | (191,788)        | -               |
| Other                                  | (57,189)         | (15,855)        | (69,829)         | (17,240)        |
| <b>Total</b>                           | <b>(251,339)</b> | <b>(22,802)</b> | <b>(263,838)</b> | <b>(24,105)</b> |
| <b>Total</b>                           | <b>(151,365)</b> | <b>96,481</b>   | <b>(183,188)</b> | <b>90,349</b>   |
| Discontinued Operations (Note 13)      | -                | -               | -                | (6,575)         |
| <b>Grand Total</b>                     | <b>(151,365)</b> | <b>96,481</b>   | <b>(183,188)</b> | <b>83,774</b>   |

### 13. SPIN – OFFS

#### Transmission Activity's SPIN – OFF and Contribution to a new Subsidiary "OPERATOR OF THE INDEPENDENT POWER TRANSMISSION SYSTEM (IPTO) S.A."

On August 22nd, 2011, L. 4001 was published, based on which, the contribution of the General Division of Transmission, to PPC's wholly owned subsidiary "Independent Power Transmission Operator" (IPTO S.A ), was provided for. The above mentioned contribution was realized based on the provisions of L. 2190/1920, L. 2166/1993 and L. 4001/2011.

By L. 4001/2011, IPTO is being assigned with the Hellenic Transmission System Operation (HETSO) management. IPTO is organized and operates as an independent transmission operator (model ITO - Independent Transmission Operator), under the provisions of Chapter V of Directive 2009/72/EK, through the Transfer to IPTO of the activities of management, operation, maintenance and development of the Hellenic Transmission System Operator (HETSO). The above mentioned are accomplished through the contribution to IPTO by the spin – off of:

- the total assets, liabilities and personnel of the General Activity of Transmission («PPC's Transmission Activity»).
- all HTSO's activities except for the Electricity Market Operation - the operation of the Day-Ahead Electricity Market. The Day – Ahead Electricity Market will be conducted by the independent company « Electricity Market Operator (EMO)» a company which is wholly owned by the Greek State (note 5).

The PPC transmission activity's spin – off was concluded within the time limits defined by L. 4001/2011 (November 2011).

The share capital of IPTO as a result of the spin-off was increased by the amount of Euro 31,925. The spin –off and the contribution were accounted for in the financial statements of the Parent Company of December 31, 2011, as a transaction between companies under common control. The received shares were recognized as an addition to the investment cost of the subsidiary on November 30, 2011 (completion date of the transaction) with a value equal to the carrying value on January 1, 2011 of the net assets contributed, according to L. 4001/2011 and L.2166/1993.

The contribution of the results of the transitory period (January 1st, 2011 – November 30, 2011) to the subsidiary, according to the provisions of L. 4001/2011 and L. 2166/1993 was completed and recorded at the same date.

The results of the spin –off for the eleven month period ended in November 30, 2011 and which were reclassified were as follows:

|                                 | <u>1.1.2011 – 30.11.2011</u> |
|---------------------------------|------------------------------|
| <b>SALES:</b>                   |                              |
| Other sales                     | 262,557                      |
| <b>COSTS:</b>                   |                              |
| Payroll cost                    | 62,346                       |
| Depreciation                    | 50,673                       |
| Materials and consumables       | 2,958                        |
| Other expenses                  | 10,831                       |
| Interest expenses (income)net   | 21,859                       |
| <b>PERIOD PROFIT BEFORE TAX</b> | <u><b>113,890</b></u>        |
| <b>Income tax</b>               | <u>-</u>                     |
| <b>NET PROFIT</b>               | <u><u><b>113,890</b></u></u> |

## SPIN – OFF and Contribution of the Activity of the Management of Transmission System by HTSO (NOW EMO)

According to article 99 L. 4001/2011 in a period of three months by the law's effective date (until November 22, 2011) the societe anonyme "Operator of the Hellenic Transmission System" (HTSO.) which was incorporated according to P.D. 328/2000 and authorized by article 14 of L. 2773/1999 transfers to IPTO the organizational units and activities that pertain to the management, operation, development and maintenance of the Transmission System (HETSO), including the relevant fixed assets as well as HTSO's personnel, which is employed to the abovementioned activities which comprise HTSO's Transmission Activity. The activities that are transferred are all of HTSO's activities apart from the operation of the Electricity Market – "Daily Ahead Schedule" or "DAS", which will be conducted by the independent " Operator of Electricity Market" (EMO

HTSO's above mentioned contribution is realized through spin-off, according to L. 4001/2011, articles 68 to 79 of L. 2190/1920 as well as articles 1 to 5 of L. 2166/1993, of the aggregate of HTSO's fixed assets that pertain to the disposal group. According to the above mentioned provisions IPTO's share capital is increased, due to the absorption, to the amount of the book value of the above mentioned HTSO's contributing activity, as defined at the spin-off balance sheet date of August 31, 2011. With the completion of the absorption, IPTO issues new shares, which are consigned to HTSO. In a period of three months by the completion of the above mentioned spin – off, HTSO transfers to PPC the total of its IPTO shares due to spin off and contribution, for a return equal to the shares' nominal value.

The above mentioned spin – off and contribution of activity to the Group's subsidiary, does not fall under the scope of IFRS 3 "Business Combinations", given that even though it regards acquisition of elements that comprise a business units, the transaction concerns entities that are under common control.

The spin –off and contribution of the activity was formally completed on January 31st, 2012 and therefore since February 1st, 2012 the operational duties of the Hellenic Electricity Transmission System are undertaken by IPTO. Consequently all transactions (income and expenses) of those activities since the undertaking date by IPTO (February 1st, 2012) until December 31, 2012 are included in the consolidated financial results.

IPTO's share capital, due to the spin -off and the contribution of the activity, was increased by the amount of Euro 2,078. EMO has transferred its IPTO shares to PPC on February 15th, 2013.

The book value of the assets and liabilities that were contributed (IFRS) during the spin – off on February 1st, 2012 is follows:

| <b>ASSETS</b>                     | <b>1/2/2012</b>       |
|-----------------------------------|-----------------------|
| <b>Non –Current assets:</b>       |                       |
| Tangible Assets                   | 4,854                 |
| Intangible Assets                 | 427                   |
| Other Long Term Assets            | 285                   |
| <b>Total Non – Current Assets</b> | <b><u>5,566</u></b>   |
| <b>Current Assets:</b>            |                       |
| Trade Receivables                 | 108,859               |
| Other Receivables                 | 7,284                 |
| Cash                              | 0                     |
| <b>Total Current Assets</b>       | <b><u>116,143</u></b> |
| <b>Total Assets</b>               | <b><u>121,709</u></b> |

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Equity:

|                     |                      |
|---------------------|----------------------|
| Share capital       | 2,078                |
| Retained Earnings   | 22,560               |
| <b>Total Equity</b> | <b><u>24,638</u></b> |

### Long – term Liabilities:

|  |                     |
|--|---------------------|
| Customers' contributions and subsidies | 3,358               |
| Provisions                             | 662                 |
| Other Long term Liabilities            | 3,557               |
| <b>Total Long – term Liabilities</b>   | <b><u>7,577</u></b> |

### Current Liabilities:

|                                     |                       |
|-------------------------------------|-----------------------|
| Trade and other Payables            | 72,157                |
| Accrued and other liabilities       | 17,337                |
| <b>Total Current Liabilities</b>    | <b><u>89,494</u></b>  |
| <b>Total Liabilities and Equity</b> | <b><u>121,709</u></b> |

The results for the five month period ended January 31st, 2012 for the activity (as documented by EMO), amounted to Euro 22,5 mil. (retained earnings above ). The above mentioned results did not include provisions for the recoverability of claims by customers for whom collection is not certain. Therefore, taking under consideration the effect of the above provisions, which IPTO's management has realized in retrospect (after the publication of its Financial Statements), the activity's result for the above mentioned five month period was defined to Euro 5 mil. (loss), which did not have a significant impact on Equity and Results for the Group.

IPTO through the spin –off and contribution of the activity of Transmission Management of EMO according to the provisions of L. 4001/2011, has also undertaken, among others, the activity of management of the interconnection with other countries.

According to the Regulation (EC) 714/2009 of the European Parliament and Commission of the 13th July 2009, concerning the terms for access to the network for the cross border exchanges of power and the abolition of the regulation (EC) 1228/2003, IPTO, as responsible for the activity of managing the interconnections receives amounts by the allocation of interconnections to third parties, which are used further:

1. To ensure the actual availability of the allocated capacity and /or
2. To maintain or increase the interconnection capabilities through investments in the system, particularly with new interconnection lines.

In the event that the above mentioned income cannot be used effectively for objectives (1) and/or (2) they can be used, under the proviso of approval by the regulatory authority (up to a maximum defined by the regulatory authority) as income to be taken under consideration during the approval of the methodology for the definition and / or the calculation of the tariffs for the system.

The remainder of the collected amounts is retained for as long as it takes to be used for purposes (1) and (2) above.

The accounting principle IPTO chose to follow for the accounting of the above mentioned amounts is as follows:

1. The collected amounts by the allocation of interconnections are initially recognized in Equity as unearned income
2. Afterwards, the relative amounts are carried in the statement of income

- A. Either gradually if they relate to the part that involves investments realized with the intention of interconnection capability, or
- B. in one lump sum payment, if they relate to amounts which were taken under consideration during the approval of the calculation of the tariffs for the system.

In any case the transfer of the collected amounts to the results (either in lump sum or gradually) presuppose the approval of its use by the regulatory authority.

### **SPIN – OFF of Distribution Activity and Contribution to a new Subsidiary “OPERATOR OF THE HELLENIC ELECTRICITY DISTRIBUTION NETWORK (HEDNO) S.A.”**

By L. 4001/2011 the spin – off of the activity of the General Division of Distribution, including the Non – Interconnected Islands Operator as well as assets by PPC along with its liabilities which fall under the above mentioned activity with the exception of fixed assets of the Distribution Network and the Non – Interconnected Islands’ Network (herein the “Distribution Division of PPC”) was provided for and its contribution to a wholly owned subsidiary called “Operator of the Hellenic Electricity Distribution Network or HEDNO S.A.” was decided.

This contribution is in accordance with the provisions of Laws 2190/20, 2166/93 and 4001/11.

It is noted that according to article 123 of L. 4001 (O.G. A 179/22.08.2011) PPC is obliged, in eight months by its effective date, to accomplish the legal as well as the operational unbundling of the activity of the management of the Hellenic Electricity Distribution Network (HEDN), as specified in article 2 of L. 4001/2011, from the other activities of the vertically integrated company, by contributing the Distribution Division to its subsidiary HEDNO

HEDNO is responsible for the development, operation and maintenance of HEDN, in an efficient manner, in order to ensure the reliable, efficient and secure operation, as well as, its long term ability to respond to plausible power needs, showing the necessary concern for the environment and energy efficiency as well as to ensure in the most economic, transparent and unbiased manner, the access of all users to HEDN, in order to exercise their activities, according to the Management Permit of HEDN which is granted according to the provisions of L. 4001/2011 and according to the Management Code of HEDN.

In November 2011 PPC’s Board of Directors decided to set December 31st, 2011 (instead of January 1st, 2011) as the inventory date of the net assets to be contributed as well as the date for the spin-off Balance Sheet of PPC’s Distribution Division.

In February 28th, 2012 PPC’s Board of Directors has approved the spin- off of PPC’s Distribution Division, as defined in article 123 of L. 4001/2011, as is in effect, and its contribution to its existing wholly owned subsidiary “PPC RHODOS S.A.” (renamed by law to “Hellenic Electricity Distribution Network Operator or HEDNO”. It also approved:

- PPC’s Distribution Division’s financial position as at December 31st, 2011
- PPC’s Distribution Division’s Audit Report and verification of the assets and liabilities as well as
- The Spin-off contract draft of the above mentioned Distribution Division

The above mentioned were approved by PPC’s Extraordinary General Shareholders’ Meeting, which took place on March 29th, 2012.

The spin – off was completed within the deadlines set by L. 4001/2011 (April 23rd, 2012). HEDNO’s share capital due to the spin off was increased by Euro 35,342. By the completion of the absorption of the activity, HEDNO will issue new shares which will be delivered to PPC. The aforementioned shares provide PPC with a right to the absorbing company’s profits.

The Parent Company considers that during the preparation of Financial Statements as of December 31, 2012 the provisions of IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are not applicable given that according to the management’s judgment the above mentioned transaction does not have commercial

substance. The spin –off and the contribution were recorded upon completion of the transaction. The attribution of the results of the transitional period (01.01.2012 -30.04.2012) to the subsidiary based on the provisions of L.4001/2011 and L. 2166/1993, was completed on April 30th, 2012 and was recorded at the same date.

The carrying value of the assets and liabilities that were contributed (IFRS) and which increased the investment's cost in the subsidiary during the spin – off on December 31, 2011 are as follows:

| <b>ASSETS</b>                                   | <b>31.12.2011</b>     |
|---|-----------------------|
| <b>Non-current assets:</b>                      |                       |
| Tangible assets                                 | 64,490                |
| Deferred tax asset                              | 52,230                |
| <b>Total non – current assets</b>               | <b><u>116,720</u></b> |
| <b>Current assets:</b>                          |                       |
| Inventories                                     | 190,748               |
| Trade receivables                               | 15,130                |
| Cash  | 158                   |
| <b>Total current assets</b>                     | <b><u>206,036</u></b> |
| <b>Total Assets</b>                             | <b><u>322,756</u></b> |
| <br><b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                       |
| <b>Equity:</b>                                  |                       |
| Share capital                                   | 35,342                |
| Revaluation Surplus                             | 48,253                |
| Retained earnings                               | (29,528)              |
| <b>Total Equity</b>                             | <b><u>54,067</u></b>  |
| <b>Long – term Liabilities:</b>                 |                       |
| Employee Benefits                               | 72,018                |
| Provisions                                      | 62,503                |
| Deferred tax liabilities                        | 4,835                 |
| <b>Total current liabilities</b>                | <b><u>139,356</u></b> |
| <b>Current liabilities:</b>                     |                       |
| Trade and other payables                        | 96,564                |
| Accrued and other liabilities                   | 32,769                |
| <b>Total Current Liabilities</b>                | <b><u>129,333</u></b> |
| <b>Total Liabilities and Equity</b>             | <b><u>322,756</u></b> |

### Impairment Test for the Fixed Assets of the Hellenic Energy Transmission System (HETS) and the Hellenic Energy Distribution System (HEDN)

As RAE mentions in its decision 840/2012, through studies for the revaluation of the assets of HETS (as defined in article 2 of L. 4001/2011) which basically defines the working capital for the transmission activity, certain issues arose for the suitability of the data reflected in the financial statements for purposes of regulatory policy and the determination of the allowed income for the activities of Transmission and Distribution. Specifically, according to RAE, the admission of financial data reflected in the published financial statements and consequently of the relevant surplus by the periodic assets' revaluations would result to significant, non – linear increase of the working capital and hence of the final charges for the users of the Transmission System, without being connected to an enhanced quality of services rendered or any other benefit for the consumers, who will continue to be served by the existing assets.

It is noted that, on December 31st, 2010 by the respective Ministerial Decisions, the budget for the Annual Cost as well as the unit charges for the Transmission System and the Distribution Network were approved for 2011. RAE, by its relative opinions to the Ministry of Environment and Climate Change deemed appropriate not to include the aforementioned charges for 2011 the surplus which derived by the revaluation of operating assets of the activities of Transmission and Distribution, which was conducted by an independent appraiser as of December 31st, 2009 based on the Appraisers' International Standards and IFRS. The surplus recognized in the financial statements as of December 31, 2009, amounted to Euro 340.5 mil. and Euro 422.0 mil for the activities of Transmission and Distribution, respectively. The above mentioned position differed from the hitherto practice of RAE, which for the calculation of the Annual Exchange for the Transmission System and the Distribution Network, took under consideration the results of the revaluation of assets of 2000 as well as 2004.

In the context of approving the annual cost of for HETS and HEDN, for the years 2012 and 2013, as well as the respective unit charges, RAE continued not to accept the above mentioned charges to be included in HETS and HEDNO's Adjustable Asset Base while at the same time keeping the fair return for both activities in 8%.

Taking under consideration that the above:

- have a negative impact to the cash flows of both companies (IPTO, HEDNO- PPC) as well as
- the increase of the respective discount rate per activity due to the current economic conjecture, facts that are a clear indication that the fixed assets' accounting value for both activities is not recoverable, PPC and IPTO decided to proceed, according to IAS 36, to recoverability test of the net book value of the fixed assets of HEDN and HETS respectively.

The recoverable amounts of the above mentioned cash generating units were determined, by an independent advisor, separately for each company, based on the "value in use" method.

For the evaluation of the value in use the method of discount cash flows was applied for the above mentioned activities, and a discount rate of (for Weighted Average Capital Cost – WACC) 8.4% was used.

The admissions used are consistent with independent outside sources of information.

The results of the impairment test on December 31, 2012 are as follows:

For IPTO an impairment loss amounting to Euro 118 mil. which was recognized in Equity, decreased by the amount of deferred income tax of Euro 23 mil. and specifically in "Re-evaluation Surplus of Fixed Assets". The impairment loss is divided among IPTO's fixed assets.

For the activity of HETS an impairment loss of Euro 727 mil. which was recognized in the Parent Company's Equity, decreased by the amount of deferred income tax of Euro 145 mil. and specifically in "Re-evaluation Surplus of Fixed Assets". The impairment loss is divided among assets for the HETS activity which is in the Parent Company's ownership.

## 14. INCOME TAXES (CURRENT AND DEFERRED)

|                                 | Group         |               | Company       |               |
|---------------------------------|---------------|---------------|---------------|---------------|
|                                 | 2012          | 2011          | 2012          | 2011          |
| Current income taxes            | 94,865        | 28,474        | 58,751        | -             |
| Deferred income taxes           | (23,761)      | 5,796         | (24,720)      | (3,088)       |
| Additional taxes                | (6,235)       | 28,877        | (6,235)       | 28,877        |
| <b>Total income tax expense</b> | <b>64,869</b> | <b>63,147</b> | <b>27,796</b> | <b>25,789</b> |

Companies of the Group that have their residence in Greece are subject to an income tax of 20%.

Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time, as the tax authorities examine the returns and the records of the company and a final assessment is issued. Tax losses, to the extent accepted by the tax authorities, can be used to offset future profits of the five fiscal years following the fiscal year to which they relate.

According to the provisions of L. 4110/2013, income tax will be computed by 26% for all income to be acquired from 01.01.2013 onwards. It is estimated that if the new increased tax rate for the Company was in effect on December 31, 2012, the impact on the Income tax would be Euro17,618.

Based on the applicable Income Tax Code (article 82), from the financial year 2011 and onwards, certified auditors issue an "Annual Tax Conformity 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 POL. 1159/2011. Audit matters which are not covered by the above mentioned decision are dealt in accordance to the ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information".

The tax conformity report as well as the notes of detailed information, which is an indispensable part of the report, for the year 2012 for the Parent Company, were issued with an "unmodified opinion" and were submitted electronically by the Auditors to the Ministry of Finance on 26.04.2012.

In July 2011, the final audit reports of the Company's tax audit for the years 2006 – 2008, as far as the Income Tax is concerned were released and the Athens Intraperipheral Audit Center determined, after a relevant decision of the Ministry of Finance that electricity benefit from the personnel electricity tariff to the Group's employees and pensioners "constitutes the Company's' own discretion and free will and cannot be deducted from its gross revenue". The difference between the tariff for residential use and the personnel tariff to the Group's employees and pensioners for the years 2006 - 2007 – 2008 amounts to € 107 m. Based on the Board of Directors' Decision 191/20.09.2011 the Parent Company, in October and December 2011, appealed to the Administrative Courts for the annulment of the final audit reports of the years 2006- 2007-2008, regarding the abovementioned difference.

Furthermore, in October 2011 a partial audit report was delivered to the Parent Company for the auditing year 2009 for the settlement of the abovementioned difference (€ 107 mil.), given the fact that the aforementioned amount reclassifies the taxable loss of the previous years. The Parent Company in December 2011 has filed a new appeal for the annulment of the partial audit report for the auditing year 2009 by paying an amount of Euro 17.9 mil. within the first quarter of 2012, to the Greek State, which corresponds to 50% of the income tax, which is predetermined after the appeal is filed.

In May 2012 the Parent Company was given a partial audit report, following an audit for the fiscal years 2009 and 2010 concerning the personnel electricity tariff to the Parent Company's employees and pensioners. The difference between the tariff for residential use and the personnel tariff to the Parent Company's employees and pensioners for the years 2009 - 2010 amounts to € 86.5 m. In July 2012, PPC has filed a petition, through the competent tax authority to the commission provided for in article 70a of L. 2238/1994 in order to pursue an administrative solution to the dispute. In November 2012 the petition was discussed and the partial audit reports for 2009 and 2010 were annulled.

For the accounting differences of the years 2006-2008 (Euro 107 mil.) the Parent Company has established adequate provisions.

In September 2012 by POL 1184, the opinion 140/2012 of the State's Legal Council was accepted, according to which, "...the benefit that arises for the employees and pensioners of PPC by the personnel electricity tariff constitutes income subject to tax".

In conformity with the above PPC will conduct a, per employee and pensioner, calculation of the difference in order to include it in the annual income certificates for both employees and pensioners.

PPC is further pursuing the above mentioned appeals regarding that the personnel's electricity tariff does not constitute a benefit but an adjustable tariff. As far as the taxation of the benefit for the pensioners of the Group is concerned, the Parent Company believes that by the income tax paid by the pensioners, any tax obligation is fulfilled.

Tax unaudited years for the Parent Company and the subsidiaries of the Group:

| Company                                       | Country        | Unaudited years since |
|---|----------------|-----------------------|
| PPC (Parent Company)                          | Greece         | 2009                  |
| PPC Renewables S.A.                           | Greece         | 2009                  |
| HEDNO former PPC Rhodes S.A.)                 | Greece         | 1999                  |
| IPTO S.A.(former PPC Telecommunications S.A.) | Greece         | 2007                  |
| 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 | -                     |
| PPC QUANTUM ENERGY LTD                        | Cyprus         | -                     |
| PHOIBE ENERGIAKH S.A.                         | Greece         | 2007                  |

For the unaudited tax periods the Group establishes a provision on the basis of the findings of prior tax audits. An analysis and numerical reconciliation between tax expense and the product of accounting profit multiplied by the nominal applicable tax rate is set out below:

|   | Group         |                 | Company       |                  |
|---|---------------|-----------------|---------------|------------------|
|   | 2012          | 2011            | 2012          | 2011             |
| <b>Profit before tax</b>                                    | <b>95,398</b> | <b>(85,800)</b> | <b>44,891</b> | <b>(247,147)</b> |
| Nominal tax rate  | 20%           | 20%             | 20%           | 20%              |
| Income tax calculated at nominal tax rate                   | 19,080        | (17,160)        | 8,978         | (49,431)         |
| Provision for additional taxes                              | (6,235)       | 28,877          | (6,235)       | 28,877           |
| Non deductible expenses                                     | 27,516        | 25,011          | 8,819         | 19,927           |
| Non taxable income  | -             | -               | (7,500)       | -                |
| Non taxable expense   | -             | 5,113           | -             | 5,113            |
| Allowances for which no deferred taxes have been recognized | 24,509        | 18,251          | 23,734        | 18,251           |
| Impact from tax rate change                                 | -             | 3,055           | -             | 3,052            |
| <b>Income tax expense</b>                                   | <b>64,869</b> | <b>63,147</b>   | <b>27,796</b> | <b>25,789</b>    |
|   | <b>68.0%</b>  | <b>-73.6%</b>   | <b>61.9%</b>  | <b>-10.4%</b>    |

The movement of the deferred income tax account is as follows:

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2012             | 2011             | 2012             | 2011             |
| <b>At January 1 (as published)</b>                   | <b>(456,960)</b> | <b>(449,348)</b> | <b>(199,444)</b> | <b>(451,561)</b> |
| Remeasurement of Spin-off's Deferred tax (note 3.1.) | -                | -                | (184,325)        | -                |
| Remeasurement of assets' Deferred tax(note 3.1.)     | 51,695           | -                | 51,695           | -                |
| <b>At January 1 (revised)</b>                        | <b>(405,265)</b> | <b>-</b>         | <b>(332,074)</b> | <b>-</b>         |
| Spin-off   | -                | -                | (47,395)         | 249,029          |
| Profit and loss account (charge)                     | 23,761           | (5,796)          | 24,720           | 3,088            |
| Debit directly in other total income                 | 169,259          | (1,816)          | 145,500          | -                |
| <b>At December 31</b>                                | <b>(212,254)</b> | <b>(456,960)</b> | <b>(209,249)</b> | <b>(199,444)</b> |

Deferred income tax receivables and liabilities are disclosed in the accompanying balance sheets as follows:

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2012             | 2011             | 2012             | 2011             |
| <b>Deferred income tax</b>               |                  |                  |                  |                  |
| - Asset                                  | 272,331          | 228,521          | 209,069          | 220,950          |
| - Liability                              | (484,585)        | (685,481)        | (418,318)        | (420,394)        |
| <b>Total</b>                             | <b>(212,254)</b> | <b>(456,960)</b> | <b>(209,249)</b> | <b>(199,444)</b> |
|  |                  |                  |                  |                  |
|  | Group            |                  | Company          |                  |
|  | 2012             | 2011             | 2012             | 2011             |
| <b>Deferred tax receivables</b>          |                  |                  |                  |                  |
| - Materials and spare parts              | 27,443           | 16,245           | 21,543           | 12,971           |
| - Trade receivable                       | 140,588          | 75,621           | 111,698          | 75,435           |
| - Risks and accruals                     | 34,044           | 26,857           | 7,148            | 25,864           |
| - Post retirement benefits               | -                | 48,253           | -                | 45,642           |
| - Subsidies and customers' contributions | 27,046           | 28,491           | 26,804           | 27,984           |
| - Provision for CO <sub>2</sub>          | 3,688            | 3,688            | 3,688            | 3,668            |
| - Fixed assets                           | 34,660           | 29,365           | 34,660           | 29,365           |
| - Other                                  | 4,862            | -                | 3,528            | -                |
| <b>Deferred tax receivables</b>          | <b>272,331</b>   | <b>228,521</b>   | <b>209,069</b>   | <b>220,950</b>   |
|  |                  |                  |                  |                  |
| <b>Deferred tax liabilities</b>          |                  |                  |                  |                  |
| - Long-term debt fees and expenses       | (3,368)          | (3,485)          | (3,148)          | (3,160)          |
| - Depreciation and revaluation of assets | (481,982)        | (682,579)        | (409,889)        | (411,770)        |
| - Derivatives                            | 796              | 614              | 796              | 614              |
| - Foreign exchange gains                 | (31)             | (31)             | (31)             | (31)             |
| -Subsidiaries and associates             | -                | -                | (6,046)          | (6,046)          |
| <b>Deferred tax liability</b>            | <b>(484,585)</b> | <b>(685,481)</b> | <b>(418,318)</b> | <b>(420,394)</b> |
| <b>Deferred Tax Liability net</b>        | <b>(212,254)</b> | <b>(456,960)</b> | <b>(209,249)</b> | <b>(199,444)</b> |

Deferred income tax recognized in the statement of income is attributable to the following items:

|                                    | Group         |                | Company       |              |
|------------------------------------|---------------|----------------|---------------|--------------|
|                                    | 2012          | 2011           | 2012          | 2011         |
| - Materials and spare parts        | 11,198        | 1,537          | 11,633        | 1,553        |
| - Trade receivables receivable     | 64,967        | 16,886         | 52,963        | 16,700       |
| - Risks and accruals               | 7,187         | 3,205          | (651)         | 7,657        |
| - Post retirement benefits         | (48,253)      | (198)          | (31,238)      | (198)        |
| - Subsidies                        | (1,445)       | (7,699)        | (1,180)       | (7,165)      |
| - Fixed assets                     | 5,295         | 493            | 5,295         | 493          |
| - Derivatives                      | 182           | 614            | 182           | 614          |
| - Long-term debt fees and expenses | 117           | (544)          | 12            | (675)        |
| - Subsidiaries and associates      | -             | -              | -             | -            |
| - Depreciation                     | (20,349)      | (16,826)       | (15,824)      | (12,641)     |
| - Foreign exchange (gains)         | -             | 3              | -             | 3            |
| - Provision for CO <sub>2</sub>    | -             | (3,253)        | -             | (3,253)      |
| - Other                            | 4,862         | (15)           | 3,528         | -            |
| <b>Deferred tax charge</b>         | <b>23,761</b> | <b>(5,796)</b> | <b>24,720</b> | <b>3,088</b> |

According to IAS 12 par.47 and IAS 10 par. 22 the change in the tax rate which was realized in the beginning of 2013 is a non- adjusting event and therefore current and deferred income tax was calculated using the applicable as of 31.12.2012 tax rate. In case of application of the new tax rate in the temporary differences of 31.12.2012 the deferred tax liability of the Group and the Parent Company would be increased by Euro 63.7 mil. and Euro 62.8 mil., respectively.

## 15. TANGIBLE ASSETS

| GROUP  | Land             | Mines          | Lakes         |
|--|------------------|----------------|---------------|
| <b>Net book value December 31, 2010</b>  | <b>1,021,165</b> | <b>354,622</b> | <b>10,466</b> |
| Transmission Spin - off  | -                | -              | -             |
| Additional delivery of tangible assets<br>by transmission spin-off during the transition           | -                | -              | -             |
| - Additions  | -                | 986            | -             |
| - Depreciation expense   | -                | (51,843)       | (452)         |
| - Disposals  | -                | -              | -             |
| - Transfers from CIP   | 8,110            | 98,884         | -             |
| - Transfers  | (12,519)         | (36,749)       | -             |
| - Other movements / write off  | -                | -              | -             |
| <b>December 31, 2011</b>   | <b>1,016,756</b> | <b>365,900</b> | <b>10,014</b> |
| <b>Undertaking of tangible assets from HTSO's<br/>(currently EMO) contribution from 01.09.2011</b> | <b>-</b>         | <b>-</b>       | <b>-</b>      |
| <b>Distribution Spin - off</b>   | <b>-</b>         | <b>-</b>       | <b>-</b>      |
| - Additions  | -                | 1,281          | -             |
| - Depreciation expense   | -                | (50,621)       | (452)         |
| - Disposals  | -                | -              | -             |
| - Impairment   | (135,163)        | -              | -             |
| - Transfers from CIP   | 2,036            | 25,547         | -             |
| - Transfers  | -                | 19,498         | -             |
| - Other movements  | -                | -              | -             |
| <b>December 31, 2012</b>   | <b>883,629</b>   | <b>361,605</b> | <b>9,562</b>  |
| <b>At December 31, 2010</b>  |                  |                |               |
| Gross carrying amount  | 1,021,165        | 629,184        | 22,603        |
| Accumulated depreciation   | -                | (274,562)      | (12,137)      |
| <b>Net carrying amount</b>   | <b>1,021,165</b> | <b>354,622</b> | <b>10,466</b> |
| <b>At December 31, 2011</b>  |                  |                |               |
| Gross carrying amount  | 1,016,756        | 692,305        | 22,603        |
| Accumulated depreciation   | -                | (326,405)      | (12,589)      |
| <b>Net carrying amount</b>   | <b>1,016,756</b> | <b>365,900</b> | <b>10,014</b> |
| <b>At December 31, 2012</b>  |                  |                |               |
| Gross carrying amount  | 883,629          | 738,631        | 22,603        |
| Accumulated depreciation   | -                | (377,026)      | (13,041)      |
| <b>Net carrying amount</b>   | <b>883,629</b>   | <b>361,605</b> | <b>9,562</b>  |

## PART B' - NOTES TO THE FINANCIAL STATEMENTS

| Buildings and<br>Technical Works | Machinery        | Transport<br>Assets | Furniture and<br>Equipment | Construction<br>in Progress | Total             |
|----------------------------------|------------------|---------------------|----------------------------|-----------------------------|-------------------|
| 1,726,998                        | 8,785,745        | 76,082              | 120,258                    | 1,258,807                   | 13,354,142        |
| -                                | -                | -                   | -                          | -                           | -                 |
| -                                | -                | -                   | -                          | -                           | -                 |
| -                                | -                | -                   | -                          | 1,106,572                   | 1,107,558         |
| (85,905)                         | (548,057)        | (9,767)             | (21,812)                   | -                           | (717,836)         |
| (392)                            | (16,418)         | (146)               | (1,220)                    | -                           | (18,176)          |
| 73,427                           | 517,180          | 3,943               | 10,537                     | (718,498)                   | (6,417)           |
| 437                              | 4,284            | -                   | -                          | 44,547                      | -                 |
| -                                | -                | -                   | -                          | (16,662)                    | (16,662)          |
| <b>1,714,565</b>                 | <b>8,742,734</b> | <b>70,112</b>       | <b>107,763</b>             | <b>1,674,766</b>            | <b>13,702,609</b> |
| <b>642</b>                       | -                | -                   | <b>254</b>                 | <b>4,105</b>                | <b>5,001</b>      |
| -                                | -                | -                   | -                          | -                           | -                 |
| -                                | -                | -                   | -                          | 780,087                     | 781,368           |
| (86,606)                         | (556,292)        | (7,390)             | (17,356)                   | -                           | (718,717)         |
| (10)                             | (21,878)         | (2,401)             | (913)                      | -                           | (25,202)          |
| (37,943)                         | (672,845)        | (157)               | (142)                      | -                           | (846,250)         |
| 66,051                           | 467,802          | 4,775               | 11,703                     | (575,806)                   | 2,108             |
| (704)                            | (1,912)          | -                   | -                          | (16,883)                    | (1)               |
| -                                | (69)             | -                   | 494                        | 2,249                       | 2,675             |
| <b>1,655,995</b>                 | <b>7,957,540</b> | <b>64,939</b>       | <b>101,803</b>             | <b>1,868,518</b>            | <b>12,903,591</b> |
| 1,861,188                        | 9,387,846        | 86,818              | 199,063                    | 1,258,807                   | 14,466,673        |
| (134,190)                        | (602,101)        | (10,736)            | (78,805)                   | -                           | (1,112,531)       |
| <b>1,726,998</b>                 | <b>8,785,745</b> | <b>76,082</b>       | <b>120,258</b>             | <b>1,258,807</b>            | <b>13,354,142</b> |
| 1,934,660                        | 9,892,892        | 90,615              | 208,380                    | 1,674,766                   | 15,532,977        |
| (220,095)                        | (1,150,158)      | (20,503)            | (100,617)                  | -                           | (1,830,368)       |
| <b>1,714,565</b>                 | <b>8,742,734</b> | <b>70,112</b>       | <b>107,763</b>             | <b>1,674,766</b>            | <b>13,702,609</b> |
| 1,962,696                        | 9,663,990        | 92,832              | 219,776                    | 1,868,518                   | 15,452,675        |
| (306,701)                        | (1,706,450)      | (27,893)            | (117,973)                  | -                           | (2,549,084)       |
| <b>1,655,995</b>                 | <b>7,957,540</b> | <b>64,939</b>       | <b>101,803</b>             | <b>1,868,518</b>            | <b>12,903,591</b> |

**15. TANGIBLE ASSETS** *(continued)*

| <b>PARENT COMPANY</b>   | <b>Land</b>      | <b>Mines</b>   | <b>Lakes</b>  |
|---|------------------|----------------|---------------|
| <b>Net book value December 31, 2010</b>   | <b>1,017,799</b> | <b>354,622</b> | <b>10,464</b> |
| Transmission spin –off (note 13)  | (236,695)        | -              | -             |
| Additional delivery of tangible assets by transmission spin-off during the transition | (8,202)          | -              | -             |
| - Additions   | -                | 986            | -             |
| - Depreciation expense  | -                | (51,843)       | (452)         |
| - Disposals   | -                | -              | -             |
| - Transfers from CIP  | 3,650            | 98,884         | -             |
| - Transfers   | (14,429)         | (36,749)       | -             |
| - Other movements and write offs  | -                | -              | -             |
| <b>December 31, 2011</b>  | <b>762,123</b>   | <b>365,900</b> | <b>10,012</b> |
| - Distribution spin - off   | -                | -              | -             |
| - Additions   | -                | 1,281          | -             |
| - Depreciation expense  | -                | (50,621)       | (452)         |
| - Disposals   | -                | -              | -             |
| - Impairment  | (100,381)        | -              | -             |
| - Transfers from CIP  | 133              | 25,547         | -             |
| - Transfers   | -                | 19,498         | -             |
| - Other movements   | -                | -              | -             |
| <b>December 31, 2012</b>  | <b>661,875</b>   | <b>361,605</b> | <b>9,560</b>  |
| <b>At January 1, 2010</b>   |                  |                |               |
| Gross carrying amount   | 1,017,799        | 629,184        | 22,594        |
| Accumulated depreciation  | -                | (274,562)      | (12,130)      |
| <b>Net carrying amount</b>  | <b>1,017,799</b> | <b>354,622</b> | <b>10,464</b> |
| <b>At December 31, 2011</b>   |                  |                |               |
| Gross carrying amount   | 762,123          | 692,305        | 22,594        |
| Accumulated depreciation  | -                | (326,405)      | (12,582)      |
| <b>Net carrying amount</b>  | <b>762,123</b>   | <b>365,900</b> | <b>10,012</b> |
| <b>At December 31, 2012</b>   |                  |                |               |
| Gross carrying amount   | 661,875          | 738,631        | 22,594        |
| Accumulated depreciation  | -                | (377,026)      | (13,034)      |
| <b>Net carrying amount</b>  | <b>661,875</b>   | <b>361,605</b> | <b>9,560</b>  |

## PART B' - NOTES TO THE FINANCIAL STATEMENTS

| Buildings and<br>Technical Works | Machinery                       | Transport<br>Assets      | Furniture and<br>Equipment | Construction<br>in Progress   | Total                            |
|----------------------------------|---------------------------------|--------------------------|----------------------------|-------------------------------|----------------------------------|
| <b>1,710,585</b><br>(74,866)     | <b>8,743,739</b><br>(1,147,813) | <b>76,077</b><br>(5,412) | <b>119,612</b><br>(10,776) | <b>1,203,387</b><br>(186,662) | <b>13,236,285</b><br>(1,662,224) |
| -                                | 8,832                           | (19)                     | (84)                       | -                             | 527                              |
| -                                | -                               | -                        | -                          | 1,001,283                     | 1,002,269                        |
| (81,539)                         | (489,968)                       | (9,169)                  | (19,659)                   | -                             | (652,630)                        |
| (392)                            | (16,252)                        | (133)                    | (1,171)                    | -                             | (17,948)                         |
| 67,554                           | 502,602                         | 3,439                    | 8,963                      | (691,446)                     | (6,354)                          |
| 437                              | 3,637                           | -                        | -                          | 47,104                        | -                                |
| -                                | -                               | -                        | -                          | (14,459)                      | (14,459)                         |
| <b>1,621,779</b>                 | <b>7,604,777</b>                | <b>64,783</b>            | <b>96,885</b>              | <b>1,359,207</b>              | <b>11,885,466</b>                |
| -                                | -                               | (30,483)                 | (13,190)                   | (23,663)                      | (67,336)                         |
| -                                | -                               | -                        | -                          | 716,496                       | 717,777                          |
| (82,348)                         | (498,153)                       | (4,276)                  | (12,899)                   | -                             | (648,749)                        |
| (4)                              | (21,878)                        | (2,392)                  | (844)                      | -                             | (25,118)                         |
| (33,868)                         | (593,251)                       | -                        | -                          | -                             | (727,500)                        |
| 51,434                           | 379,358                         | 2,834                    | 10,459                     | (470,952)                     | (1,187)                          |
| (704)                            | (1,912)                         | -                        | -                          | (16,883)                      | (1)                              |
| -                                | 424                             | -                        | -                          | 10,082                        | 10,506                           |
| <b>1,556,289</b>                 | <b>6,869,365</b>                | <b>30,466</b>            | <b>80,411</b>              | <b>1,574,287</b>              | <b>11,143,858</b>                |
| 1,843,769                        | 9,342,172                       | 86,811                   | 198,311                    | 1,203,387                     | 14,344,027                       |
| (133,184)                        | (598,433)                       | (10,734)                 | (78,699)                   | -                             | (1,107,742)                      |
| <b>1,710,585</b>                 | <b>8,743,739</b>                | <b>76,077</b>            | <b>119,612</b>             | <b>1,203,387</b>              | <b>13,236,285</b>                |
| 1,824,387                        | 8,628,728                       | 83,840                   | 182,003                    | 1,359,207                     | 13,555,187                       |
| (202,608)                        | (1,023,951)                     | (19,057)                 | (85,118)                   | -                             | (1,669,721)                      |
| <b>1,621,779</b>                 | <b>7,604,777</b>                | <b>64,783</b>            | <b>96,885</b>              | <b>1,359,207</b>              | <b>11,885,466</b>                |
| 1,841,239                        | 8,386,940                       | 43,807                   | 156,236                    | 1,574,287                     | 13,425,609                       |
| (284,950)                        | (1,517,575)                     | (13,341)                 | (75,825)                   | -                             | (2,281,751)                      |
| <b>1,556,289</b>                 | <b>6,869,365</b>                | <b>30,466</b>            | <b>80,411</b>              | <b>1,574,287</b>              | <b>11,143,858</b>                |

**Revaluation of Fixed Assets:** The Group proceeded with the revaluation of its operating fixed assets as of December 31, 2009. The revaluation was carried out by an independent firm of appraisers, according to IAS 16. The results of the above appraisal which excluded lakes, lignite excavations and the construction in progress, were recorded in the Company's books on December 31, 2009.

The revalued amounts, from appraisers' work, compared to Net Book Value of the fixed assets, resulted, for the Parent Company to a net surplus amounting to approximately Euro 770 m, which was credited directly in Revaluation Surplus in Equity (Euro 962 m net of Deferred Taxes Euro 192 m.) while for the Group the surplus amounted to Euro 779m. (Euro 974 m. net of deferred taxes Euro 195 m.). The previous revaluation took place as of December 31, 2004.

As described in Note 13, on December 31st, 2012, the Parent Company and the Group proceeded to an impairment test of the fixed assets value of HEDN and HETS. From the abovementioned impairment test, an impairment loss resulted amounting € 727 and € 845, respectively.

**Encumbrances on intangible assets:** The intangible assets are held free from encumbrances and any claims against the Group's fixed assets are deemed as not substantial.

## 16. INTANGIBLE ASSETS, NET

| Net value   | Company      |                     |               |              |                     |               |
|---|--------------|---------------------|---------------|--------------|---------------------|---------------|
|   | 2012         |                     |               | 2011         |                     |               |
|   | Software     | Emission Allowances | Total         | Software     | Emission Allowances | Total         |
| January 1   | 6,686        | 85,826              | 92,512        | 6,224        | 82,816              | 89,040        |
| Distribution Spin-off   | (276)        | -                   | (276)         | -            | -                   | -             |
| Transfer of intangible assets due to the spin-off Jan. 1 2011 (Note 13) | -            | -                   | -             | (125)        | -                   | (125)         |
| - Additions   | 1,187        | -                   | 1,187         | 6,354        | 31,019              | 37,373        |
| - Depreciations   | (2,821)      | -                   | (2,821)       | (4,789)      | -                   | (4,789)       |
| - Reversal of Impairment  | -            | -                   | -             | -            | -                   | -             |
| - Disposals   | (1)          | -                   | (1)           | (978)        | -                   | (978)         |
| - Cover of CO <sub>2</sub> deficit                                      | -            | (37,156)            | (37,156)      | -            | (28,009)            | (28,009)      |
| <b>December 31</b>  | <b>4,775</b> | <b>48,670</b>       | <b>53,445</b> | <b>6,686</b> | <b>85,826</b>       | <b>92,512</b> |

| Net value   | Group        |                     |               |              |                     |               |
|---|--------------|---------------------|---------------|--------------|---------------------|---------------|
|   | 2012         |                     |               | 2011         |                     |               |
|   | Software     | Emission Allowances | Total         | Software     | Emission Allowances | Total         |
| January 1   | 6,877        | 85,826              | 92,703        | 6,330        | 82,816              | 89,146        |
| Undertaking of tangible assets from HTSO's (currently EMO) contribution from 01.09.2011 | 585          | -                   | 585           | -            | -                   | -             |
| - Additions   | 2,057        | -                   | 2,057         | 6,417        | 31,019              | 37,436        |
| - Depreciation expense  | (3,811)      | -                   | (3,811)       | (4,843)      | -                   | (4,843)       |
| - Reversal of Impairment  | -            | -                   | -             | -            | -                   | -             |
| - Disposals   | (1)          | -                   | (1)           | (1,027)      | -                   | (1,027)       |
| - Cover of CO <sub>2</sub> deficit  | -            | (37,156)            | (37,156)      | -            | (28,009)            | (28,009)      |
| <b>December 31</b>  | <b>5,707</b> | <b>48,670</b>       | <b>54,377</b> | <b>6,877</b> | <b>85,826</b>       | <b>92,703</b> |

The net carrying amount of software is further analyzed as follows:

|                             | Group        | Company      |
|-----------------------------|--------------|--------------|
| <b>At December 31, 2010</b> |              |              |
| Gross carrying amount       | 58,807       | 58,515       |
| Accumulated amortization    | (52,477)     | (52,291)     |
| <b>Net carrying amount</b>  | <b>6,330</b> | <b>6,224</b> |
| <b>At December 31, 2011</b> |              |              |
| Gross carrying amount       | 63,711       | 41,678       |
| Net carrying amount         | (56,834)     | (34,992)     |
| <b>Net carrying amount</b>  | <b>6,877</b> | <b>6,686</b> |
| <b>At December 31, 2012</b> |              |              |
| Gross carrying amount       | 48,751       | 41,659       |
| Accumulated amortization    | (43,044)     | (36,884)     |
| <b>Net carrying amount</b>  | <b>5,707</b> | <b>4,775</b> |

## 17. INVESTMENTS IN SUBSIDIARIES

|  | Group |      | Company          |                  |
|--|-------|------|------------------|------------------|
|  | 2012  | 2011 | 2012             | 2011             |
| IPTO S.A (former PPC Telecommunications) (Note 13) | -     | -    | 916,376          | 914,298          |
| PPC Rhodes S.A. (currently OGDN)                   | -     | -    | 56,982           | 838              |
| PPC Renewables S.A.                                | -     | -    | 92,299           | 85,799           |
| PPC FINANCE PLC                                    | -     | -    | -                | -                |
| PPC Quantum Energiaki Ltd (note 39)                | -     | -    | -                | -                |
| <b>Total</b>                                       | -     | -    | <b>1.065.657</b> | <b>1.000.935</b> |

The consolidated financial statements include the financial statements of PPC and its subsidiaries. The subsidiaries included in the consolidation are the following:

| Name                                       | Ownership Interest |            | Country and Year of Incorporation and activity | Principal Activities                                     |
|--|--------------------|------------|--|--|
|  | 31.12.2012         | 31.12.2011 |  |  |
| PPC Renewables S.A.                        | 100%               | 100%       | Greece - 1998                                  | RES  |
| HEDNO (former PPC Rhodes S.A.)             | 100%               | 100%       | Greece - 1999                                  | HEDN   |
| IPTO (former PPC Telecommunications S.A. ) | 100%               | 100%       | Greece - 2000                                  | HETS   |
| Arkadikos Ilios Ena S.A.                   | 100%               | 100%       | Greece - 2007                                  | RES  |
| Arkadikos Ilios Dio S.A.                   | 100%               | 100%       | Greece - 2007                                  | RES  |
| Iliako Velos Ena S.A.                      | 100%               | 100%       | Greece - 2007                                  | RES  |
| Iliako Velos Dio S.A.                      | 100%               | 100%       | Greece - 2007                                  | RES  |
| Solarlab S.A.                              | 100%               | 100%       | Greece - 2007                                  | RES  |
| Iliaka Parka Ditikis Makedonias Ena S.A.   | 100%               | 100%       | Greece - 2007                                  | RES  |
| Iliaka Parka Ditikis Makedonias Dio S.A.   | 100%               | 100%       | Greece - 2007                                  | RES  |
| HPP Oinoussa S.A                           | -                  | 100%       | Greece - 2010*                                 | RES  |
| PPC Finance PLC                            | 100%               | 100%       | UK - 2009                                      | General Commercial Company                               |
| PPC Quantum Energy Ltd                     | 51%                | -          | Cyprus   | Engineering, construction and operation of a power plant |
| IAPETOS ENERGIKI S.A.                      | -                  | 49%        | Greece - 2007***                               | RES  |
| PHOIBE ENERGIKI PHOTOVOLTAIKA S.A          | 100%               | 49%        | Greece - 2007**                                | RES  |

\* HPP Oinoussa SA was incorporated in 1999 but it was acquired by the Group in 2010. On the 2nd of October 2012, HPP OINOUSA S.A., was absorbed by PPC Renewables S.A.

\*\* The above mentioned company was acquired by the Group the 2nd quarter 2012. Until the 1st quarter 2012 it was consolidated by the associate company Good Works S.A.

\*\*\* In November 2012, PPC Renewables sold the total of its participation in IAPETOS ENERGEIAKI S.A.

## 18. INVESTMENTS IN ASSOCIATES

|  | Group         |               | Company   |           |
|--|---------------|---------------|-----------|-----------|
|  | 31.12.12      | 31.12.11      | 31.12.12  | 31.12.11  |
| Larco S.A.                                     | -             | -             | -         | -         |
| PPC Renewables ROKAS S.A.                      | 1,961         | 1,537         | -         | -         |
| PPC Renewables TERNA Energiaki S.A.            | 1,738         | 1,570         | -         | -         |
| PPC Renewables NANKO Energy – MYHE Gitani S.A. | 2,103         | 2,014         | -         | -         |
| PPC Renewables MEK Energiaki S.A.              | 1,540         | 1,012         | -         | -         |
| PPC Renewables ELTEV AIFOROS S.A.              | 2,008         | 1,322         | -         | -         |
| PPC Renewables EDF EN GREECE S.A.              | 10,528        | 8,194         | -         | -         |
| Good Works S.A.                                | 98            | 217           | -         | -         |
| Aioliko Parko LOYKO S.A.                       | 1             | 3             | -         | -         |
| Aioliko Parko BAMBO VIGLIES S.A.               | -             | -             | -         | -         |
| Aioliko Parko KILIZA S.A.                      | 1             | 3             | -         | -         |
| Aioliko Parko LEFKIVARI S.A.                   | 11            | 14            | -         | -         |
| Aioliko Parko AGIOS ONOUFRIOS S.A.             | 6             | 10            | -         | -         |
| Renewable Energy Applications LTD              | 27            | 27            | -         | -         |
| WASTE SYCLO S.A.(Note 39)                      | 8             | 20            | 49        | 49        |
|  | <b>20,030</b> | <b>15,943</b> | <b>49</b> | <b>49</b> |

Data concerning the above mentioned associates as well as the Group's ownership interest in them as at December 31, 2012 and 2011 are as follows:

| Name   | Note | Ownership Interest |            | Country and year of Incorporation | Principal Activities |
|--|------|--------------------|------------|-----------------------------------|----------------------|
|  |      | 31.12.2012         | 31.12.2011 |                                   |                      |
| 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 ELTEVAIFOROS 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                  |
| Good Works S.A.                                |      | 49.00%             | 49.00%     | Greece – 2005                     | 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                  |
| Orion Energiaki S.A.                           |      | -                  | 49.00%     | Greece – 2007                     | RES                  |
| Astraios Energiaki S.A.                        |      | -                  | 49.00%     | Greece – 2007                     | RES                  |
| Waste Syclo S.A.                               |      | 49.00%             | 49.00%     | Greece - 2011                     | Waste Management     |

1. It is consolidated from the associate company PPC Renewables EDF EN GREECE S.A. as it participates by 95% in its share capital.

In L. 4046/2012 (OG A' 28/14.02.2012) by which the Memorandum of Economic and Financial Policies was ratified by the Greek Parliament and especially in the privatization schedule, it is provided that the privatization period for LARCO will start on the second quarter of 2012. As an intermediate stage, the adoption of a restructuring law, by March 2012, is provided for.

With the Decisions of the Biministerial Commission for the Restructuring and Privatization 185/06.09.2011 and 206/25.04.2012, respectively, ( O.G. B' 2061/16.09.2011 and O.G. B' 1363/26.04.2012), 7,686,362 of LARCO's shares are transferred to the Hellenic Republic Asset Development Fund, which were owned by the Greek State and which represent 55.19% of LARCO's share capital along with the relevant voting rights.

## PART B' - NOTES TO THE FINANCIAL STATEMENTS

In Annex I of the law 4093/2012 (O.G. A' 222/12.11.2012) by which the medium term fiscal strategy 2013-2016 was ratified and specifically in the Privatization Program for the period 2013 -2016 LARCO's privatization is set for in 2013.

The acquisition cost of PPC's share in Larco on December 31, 2012 amounts to Euro 46,787. The above mentioned cost is fully impaired since 2008.

The following table presents condensed financial information of the PPC share in its associates' assets, liabilities and shareholders' equity as at December 31, 2012 and 2011:

|  | December 31, 2012 |                 |                 |
|--|-------------------|-----------------|-----------------|
|  | Assets            | Liabilities     | Equity          |
| PPC Renewables ROKAS S.A.                      | 2,423             | (746)           | (1,677)         |
| PPC Renewables TERNA Energiaki S.A.            | 8,067             | (5,845)         | (2,222)         |
| PPC Renewables NANKO Energy – MYHE Gitani S.A. | 3,760             | (131)           | (3,629)         |
| PPC Renewables MEK Energiaki S.A.              | 3,600             | (901)           | (2,699)         |
| PPC Renewables ELTEV AIFOROS S.A.              | 3,980             | (1,965)         | (2,015)         |
| PPC Renewables EDF EN GREECE S.A.              | 23,897            | (19,564)        | (4,333)         |
| Good Works S.A.                                | 22                | (12)            | (10)            |
| Renewable Energy Applications LTD              | 29                | (2)             | (27)            |
| Aioliko Parko LOYKO S.A.                       | 32                | (2)             | (30)            |
| Aioliko Parko BAMBO VIGLIES S.A.               | 32                | (2)             | (30)            |
| Aioliko Parko KILIZA S.A.                      | 31                | (1)             | (30)            |
| Aioliko Parko LEFKIVARI A.E.                   | 46                | (2)             | (44)            |
| Aioliko Parko AGIOS ONOUFRIOS S.A.             | 30                | (1)             | (29)            |
| Waste Syclo S.A.                               | -                 | -               | -               |
|  | <b>45,949</b>     | <b>(29,174)</b> | <b>(16,775)</b> |
|  | December 31, 2011 |                 |                 |
|  | Assets            | Liabilities     | Equity          |
| PPC Renewables ROKAS S.A.                      | 2,311             | (806)           | (1,505)         |
| PPC Renewables TERNA Energiaki S.A.            | 8,254             | (6,260)         | (1,994)         |
| PPC Renewables NANKO Energy – MYHE Gitani S.A. | 3,837             | (1,447)         | (2,390)         |
| PPC Renewables MEK Energiaki S.A.              | 3,300             | (2,200)         | (1,100)         |
| PPC Renewables ELTEV AIFOROS S.A.              | 2,215             | (892)           | (1,323)         |
| PPC Renewables EDF EN GREECE S.A.              | 24,343            | (19,710)        | (4,633)         |
| Good Works S.A.                                | 220               | (5)             | (215)           |
| Renewable Energy Applications LTD              | 29                | (1)             | (28)            |
| Aioliko Parko LOYKO S.A.                       | 4                 | -               | (4)             |
| Aioliko Parko BAMBO VIGLIES S.A.               | 4                 | -               | (4)             |
| Aioliko Parko KILIZA S.A.                      | 8                 | (1)             | (7)             |
| Aioliko Parko LEFKIVARI A.E.                   | 16                | (2)             | (14)            |
| Aioliko Parko AGIOS ONOUFRIOS S.A.             | 9                 | -               | (9)             |
| Waste Syclo S.A.                               | 30                | (1)             | (29)            |
|  | <b>44,580</b>     | <b>(31,325)</b> | <b>(13,255)</b> |

PPC's share of its associates' revenue and results for the year ended December 31, 2012 and 2011 has as follows:

|  | December 31, 2012 |               | December 31, 2011 |               |
|--|-------------------|---------------|-------------------|---------------|
|  | Sales             | Profit/(Loss) | Sales             | Profit/(Loss) |
| PPC Renewables ROKAS S.A.                      | 730               | 445           | 754               | 403           |
| PPC Renewables TERNA Energiaki S.A.            | 1,113             | 289           | 1,299             | -             |
| PPC Renewables NANKO Energy – MYHE Gitani S.A. | 620               | 309           | 590               | (187)         |
| PPC Renewables MEK Energiaki S.A.              | 1,099             | 678           | 1,131             | 490           |
| PPC Renewables ELTEV AIFOROS S.A.              | -                 | (57)          | -                 | (26)          |
| PPC Renewables EDF EN GREECE S.A.              | 2,778             | (351)         | 2,911             | (411)         |
| Good Works S.A.                                | -                 | -             | -                 | (7)           |
| Renewable Energy Applications LTD              | -                 | -             | -                 | (2)           |
| Aioliko Parko LOYKO S.A.                       | -                 | -             | -                 | (5)           |
| Aioliko Parko BAMBO VIGLIES S.A.               | -                 | -             | -                 | (8)           |
| Aioliko Parko LEFKIVARI A.E.                   | -                 | (3)           | -                 | (10)          |
| Aioliko Parko AGIOS ONOUFRIOS S.A.             | -                 | (4)           | -                 | (5)           |
| Aioliko Parko KILIZA S.A.                      | -                 | (2)           | -                 | (9)           |
| Waste Syclo S.A.                               | -                 | -             | -                 | (29)          |
|  | <b>6,340</b>      | <b>1,304</b>  | <b>6,685</b>      | <b>194</b>    |

## 19. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

PPC balances with its subsidiaries and its associates as of December 31, 2012 and 2011 are as follows:

|  | December 31, 2012 |                  | December 31, 2011 |                 |
|--|-------------------|------------------|-------------------|-----------------|
|  | Receivable        | (Payable)        | Receivable        | (Payable)       |
| <b>Subsidiaries</b>                            |                   |                  |                   |                 |
| - IPTO   | -                 | (526,268)        | 2,422             | (15,117)        |
| - PPC Renewables S.A.                          | 43,485            | (856)            | 36,116            | (1,215)         |
| - HEDNO(former PPC Rhodes S.A.)                | -                 | (119,706)        | -                 | -               |
| - Arkadikos Ilios Ena S.A.                     | 3                 | -                | 3                 | -               |
| - Arkadikos Ilios Dio S.A.                     | 1                 | -                | 1                 | -               |
|  | <b>43,489</b>     | <b>(646,830)</b> | <b>38,542</b>     | <b>(16,332)</b> |
| <b>Associates</b>                              |                   |                  |                   |                 |
| PPC Renewables ROKAS S.A.                      | -                 | (96)             | -                 | (195)           |
| PPC Renewables TERNA Energiaki S.A.            | -                 | -                | -                 | -               |
| PPC Renewables NANKO Energy – MYHE Gitani S.A. | -                 | -                | -                 | -               |
| PPC Renewables MEK Energiaki S.A.              | -                 | -                | -                 | -               |
| EEN VOIOTIA S.A.                               | -                 | -                | -                 | -               |
| - Larco (energy, lignite and ash)              | 144,561           | -                | 99,344            | -               |
| - Sencap S.A.                                  | -                 | -                | 137               | -               |
| Waste Syclo S.A.                               | 61                | -                | -                 | -               |
|  | <b>144,622</b>    | <b>(96)</b>      | <b>99,481</b>     | <b>(195)</b>    |

| Other     | Parent Company    |                  |                   |                  |
|-----------|-------------------|------------------|-------------------|------------------|
|           | December 31, 2012 |                  | December 31, 2011 |                  |
|           | Receivable        | (Payable)        | Receivable        | (Payable)        |
| EMO S.A.  | 363,420           | (366,705)        | -                 | -                |
| HTSO S.A. | -                 | -                | 413,384           | (520,408)        |
|           | <b>363,420</b>    | <b>(366,705)</b> | <b>413,384</b>    | <b>(520,408)</b> |

|           | Group             |                  |                   |                  |
|-----------|-------------------|------------------|-------------------|------------------|
|           | December 31, 2012 |                  | December 31, 2011 |                  |
|           | Receivable        | (Payable)        | Receivable        | (Payable)        |
| EMO S.A.  | 363,420           | (366,705)        | -                 | -                |
| HTSO S.A. | -                 | -                | 507,774           | (520,408)        |
|           | <b>363,420</b>    | <b>(366,705)</b> | <b>507,774</b>    | <b>(520,408)</b> |

PPC's transactions with its subsidiaries and its associates are as follows:

|                                  | 2012           |                    | 2011          |                 |
|----------------------------------|----------------|--------------------|---------------|-----------------|
|                                  | Invoiced to    | Invoiced from      | Invoiced to   | Invoiced from   |
| <b>Subsidiaries</b>              |                |                    |               |                 |
| - IPTO S.A.                      | 10,885         | (1,260,681)        | 2,422         | (1,901)         |
| - PPC Renewables S.A.            | 7,184          | (2,099)            | 7,626         | (8,705)         |
| - HEDNO (former PPC Rhodes S.A.) | 292,944        | (848,055)          | 11            | -               |
| - Arkadikos Ilios Ena S.A.       | -              | -                  | -             | -               |
| - Arkadikos Ilios Dio S.A.       | -              | -                  | -             | -               |
|                                  | <b>311,013</b> | <b>(2,110,835)</b> | <b>10,059</b> | <b>(10,606)</b> |

|  | 2012          |                | 2011          |                |
|--|---------------|----------------|---------------|----------------|
|  | Invoiced to   | Invoiced from  | Invoiced to   | Invoiced from  |
| <b>Associates</b>                              |               |                |               |                |
| PPC Renewables ROKAS S.A.                      | -             | (337)          | -             | (1,538)        |
| PPC Renewables TERNA Energiaki S.A.            | -             | -              | -             | -              |
| PPC Renewables NANKO Energy – MYHE Gitani S.A. | -             | -              | -             | -              |
| PPC Renewables MEK Energiaki S.A.              | -             | -              | -             | -              |
| PPC Renewables ELTEV AEIFOROS S.A.             | -             | -              | -             | -              |
| EEN VOIOTIA S.A.                               | 5             | -              | 27            | -              |
| Larco S.A.                                     | 72,973        | (9,385)        | 74,607        | (7,843)        |
| Sencap S.A.                                    | -             | -              | -             | -              |
|  | <b>72,978</b> | <b>(9,722)</b> | <b>74,634</b> | <b>(9,381)</b> |

**Other**

|             | Parent Company    |                  |                   |                    |
|-------------|-------------------|------------------|-------------------|--------------------|
|             | December 31, 2012 |                  | December 31, 2011 |                    |
|             | Invoiced to       | Invoiced from    | Invoiced to       | Invoiced from      |
| - EMO S.A.  | 158,631           | (850,558)        | -                 | -                  |
| - HTSO S.A. | -                 | -                | 83,700            | (1,228,643)        |
|             | <b>158,631</b>    | <b>(850,558)</b> | <b>83,700</b>     | <b>(1,228,643)</b> |

|             | Group             |                  |                   |                    |
|-------------|-------------------|------------------|-------------------|--------------------|
|             | December 31, 2012 |                  | December 31, 2011 |                    |
|             | Invoiced to       | Invoiced from    | Invoiced to       | Invoiced from      |
| - EMO S.A.  | 158,631           | (850,558)        | -                 | -                  |
| - HTSO S.A. | -                 | -                | 392,797           | (1,228,643)        |
|             | <b>158,631</b>    | <b>(850,558)</b> | <b>392,797</b>    | <b>(1,228,643)</b> |

SENCAP's General Extraordinary Shareholders' Meeting during its meeting held in August 5th, 2011, unanimously decided to dissolve the company as well as its liquidation. The liquidation phase was concluded in 30/7/2012 and the deletion of the company from the register took place on August 22nd, 2012 according to the 21912/22.08.2012 Announcement of the Attica Prefecture

***Provision of guarantee in favor of its subsidiary PPC Renewables***

On December 31, 2012 the Parent Company has provided a guarantee for loans amounting to Euro 7 million of its wholly owned subsidiary PPC Renewables.

***Provision of guarantee in favor of IPTO.***

At December 31, 2012, the loans for IPTO, guaranteed by the Parent Company, amounted to Euro 335 mil.

***Procurement of lignite from LARCO S.A.:***

On August 24, 2007 the Parent Company signed a contract for the procurement of lignite from LARCO S.A. for a total amount of 1.2 million tonnes (with a right to increase up to 15%) for a period of four years and a total amount of Euro 25.8 million. Given the fact that at the time of signing the contract LARCO S.A. had outstanding payables of an equal amount to PPC from the supply of electricity, payments for the procurement of lignite would be settled against the abovementioned receivable from LARCO S.A. PPC had made a provision for the abovementioned receivables, which was reversed in 2007, due to the fact that the collection of the amount was secured not only by the abovementioned contract, but also by a guarantee bond that LARCO S.A. raised in favour of PPC, covering the total duration of the contract and the total contractual amount. Taking under consideration the worth of lignite deliveries until July 2011 and the invoicing for August 2011 for the revised lignite prices for the deliveries of the period 01.01.2010 – 31.12.2010, the payment in full of LARCO's old debt, through the 2007 contract is considered to be completed with the deliveries of lignite made by July 2011.

LARCO S.A. is liable for sums due and payable to PPC related to the consumption of electricity since December 2008. For all sums due to PPC for the period November 1, 2008 until April 30, 2009, an action has been filed by PPC before the competent Multimembered Court of Athens (for a sum of Euro 24.2 mil.) whereas, for the sums due to PPC for the period May 2009 – October 2009 (for a total sum of Euro 18.8 mil.) an action has been filed against the said Company, the hearing of both cases having been set for November 14, 2013.

In July 2010 the Board of Directors of the Parent Company approved an agreement for the settlement of new debts incurred by LARCO's electricity consumption for the period 1.11.2008 to 30.06.2010. The above mentioned framework agreement was already approved by LARCO's Board of Directors.

As foreseen in the above mentioned agreement, a new framework agreement for the settlement of LARCO's new debts will be conducted, part of which will be paid by concluding a new lignite procurement contract, following the pattern set by the existing one. As far as payment of the rest of the debt is concerned, LARCO will disburse predetermined amounts, on a monthly basis, based on the fluctuation of nickel's stock market price.

In addition with the aforementioned contract frame, LARCO is bound to pay in time the electricity bills for the consumption for the period following July 1st, 2010. In this framework, LARCO has paid in time bills concerning electricity consumption for the months July 2010 to September 2011, part of the consumption bills for October 2011 and part of the consumption bill for October 2012.

The process of completing the contract for the settlement of new debts as well as the new contract for the procurement of lignite which depict the above mentioned framework agreement, was completed and approved by the Parent Company's Board of Directors in July 2011. It is noted that in view of the materialisation of the above mentioned contract for the settlement of new debts, LARCO has paid Euro 1 mil., in April 2011 and Euro 1 mil., in May 2011, and thus the final debt amounted to Euro 76.7mil. (principal not including interest).

The above mentioned contracts were signed on August 1st, 2011.

LARCO following the signing of the settlement of new debts has not paid the current electricity bills thus resulting to sums due on December 31, 2012 (electricity bills until November 2012 are included) to Euro 83.5 mil. (2011: Euro 28.3 mil.)

PPC's Board of Directors decided on March 12, 2012, to address a Judicial Reminder of debtor's default to LARCO in accordance with the provision of article 11 par. 12 of the existing Code for Supply for the payment of sums due from LARCO to PPC. In case of non-payment within 20 days' time as of service of the same to LARCO, PPC is to proceed with discontinuation of the supply of electricity to the respective customer. Furthermore, it was decided upon to file interim measures as against LARCO as well as an action due to debtor's default in payment before the competent Courts in order to safeguard the payment of sums due to PPC. PPC served on 16-3-2012 a Judicial Statement- Protest- Reminder of debtor's default and summoning to LARCO reserving all its rights.

PPC, after the relevant decision 100/10.04.2012 of its Board of Directors proceeded with the filing of an application of interim measures before the competent Court of Athens against LARCO for the provisory seizure of any and all of the movable assets as well as all the real property of LARCO, with the simultaneous filing of an application for an injunction and also, the filing of an action due to debtor's default in payment before the Athens Court of First Instance. PPC accordingly, filed before the abovementioned application of interim measures and the application for the granting of an injunction, the hearing of which was initially set for the 9th of May 2012 and, following a relevant petition by LARCO, the said hearing was set for the 8.6.2012 on which date after hearing of the case, the above mentioned application for an injunction of PPC was rejected by the said Court whilst following that, the hearing for the a.m. application of interim measures was set to be tried on the hearing of 27.6.2012 when the said case was again postponed for the hearing of 20.11.2012. The case was heard on the above mentioned date.

Following the aforesaid the Board of Directors of PPC by its Decision 200/28.9.2012 decided the following:

- a) to approve the termination of the contract between LARCO and PPC for the provision of energy after prior notice of 20 days' time for the payments by LARCO to PPC of any and all sums overdue
- b) to approve the termination of the relevant Contract for the settlement of new debts dated 1.8.2011 after prior notice to LARCO by PPC, for the amounts due by LARCO to PPC
- c) the filing of a supplementary action for interim measures against LARCO before the Athens Court of First Instance for the security of any and all outstanding debts of LARCO to PPC as well as the filing of an application for the granting of an injunction prohibiting the change of status of LARCO and
- d) the filing of an action against LARCO for any and all sums due to PPC for which until today no lawsuit has been filed.

PPC has filed a supplementary action for interim measures against LARCO before the Athens Court of First Instance which was heard along the main action for interim measures on the above mentioned date of 20.11.2012. Both PPC's actions were rejected by the said Court.

On 29.10.2012 an action was filed by PPC against LARCO before the Multimembered Athens Court Of First Instance for the payment of all outstanding debts of LARCO to PPC amounting to the sum of 72.058.436,10 euros for the sums due to energy supply to LARCO for the period of October 2011 to August 2012. The hearing of the said case has been set for 21.5.2015.

Furthermore on the 9th of November 2012 PPC served to LARCO a Judicial Reminder of debtor's default (dated November 8, 2012) for the payment of sums due from LARCO to PPC within 20 days' time as of service of the Judicial Reminder, stating that in all other cases, PPC will proceed with discontinuation of the supply of electricity to the respective customer.

Following that, PPC has sent a letter in October 2012 to the Hellenic Republic Asset Development Fund ("HRADF") in order to notify the total amount of the outstanding debt to PPC by LARCO as well as the structure of the same. Similarly, the immediate payment of any and all sums due was asked by PPC at the same time with the payment of all outstanding obligations towards PPC by LARCO deriving from the Contract for the Settlement of New Debts so that PPC refrains from the action of discontinuation of the supply of energy to LARCO as well as from the filing of all legal remedies against LARCO. After this letter, LARCO made payments of two instalments due to PPC related to the Contract for the Settlement of New Debts which amounted to the sum of Euro 2 mil. After the said payment, in relation also to the provision of lignite quantities (it should be noted that until the 31st of December 2012 a total of lignite quantities of a nominal value of Euro 16.9 mil. had been delivered to PPC), LARCO has only partially addressed its obligations under the abovementioned Contract for the Settlement of New Debts, thus resulting to the old debt of LARCO of Euro 76.7 mil. to be reduced to Euro 55.8 mil.

The sum of LARCO's debts on December 31st, 2012 consisting of the old debt and the current electricity bills (the electricity bill for November 2012 is included) amounts to Euro 139.2 mil. (2011: Euro 99 mil.). For the abovementioned PPC has formed adequate provisions.

On 18.10.2012 RAE Decision (N. 822/10.10.2012) was served to PPC (after the filing by LARCO of its RAE-I-153708/22.03.2012 Application – Complaint) in accordance to which, RAE ruled that the following interim measures in favour of LARCO shall apply: ie The price for the supply of electricity for LARCO will be temporarily fixed at 50 Euro/ MWh, plus fees for PSOs, Renewables and for the use of the Transmission System, plus other taxes for a period of three(3) months from the issuance of the same Decision, unless in the mean time a decision on Larco's complaint is issued or until there is an (earlier) outcome of the negotiations between the two parties, RAE inviting (by the a.m. Decision) the two parties to continue negotiations in good faith in accordance also with principles of bona mores and the basic principles of RAE for the setting of tariffs.

#### **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.

|                                | PURCHASES      |                | BALANCE         |                |
|--------------------------------|----------------|----------------|-----------------|----------------|
|                                | 2012           | 2011           | 31.12.2012      | 31.12.11       |
| ELPE, purchases of liquid fuel | 162,359        | 156,029        | 6,858           | 4,012          |
| DEPA, purchases of natural gas | 443,419        | 409,513        | (34,402)        | 157,898        |
|                                | <b>605,778</b> | <b>565,542</b> | <b>(27,544)</b> | <b>161,910</b> |

Further to the above, PPC enters into transactions with many government owned profit or- 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 year ended December 31, 2012 and 2011 have as follows:

|  | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 2012       | 2011       | 2012       | 2011       |
| <b>Compensation of members of the Board of Directors</b> |            |            |            |            |
| - Executive members of the Board of Directors            | 291        | 250        | 98         | 140        |
| - Non-executive members of the Board of Directors        | 351        | 147        | 133        | 122        |
| - Compensation / Extra fees                              | -          | -          | -          | -          |
| - Contribution to defined contribution plans             | 46         | -          | -          | -          |
| - Other Benefits   | 12         | 16         | 12         | 16         |
| <b>Total</b>   | <b>700</b> | <b>413</b> | <b>243</b> | <b>278</b> |

### Compensation of Deputy Managing Directors and General Managers

|  |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| - Regular compensation                       | 893          | 1,458        | 845          | 1,355        |
| - Contribution to defined contribution plans | 168          | 259          | 157          | 239          |
| - Compensation / Extra fees                  | -            | -            | -            | -            |
| <b>Total</b>                                 | <b>1,061</b> | <b>1,717</b> | <b>1,002</b> | <b>1,594</b> |
|  | <b>1,761</b> | <b>2,130</b> | <b>1,245</b> | <b>1,872</b> |

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 and related contributions to social security funds. Also, it does not include the electricity benefit based on the PPC personnel invoice to the Board of Director members, the Deputy Managing Directors and the General Managers.

Based on L. 4110/2013 the above mentioned compensation by the year 2013 will be subject to an income tax of 40% instead of the 35% which was in effect until 31.12.2012.

## 20. MATERIALS, SPARE PARTS AND SUPPLIES, NET

|   | Group            |                  | Company        |                |
|---|------------------|------------------|----------------|----------------|
|   | 2012             | 2011             | 2012           | 2011           |
| Lignite   | 51,124           | 45,159           | 51,124         | 45,159         |
| Liquid fuel   | 257,010          | 216,633          | 257,010        | 216,633        |
| Materials and consumables                                 | 708,155          | 735,864          | 461,779        | 667,266        |
| Purchased materials in transit                            | 34,281           | 38,986           | 25,118         | 37,325         |
|   | <b>1,050,570</b> | <b>1,036,642</b> | <b>795,031</b> | <b>966,383</b> |
| Provision for materials' write down to recoverable amount | (195,233)        | (189,057)        | (165,432)      | (172,574)      |
| <b>Total</b>  | <b>855,337</b>   | <b>847,585</b>   | <b>629,599</b> | <b>793,809</b> |

During 2012, the Group and the Parent Company made an additional provision for materials' write down to recoverable amount expected to be realized from their use of Euro 4,534 (2011: Euro 7,688) and Euro 7,388 (2011: Euro 7,766) respectively, including the provision for the discontinued operations. Materials, spare parts and supplies of the Parent Company and the Group are held free of encumbrances.

### **Excise duty on fuel**

After the ratification, on June 30, 2011, of the measures for the application of the Medium Term Fiscal Strategy 2012-2015, a new excise tax is imposed on natural gas, amounting to 1.5 Euro/GJ and effective since September 1st, 2011 while the already existing excise tax on fuel oil was doubled, from 19 Euro/Mt to 38 Euro/Mt with a retrospective effect since June 27, 2011.

Finally by L. 4092/2012, the excise duty in fuel for diesel oil used for motion and the production of power was reduced to 330 Euro/kiloleter from 412 Euro/ kiloleter from 15.10.2012.

## **21. TRADE RECEIVABLES, NET**

|                                 | Group            |                  | Company          |                  |
|---------------------------------|------------------|------------------|------------------|------------------|
|                                 | 2012             | 2011             | 2012             | 2011             |
| High voltage                    | 338,186          | 226,566          | 338,186          | 226,566          |
| Medium and low voltage          | 1,231,377        | 932,945          | 1,233,228        | 932,945          |
| Customers contributions         | 19,603           | 5,017            | 19,603           | 5,017            |
| Other energy suppliers          | 101,540          | 87,349           | -                | 87,349           |
| Subsidiaries' receivables       | 100,148          | 2,220            | -                | -                |
|                                 | <b>1,790,854</b> | <b>1,254,097</b> | <b>1,591,017</b> | <b>1,251,877</b> |
| Unbilled revenue                | 486,178          | 359,447          | 486,178          | 359,447          |
|                                 | <b>2,277,032</b> | <b>1,613,544</b> | <b>2,077,195</b> | <b>1,611,324</b> |
| Allowance for doubtful balances | (956,122)        | (633,728)        | (812,509)        | (633,728)        |
| <b>Total</b>                    | <b>1,320,910</b> | <b>979,816</b>   | <b>1,264,686</b> | <b>977,596</b>   |

High voltage customer balances relate to (a) receivables from sales of energy to 56 large local industrial companies, which are invoiced at the end of each calendar month, based on individual agreements and actual metering and (b) exports to foreign customers.

Medium voltage customers are mainly industrial and commercial companies. Billing is made on a monthly basis based on actual meter readings. Low voltage customers are mainly residential and small commercial customers. The majority of low voltage customers are billed every four months based on actual meter readings, while interim bills are issued every two months based mainly on the energy consumed during the corresponding period in the prior year.

There are different types of tariffs for both medium and low voltage customers with different tariff structures based on different types of energy use (commercial, residential, etc). Revenues from the supply of electricity to medium and low voltage customers provided during the period from the last meter reading or billing through each reporting date are accounted for as unbilled revenue.

The provision for doubtful debts is established, on specific customer balances. For medium and low voltage customers, the Parent Company was establishing a provision for the total of their outstanding balances of more than 3 and 6 months respectively, per customer.

|                                | Group          |                | Company        |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2012           | 2011           | 2012           | 2011           |
| <b>As at January 1</b>         | <b>633,728</b> | <b>412,688</b> | <b>633,728</b> | <b>412,688</b> |
| - Provision charge             | 376,332        | 246,696        | 316,197        | 246,696        |
| - Reversal of unused provision | (51,386)       | (24,823)       | (51,386)       | (24,823)       |
| - Utilisation                  | (2,552)        | (833)          | (2,552)        | (833)          |
| - Spin Off                     | -              | -              | (83,478)       | -              |
| <b>As at December 31</b>       | <b>956,122</b> | <b>633,728</b> | <b>812,509</b> | <b>633,728</b> |

At December 31, 2012 and 2011, the ageing analysis of the invoiced trade accounts receivable impaired by the established provisions of the Parent Company had as follows

|             | Non Past due and not impaired |         | Past due and not impaired (days) |          |           |        |
|-------------|-------------------------------|---------|----------------------------------|----------|-----------|--------|
|             | Total                         |         | < 45                             | 45 – 180 | 180 – 365 | > 365  |
| <b>2012</b> | 778,507                       | 142,355 | 207,924                          | 365,123  | 27,848    | 35,257 |
| <b>2011</b> | 618,149                       | 124,920 | 191,521                          | 275,289  | 12,598    | 13,821 |

## 22. OTHER RECEIVABLES, NET

|                                   | Group          |                | Company        |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2012           | 2011           | 2012           | 2011           |
| Value Added Tax                   | 124,749        | 100,942        | 114,044        | 90,278         |
| Assessed taxes and penalties      | 56,720         | 38,777         | 56,720         | 38,777         |
| Social security funds             |                |                |                |                |
| - in dispute                      | 18,059         | 18,059         | 18,059         | 18,059         |
| - current                         | 3,195          | 3,195          | 3,195          | 3,195          |
| State participation in employees' |                |                |                |                |
| Social security contributions     | 1,546          | 1,546          | 1,546          | 1,546          |
| Pensioners' advances, in dispute  | 5,262          | 5,262          | 5,262          | 5,262          |
| Loans to employees                | 12,556         | 17,043         | 8,796          | 17,043         |
| Receivables from contractors      | 20,814         | 10,189         | 5,272          | 10,189         |
| Receivables from subsidiaries     | -              | -              | 42,628         | 29,977         |
| Receivable by DEPA                | 137,733        | -              | 137,733        | -              |
| HTSO                              | -              | 59,468         | -              | -              |
| Fiber optic rentals               | 19,674         | 14,903         | 10,291         | 7,890          |
| Other                             | 40,824         | 33,853         | 24,028         | 32,329         |
|                                   | <b>441,132</b> | <b>303,237</b> | <b>427,574</b> | <b>254,545</b> |
| Allowance for doubtful balances   | (36,395)       | (36,421)       | (33,903)       | (35,489)       |
| <b>Total</b>                      | <b>404,737</b> | <b>266,816</b> | <b>393,671</b> | <b>219,056</b> |

**Assessed taxes and penalties:** The amount represents additional income taxes and penalties assessed to and paid by the Parent Company as a result of a preliminary tax audit performed in previous years by the tax authorities for the fiscal years from 1992 through to 1997. The amounts were paid in order for the company to be able to file a case against the tax courts. These amounts have as follows:

- For the fiscal year 1992, an amount of Euro 8,048 was paid (during 2006) (income tax of Euro 1,064, additional taxes of Euro 2,724 and penalties of Euro 4,260).
- For the fiscal years from 1995 through to 1997, an amount of Euro 30,728 was paid (Euro 18,173 paid in 2005 and Euro 12,555 paid in periods prior to December 31, 2004).
- For the fiscal years from 1994 through to 1995, an amount of Euro 1,480 was paid. Within 2007, this amount was settled against other tax liabilities.

Against the above receivables, the Parent Company has established a provision of Euro 42,676 (note 32).

**Social Security Funds in Dispute:** The amount relates to social security contributions and deductions (during years 1983-1993) for employees who have worked with other employers before joining PPC. As PPC undertook the obligation to cover the whole amount of their pensions and other related benefits, part of their contributions to other social security funds [mainly IKA (SSI i.e. Social Security Institute), the major Greek social security fund] has been claimed by PPC. The claim was not accepted by IKA and the case was brought by PPC before the courts. Following an adverse court decision, PPC together with PPC – PIO (currently TAYTEKO based on L. 3655/2008) appealed said decision before the second degree courts. The second degree court rejected PPC's appeal, whereas PPC – PIO's appeal against IKA is still pending. For the abovementioned amount, an equal provision has been established at the attached financial statements.

**Advances to Pensioners in Dispute:** The amount of Euro 5,262 represents an advance payment made in 1993 to pensioners. A respective provision has been established of this amount.

**State Participation in Employees' Social Security Contributions:** The amount represents the claim of PPC from the State for the latter's contribution to the social security contributions of employees who started working after January 1, 1993. For the above mentioned amount, an equal provision has been established.

**Claims from DEPA:** On 29.10.2012 a private agreement was signed between the Parent Company and DEPA. The private agreement provides for the settlement of outstanding amounts for the period 01.12.2007 – 31.12.2011 between PPC and DEPA which arose during the implementation of the Contract for the Procurement of Natural Gas of June 9th, 1994. The above mentioned settlement includes the acceptance and compliance of the parties to the decisions No 42/2011 and 3/2012 of the Arbitration Courts. The above-mentioned settlement of the outstanding amounts until 31.12.2011 had a positive effect in the Group and the Parent Company's financial results amounting to Euro 191.7 mil. On December 31, 2012, the claim from DEPA includes the above mentioned amount decreased by the revenues of the period as well as current liabilities of the Parent Company by natural gas purchases.

The movement in the allowance for other receivables is as follows:

|                                | Group         |               | Company       |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2012          | 2011          | 2012          | 2011          |
| <b>As at January 1</b>         | <b>36,421</b> | <b>35,723</b> | <b>35,489</b> | <b>35,723</b> |
| As at January 1                |               |               |               |               |
| - Provision charge             | -             | 932           | -             | -             |
| - Reversal of unused provision | (26)          | (100)         | -             | (100)         |
| - Utilisation                  | -             | (134)         | -             | (134)         |
| - Spin – off                   | -             | -             | (1,586)       | -             |
| <b>As at December 31</b>       | <b>36,395</b> | <b>36,421</b> | <b>33,903</b> | <b>35,489</b> |

### General Federation of PPC Personnel (GENOP DEI/KHE) and Panhellenic Federation of Retirees' (POS DEI) lawsuit against PPC

GENOP DEI/KHE and POS DEI have filed a lawsuit against PPC in the Multimember Court of First Instance in Athens. By the above mentioned lawsuit they pursue that PPC will be obliged to pay to third parties, who are not litigants, in particular the insurance funds of IKA – ETAM and TAYTEKO the amount of Euro 634.8 mil. with interest, for the coverage of the resource, which according to the lawsuit, the State did not pay to the above mentioned insurance funds for the years 2010 and 2011. The lawsuit is scheduled to be heard in the Multimember Court of First Instance in Athens on September 18th, 2014. 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 and Decision 668/2012 of the Athens Court of Appeals, the Parent Company considers that the possibilities of a positive outcome for the lawsuit in question are minimal and therefore, has not formed a provision in the twelve month period 01.01.2012 – 31.12.2012.

### 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 whatsoever between revenues and expenses (deficit) to personnel Social Security Funds, there can be no assurance that this regime will not change in the future.

### Provisions for doubtful debts by Public Sector

In general, the provision for doubtful debts is formed, on specific customer balances. For medium and low voltage customers, the Parent Company forms a provision for the total of their outstanding balances of more than 3 and 6 months respectively, per customer. As far as Public Sector bodies are concerned the respective provision is formed per case judging by the recoverability of the doubtful debt.

## 23. INVESTMENTS AVAILABLE FOR SALE

|                         | Group        |              | Company      |              |
|-------------------------|--------------|--------------|--------------|--------------|
|                         | 2012         | 2011         | 2012         | 2011         |
| National Bank of Greece | 4,113        | 5,164        | 4,113        | 5,164        |
| Heracles Cement S.A.    | 667          | 1,030        | 667          | 1,030        |
| Evetam                  | 241          | 241          | 241          | 241          |
| <b>Total</b>            | <b>5,021</b> | <b>6,435</b> | <b>5,021</b> | <b>6,435</b> |

The change in the fair value of investments equity securities available for sale (shares) totalled Euro 1,414/loss (2011: Euro 15,637/loss). In the year 2012, the Parent Company did not receive dividends from the above investments. In addition, in 2012 Heracles Cement S.A. proceeded to a decrease of its share capital and an amount of Euro 523 was returned to the Parent Company, which regards a change in the share's nominal value and return of capital of Heracles Cement S.A.

### HTSO (currently EMO)

In Law 4001/2011 and specifically in chapter B "incorporation, organisation and operation of the Hellenic Transmission System Operator" article 99 it is reported that "in three months' time from the implementation of the present law, PPC transfers to the Greek Republic the total amount of HTSO stocks that are in its possession without receiving any compensation."

In application of the above PPC's share in HTSO's (currently EMO) share capital has been written off and the respective shares were transferred to the Greek State.

## 24. CASH AND CASH EQUIVALENTS

|               | Group          |                | Company        |                |
|---------------|----------------|----------------|----------------|----------------|
|               | 2012           | 2011           | 2012           | 2011           |
| Cash in hand  | 1,481          | 2,080          | 1,445          | 2,074          |
| Cash at banks | 69,446         | 66,815         | 60,763         | 62,865         |
| Time deposits | 208,500        | 295,600        | 159,000        | 274,600        |
| <b>Total</b>  | <b>279,427</b> | <b>364,495</b> | <b>221,208</b> | <b>339,539</b> |

Interest earned on cash at banks and time deposits is accounted for on an accrual basis and amounted to Euro 11,546.(2011: Euro 21,307), for the Group and to Euro 9,298 (2011: Euro 21,199) for the Parent Company and are included in financial income in the accompanying statements of income (note 10).

All cash and cash equivalents are denominated in Euro.

Additionally on December 31, 2012 the Parent Company kept in a pledged account deposit amount of Euro 141,500, which was drawn in the form of short-term borrowing exclusively for use as collateral to cover existing funding.

## 25. 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 31, 2012 and 2011, 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.

## 26. LEGAL RESERVE

Under Greek corporate law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their financial statements to a legal reserve, until such reserve equals one-third of the paid-in share capital. This reserve cannot be distributed through the life of the corporation.

## 27. OTHER RESERVES

| RESERVES                                     | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2012           | 2011           | 2012           | 2011           |
| - Tax free                                   | 113,208        | 113,208        | 113,208        | 113,208        |
| - Specially taxed reserves                   | 94,779         | 94,779         | 94,779         | 94,779         |
| - Fair values of investments "held-for-sale" | (249)          | (249)          | (249)          | (249)          |
| <b>Total</b>                                 | <b>207,738</b> | <b>207,738</b> | <b>207,738</b> | <b>207,738</b> |

Tax-free and specially taxed reserves represent interest income which is either free of tax or tax is withheld at source. However, such reserves if distributed, are subject to income tax (estimated at approximately Euro41.6 mil. at December 31, 2012, assuming a tax rate of 20%). On the above reserves, no deferred taxes are accounted for. For the years 2012 and 2011, the Group did not establish tax-free reserves or specially taxed reserves.

## 28. DIVIDENDS

Under Greek corporate law, companies are required each year to declare and pay from statutory profits dividends of at least 35% of after-tax profit, after allowing for the legal reserve. However, with the consent of at least the 70% of the Company's shareholders, a company may not declare any dividend.

Furthermore, Greek corporate law requires certain conditions to be met before dividends can be distributed. Specifically, no dividends can be distributed (a) as long as a company's net equity, as reflected in the statutory financial statements, is, or after such distribution, will be less than the outstanding capital plus non-distributable reserves, and (b) as long as the unamortized balance of «Pre-operating Expenses», as reflected in the statutory financial statements, exceeds the aggregate of distributable reserves plus retained earnings.

The Parent Company's Board of Directors in its meeting of 28.03.2013 has decided to propose to the General Shareholders' Meeting the distribution of dividend of Euro 5.8 mil. (Euro 0.025 per share) for the year 2012. The distribution will be realized by the earnings of year 2012.

At December 31st, 2012, the unpaid balance of dividends was Euro 175

Based on L. 4110/2013, the distributable earnings approved by the General Shareholders' Meetings since 01.01.2014 are subject to a withholding tax of 10%. The current tax is 25%.

## 29. INTEREST BEARING LOANS AND BORROWINGS

|                          | Group            |                  | Company          |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | 2012             | 2011             | 2012             | 2011             |
| Bank loans               | 1,934,275        | 1,907,717        | 1,793,929        | 1,738,210        |
| Bonds payable            | 2,869,176        | 3,087,026        | 2,571,250        | 2,739,526        |
| <b>Total</b>             | <b>4,803,451</b> | <b>4,994,743</b> | <b>4,365,179</b> | <b>4,477,736</b> |
| Less current portion:    |                  |                  |                  |                  |
| - Bank Loans             | 128,685          | 121,899          | 99,576           | 92,792           |
| - Bonds payable          | 1,371,879        | 1,307,302        | 1,239,380        | 1,242,274        |
| <b>Total</b>             | <b>1,500,564</b> | <b>1,429,201</b> | <b>1,338,956</b> | <b>1,335,066</b> |
| <b>Long term portion</b> | <b>3,302,887</b> | <b>3,565,542</b> | <b>3,026,223</b> | <b>3,142,670</b> |

The total interest expense on total debt for the period ended December 31, 2012 is included in financial expenses in the accompanying statements of income (Note 10). Follows further analysis of the long term debt of the Group and the Parent Company, in the table below:

|                                 | 2012<br>(Group)  | 2011<br>(Group)  | 2012<br>(Parent) | 2011<br>(Parent) |
|---------------------------------|------------------|------------------|------------------|------------------|
| <b>Bank loans and bonds</b>     |                  |                  |                  |                  |
| - Fixed rate                    | 50,000           | 50,000           | 50,000           | 50,000           |
| - Floating rate                 | 2,819,176        | 3,037,082        | 2,521,250        | 2,689,526        |
| <b>European Investment Bank</b> |                  |                  |                  |                  |
| - Fixed rate                    | 1,311,300        | 1,131,190        | 1,271,715        | 1,081,190        |
| - Floating rate                 | 617,860          | 761,231          | 517,099          | 641,780          |
| <b>Projects financing</b>       |                  |                  |                  |                  |
| - Fixed rate                    | -                | -                | -                | -                |
| - Floating rate                 | 5,115            | 15,240           | 5,115            | 15,240           |
| <b>Total</b>                    | <b>4,803,451</b> | <b>4,994,743</b> | <b>4,365,179</b> | <b>4,477,736</b> |

Long term debt represents unsecured obligations of the Group and the Parent Company. Certain loans and bonds include certain non – financial covenants, the most important of which is that the Company should not cease to be a corporation controlled as to at least 51% by the Greek State. It should be noted that, after the implementation of the Medium Term Financial Strategy Framework in July 2011, all new loan agreements that have been signed include certain non - financial covenants that the Company should not cease to be a corporation controlled as to at least 34% by the Greek State. Certain loan agreements of outstanding balance as of December 31 2012 of € 758,8 mil (€608,8 mil Parent Company) include financial covenants the non- compliance of which may lead to an event of default.

#### *Analysis of borrowings by currency (including bank overdrafts)*

|             | 2012<br>(Group) | 2011<br>(Group) | 2012<br>(Parent) | 2011<br>(Parent) |
|-------------|-----------------|-----------------|------------------|------------------|
| <b>EURO</b> | 99.9%           | 99.7%           | 99.9%            | 99.6%            |
| <b>CHF</b>  | 0.1%            | 0.3%            | 0.1%             | 0.4%             |

During 2012, the Group proceed to debt repayment amounted to € 382.7 mil. and debt refinancing amounted € 1,075 mil.

Furthermore

- the Parent Company in November 2012, proceeded to the signing of a second loan agreement with the European Investment Bank (EIB) amounted € 130 mil for the under construction new natural gas plant in Megalopolis («Megalopolis V”).
- In December 2012, € 148 mil were disbursed by the European Investment Bank (EIB), which are new capital inflow and pertain to investments already realized.

The annual principal payments required to be made subsequent to December 31, 2012 (based on the exchange rates as at December 31, 2012) are as follows:

|                                       | 2012<br>(Group)  | 2011<br>(Group)  | 2012<br>(Parent) | 2011<br>(Parent) |
|---------------------------------------|------------------|------------------|------------------|------------------|
| On demand or within one year          | 1,488,430        | 1,429,201        | 1,338,956        | 1,335,066        |
| In the second year                    | 569,925          | 578,457          | 440,818          | 429,322          |
| In the third to fifth years inclusive | 1,553,507        | 1,655,463        | 1,416,374        | 1,420,226        |
| After five years                      | 1,191,589        | 1,331,622        | 1,169,031        | 1,293,122        |
| <b>Total</b>                          | <b>4,803,451</b> | <b>4,994,743</b> | <b>4,365,179</b> | <b>4,477,736</b> |

In the debt redemptions maturing within one year an amount of Euro 141,500 is included, and concerns specific purpose of using it as collateral for existing financing lines, and for which the Parent Company keeps an equal amount in a pledged deposit account (Note 24).

#### **Revision of PPC's outlook by rating houses:**

Within 2012 the rating agency S&P lowered PPC's credit rating several times, and as a result in June 2012 PPC's credit rating was CC with negative outlook. In February 2012 the rating agency ICAP Group S.A. rated the Company with BB with negative outlook from A and in May 2012 ICAP Group proceed to a further downgrade from BB to C.

#### **Forwards Contracts**

At December 2012, the Company had one group of currency forward contract outstanding concerning the purchase of an initial amount of YEN 4,1 billion, for the full repayment of an amortizable EIB loan covering the period January 2013 - January 2016.

## 30. FINANCIAL INSTRUMENTS

|  | Group        |              | Company      |              |
|--|--------------|--------------|--------------|--------------|
|  | 2012         | 2011         | 2012         | 2011         |
| <b>Derivatives financial instruments</b> |              |              |              |              |
| <b>Derivatives financial instruments</b> | <b>3,985</b> | <b>3,073</b> | <b>3,985</b> | <b>3,073</b> |
| <b>Assets</b>                            | -            | -            | -            | -            |

Derivative financial instruments represent interest swap agreements outstanding. Changes in their fair values of these derivatives are included in financial expense, net, in the accompanying statement of income.

On December 31, 2012, PPC had an interest swap agreement in effect. The net change in the fair values of swap agreements for the year ended December 31, 2012 is Euro loss 912 (2011: Euro loss 3,073).

## 31. POST RETIREMENT BENEFITS

PPC's employees and pensioners of the Group are entitled to supply of energy at reduced tariffs. Such reduced tariffs to pensioners are considered to be retirement obligations and are calculated at the discounted value of the future retirement benefits deemed to have accrued at year-end based on the employees earning retirement benefit rights steadily throughout the working period. The relevant retirement obligations are calculated on the basis of financial and actuarial assumptions.

Net costs for the period are included in the payroll cost in the accompanying statements of income and consist of the present value of the benefits earned in the year, interest cost on the benefit obligation, prior service cost, and actuarial gains or losses. The retirement benefit obligations are not funded.

The details of the actuarial study for the years December 31, 2012 and 2011 have as follows:

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2012           | 2011           | 2012           | 2011           |
| Present value of unfunded obligations                              | 422,807        | 434,406        | 244,582        | 408,383        |
| Unrecognised net loss  | (172,210)      | (193,272)      | (84,230)       | (180,170)      |
| <b>Net liability in balance sheet</b>                              | <b>250,597</b> | <b>241,134</b> | <b>160,352</b> | <b>228,213</b> |
| <b>Components of net service cost</b>                              |                |                |                |                |
| Current Service cost   | 4,098          | 3,250          | 2,517          | 3,065          |
| Interest cost  | 20,852         | 15,795         | 12,261         | 14,940         |
| Amortization of unrecognised loss                                  | 11,254         | 4,262          | 5,260          | 4,024          |
|  | <b>36,204</b>  | <b>23,307</b>  | <b>20,038</b>  | <b>22,029</b>  |
| <b>Movements during the year in net liability in balance sheet</b> |                |                |                |                |
| Net liability at beginning of the year                             | 241,134        | 242,237        | 228,213        | 242,237        |
| Spin – off (note 13)   | -              | -              | (72,018)       | (13,057)       |
| Actual benefits utilised   | (26,741)       | (24,409)       | (15,881)       | (22,996)       |
| Total expense recognised   | 36,204         | 23,306         | 20,038         | 22,029         |
| <b>Net liability, end of the year</b>                              | <b>250,597</b> | <b>241,134</b> | <b>160,352</b> | <b>228,213</b> |
| <b>Change in benefit obligation</b>                                |                |                |                |                |
| Liability at beginning of year                                     | 434,406        | 337,431        | 408,383        | 337,431        |
| Spin – off (note 13)   | -              | -              | (152,953)      | (18,272)       |
| Current Service cost   | 4,098          | 3,250          | 2,517          | 3,065          |
| Interest cost  | 20,852         | 15,795         | 12,261         | 14,940         |
| Actuarial (gains)/loss   | (9,808)        | 102,339        | (9,745)        | 94,215         |
| Benefits utilised  | (26,741)       | (24,409)       | (15,881)       | (22,996)       |
| <b>Liability, end of the year</b>                                  | <b>422,807</b> | <b>434,406</b> | <b>244,582</b> | <b>408,383</b> |
| <b>Liability, end of the year</b>                                  |                |                |                |                |
| Discount rate  | 3.80%          | 4.80%          | 3.80%          | 4.80%          |
| Rate of tariff increase per annum:                                 | 11.9%-2.2%     | 10.3%-7.6%     | 11.9%-2.2%     | 10.3%-7.6%     |
| Average future working life  | 13.18          | 14.22          | 13.18          | 14.22          |

Further to the abovementioned benefits, the subsidiary company PPC Renewable S.A., has made a provision for personnel compensation in case of service termination amounting to Euro 14 (2011: 18) regarding the personnel which is directly employed from PPC Renewables.

## 32. PROVISIONS

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2012           | 2011           | 2012           | 2011           |
| Litigation with employees / third parties (note 38) | 162,172        | 153,854        | 76,532         | 136,468        |
| Disputes with tax authorities (note 22)             | 42,676         | 42,676         | 42,676         | 42,676         |
| Mines' land restoration                             | 14,371         | 12,895         | 14,371         | 12,895         |
| PPC-PIO fixed assets                                | 2,400          | 2,400          | 2,400          | 2,400          |
| Other   | 2,757          | 1,186          | -              | -              |
| <b>Total</b>  | <b>224,376</b> | <b>213,011</b> | <b>135,979</b> | <b>194,439</b> |

During the year ended December 31, 2012, the Group established an additional provision for litigation with employees and third parties of Euro 8,272 (2011: reversal of provision of Euro 6,529). In addition the Parent Company established an additional provision for litigation with employees and third parties of Euro 2,567 (2011:reversal of provision of Euro 1,040and to the spin -off of an established provision of Euro 62,503.

The movement of the provisions for mines' restoration has as follows:

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2012          | 2011          | 2012          | 2011          |
| <b>Balance at beginning of the year</b> | <b>12,895</b> | <b>12,385</b> | <b>12,895</b> | <b>12,385</b> |
| - Change in outflow included in assets  | 1,281         | 986           | 1,281         | 986           |
| - Reversal of unused amounts            | (1,308)       | (1,921)       | (1,308)       | (1,921)       |
| - Finance cost (note 10)                | 1,503         | 1,445         | 1,503         | 1,445         |
| <b>Balance at the end of the year</b>   | <b>14,371</b> | <b>12,895</b> | <b>14,371</b> | <b>12,895</b> |

## 33. DEFERRED CUSTOMERS' CONTRIBUTIONS AND SUBSIDIES

| GROUP                                  | Subsidies      | Customer Contributions | Total            |
|--|----------------|------------------------|------------------|
| <b>Net book value</b>                  |                |                        |                  |
| <b>December 31, 2010</b>               | <b>427,488</b> | <b>1,497,817</b>       | <b>1,925,305</b> |
| - Subsidies and contributions received | 17,518         | -                      | 17,518           |
| - Transfer to revenues (note 8)        | (18,547)       | (57,198)               | (75,725)         |
| <b>December 31, 2011</b>               | <b>426,459</b> | <b>1,440,619</b>       | <b>1,867,078</b> |
| - Subsidies and contributions received | 10,777         | -                      | 10,777           |
| - Transfer to revenues (note 8)        | (18,839)       | (58,269)               | (77,108)         |
| <b>December 31, 2012</b>               | <b>418,397</b> | <b>1,382,350</b>       | <b>1,800,767</b> |

| PARENT COMPANY.                        | Subsidies      | Customer Contributions | Total            |
|--|----------------|------------------------|------------------|
| <b>Net book value</b>                  |                |                        |                  |
| <b>December 31, 2010</b>               | <b>421,267</b> | <b>1,497,817</b>       | <b>1,919,084</b> |
| - Spin - off(note 13)                  | (123,125)      | (17,762)               | (140,887)        |
| - Subsidies and contributions received | 17,518         | -                      | 17,518           |
| - Transfer to revenues (note 8)        | (13,824)       | (56,605)               | (70,429)         |
| <b>December 31, 2011</b>               | <b>301,836</b> | <b>1,423,450</b>       | <b>1,725,286</b> |
| - Subsidies and contributions received | 7,224          | -                      | 7,224            |
| - Transfer to revenues (note 8)        | (14,110)       | (56,766)               | (70,876)         |
| <b>December 31, 2012</b>               | <b>294,950</b> | <b>1,366,684</b>       | <b>1,661,634</b> |

### 34. OTHER NON - CURRENT LIABILITIES

|                     | Group          |                | Company        |                |
|---------------------|----------------|----------------|----------------|----------------|
|                     | 2012           | 2011           | 2012           | 2011           |
| Customers' deposits | 528,750        | 498,176        | 528,750        | 498,176        |
| Received guarantees | 4,341          | -              | -              | -              |
| Other               | 14             | 74             | 14             | 14             |
| <b>Total</b>        | <b>533,105</b> | <b>498,250</b> | <b>528,764</b> | <b>498,190</b> |

The amount customers' advances relates to deposits made from customers upon initial connection to the transmission and/or distribution networks and is considered as coverage against unbilled consumption outstanding as of any time. Such deposits are refundable (non-interest bearing) upon termination of connection by the customer. As the refund of such amounts, which are payable on demand, is not expected to be realised within a short period of time the amounts are classified as non-current liabilities and they are not discounted.

### 35. TRADE AND OTHER PAYABLES

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2012             | 2011             | 2012             | 2011             |
| <b>Trade:</b>                          |                  |                  |                  |                  |
| Suppliers and contractors              | 827,489          | 560,925          | 378,243          | 510,310          |
| Municipalities' duties                 | 160,468          | 188,174          | 160,468          | 188,174          |
| Social security funds, other           | 53,245           | 54,088           | 36,775           | 51,407           |
| Greek TV                               | 45,958           | 51,499           | 45,958           | 51,499           |
| HTSO (currently EMO)                   | 155,252          | 108,196          | 3,285            | 108,196          |
| Taxes withheld                         | 67,256           | 18,479           | 13,798           | 17,442           |
| Excise Tax                             | 12,462           | 12,782           | 12,462           | 12,782           |
| Credit customers' balances             | 57,454           | 49,658           | 51,846           | 49,658           |
| IPTO S.A.                              | -                | -                | 536,207          | 13,216           |
| HEDNO S.A                              | -                | -                | 123,884          | -                |
| Special levy on real estate properties | 203,780          | 278,943          | 203,780          | 278,943          |
| Bank of Crete                          | 12,053           | 12,053           | 12,053           | 12,053           |
| Lignite Levy                           | 37,994           | 20,346           | 37,994           | 20,346           |
| Other                                  | 53,405           | 36,103           | 23,804           | 32,139           |
| <b>Total</b>                           | <b>1,686,816</b> | <b>1,391,246</b> | <b>1,640,557</b> | <b>1,346,165</b> |

**Municipal Duties and Greek TV:** The amounts represent duties collected by PPC through the bills issued to medium and low voltage customers and certain high voltage customers. The payment of such amounts to the beneficiaries is made by PPC at the end of each month and relates to collections made two months prior. For this service PPC charges a fee of 2% and 0.5%, on the amounts collected on behalf of Municipalities and Greek TV, respectively. Such fees for the year 2012 totaled Euro 29,201 (2011: Euro 29,685), and are included in other revenues in the accompanying statements of income. Furthermore, receivables from Municipalities relating to energy consumption are offset against amounts paid for the duties collected on behalf of the Municipalities. As of August 17th 2012, 25% of the amount for the Greek Television, is paid to EMO (Energy Market Operator) according to the provisions of article 14 of L. 1730/1987.

**Special Levy on real estate properties:** According to law 4021/27.09.2011, as amended and complimented with L. 4047/2012 as well as the interpretative circulars, concerning the imposition of an extraordinary special levy on buildings connected to the electricity grid, provides for the following:

- The special levy will be collected, through electricity bills, by PPC SA and the alternative power suppliers for the year 2011 in two equal installments, from October of 2011 until January 2012, while for the year 2012 in five equal installments, from April 2012 until January 2013
- The amounts of the special levy to be collected by PPC SA will be rendered to the Hellenic State within a period of twenty days as of the end of the month during which the respective bills were collected and following Law 4051/2012 in ten days as of the end of the month during which the respective bills were collected.
- PPC SA and the alternative power suppliers may pay to the Hellenic State advances against the amounts to be paid from the collection of said levy and up to 25% of the collectable amount.

## 36. SHORT-TERM BORROWINGS

At December 31, 2012, the Parent Company had drawn from its committed bank overdraft facilities an amount of Euro 241.5 mil bearing interest at EURIBOR plus a margin.

In June 2012 the Parent Company withdrawn in a form of short term financing an amount of € 110 mil from the Deposit and Loans Fund with the guarantee of the Hellenic Republic, which in December 2012, was renewed for another three months for an amount of Euro 60 mil.

In December 2012 the Parent Company signed with a commercial bank an overdraft facility of an amount Euro 32.5 mil.

|                                     | Group   |         | Parent  |         |
|-------------------------------------|---------|---------|---------|---------|
|                                     | 2012    | 2011    | 2012    | 2011    |
| <b>Binding overdraft facilities</b> |         |         |         |         |
| Binding overdraft facilities        |         |         |         |         |
| - Credit lines available            | 301,529 | 233,735 | 241,500 | 224,000 |
| - Unused portion                    | -       | -       | -       | -       |
| - Used portion                      | 301,529 | 233,735 | 241,500 | 224,000 |

## 37. ACCRUED AND OTHER CURRENT LIABILITIES

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2012           | 2011           | 2012           | 2011           |
| Accrued interest on interest bearing loans and borrowings | 27,670         | 44,928         | 24,896         | 40,619         |
| Natural gas and liquid fuel purchases                     | 42,631         | 76,977         | 42,631         | 76,977         |
| Energy purchases  | 1,753          | 10,900         | 1,753          | 10,900         |
| HTSO S.A.   | -              | 1,001          | -              | 1,001          |
| Mining related services                                   | -              | 4,969          | -              | 4,969          |
| Additional expropriation costs                            | 1,715          | 3,015          | 1,715          | 3,015          |
| Personnel day off and overtime                            | 84,739         | 95,382         | 57,391         | 89,611         |
| RAE fees  | 7,498          | 3,760          | 7,498          | 3,760          |
| Unbilled revenue from RES                                 | 7,698          | -              | -              | -              |
| Deferred interconnection rights                           | 36,213         | -              | -              | -              |
| Deferred non- compliance charges                          | 11,137         | -              | -              | -              |
| Purchase of Emission Allowances                           | 3,730          | 13,576         | 3,730          | 13,576         |
| Projects under construction                               | -              | 12,733         | -              | 12,733         |
| Other   | 34,181         | 2,833          | 5,905          | 1,875          |
| <b>Total</b>  | <b>258,965</b> | <b>270,074</b> | <b>145,519</b> | <b>259,036</b> |

## 38. COMMITMENTS, CONTINGENCIES AND LITIGATION

### 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 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 progressing.
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 Board of Directors and a related approval by the Ministry of Development, if such land is no longer needed by the Parent Company for the fulfilment of its purposes.

The property, plant and equipment of the Parent Company are located all over Greece. Currently, the Group does not carry any form of insurance coverage to date on its property, plant and equipment, except for its information technology equipment. The Group is currently evaluating the possibility to proceed to a procurement procedure in order to select an insurance company, to insure its property, plant and equipment operations, as well as liabilities against third parties.

## LITIGATION AND CLAIMS

The Group is a defendant in several legal proceedings arising from its operations. The total amount claimed as at December 31, 2012 amounts to, Euro 712 mil., as further analysed below:

1. **Claims with contractors, suppliers and other claims:** A number of contractors and suppliers have raised claims against the Company. These claims are either pending before courts or under arbitration and mediation proceedings. The total amount involved is Euro 378 mil. In most cases the Group has raised counter claims, which are not reflected in the accounting records until the time of collection.
2. **Fire incidents and floods:** A number of individuals have raised claims against the Company for damages incurred as a result of alleged electricity-generated fires and floods. The total amount involved is Euro 45mil. and Euro 10mil., respectively.
3. **Claims by employees:** Employees are claiming the amount of Euro 191mil., 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) (in Greek it is "OAP-DEI" i.e. PPC's Social Security Fund):** Until December 31, 2012, the PPC Personnel Insurance Organization (former "PPC PIO", TAYTEKO/IKA at present) had filed, before the courts, seven (7) lawsuits against PPC, claiming an amount in total of Euro 87,704 and, aiming to: (a) obtain the ownership of a building sold by PPC in 1999 for an amount of Euro 13,294, (b) obtain the ownership of certain properties owned by PPC and collect the rents earned by PPC over a specified period of time, for an amount of Euro 6,962 (three actions), these cases will be resolved with the decision of the Plenary Session of the Supreme Court for one of these actions, (c) obtain the ownership of a building, of estimated value of Euro 8,000, (d) be compensated for securities and shares which became property of PPC, and part of which has been sold, as well as for related dividends collected by PPC for a total amount of Euro 59,393 and (e) to oblige PPC to render detailed accounts concerning management of bonds that PPC kept on behalf of PPC - PIO' of an amount of Euro 55.

The aforementioned cases are strongly expected to be resolved in favor of PPC pursuant to the recent issued Decision No 13/2010 of the Plenary Session of the Supreme Court regarding the (a) case, according to which invalidates the 2007 Decision of the Court of Appeal, that had originally accepted PIOs' action against PPC.

Under Judgment by the Supreme Court No. 13/2010, the Court reached inter alia the decision that the prohibition of conveyance or any kind of freezing or change of Insurance Fund's "Insurance Fund of Personnel" (IFP / ΤΑΠ ΗΕΑΠ-ΕΗΕ) assets, provided for under art.5 par.3 Law No. 163/1975, extends from the application of Law No 163/1975 until the repeal of the above mentioned Insurance Fund (taken place on 31.5.1985) and does not extend to time subsequent of the repeal, when PPC would become the assets holder under art.5 par.1 Law No. 163/1975, PPC remains the asset holder also for the establishment of PPC/PIO according to Law No 2773/1999, as in force.

The abovementioned Decision of the Plenary Session remitted the case to the Court of Appeal for the typical final resolution of the said dispute. The aforementioned Decision creates a precedent in relation to all other abovementioned pending cases (b) to (e) and therefore the established provision on December 31, 2009 was reversed within 2010 fiscal year.

For the above amounts the Group and the Parent Company have established provisions, which as at December 31, 2012 amounted approximately Euro 162 mil. and 77 mil., respectively (2011: 154 mil. for the Group and 136 mil. for the Parent Company) which is deemed adequate against the expected damages which will arise by the final trial of the above mentioned cases.

### **“Alouminion of Greece” (ALOUMINION)**

- A.** There is a pending action of ALOUMINION versus PPC where ALOUMINION claims the continuation of the status of the initial Contract of 1960 between the parties. For the said action from ALOUMINION, the hearing, after many postponements, has been set for December 15th, 2011 and which was cancelled by ALOUMINION. There also are actions of PPC versus ALOUMINION in the Multimember Court of Athens, regarding to the differences in tariffs for the period 2008-2009, Euro 4.3 mil. approximately (for the period July 2008- September 2008), Euro 48.9 mil approximately, plus an amount of Euro 414 approximately for interest for the year 2009, of which the date of the hearing was set for April 29, 2010 and then for October 11, 2012 when it was cancelled in view of the provisions of the 04/08/2010 Framework Agreement between the parties (see below).
- B.** In August 2010, PPC’s Board of Directors by its Decision 177/03.08.2010 approved a framework agreement, which pertains to the out of court settlement of the differences between PPC S.A. and ALOUMINION SA. The abovementioned framework agreement has been already accepted by ALOUMINION SA and is the basis that the two counterparties agreed to use in order to proceed to the signing of the new contract of electricity supply.

According to the Framework Agreement, the following are in force until 31/12/2013:

1. PPC S.A. will supply electricity to ALOUMINION S.A. for the hours that are within the off peak demand zone, including Saturdays, Sundays and holidays, with a charge of € 40.70/MWh, which corresponds to A 150 tariff, as it was valid at 30.06.2008 plus 10% increase for the hours of off peak demand zone.
2. ALOUMINION SA will cover its electricity needs as self-supplied from the Pool for the rest hours of the day.
3. In addition, the financial disputes that had been raised in the past, are settled and specifically, the repayment of the remaining debt for the electricity consumption for the period 01.07.08 – 30.06.10, which is determined after compromise at the amount Euro 82.6mil.

Since then, ALOUMINION has made monthly payments of the above mentioned predetermined amount (of the 04.08.2010), thus resulting to the initial amount of Euro 82.6 mil. to be reduced to the amount of Euro 30.6 mil. at December 31, 2012. The provisions of the above mentioned Framework Agreement are implemented in that part that there are no pending differences between the two companies (such differences being mainly the issue of how to share certain fees).

PPC after having taken into consideration the 798/2011 letter of RAE, by which it asked that the electricity tariffs as provided under the said Agreement are in accordance with the “Basic Principles for Tariffs of electric Energy” (RAE 692/6.6.2011) asked ALOUMINION by its letter dated 7.7.2011 to countersign the final Agreement, also in view of the existing legal and regulatory regime. Nonetheless ALOUMINION did not proceed with signing the configured framework agreement.

Following that, with the arbitration agreement that was approved by PPC’s Board of Directors Decision dated 01.11.2011 and was signed between PPC and ALOUMINION, and which was sent to RAE on 16.11.2011, it was agreed to recourse to Arbitration at RAE (Article 37 of Law 4001/22.8.2011).

In particular the parties have agreed that the arbitration court would update and adapt the tariff terms which are included in the drawn up, to be realized between the parties, of the agreement by 04.08.2010, draft agreement, which was drafted on 05.10.2010.

It is noted that, in PPC’s Decision by its Board of Directors which has approved the Arbitration Agreement and which has been notified to ALOUMINION in November 2011, it was stipulated as a unconditional pre-requisite the, until the arbitration’s decision, temporary pricing as well as timely payment of the electricity consumptions plus all lawful charges and fees for the total of 8,760 hours annually according to the provisions of the 04.08.2010 framework agreement, independently of the citation of the matter to RAE’s arbitration.

The above has not been observed given that ALOUMINION does not pay in time the sums due by the current electricity consumption bills.

- C. PPC's Board of Directors decided to address a Judicial Reminder of debtor's default to ALOUMINION in accordance with the provision of article 11 para. 12 of the existing Code for Supply for the payment of sums due, with the proviso that in case of non-payment within 20 days' time as of service of the Judicial Reminder to ALOUMINION, PPC is to proceed with discontinuation of the supply of electricity. Following that PPC proceeded with the filing of an application of interim measures for the provisory seizure of any and all of the movable assets as well as all the real property of against ALOUMINION, before the competent Court of Athens, the hearing of which has been set for October 1, 2012 (the hearing was postponed for 08.02.2013, following a request by Alouminion, when it was further postponed for 11.06.2013).
- D. On March 16, 2012 ALOUMINION submitted to RAE a complaint (Art. 34 of Law 4001/2011) - a request for specific regulatory measures (article 140 of Law 4001/2011) - an application for interim measures (Article 35 L. 4001/2011) seeking, inter alia, that RAE judged «that negotiations between ALOUMINION and PPC have been rejected and that the tariffing framework which is reflected in the various texts... is contrary to mandatory rules...», that the especially necessary regulatory measures as defined in that document as well as the necessary provisional measures, also defined in the above document be taken by RAE, (i.e, prohibition of ALOUMINION to be invoiced until a final decision of RAE by the A150 tariff plus 10% or by the framework agreement and application of a temporary tariffing framework to a maximum of Euro 40 per Mwh consumption for all hours, including all competitive charges, threat PPC with a fine of Euro 100,000 per day for any non-compliance and, finally, any other appropriate measure at the discretion of RAE).

On 16-5-2012, RAE served to PPC its Decision 346/2012 by which it ruled that the following interim measures shall apply:

1. The price for the supply of electricity for ALOUMINION will be temporarily fixed at 42 Euro/ MWh plus the anticipated charges for PSOs, RES tax, use of the Transmission System, and other taxes.
  2. The above mentioned price is to be applied to the total of operating hours of ALOUMINION during the day.
  3. The temporary price for the supply of electricity is to be applied until the issuing of the Decision by RAE with regard to the complaint filed by ALOUMINION, or until the issuing of the Decision of the competent Court of Arbitration, or until there is an (earlier) outcome of the negotiations between the two parties, which RAE is inviting (by the a.m. Decision) to continue negotiations in good faith.
  4. The pricing of the electricity supply to ALOUMINION by PPC, temporarily fixed, at the abovementioned price, will be finally settled after the final determination of the price for the supply of electricity in the future (as above mentioned).
- E. Given that RAE, by its a.m. Decision, accepts almost all pleas made before it, by ALOUMINION whereas, it does not accept the relevant, fully substantiated (in the opinion of PPC) pleas of the latter, and thus resulting to PPC being under an obligation, until the final outcome of the case, to supply electricity to ALOUMINION below PPC's cost, PPC filed legal actions before the Athens Administrative Court of Appeals, and the European Commission.

Specifically before the Athens Administrative Court of Appeals were filed an appeal 1863/2012 and a respite petition AN 1204/2012. The Athens Administrative Court of Appeals following a discussion has rejected the relative respite petition by PPC. The hearing of the above mentioned appeal is expected.

Furthermore in July 2012, PPC has filed in the competent Department of the European Commission a complaint according to article 107/Σ.Α.Ε.Ε. concerning the provision of illegal state aid to ALOUMINION, which the Commission is investigating.

- F. Given that, ALOUMINION continued not to pay the amounts due by its current electricity consumptions, PPC following a relevant decision of its Board of Directors, has sent to ALOUMINION a new Judicial Reminder of debtor's default (19.09.2012), by which ALOUMINION was called, reserving its right to denounce the

contract and to lift the representation of its meters according to the current Supply Code, to pay all amounts due to PPC. Furthermore ALOUMINION has proceeded, by the 02.10.2012 complaint – petition for interim measures against PPC, in front RAE (RAE 1-1162810/02.10.2012) doubting the conclusion by the 04.08.2010 co-signed Framework Agreement and projecting that the amounts due by ALOUMINION to PPC are “not legal” requesting the reception of interim measures and specifically among others, the non - discontinuation of the supply of electricity by lifting the representation of its meters.

As far as the above-mentioned complaint – petition for interim measures, RAE by its Decision 831A/2012 (29.10.2012) has decided to accept ALOUMINION’S petition for the granting of the interim measures (non - discontinuation of the supply of electricity) for the period of two (2) months by the issuance of the above mentioned decision.

Following that and the lapse of the two month period PPC has sent to ALOUMINION, on 18.01.2013, a new Judicial Reminder reserving its right to denounce the contract and to lift the representation of its meters. On 28.01.2013, ALOUMINION has filed a petition for interim measures to RAE for which RAE’s Decision 15/2013 was issued, which partially turned down ALOUMINION’s petition as far as the retrospective effect of RAE’s Decision 346/2012 was concerned and invited ALOUMINION to comply with the above mentioned Decision and pay the relevant amounts to PPC. PPC therefore has sent another Judicial Reminder to ALOUMINION summoning it to pay the amounts due based on the temporary price of the above mentioned RAE’s Decision 346/2012.

**G. The amount due by the State aid:**

On 27.07.2011 PPC received notification of the Decision No. E (2011) 4916/13.07.2011 of the European Commission after investigation on whether state aid (C2/2010) exists in favor of ALOUMINION of Greece and its successor ALOUMINION S.A., addressed to the Hellenic Republic, with which, the Commission decided that state aid of the amount of Euro 17.4 mil. was granted in favor of ALOUMINION of Greece. According to this Decision, the Hellenic Republic shall ensure that this recovery takes place within four months from the date of the notification of the Decision. According to the Decision, the state aid was granted in the form of reduced electricity tariffs, which the state-controlled PPC supplied to ALOUMINION of Greece from January 2007 up to March 2008, and which provided an unjustified advantage to the Company of ALOUMINION of Greece, thus violating EU state aid regulations. It is noted that, according to the Decision, the Hellenic Republic must keep the European Commission informed and provide specific information (detailed description of the amounts including interest, and measures taken for the implementation of the Decision of the European Commission) within a two month period from the date of its notification to the Hellenic Republic.

The above mentioned aid, according to the Commission’s Decision must be refunded to PPC SA with the addition of statutory interest in accordance with the law on state aid. PPC SA has already sent to ALOUMINION SA an out-of-court declaration-invitation-notice without prejudice to its rights which was served upon ALOUMINION SA on October 18, 2011, (also notified to the Minister of Environment, Energy and Climate Change, the Minister of Finance and RAE), by which ALOUMINION SA was asked to pay to PPC SA in order to implement the above Commission’s decision, the amount of Euro 21.6 mil., the latest by November 2, 2011, plus the amount of Euro 2.6 per day from the date of service until November 2, 2011. In light of the fact that ALOUMINION has not paid the above mentioned amount, PPC has proceeded with legal actions against ALOUMINION, requesting the payment in full of the state aid plus interest.

In particular, following PPC’s petition, the Athens Court of First Instance has issued a Payment Order N. 1360/04.07.2012 for ALOUMINION to pay to PPC the amount of the state aid of Euro 17,375,849.48, plus interest amounting to Euro 3,041,126.93 plus interest of Euro 1,696.22 on the total amount of the illegal state aid and the compound interest, for each passing day. The payment order was served to ALOUMINION on July 9th, 2012. Consequently ALOUMINION filed (11.07.2012) an appeal concerning the Payment Order with an additional request for the temporary suspension of its execution(article 632, para 3, ΚΠολΔ). This request was granted until the date of the hearing which was set for 31.10.2012, but due to the judges’ strike was postponed for January 23, 2013, when both the appeal and the request were discussed.

On the above mentioned cases Decisions 857/2013 and Decision 860/2013 were issued.

The Court by its first Decision suspends the implementation of the, requested by PPC, payment order for the amount of Euro 20.4 mil. until the issuance of the final decision on the suspension by the national court. The Court by its second decision (860/2013) on the suspension decided to order the suspension according to art. 249ΚΠοηΔ of the discussion of the difference of the suspension until the issuance of a Decision on the existence of the claim of the state aid by the General Court of the European Commission, which is pending after the relevant (by 06.10.2011) recourse by ALOUMINION against the above mentioned Decision (by 13.07.2011) of the European Commission.

Given that the European Commission's decision is pending, PPC has not recognised a relevant revenue in its financial statements.

It is noted that PPC's total receivables from ALOUMINION until 31.12.2012 amount to Euro 145.4 mil. This amount is analyzed as follows:

1. Amount of Euro 30.6 mil., which is the remaining amount by the approved by PPC's Board of Directors settlement, debt of Euro 82.6 mil.
2. Amount of Euro 94.3 mil. which consists of debt of ALOUMINION for electricity consumptions for the period August 2011 until May 15th, 2012 of Euro 76.4 mil., and for the period May 16th, 2012 until November 2012 of Euro 17.9 mil and
3. Amount of Euro 20.5 mil. due to the European Commission's decision about the illegal state aid.

Given that the aforementioned legal and/ or arbitration procedures are currently outstanding, it is not possible to estimate any potential assets or liabilities for the Parent Company that may arise from their final outcome.

### *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 an action of the then trustee of the Bank, the claims of PPC were obliged to be converted to stakeholding 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 has received from the Bank, six (6) loan agreements for which it was agreed upon to be repaid gradually. On June 10, 1991, although PPC has paid the overdue installments, the Bank has terminated all 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.

The action 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 favour.

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 and concluded that: a).The amount due by the Bank of Crete to PPC at the date of the filing of the a.m. action by PPC ( 22 July, 1991) was 1,254,706,688 Greek Drachmae, b). The amount due by PPC to the Bank of Crete on 1st of July 1991 due to the termination by the Bank of the a.m. loan agreements was 2,532,936,698 Greek Drachmae.

Following that, the hearing of the case would take place on October 25, 2012, but it was postponed for September 26, 2013, due to the strike of both judges and lawyers.

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

On May 13th, 2008, the Parent Company filed before the General Court of the European Union (General Court), an application for annulment of the Commission's decision of March 5, 2008 regarding the granting by the Hellenic Republic of lignite extraction rights.

The Greek State has intervened before the aforementioned Court in favour of PPC, while two undertaking companies – competitors of PPC – have intervened in favour of the European Commission. Furthermore, on August 4, 2009, the European Commission issued a second 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 defined as obligatory for the Hellenic Republic.

The Commission's Decision defined as obligatory for the Hellenic Republic the launching of public tender procedures for the concession of lignite rights for the mines of Drama, Ellassona, Vevi and Vegora to third parties excluding PPC, with the exception of those cases where there are no other valid and binding offers.

The Hellenic Republic was also obliged to assure 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.

With regard to the above mentioned mines, the Decision of August 4, 2009, defined that the tender procedures should be launched within six (6) months from the notification of the decision and the extraction rights should be awarded to the successful bidders within twelve (12) months from the date of notification of the decision.

PPC timely (on 19/10/09) and lawfully submitted an application for annulment of the said decision of the Commission before the CFI of the European Communities. Furthermore, the Hellenic Republic has timely intervened before the CFI in the said proceedings, in favour of PPC. Finally the hearing of the Case T-169/2008 (regarding the a.m. Decision of the Commission of March 5, 2008 –“Public Power Corporation S.A. (PPC S.A.), the Hellenic Republic as intervening party versus The Commission of the European Communities, “Energeiaki Thessalonikis S.A.” and “HE&DSA” as intervening parties”) was set for April 6, 2011.

The hearing of the case took place before the General Court on the scheduled date. Similarly, after a relevant summons of the Secretary of the EU General Court, on the scheduled date of hearing on July 13, 2011, the application for the annulment of the Commission's Decision dated August 4, 2009 regarding the above case [C (2009) 6244] was tried after a hearing before the General Court in Luxembourg.

Due to the fact that, the Chairman of the composition of the Court that heard the two appeals became Minister, the General Court of the European Union, decided to postpone the issuance of the relevant Decisions, and by an action determined a new trial date (February 2, 2012) for the repetition of the hearing under its new composition for both the above mentioned cases. The trial took place as programmed.

The General Court of the European Union on 20.9.2012 issued decisions for both cases.

In particular, as far as case **T-169/08** is concerned the Court has ruled the following:

- The difference is concentrated mainly on whether the Commission should determine a real or potential abuse of the dominant position of the applicant or whether it was sufficient to prove that the disputed state measures were distorting competition by creating inequality of opportunities between businesses, favoring PPC.

- State measures, which were in effect prior of the liberalization of the energy market, are preserved and continue to affect the lignite supply market, although PPC is not responsible for other businessmen failing to gain access to lignite reserves.
- PPC's part in the lignite's supply market was limited to the exploitation of reserves for which extraction rights were granted.
- The Commission did not support that PPC exploited its dominant position in the above mentioned market.
- The Commission did not prove that the advantageous access to lignite was capable of creating a situation, in which PPC, simply by exercising its lignite extraction rights would abuse its dominant position in the energy wholesale supply market or could be led to such abusive conduct.
- The Commission by simply noting that PPC still has a dominant position does not define or adequately prove the abuse.
- It is not clear, that PPC is in an advantageous position opposite its competitors, in consequence of a state measure which constitutes an abuse of dominant position.
- It is not clear that, in order to admit the existence of a violation of article 86, para. 1 EC combined with article 82 EC, is adequate, in order to prove that a state measure falsifies competition by creating a situation of inequality of opportunities, between businesses without demanding definition of abuse of dominant position.

As far as case **T-421/09** is concerned the Court has annulled as obsolete the above mentioned Commission's Decision C(2009) 6244 (final) of August 4, 2009, following the annulment of the Commission's decision of March 5, 2008, given that, it pertained to the executive part of the violation ascertained in the decision of March 5, 2008.

The Commission appealed for the revision of the relevant decisions before the General Court before the European Court of Justice (Cases C-553/12 and C-554/12). The abovementioned appeals have been notified to PPC on December 19, 2012. According to the content of the appeals the main pleas alleged by the Commission before the Court are errors of Judgment of the Decisions of the General Court (being mainly errors in law, lack of reasoning as well as insufficient reasoning and misinterpretation of the elements of the legal basis of the initial Decisions of the Commission). PPC as well as the Greek State have timely (28.02.2013) submitted their relevant memoranda before the court. A hearing of the case is expected to be scheduled.

### ***Third Party Access to electricity generation from lignite***

In the context of the first revision of the Second Memorandum which was agreed upon between the Hellenic Government, the European Union, the European Central Bank and the International Monetary Fund on December 2012, the adoption by the Hellenic Government of a plan, regarding the restructuring of PPC in order for the Company to prepare for privatization and to be competitive in the liberated electricity market. The plan will foresee which parts of PPC will be privatized and at which time. It will also include provisions for the privatization of PPC's lignite and hydroelectric plants.

More specifically, within the frame of a transitional stage until the realization of the above RAE proposes the concession of generated capacity from certain PPC's power units to Third Suppliers through transparent Market Mechanisms, such as Capacity Allocation Auctions by "Virtual Power Plants" (VPPs), or with the adaption of the NOME model as applied in France, aiming to supply the Final Consumers with the allocated capacity. PPC in the context of the relevant consultation has submitted its proposals.

## **COMPLAINTS**

- Following PPC S.A complaints (as the Network Operator – presently HEDNO S.A.) to RAE for the non – compliance of companies ENERGA POWER TRADING SA & HELLAS POWER SA concerning the payment of the fees for the network use, RAE justified PPC's complaints and, until its final decision on the complaints, imposed provisional measures. These measures consisted of guarantee provisions

equal to 25% of the mentioned claims for each of the above companies, which would be provided in favor of the Network Operator (amounts of € 29,071,800.70 and € 35,421,002.76, respectively - Decisions 63 and 64/2012). These companies have failed to provide guarantees and consequently a penalty of € 5,000 for each day of non-compliance was imposed by RAE (Decisions 138 & 138a and Decisions 212 and 213 of 22.03.2012). The above mentioned companies have not until today fulfilled their financial obligations to HEDNO S.A. claiming that their bank accounts have been blocked. Consequently RAE has issued Decisions 428 and 429 of 24.05.2012 under which it accepts HEDNO's complaints, imposes new fines of 10% on the overdue payables and recommends to the companies to proceed to the necessary legal actions for the release of their bank accounts in order to pay the overdue payables to HEDNO SA. Complaints also exist by PPC S.A. against the companies REVMAENA LTD, ELPEDISON COMMERCIAL SA and Greek Alternative Energy Inc., for not fulfilling their obligations on the Network Use charges (Decisions 214, 215 and 216 of 22.03.2012). By newer Decisions (430, 431 and 432 of 25.06.2012) RAE has recommended to the above mentioned companies to settle the pending debts to HEDNO S.A.

- Concerning the complaint of HALYVOURGIA SA against PPC concerning the unilateral 10% high voltage tariff increase on the invoices in force till 30.06.2008 (until 11.05.2012). According to those decisions a) a time extension was given for the deadline for the decision on the complaint against PPC S.A. and b) a recommendation is made to PPC to proceed to substantial negotiations with the complainant in order to reach an agreement on charges of the competitive part of the supply tariffs, and to sign a new contract to reflect the terms agreed during the negotiation. After a specific time limit, RAE will automatically review the imposition of provisional measures (RAE's Decisions 266/2012 and 345/2012).
- ENERGA POWER TRADING and KENTOR ELECTRICITY RETAIL TRADE on 18.04.2012 reported PPC and in particular HEDNO for ceasing to send readings of electricity consumption to those companies, resulting in inability to send settlement bills to their customers. The customers, in turn, refused to pay the «versus» bills. The period of the complaint was related to the Supplier of Last Resort commencement (24/01/2012 - 09/03/2012). RAE vindicated part of the objections of the two companies and imposed a fine of 100.000 € on PPC (RAE Decision 752/2012) which in turn submitted a review application which was ultimately rejected by RAE (RAE Decision 974/2012).
- «ANASTASIOS KOLIOPOULOS» Company submitted a complaint - application for interim measures against PPC, claiming that PPC ignoring RAE's recommendations (Decision 895/2012) didn't begin negotiations with the applicant to create customized tariffs. In the same complaint it requested its billing according to the applied high voltage tariff, increased by 3.2%. The company's request was rejected by RAE, which in turn called PPC to propose two tariffs to the Company characterizing its energy profile. The Applicant must also prepare a feasibility study documenting its desired tariff (RAE Decision 1025/2012).

PPC, responding to RAE's recommendations, announced on 11.02.2013 – by a letter send to RAE – that it's in the process of finalizing the alternative tariffs for its Customers, which will be notified to them in March 2013.

## ENVIRONMENTAL OBLIGATIONS

Key uncertainties that may influence the final level of environmental investment which the Group will be required to make, over the forthcoming decade, include:

### 1. *HPP Messochora (161.6 MW)*

According to Greek Law 3481/2006, the environmental terms for the continuation, completion and operation of the projects of the Acheloos River Diversion Scheme to Thessaly, in which Messochora HP is included, were approved and their fulfilment is 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.

Public Projects, as well as PPC's projects that have been auctioned and constructed or are under construction and are related to projects of the Acheloos River Diversion Scheme to Thessaly and

energy projects are 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 HP as well as the completion of the construction project of the tunnel, which are already been completed and are finally delivered by 17.06.2010.

After the publication of Law 3734/2009, matters concerning the Messochora Hydroelectric Project are arranged, with which the completion and operation of the Project becomes possible. These matters concern expropriation of areas in the Messochora HEP Reservoir, expropriation of the Messochora Village and of the areas where it will be relocated and arrangement of compensations to the affected inhabitants. All the above mentioned expropriations are declared for public utility reasons of great importance and their settlement will allow the completion of the Project and the operation of the Messochora Power Plant.

Following the ruling No 141/2010 by the competent Suspension Committee of the Council of State, the immediate cease of all works has been ordered at all relevant projects, as well as the cease of operation of all completed projects. Further developments, namely the final judgment, will be issued by the Plenary of the Council of State after taking into consideration the recent (11.09.2012) Decision of the European Court of Justice, to which relevant preliminary questions had been addressed referring to the compatibility of the provisions of the Law 3481/2006 with the European legal framework.

The Parent Company considers 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. PPC S.A. examines 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, i.e. independently from the other Projects of the Diversion Scheme. For this purpose, PPC has assign the updating of the Environmental Impact Assessment for HEP Messochora, whilst waits for the completion of the Water Management Study, ordered by the Ministry of Environment and Climate Change, related to the compilation of the Water Management Plan of the Catchment Areas in the water territories of the Western Central Greece, Epirus and Thessaly, in which the Catchment Area of the River Acheloos is included. Around mid December 2012, there were posted on the website <http://wfd.ypeka.gr> the Strategic Environmental Assessment of the Water Management Plans for consulting. Based on the time required for consultancy and decision making, it is estimated that the Water Management Plans will be signed by the competent Authorities in the second quarter of 2013. It is also estimated that the procedure for the issuance of the Environmental Permit for the project as an independent entity will be completed by the second quarter 2013, with a possible few months delay due to the required procedures for approval. On December 31, 2012 the aggregate amount for HPP Messochora amounted to Euro 284.7 million and is expected to require further Euro 125. million to complete the project, estimated in 2015.

The Parent Company has, under IAS 36, reviewed the recoverability of the total project, as there were indications that its book value was not recoverable. The impairment audit was conducted by calculating the Value due to Use by using estimation of future cash flows, which were projected to a period of fifty years by the estimated date of operation of the station and using the appropriate discount rate (Weighted Average Capital Cost - WACC).

Based on the above mentioned audit the book value of the project exceeds its estimated recoverable amount and thus an relative impairment loss of Euro 8,000. was recognized, which had a negative impact in the results for 2012.

2. Under IPPC (Integrated Pollution Prevention and Control) Directive, the Best Available Techniques for Large Combustion Plants (with a thermal capacity greater than 50 MW) have been defined on July 2006 at a European level. These may: (a) require additional to the already foreseen investments

at PPC's larger thermal power plant stations, and (b) reduce the permitted hours of operation of its oil fired power stations. In accordance with 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, and this includes, among others, the following measures:

- i Units I and II of Megalopolis A plant will enter the status of limited hours of operation (20,000 hours both of them as one installation) from January 1, 2008 until December 31, 2015 at the latest.
- ii Until the end of 2007, all measures for facing the operational problems of the flue gas desulphurisation plant in unit IV of Megalopolis plant, should have been completed.
- iii Until the end of 2007, all measures for the installation and continuous operation of the flue gas desulphurization plant in Unit III of Megalopolis plant, should have been completed.
- iv Until the end of 2007, all necessary modifications for using low sulphur heavy fuel oil, in all the existing oil fired plants included in the pollutants emissions reduction plan, should have been implemented.

PPC's emission reduction plan was submitted to the authorities and has been incorporated in the National Emissions Reduction Plan of the country, according to the provisions of the aforementioned Directive. For the Linoperamata Steam Electric Station, the use of low sulphur heavy fuel oil has already started from January 1st, 2007. From October 2007, all oil fired power plants which use heavy fuel oil, are supplied with low sulphur heavy fuel oil, as requested in measure (iv). The project of measure (ii) was completed during the first semester of 2008, while the project of measure (iii) was finally accepted during the first semester of 2012.

After the issue (August 2008) of the Common Ministerial Decision for the National Emissions Reduction Plan, the environmental permits of SES Ptolemaida, Kardias, Amyntaio, Liptol and Agios Georgios were renewed. The same is expected within 2013 for the remaining thermal power plants as well. In December 2010, the new Directive (2010/75/ EC) was issued for industrial emissions (Industrial Emissions Directive – IED), which is effective from 06.01.2011 and which amends Directives IPPC and 2001/80/ EC. Additional investments that might be required to the already existing units will be assessed, taking into account remaining operational life of the units.

Following the provisions of Article 32 of Directive 2010/75/EC, a Transitional National Emissions Reduction Plan (TNERP) was elaborated and officially submitted by the country to the EU and its approval is expected during 2013.

3. The extent of land contamination has yet to be assessed for many of PPC's installations. At present, there appears to be no requirement for large-scale remediation projects at PPC's sites in the short term, 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 and depots, in the future.
4. 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 from PPC, in its premises in Ptolemaida area of an environmentally – controlled landfill site for the management and final disposal of asbestos containing construction materials, from the plants of the Northern System.
5. 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 of 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.

6. The Environmental permit for the operation of Ptolemais mine was issued (CMD 133314 / 2929 / 09.11.2011), regulating the extraction waste and ash (lignite combustion for power generation product), the co-dumping within mine area and the Waste Management Plant according to Common Ministerial Decision 39627/2209/E103 (O.G. B 2076/25.09.2009). "Environmental Impact Assessment" for Klidi mine, including waste management plan and ecological assessment was submitted to the Ministry of Environment, Energy and Climate Change for the issuing of environmental permit. The renewal of environmental permit of the lignite burn for power generation in Megalopolis Power Station, solid by-products management, within Megalopolis Mine area (Thoknia Mine).

Following the issuance of the Environmental Permit for the operation of Ptolemais mines (CMD 133314 / 2929 / 09.11.2011) and the Environmental Permit for the operation of the new Unit Ptolemais V (211598/03.05.2012), the permitting procedure for this Unit was finished.

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

In November 2007, PPC submitted 31 applications to the competent authority for the issuance of the emissions permits for its bound power plants, concerning the period 2008-2012. In December 2007, the competent authority approved the submitted Monitoring Plans and issued the respective permits for the second trading period 2008-2012. In December 2008 the Greek National Emission Reduction Allocation Plan for the period 2008 – 2012 was approved.

According to the final allocation, 44.2 Mt CO<sub>2</sub> allowances have been allocated to PPC for 2011. Additional allowances 0.6 Mt CO<sub>2</sub> for the year 2011 were allocated to PPC's new entrance units (extension to the installed capacity of existing plants). By the end of March 2012, the verification of the annual emissions reports, by accredited third party verifiers was completed successfully and the reports were promptly submitted to the Competent Authority. The total verified emissions of all 31 bound plants of PPC for 2011 amount to 46.8 Mt CO<sub>2</sub>. According to the allocation of CO<sub>2</sub> emissions allowances and the final CO<sub>2</sub> emissions from PPC's bound plants, PPC exhibited a CO<sub>2</sub> emission rights deficit of 2.0 Mt CO<sub>2</sub> for 2011.

## **COMMITMENTS - INVESTMENTS**

### ***Combined cycle natural gas fired power plant of a 416.95 MW in Aliveri***

After an international tender, the Project "Study, supply, transportation, installation and putting in operation of a 416.95 MW net combined cycle natural gas fired Unit V at Aliveri" was awarded to the successful bidder company Metka S.A. The contract for the construction of the Project was signed in October 2007, with a contractual price of Euro 219 mil.

In July 2009, the Building Permission was issued, and in September 2009, the construction began.

In May 2010, the Supplement No 2 of the Contract was signed, according to which PPC shall pay the Contractor the amount of Euro 31.15 m. for the delay of the Project, due to antiquities found on the construction site and difficulties about the progress of the permissions, as well as for additional works.

In October 2010, the Supplement No3 of the Contract was signed, according to which the valid period of guarantee of the Project and consequently of the Equipment is extended for 2 months with the payment to the Contractor of the amount of Euro 1.8 mil. and according to the provisions of the Supplement No2.

On February 18, 2011, PPC accepted the terms for the connection of the above Unit with the System following a relative correspondence with HTSO.

On January 21, 2011, the Board of Directors of PPC approved the additional extension of the new guarantee period of the Project for 8 months, with the payment to the Contractor of the amount of Euro 7.2 million. In February 2011, the Supplement No4 of the Contract was signed.

In October 2012, PPC's Board of Directors approved the modification of the Time-Schedule of the Project (starting of Commercial Operation: 10.04.2013), the extension of the guarantee period of the Project for 11 months (until 17.06.2013) with the same terms provided for in Supplements Nos 2, 3, 4 to the Contract, the covering of Contractor's expenses with the amount of Euro 5,496,611.69 due to the extension of the Time-Schedule of the Project, as well as the assignment to the Contractor of the supply and installation of the necessary equipment for the construction of the natural gas pressure reducing station (from 75 barg to 38 barg). Supplement no 5 was put into effect On November 19, 2012. In March 2013 the Connection Contract between IPTO and PPC S.A. was signed in order for the unit to be connected to the System.

At the present phase the equipment tests are in progress (commissioning).

On 31.12.2012 the total expenditure for the project amounted to Euro 281.3 mil.

#### ***International tender for the construction of the new lignite station in Florina***

In July 2008, an international tender regarding the "Study, procurement, transportation, installation and putting in operation of the Steam-Electric Unit II in Meliti Power Station, with a power of 420-450 MW, using pulverized lignite as fuel and with the capability of providing thermal energy of 70 MWth for district heating" was announced. The budgeted cost for the new unit was Euro 675 million. Due to the fact that no offer was submitted, the basic technical and commercial parameters of the Project are in reconsideration, so that a new international tender shall be reannounced.

#### ***International tender for the construction of a new Steam Electric unit in Ptolemaida***

The International tender was announced on April 20, 2010. The total budget of the Project amounts to Euro 1,320 mil. and the Project is expected to be completed within 70 months as from the signing of the contract.

In September 2010, the Ministry of Environment Energy and Climate Change issued the permission for electricity production and the permission for the distribution of thermal energy.

On June 28, 2011, the following two bids were submitted:

The bid from TERNA S.A.

The bid from the Consortium led by Alstom Power Systems S.A and including also ALSTOM Power Systems GmbH, ALSTOM Hellas S.A, METKA S.A and DAMCO Energy S.A.

In November 2011, the Board of Directors of PPC decided to award the project to the successful bidder company «TERNA SA» and the contractual price is 1,394,634,137.82 Euro.

For the financing of the construction of new lignite plant "Ptolemais V", the Parent Company examines among others, the partial financing with the provision of insurance from the German ECA Euler Hermes.

In line with the above initial meetings took place between PPC, its financial advisors and the ECA. Furthermore the relevant application has been already submitted, and it is under consideration.

On 11.12.2012, PPC's Board of Directors decided, that the Contract of said Project be signed.

The above mentioned contract was signed in Ptolemaida on March 9, 2013 and according to a relevant term it is subject to the resolute condition of the approval of PPC's General Shareholders' Meeting which has already been convened for this purpose and will take place on March 29th, 2013 and will be in effect by the date of said approval.

In relation to the funding plan for the "Ptolemais V" project, including, amongst other, the arrangement of the syndicated loan with the cover of the German Export Credit Agency Euler-Hermes, the Parent Company has received on the 26th of March 2013, written confirmation by KfW IPEX-Bank, mandated lead arranger, that Euler-Hermes granted the preliminary approval for the insurance cover, which is a prerequisite for the arrangement of the syndicated loan.

### ***A new diesel engine Power Plant 115.4 MW in South Rodos burning of heavy fuel oil with low sulphur content***

After an international tender, the Project was assigned to the successful bidder company (TERNA S.A.). On July 2009, the relevant Contract was signed. The Contract price is Euro 182.8 mil.

In September 2010, the Decision of the Ministry of Environment Energy and Climate Change for the modification of the Generation License concerning the power (115.439 MW) and the number of units (7 generating sets) was issued.

On 01.12.2010, the Common Ministerial Decision Approval of Environmental Terms was issued.

On June 29, 2011, the relevant contract for the purchase of the land of the main Station was signed.

In September 2011, the Installation License was issued and was modified on January 20, 2012.

On January 25th, 2011 the Building Permit (6/2011) was issued and on February 16th, 2011 the construction of a temporary warehouse begun.

On February 2nd, 2012 the Building Permit (25/2012) regarding earthworks has been issued and on March 26, 2012 begun the relevant works at the plot of the main facilities of the station.

On August 3rd, 2012 the building permit (184/2012) was issued for the main facilities of the station.

On August 20th, 2012 the certificate for the land uses was issued and the building terms for the coastal facilities were approved. After that, the procedure for the purchase of the land of the coastal facilities is in progress.

In the context of the implementation of the Contract two supplements were issued until today.

By Supplement No 1 (15.12.2010) certain articles of the contract were modified. By Supplement No 2 (22.06.2012) certain subjects regarding the transfer of equipment, the assignment of the study and construction of the temporary site warehouse, the surveyors' building as well as the guesthouse, were adjusted.

The realization of the provisions of the supplements will increase the contractual price by Euro 1,531,903.00.

On February 15th, 2011 the society called "Citizen's initiative for environmental protection and development of Southern Rhodos" an application for a stay of execution was filed with the Council of State by application number 119, for the following:

- a) Of the Environmental Impact Assessment 162761/12-2010 for the new diesel engine power plant and
- b) The No 6/2011 Building Permit which was granted to PPC for the construction of the temporary site warehouse at the plot for the construction of the new power plant.

In implementation of the Temporary Order of the Council of State the competent authority for urban planning has issued the 2276/06.04.2012 suspension of construction for the 25/2012 building permit.

The Council of State with its Decision No 4413/12 annulled the Act of Approval of Environmental Conditions for the installation and the operation of the new Thermoelectric Power Plant in South Rhodes and the building permit for the temporary warehouse at site, considering that the Act of Approval of Environmental Conditions was not in accordance with the those defined in Art 6 par 3 of the Directive 92/43/EEC (for the conservation of natural habitats and of wild fauna and flora).

Since March 27th, 2011 the delivery of equipment for the project to warehouses in the port of Elefsina has started.

On 31.07.2012, the Parent Company's Board of Directors approved the payment to the Contractor of the amount of Euro 4.250.000, as a result of Amicable Settlement, for the full settlement of Contractor's claims for the time period until 31.01.2012 due to the delay of Project Permission.

The Ministry of Environment, Energy and Climatic Change, in response to PPC's relative letter on 21.01.2013, notified PPC S.A. that there have not been changed the needs for which the Generation and Installation Licenses were granted, and therefore asked for the completion of the Environmental Impact Assessment and the Specific Ecological Evaluation. Thereafter, PPC has already proceeded to the award to Consultant of the drawing up of the Specific Ecological Evaluation.

Subsequently, PPC has already proceeded to the preparation of the following studies:

- Special ecological study
- Land planning study
- Environmental Impact Assessment study
- Aggregate study of evaluation of social impact.

On 31.12. 2012 the total expenditure for the project amounted to Euro 91.9 mil.

### ***A new combined cycle unit at Megalopolis***

On August 25, 2009 the Board of Directors of Parent Company approved the award of the Project to the successful bidder Consortium METKA S.A. and ETADE S.A. Furthermore, the contractor has accepted that he will not raise any claims related to eventual delay up to 13 months, due to unavailability of Transmission Network of 400 kV or/and Natural Gas. This time interval of 13 months starts, for the delay of supply of natural gas in the Unit, 26 months as from the date of signing of the Contract and for the delay of connection with the network 400 KV, 24 months as from the date of signing of the Contract.

On November 13, 2009, the relevant Contract for the implementation of the Project was signed and the contract price amounts to Euro 499.5 million.

In November 2010, PPC accepted the terms for the connection of the above Unit with the System following a relative correspondence with HTSO.

On May 31, 2011 the Contract for the Long Term Maintenance of the Unit was signed with the company METKA S.A.

On July 8, 2011, the Building Permission of the above Unit was issued.

On October, 17, 2011, after a related request from the Contractor Joint Venture «METKA S.A. – ETADE S.A.», the Board of Directors of the Parent Company approved the substitution of the above Joint Venture from the Joint Venture «METKA S.A. – TERNA S.A.»

The related Supplement No1 came into force on December, 12, 2011.

On May 8, 2012, the Board of Directors of the Parent Company approved the assignment of additional works related to the water supply of the Unit V. On 10.10.2012, there was issued the relevant Supplement No 2 to the Contract. The civil works, the arrival of electromechanical equipment and the erection works of electromechanical equipment are in progress.

On 31.12.2012 the total expenditure for the project amounted to Euro 435 mil.

### ***HP Metsovitiko (29 MW)***

The process of evaluation of tenders for the main Electromechanical Equipment of the project is concluded. and PPC's Board of Directors approved the awarding of the contract to the successful bidder. Also, the auction for the remaining Civil Engineering works has been done, the Evaluating Committee of the Offers has finished its work and the suggestion to PPC's Board of Directors for the awarding of the contract is in progress. The projected date of operation of the project is at the end of 2015.

The Parent Company has, under IAS 36, reviewed the recoverability of the total project, as there were indications that its book value (Euro 18.8 thousand after impairments which were recognized in prior years) was not recoverable. The impairment audit was conducted by calculating the Value due to Use by using estimation of future cash flows, which were projected to a period of fifty years by the estimated date of operation of the station and using the appropriate discount rate (Weighted Average Capital Cost – WACC).

Based on the above mentioned audit the book value of the project exceeds its estimated recoverable amount and thus an additional impairment loss of Euro 6,500 was recognized, which had a negative impact in the results for 2012.

It is noted that in 2010 the Parent Company had formed an impairment provision of Euro 8,000, while in 2011 an impairment loss of Euro 10,400.

### ***HPP ILARION (157 MW)***

In July 2012, PPC SA announced the successful tapping of the diversion tunnel of the Ilarionas Hydroelectric Project and the start of the Reservoir impoundment. The works in the Substation, as well as the remaining works in the riverbed area downstream of the Dam, are in progress, with the target to set the Plant in commercial operation in the second semester of 2013.

The total installed capacity of the plant is 157 MW and it is expected to generate, on an annual basis, approximately 330 GWh of net electricity. On December 31, 2012 the total expenditure for the project amounted to Euro 268 mil.

### **PPC RENEWABLE (PPCR)**

#### ***Construction of new Wind Parks from PPCR S.A.***

In February 2009, PPCR announced the construction of nine new Wind Parks, of total installed power 35.1 MW, in the Greek islands and more particularly two in Crete (Akoumia and Koprino), two in Samos (Marathokampos and Pythagoreio) and one in Paros, Lesvos, Rhodes, Sifnos and Limnos a total investment of Euro 61.2 mil. The installation process and connection to the network of the Wind Farms in Paros, Lesvos, Rhodes, Samos (Marathokampos), Crete (Akoumia) and Limnos has been completed.

#### ***Hybrid Project in Ikaria***

The contract IKH -1 has been signed in February 2008. During 2012 the hybrid project in Ikaria was under construction and is expected to be completed in the beginning of 2014. The project of 6.85 MW of total power, is comprised of two small hydro power plants (SHPP of Proesperas, with an installed capacity of 1.05 MW and SHPP of Kato Proesperas with an installed capacity of 3.10 MW), a Pumping Station (with 12 pumps of 250 KW each) and a Wind Farm with three wind turbines with a total installed capacity of 2.70 MW, combining these two renewable energy sources. Apart from the on - site works, the electromechanical equipment has been delivered and put storage in the manufactures' factories in Austria, for both SHPPs.

#### ***Public Tender Procedure for the construction of Megalopolis Photovoltaic (PV) Plant***

In June 2010, PPCR. announced an open Public Tender, for the study, procurement, transfer, installation and operation of Megalopolis PV Plant, with total installed power 50MW and a total projected investment of €140 mil. The Megalopolis PV plant will be situated in an area of 2,000 acres in the Megalopolis Mine and is due to enter operation within 2013. Following the evaluation of the technical components of the bids, in August 2011 the financial bids were opened. J&P Avax S.A. was announced as the winning bidder. In September 2012, the public tender offer was terminated due to lack of financing.

#### ***Re launch Megalopolis Photovoltaic (PV) Plant***

In February 2013, PPCR has announced again the tender for the Megalopolis Photovoltaic (PV) Plant with total installed power 50MW. In particular the following tenders have been published and are in progress:

- **TENDER 0006/2013/E/HΛE**

“Study and construction of civil works, installation of electromechanical equipment and put in operation of two P/V stations of 39MW power and 11MW power in Megalopolis, Arcadia”

On March 20, 2013 which was the deadline for the submission of offers, one bid was submitted by the company “ERGOTEM ATEVE”

- **TENDER 0007/2013/ E/H/AE**  
“Procurement, Transfer, and quest for financing for the procurement of electromechanical equipment and put in operation two P/V stations of 39MW power and 11MW power in Megalopolis, Arcadia”

On March 20, 2013 which was the deadline for the submission of offers, no bids were submitted.

- **TENDER 0008/2013/ E/H/AE**  
“Study- procurement of equipment and construction of one new substation 150/20KV of an outdoor type for the connection of Megalopolis’ P/V plants.

On March 20, 2013 which was the deadline for the submission of offers, no bids were submitted.

Following the above mentioned PPCR will reevaluate the award procedure and implementation of the Megalopolis P/V plant.

#### ***PV Megalopolis NER 300 – 40.7MW***

In February 2011, PPCR submitted a request for financing of a PV park of 40.7 MW in Megalopolis, through the European program NER300. On October 2012, the relevant request has been withdrawn following RAE’s announcement due to grid saturation of Peloponnese and after the suspension of the licensing process.

#### ***Implementation of energy measures in Western Macedonia, including the development of Photovoltaic (PV) power stations 200 MW***

In February 2011, after the application for a Generation License to RAE, PPC, PPCR. and Iliako Velos I S.A.(a PPCR’s wholly owned subsidiary) announced an Expression of Interest (Eoi) process to find a strategic partner for the joint implementation of RES projects in Western Macedonia. These plans include, besides the development of the PV plant, the construction, operation and maintenance of a PV equipment factory, as well as other energy ventures with a strong local impact.

This investment will be situated on an approximately 5,000,acres of a depleted mine area within Western Macedonia Lignite Center. The PV plant’s net production is estimated at 260 GWh. Another important benefit of the PV plant’s operation will be the annual reduction in the CO<sub>2</sub> emissions by 300,000 tons CO<sub>2</sub>.

In July 2011, the Group announced the completion of the 1st phase of the Invitation for Expression of Interest procedure for the selection of a long-term strategic partner. 15 out of the 21 groups, that submitted proposals in the Invitation for Expression of Interest procedure, met the acceptance criteria of the 1st phase.

In August 2011 the final stage of the tender begun by sending to the participants that were preselected, the invitation for the submission of their bidding offers. The generation license was granted on 22.09.2011.

It should be noted that, the request of ILIAKO VELOS Ena S.A. for the inclusion of its investment proposal to the Strategic Investments Procedures according to Law No. 3894/10 has been approved by the Biministerial Committee for Strategic Investments in November 2011 and the investment has been included in the fast track procedure.

On the date of the deadline of the submission there were no offers submitted and the procedure was called off. Alternative schemes are examined in order for the tender to be re launched on the beginning of 2013

#### ***Public Tender Procure for two P/V plants in Kozani***

In February 2013, PPCR has announced the public tender for two P/V plants, of a total power of 15MW each, in Western Macedonia Lignite Center by the procedure of engineering, procurement and construction. The tender’s object are thee study, procurement, installation, put in operation and financing of two P/V plants in the Ptolemaida area of the Kozani prefecture, of a total power 30MW and a budget of Euro 39 mil.

On March 26, 2013 which was the deadline for the submission of offers, no bids were submitted. Following that PPCR will reevaluate the award procedure and implementation of the Kozani P/V plants.

### ***Rights of the exploitation of the geothermal fields***

By a Decision of the Deputy Minister for Environment, Energy and Climate Change the rights of exploitation of the geothermal fields of Lesvos (OG 248/15.02.2011), Nisiros (OG 493/31.03.2011), Milos-Kimolos-Polyegos (OG 542/07.04.2011) and Methana (OG 2580/07.11.2011) were transferred to PPCR S.A.

By decisions of the Deputy Minister for Environment, Energy and Climate Change the Public International Bidding Contest (tender date 07.09.2011) for the lease of rights of exploitation of geothermal fields in the following areas: a) Sousaki in the Corinthos prefecture, b) the Sperhios basin in the Fthiotida prefecture, c) Akropotamos in the Kavala prefecture and d) the island of Ikaria, was awarded.

While the leases have been accepted by the company the notarial deeds have not yet been signed by the Ministry. The 6th of August 2012 PPCR announced a Request For Interest for submission of an expression of interest for the selection of a strategic partner for the development of five geothermal power plant stations to the above four geothermal fields of Lesvos, Nisiros, Methana and Milos-Kimolos-Polyegos, with submission deadline the 31st of October 2012. Two of the biggest worldwide companies (ENEL and ORMAT) have submitted bids which are evaluated for the next phase of the bid.

### ***Applications for W/P clusters of total capacity of 2.92 GW, 25MW Biomass plant and 15MW Geothermal plants.***

In June 2011, PPCR applied for the production license for a number of wind farms with a total installed capacity of 1,339 MW in Crete, Kassos, Karpathos and Rhodes.

In August 2011, PPCR applied for a production license for a 210MW wind park in Rodopi.

In December 2011, PPCR applied for production licenses for a 117MW wind park in Rhodes, 25MW Biomass plant in Kozani and 5MW Geothermal plant in Kimolos.

In March 2012, PPCR applied for a production license for a cluster of wind parks of 384MW in Rhodes and Crete, as well as for a 5MW Geothermal plant in Methana.

In June 2012, PPCR applied for a production license for a cluster of wind parks of 873MW in Rhodes and Crete.

In September 2012, PPCR applied for a production license for a 5MW Geothermal plant in Milos.

In October 2012, PPCR sent a request to RAE concerning the withdrawal of the part of PPCR's application for a production license, in March 2012, relevant to the construction of a 155MW wind farm in "Ntia" islet, near the island of Crete.

### ***PV Atherinolakkos park in Crete***

PV Atherinolakkos has been completed which is comprised by 6 P/V stations of a total capacity of 0.48 MW (6x80 KW) as in the first quarter of 2013 2 P/V stations of a total capacity of 0.16 MW (2x80KW) were completed and connected to the network.

### ***Small Hydroelectric Power Plants***

In 2012 the construction of SHPP Alatopetra, of 4.95 MW total power, was continued intensively, which belongs to PPCR's affiliated company PPC Renewables - ELLINIKI TEXNODOMIKI S.A. with a share equal to 49%.

In December 2012 the commissioning of the SHPP has started.

In January 2013 the testing operation of SHPP Alatopetra begun.

In 2012 the construction of SHPP Ilarion with a total power 4.2 MW has been continued and the SHPP is expected to be put in testing operation in 2013.

In the summer of 2012 the conversion of old SHPP Agias, which is no longer operational and has been conceded to Crete Prefecture, begun into an exhibition area accessible to the public.

On the 2nd of October 2012, PPC Renewables S.A. absorbed HPP Oinoussa SA. The company was incorporated in 1999 but it was acquired by the Group in 2010.

### ***PV Plants on Buildings***

The first three, out of twenty PV plants planned to be placed on roofs of buildings in Attica, have been connected to the grid, during the third and fourth quarter of 2012, whereas four more were under construction. The project, of 0.79 MW total capacity, shall be completed within 2013.

### ***Extraordinary solidarity levy on producers of electricity, from RES and CHP stations***

According to paragraph 1.2 of Article 56 of Law 4093/12.11.2012 on RES and CHP (Complied Heat and High Performance) regulations impose an extraordinary solidarity levy on producers of electricity, from RES and CHP stations, calculated on the price of electricity sales, occurring during the period from 1.7.2012 to 30.6.2014 with regard of the operating stations and those stations put in testing operation or be commissioned onwards.

The special solidarity levy calculated as a percentage of, before VAT, the price for electricity, injected by the Producer to the System or the interconnected Network, or the electrical systems of non – interconnected islands, and amounts to:

- a) Twenty –five percent (25%) for PV plants put into testing operation, or commissioned until 31.12.2011.
- b) Thirty percent (30%) for PV plants put into testing operation, or commissioned after 1.1.2012 and the compensation of the energy produced is calculated from the reference value table of Article 27A of Law 3734/2009, as applicable, corresponding to a month previous of February 2012.
- c) Twenty – Seven Percent (27%) for PV plants put into testing operation, or commissioned after 1.1.2012 and the compensation of the energy produced is calculated from the reference value table of Article 27A on Law 3734/2009, as applicable, corresponding to the period between February 2012 and 9th of August 2012.
- d) Ten Percent (10%) for other RES and CHP stations.

The imposed tax charged to the results of 2012 of PPC Renewables amounted to of Euro 1.31 million.

### ***PV Plants in Industrial Areas***

In the second quarter of 2012, the Group acquired the companies IAPETOS ENERGY SA, and FOIBE ENERGIKI S.A., which until the first quarter of 2012 had been consolidated by the associate company Good Works S.A.

Good Works Energiaki S.A. was incorporated on October 11, 2005 and PPCR's share was equal to 49%. On September 10, 2012 PPCR's Board of Directors decided to dissolve Good Works Energiaki S.A. On November 22, 2012 the Extraordinary General Shareholders' Meeting of Good Works Energiaki S.A. has approved the dissolution of the company and its liquidation, which is in progress.

In November 2012, PPCR sold the 100% of its shares of IAPETOS ENERGIKI S.A., to ENET S.A. for € 1,511,000, with the public tender for selling the sum of its shares of its fully owned subsidiary IAPETOS ENERGIKI S.A being preceded in October 2012.

PPCR considers the prospect of developing a PV Plant in Drama of its affiliate to FOIBE ENERGIKI S.A. within 2013.

## **IPTO S.A.**

### ***Construction of underwater line "POLYPOTAMOS – NEA MAKRI"***

By this project the transfer of wind power of a total capacity of 400MW approximately, from South Evia to Attica, while at the same time East Attica's power supply is strengthened. The project is being constructed using

submarine cables of 150kV, 200MVA of synthetic insulation, friendly to the environment, buried at approximately one meter under the sea floor. The signing of the contract with the concessionaire took place on May 14, 2010 with a deadline of June 2013. The project has a budget amounting to Euro 74 mil. and the works on laying the cable have begun in March 2013.

### ***Cyclades Interconnection***

By this project the possibility of interconnection of the islands Syros, Paros, Naxos and Mykonos to the Mainland System is given. The islands' supply will be done by two points, one in Lavrio and one in South Evia through Andros, in order to ensure a reliable and sufficient supply. The project's declaration was put in public consultation in March 2010 and the declaration of the project was published in June 2011 with a submission deadline of mid - October 2011, which was further extended for January 2012. The tender was declared unsuccessful. The project has been redesigned with implementation in two phases and an initial budget of Euro 250 mil., approximately. The project is expected to be put in public consultation by the end of March 2013.

### ***Construction of High Voltage Center (HVC) in Aliveri and interconnection transmission line of 400 kV***

The project refers to the interconnection of the new unit in Aliveri power station and its budget amounts to Euro 120 mil. The constructions of the HVCs have been completed by the end of June 2012, while as far as the interconnection line of Aliveri with the System is concerned the overhead parts are completed as well as on of the two subterranean parts. The second subterranean part will be completed in May 2013.

## **HEDNO S.A.**

### ***Lawsuits against PPC – HEDNO***

The companies "CANTOR" (former "ENERGA") and "NEW APPLICATION" (former "HELLAS POWER") have filed lawsuits against PPC by which they claim amounts of Euro 469.3 mil. and Euro 309.7 mil., respectively.

By the review of the documents and the assessment of the individual amounts reported in them, it is accrued that the lawsuits in question contain many undetermined amounts which are deemed, legally or otherwise, unfounded. Thus the above mentioned lawsuits have little chance of success. For that, a provision has not been formed.

### ***Operation license for the Distribution Network and Power Systems of the Non Interconnected Islands***

As far as the operation license of the non - interconnected islands is concerned, HEDNO has submitted in due time the relative dossier to RAE with all necessary data and the approval of the license is expected.

### ***Conformity Program***

The public consultation was completed on October 1st, 2012 and its approval by RAE is expected following the providing of the requested clarifications.

## **BUSINESS COLLABORATION**

### ***PPC's Participation in waste management tenders.***

Waste Syclo, is a joint company of PPC S.A. and Spanish Urbaser S.A, established in February 2011, with Urbaser owning 51% and PPC 49% of the share capital, responsible for the study, performance of projects, rendering of all types of services related to waste management in general, electricity generation from waste management, and urban and industrial waste water treatment, within the territory of Greece. In 2012 Urbaser has expressed its wish to withdraw from the Greek market and its participation in Waste Syclo.

In February 12, 2013, PPC S.A. and TERNA ENERGY filed a Notification to the Hellenic Competition Committee, for the concentration by which TERNA ENERGY will acquire 51% of Waste Syclo's shares, therefore substituting Urbaser as a jointly controlling shareholder of Waste Syclo alongside PPC SA.. The concentration is subject to the Hellenic Competition Commission's approval.

In January / February 2013 PPC in collaboration with TERNA ENERGY, submitted Expressions of Interest in the tenders of the Integrated Waste Management Facilities of Attica Region, through a Public Private Partnership (4 tenders). The preselection of the candidates who will proceed in Phase B is expected to be announced.

### ***Kosovo Energy Project***

PPC participates in the tender by the Ministry of Energy and Mining of Kosovo, regarding the development of the allocated portion of the Sibovc Lignite Field, the rehabilitation of Kosovo B and the construction of a new electric power generation plant with estimated installed capacity of 2X350 MW.

In March 2012, the final version of the RfP was issued, according to which the deadline for submitting an offer was initially set for September 28, 2012. The specific date, along with other provisions of the RfP, remain under review by the Conceding Authority following consultation between the contracting authority and the candidates. PPC is examining the possibility of collaboration with a big international company, experienced to respective projects, in order to increase its possibilities of success in the tender.

### ***International public tender in FYROM***

PPC participates in the tender of the FY Republic of Macedonia (FYROM), for granting a water concession for water usage for generation of electricity from Hydro Plants on Crna. This involves the design, financing, construction, operation and maintenance of new hydro power plants Cebren (333 MW) and Galiste (193.5 MW) as well as operation of the existing hydro power plant Tikves (116 MW). The deadline for submitting the final bids was April 15th 2013. PPC is in the process of examining the possibility of collaboration with other companies in order to increase its possibilities of success in the tender.

### ***Business Collaboration between PPC S.A. and the Renewable Energy Saving Center, for investments in order to improve energy efficiency in the residential sector***

In April 2011 PPC's Board of Directors approved a business collaboration with the Centre for Renewable Energy Sources and Saving (CRES) for investments in order to improve energy efficiency in households. In February 2012 a contract was signed between PPC and CRES and the planning of the materialization of the individual provisions of the contract has begun.

### ***Business Collaboration with Quantum Corporation Ltd and the Bank of Cyprus***

PPC - QUANTUM ENERGY LTD, a joint company founded by PPC, Quantum Corporation LTD and Bank of Cyprus, with share capital participation 51%, 40% and 9% respectively, whose objectives are studying, designing, founding, constructing, operating, managing and exploiting of power plants in the region of the Republic of Srpska, is expanding the purpose of its establishment and is planning and exploring future energy needs of Greece and Cyprus and is studying the interconnection between Greece and Cyprus, as well as between Israel – Cyprus – Greece. In this direction, PPC QUANTUM ENERGY LTD has signed a Memorandum of Understanding with Israeli Electric Cooperation regarding the feasibility study of an underwater cable which will transfer electrical energy from Israel to Europe. (EuroAsia Interconnector Project).

### ***Memorandum of Strategic Partnership with DAMCO Energy - International Constructional***

PPC S.A. and DAMCO ENERGY and INTERNATIONAL CONSTRUCTIONAL - are exploring the joint establishment of a commercial Societe Anonyme, in which PPC S.A. will participate with 49% in order for the promotion, through a national franchising network, integrated solutions for household photovoltaic systems, energy services and products for saving energy, as well as provision of services to PPC's customers, at the discretion of the Company. The terms of the agreement will be finalized once the necessary valuations and preparatory actions have been completed. The agreement will have to be approved by the competition commission.

### ***Option for acquisition of DEPA shares***

PPC had acquired an option for the acquisition of a number of DEPA shares, based on L. 2593/1998, in accordance with a relevant contract signed between the Greek State and PPC S.A.

PPC's Extraordinary Shareholders Meeting in October 4, 2012, has approved a draft Private Agreement between PPC and HRADF by virtue of which the parties agree that PPC waives its right on the option in DEPA, following the compensation payment of Euro 32,900,000 as resulted by the evaluation of the independent valuator financial firm Citi.. The waiver of PPC's right is subject to the completion of the privatization process and to the fulfillment of the compensation payment due to PPC by HRADF.

### ***Sale of PPC's share through the Privatization Fund***

In July 2011 and in application of the Privatization program of Law 3985 (O.G. A' 151) provided for the sale of 17% of PPC's share capital, currently owned by the Greek State, by the third quarter 2012. In Law 3986 (O.G. A'152) is stipulated that the sale will go through the Hellenic Republic Assets Development Fund (HRADF).

By Decision of the Biministerial Committee for Privatizations (O.G B' 1363/26.04.2012), the Minister of Finance is authorized to stipulate with the "Hellenic Republic Asset Development Fund S.A." contracts by which the aforementioned company will exercise for the Hellenic Republic the voting rights which derive by the Hellenic Republic's capacity as owner of PPC's shares which correspond to a 17% of the share capital (39,440,000 shares) up to the completion of the privatization process as described in the Privatization Program of the Medium Term Fiscal Strategy 2012 – 2015 (L. 3985/2011, O.G. A' 151).

According to a recent illustrative update that PPC received on October 10th, 2012 by the "Hellenic Republic Asset Development Fund S.A.", the latter became the proxy of the Hellenic Republic, thus having the right to exercise to its judgment and without receiving directions by the Greek State (under its capacity of shareholder) the voting rights of 39,440,000 shares (corresponding to 17% of the existing share capital) without a transfer to the the "Hellenic Republic Asset Development Fund S.A." of the voting rights of the Hellenic Republic in PPC, as was mentioned to a former update by the "Hellenic Republic Asset Development Fund S.A." on September 13th, 2012.

The above mentioned proxy has a duration of thirty six (36) months commencing by the signing of the relative contract, unless the Company's development and thus the proxy's aim is completed earlier. It is noted that the Hellenic Republic is the sole shareholder of the "Hellenic Republic Asset Development Fund S.A.". In the Annex I of the Law by which the Medium Term Fiscal Strategy for the 2013- 2016 has been approved and specifically the Privatization Program 2013 -2016, it is provided for that the sale of the above mentioned percentage(17%) of PPC's share capital which is in the ownership of the Hellenic Republic will be accomplished in 2014.

### ***Abolition of minimum participation of the Greek State in PPC's share capital - Extraordinary General Shareholders' Meeting of PPC S.A. on November 30th, 2012.***

The Parent Company is subject to specific laws and regulations that apply to companies of the wider public sector, as long as the Greek State, as the dominant shareholder owns 51% of the share capital. The Hellenic Republic Assets Development Fund (HRDAF) has become a proxy for the Greek State authorized to act according to its judgment in an expedient way and without receiving any directions by the Greek State, the voting rights for 39,440,000 common shares, (17% of the company's share capital), without the above mentioned voting rights to be transferred to HRDAF by the Greek State. 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 Parent Company's share capital.

### ***Expansion of the activities of PPC abroad and establishment of commercial subsidiaries***

PPC is in the process for establishing the Joint Venture Companies in Bulgaria, and individual matters are researched considering the establishment of subsidiaries in Turkey and Georgia.

### ***Collaboration framework with DEPA S.A.***

Following the relevant approval of the Extraordinary General Shareholders' Meeting of PPC S.A. held on October 4th, 2012, PPC proceeded, on October 29th, 2012, to the signing with DEPA of a new Contract for the Procurement of Natural Gas and of a Private Agreement by which all differences and mutual claims which derive by the existing between the parties Contract for the Procurement of Natural Gas of June 9th, 1994.

The new contract of 29.10.2012 between PPC and DEPA pertains to the procurement and transportation of a total quantity of 11,260 Nm<sup>3</sup> of natural gas to the energy generating units of PPC for the period 01.01.2012 until 31.12.2020.

The Minimum Annual Contractual Quantity (take or pay clause) is defined in 80% of each Annual Contractual Quantity, with the right for PPC to reduce it to 75% for two, non - consecutive, years of each selection, with a six month notice of DEPA.

The price for the procurement of natural gas as well as the height of the payment guarantee provided by PPC, will derive by the mechanisms applied by DEPA for its other energy generating customers.

Among others it is provided for, PPC's right for the readjustment of the contract (exclusively the procurement of natural gas) in two months' time by the application of the new pricing rules of the National System of Natural Gas, the right for any of the parties for the readjustment of the contractual price after five years have passed, and finally a clause of renegotiation of the contract whenever is demanded or by whichever of the parties requests it, mainly due to changes in the conditions of the energy market.

By a press release on November 13th, 2012, the competition commission announced the acceptance of DEPA's commitments regarding the supply market of natural gas and the market access to the natural gas network. Based on the above DEPA's mentioned commitments, PPC has already proceeded with the readjustment of the Annual Contractual amount for the year 2013.

## **39. FINANCIAL RISK MANAGEMENT**

The overall financial risk management program is focused on unpredictability of financial and non-financial markets and seeks to minimize potential adverse effects in the Group's financial position. The Group identifies, evaluates and if necessary, hedges risks relating to the Group's operating activities. The Group does not undertake any transactions of a speculative nature. The Group periodically controls and revises the relative policies and procedures in connection with financial risk management, which are summarized below:

### ***Credit Risk***

Despite the fact that, the electricity sales are dispersed to a large number of clients within a wide range of economic activity, the current economic conditions has a serious negative impact in the liquidity of the company mainly resulting from:

- Difficulties in payment and increases in delayed payments, by Low and Medium voltage customers as well as High voltage (Industrial) customers, especially those with large outstanding balances.
- Increased number of small and medium enterprises that stop their operations due to the economic conjecture and leave outstanding balances for which relevant provisions are established.
- Continuing distortion due to regulated tariffs.

Credit risk may be increased due the continuance of depression, and in addition, due to the imposition to PPC by the State, of the collection of the Property tax (E.E.T.I.D.E.), through the electricity bills, might significantly influence the extent of delay in the collection of electricity bills, creating greater needs of the Parent Company's working capital. It should be noted that under the current legislation, it is not allowed to discontinue the power supply in case the Property tax is not paid, but only in case the electricity bill is not paid.

In this context, the Parent Company is systematically monitoring the effects of the abovementioned risks and is taking every possible measure to mitigate their impact, being simultaneously in fully alignment to the existing legislation and the current regulatory framework governing the electricity market.

In order to minimize the credit risk as far as cash and cash equivalents, financial instruments and derivatives are concerned the Group monitors its positions, the level and the duration of its transactions and follows a policy for the allocation of risk by conducting transactions solely with recognized financial institutions.

### *Fair value*

The carrying amounts reflected in the accompanying balance sheets for cash and cash equivalents, short-term receivables, and current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of marketable securities are based on their quoted market prices at the balance sheet date. The carrying amounts of the long-term borrowing approximate their fair value because, the loans are in local currency and interest at a floating rate.

For all swap agreements, the fair values are confirmed to the Group by the financial institutions through which the Group has entered into these contracts.

### *Liquidity Risk*

Liquidity risk is connected with the need to ensure adequate cash flow for the financing of the operation and the development of the Group, as well as serving its debt. The Group manages its liquidity risk by continuously monitoring and programming its policy for fulfilling its cash flows liabilities. General aim of the Group is to ensure sufficient credit lines and available cash, while aiming at the same time at the extension of the average maturity of its debt and the diversification of its funding sources as well as controlling operating costs and improving the efficiency of its resources. As a matter of fact said risk has been intensified due to the general situation of the Greek economy and the banking sector, where the liquidity is limited or almost inexistent, until, at least, the Greek Banks recapitalization process is completed. Thus, working capital needs caused by:

- The debt left by the alternative energy suppliers whose operation was suspended,
- The requirement by PPC, -due to the above- to undertake the role of Last Resort Supplier as well as of Universal Service Supplier for customers of the above suppliers, overloaded with surplus liquidity needs in order to finance customers' energy needs,
- Increase of delays in the collection of energy bills, due to the continued recession,
- The burden of tariffs with the collection of taxes and levies that are not related to the sale of electricity,
- The provided by the present legal framework variable cost recovery plus 10% of the units of independent generators,

result to additional pressures to the Group's liquidity, while, due to the aforementioned status, finding working capital is proved difficult as well as financing new projects. In the same context, for better management of the working capital, under the existing liquidity conditions, it is possible that risk might arise.

It is noted that the borrowing cost for the Parent Company and the Group from the market and their access to liquidity have been negatively impacted by the Greek Economy's status while the uncertainty deriving from this

economic crisis has and it is possible to continue to have significant negative impact to the Parent Company and the Group's operating results, cash flow and financial status.

| <i>(In million Euro)</i>              | <b>On demand</b> | <b>3 months</b> | <b>3 to 12 months</b> | <b>1 to 5 years</b> | <b>&gt; 5 years</b> | <b>Total</b>          |
|---------------------------------------|------------------|-----------------|-----------------------|---------------------|---------------------|-----------------------|
| <b>Year ended</b>                     |                  |                 |                       |                     |                     |                       |
| <b>31 December 2011 (Group)</b>       |                  |                 |                       |                     |                     |                       |
| Overdraft facilities                  | 25.0             | 104.7           | 104.0                 | -                   | -                   | <b>233.7</b>          |
| Short term borrowings                 | -                | 668.1           | 761.0                 | -                   | -                   | <b>1,429.1</b>        |
| Interest bearing loans and borrowings | -                | -               | -                     | 2,234.0             | 1,331.5             | <b>3,565.5</b>        |
|                                       | <u>25.0</u>      | <u>772.8</u>    | <u>865.0</u>          | <u>2,234.0</u>      | <u>1,331.5</u>      | <u><b>5,228.3</b></u> |
| <b>Year ended</b>                     |                  |                 |                       |                     |                     |                       |
| <b>31 December 2012 (Group)</b>       |                  |                 |                       |                     |                     |                       |
| Overdraft facilities                  | -                | 110.0           | 191.5                 | -                   | -                   | <b>301.5</b>          |
| Short term borrowings                 | 2.0              | 296.0           | 1,190.0               | -                   | -                   | <b>1,488.0</b>        |
| Interest bearing loans and borrowings | -                | -               | -                     | 2,124.2             | 1,191.5             | <b>3,315.7</b>        |
|                                       | <u>2.0</u>       | <u>406.0</u>    | <u>1,381.5</u>        | <u>2,124.2</u>      | <u>1,191.5</u>      | <u><b>5,105.2</b></u> |
| <b>Year ended</b>                     |                  |                 |                       |                     |                     |                       |
| <b>31 December 2011 (Parent)</b>      |                  |                 |                       |                     |                     |                       |
| Overdraft facilities                  | 25.0             | 100.0           | 99.0                  | -                   | -                   | <b>224.0</b>          |
| Short term borrowings                 | -                | 618.1           | 716.9                 | -                   | -                   | <b>1,335.0</b>        |
| Interest bearing loans and borrowings | -                | -               | -                     | 1,849.5             | 1,293.2             | <b>3,142.7</b>        |
|                                       | <u>25.0</u>      | <u>718.1</u>    | <u>815.9</u>          | <u>1,849.5</u>      | <u>1,293.2</u>      | <u><b>4,701.7</b></u> |
| <b>Year ended</b>                     |                  |                 |                       |                     |                     |                       |
| <b>31 December 2012 (Parent)</b>      |                  |                 |                       |                     |                     |                       |
| Overdraft facilities                  | -                | 60.0            | 181.5                 | -                   | -                   | <b>241.5</b>          |
| Short term borrowings                 | -                | 296.0           | 1,042.9               | -                   | -                   | <b>1,338.9</b>        |
| Interest bearing loans and borrowings | -                | -               | -                     | 1,857.2             | 1,169.0             | <b>3,026.2</b>        |
|                                       | <u>-</u>         | <u>356.0</u>    | <u>1,224.4</u>        | <u>1,857.2</u>      | <u>1,169.0</u>      | <u><b>4,606.6</b></u> |

#### ***Interest rate risk, foreign currency risk. Liquid fuel and natural gas supply risk***

The Group's principal financial liabilities comprise bank loans, bonds and overdrafts. It is the Group's policy to hedge, solely for protection purposes, through derivatives the risk arising from the fluctuation of the floating interest rates and the foreign currency exchange rates of its debt portfolio. The existing derivatives transactions refer to specific interest rate swaps (conversion of floating rate liabilities to fixed rates liabilities) and forward currency contracts, in order to manage the relative risks. The main risk arising from managing the Group's debt liabilities is focused in the financial results and cash flows, mainly as a consequence of the fluctuation of interest rates and, to a minimum extent, on foreign currency exchange rates fluctuation, considering that, in the recent years, almost 100% of the existing debt is denominated in Euro.

On the contrary, the fluctuation of € / \$ exchange rate constitutes a risk concerning the Parent Company's liabilities arising from fuel purchases. In order to cover the foreign currency risk from liquid fuel purchases, the

Board of Directors of the Parent Company approved in 2010 a framework policy for hedging transactions. The Parent Company is implementing, per case and according to the prevailing circumstances, hedging transactions for the aforementioned risk. It should be noted that, hedging transactions may not provide full protection against the above mentioned risks.

The Parent Company is exposed to the risk of an increase in prices (commodity 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 for hedging transaction for oil, based on which the implementation of specific hedging transactions is decided per case and according to the prevailing circumstances.

The Parent Company has not established a hedging policy against the risk arising from the volatility of natural gas prices.

In terms of the risk arising from price volatility of electricity purchases, this is hedged less and less by the vertical integration of the Parent Company (internal hedge), since PPC's Generation share in the wholesale market in 2012 amounted to 71%, while in 2012, PPC's Supply share in the retail market has exceeded 98%, following the developments in the retail market in the first half of 2012.

Additionally, the prices of the main materials (metals, etc.), apart from fuel, used by the Group for its operation and development are defined by the international merchandise markets resulting to the Group's exposure to the risk of fluctuation of the relevant prices as well as the foreign currency risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). (in € million).

|             | Increase / Decrease<br>in basis points (%) | Effect on profit<br>before tax (Group) | Effect on profit<br>before tax (Parent) |
|-------------|--|--|---|
| <b>2012</b> |  |  |   |
| Euro        | +50  | (18.3)                                 | (16.1)                                  |
| CHF         | +50  | (0.026)                                | (0.026)                                 |
| Euro        | -50  | 18.3                                   | 16.1                                    |
| CHF         | -50  | 0.026                                  | 0.026                                   |
| <b>2011</b> |  |  |   |
| Euro        | +15  | (5.8)                                  | (5.1)                                   |
| CHF         | +15  | (0.023)                                | (0.023)                                 |
| Euro        | -15  | 5.8                                    | 5.1                                     |
| CHF         | -15  | 0.023                                  | 0.023                                   |

The following table demonstrates the sensitivity to a reasonably possible changes in the Swiss Franc exchange rate, with all other variables held constant, of the Group's profit before tax through the impact on foreign currency borrowings (€ mil.)

|             | Increase / Decrease<br>CHF | Effect on profit<br>before tax (CHF) |
|-------------|----------------------------|--------------------------------------|
| <b>2012</b> |                            |                                      |
|             | +5%                        | (0.3)                                |
|             | -5%                        | 0.2                                  |
| <b>2011</b> |                            |                                      |
|             | +5%                        | (0.8)                                |
|             | -5%                        | 0.7                                  |

### Market risk

The sensitivity analysis on natural gas, liquid fuel and system marginal price are as follow:

|                      | Liquid Fuel<br>(tones) | Natural Gas<br>( in m <sup>3</sup> ) | System Marginal Price<br>(MWH) |
|----------------------|------------------------|--------------------------------------|--------------------------------|
| Change in price unit | +1€<br>(+ one Euro)    | +0,01€<br>(+ one Cent of Euro)       | +1€<br>(+ one Euro)            |
| Impact               | 1.3 Euro million       | 10.8 Euro million                    | 10.8 Euro million              |

The change in the \$/€ rate by 5 cents of the dollar is estimated to affect the profit before tax 2013 by Euro 46.8 mil.

### Availability of lignite reserves

Management believes that exploitable lignite reserves are adequate to cover the current and anticipated levels of supply for energy generation by lignite-fired thermal power stations for many years.

### Evolution of net debt ratio

The ratio net debt/equity amounts has as follows:

|   | 2012             | 2011             |
|---|------------------|------------------|
| Long term loans   | 4,803,451        | 4,994,743        |
| Short term borrowings                                       | 301,529          | 233,735          |
| Minus: cash and pledged deposits                            | (420,927)        | (519,328)        |
| Net debt  | 4,684,053        | 4,709,150        |
| Shareholders' equity  | 5,854,459        | 6,448,695        |
| Minus: reserve of evaluation of investments "held-for-sale" | 249              | 249              |
|   | <b>5,854,210</b> | <b>6,448,446</b> |
| Ratio net debt/equity                                       | 80%              | 73%              |

## 40. OPERATING LEASE ARRANGEMENTS

|   | Group  |        | Company |        |
|---|--------|--------|---------|--------|
|   | 2012   | 2011   | 2012    | 2011   |
| Minimum lease payments under operating leases recognised as expense | 39.357 | 35.908 | 22.901  | 35.503 |

At the balance sheet date, the Group's outstanding commitments for future minimum lease payments under non-cancellable operating leases are approximately the current year's lease expenses, which are expected not to significantly altered during the next years.

Operating lease payments represent mainly rentals payable by the Group for certain of its office properties, machinery, vehicles and furniture and equipment. Lease fees for office properties are generally fixed for an average term of twelve years. Lease fees for machinery and vehicles are generally fixed for an average of 1 and 3 year, respectively.

## 41. SUBSEQUENT EVENTS

### *Loan Repayments and refinancings*

During the first quarter of 2013 the Parent Company proceeded to the repayments of a total amount of € 141 mil. In the same period the Parent Company proceeded to the refinancing of three bond loans, € 25 mil., until October 31, 2013, € 130 mil., until June 30, 2013 and € 60mil., in three equal repayments of € 20 mil., until June 2013.

### *New extended Social tariff*

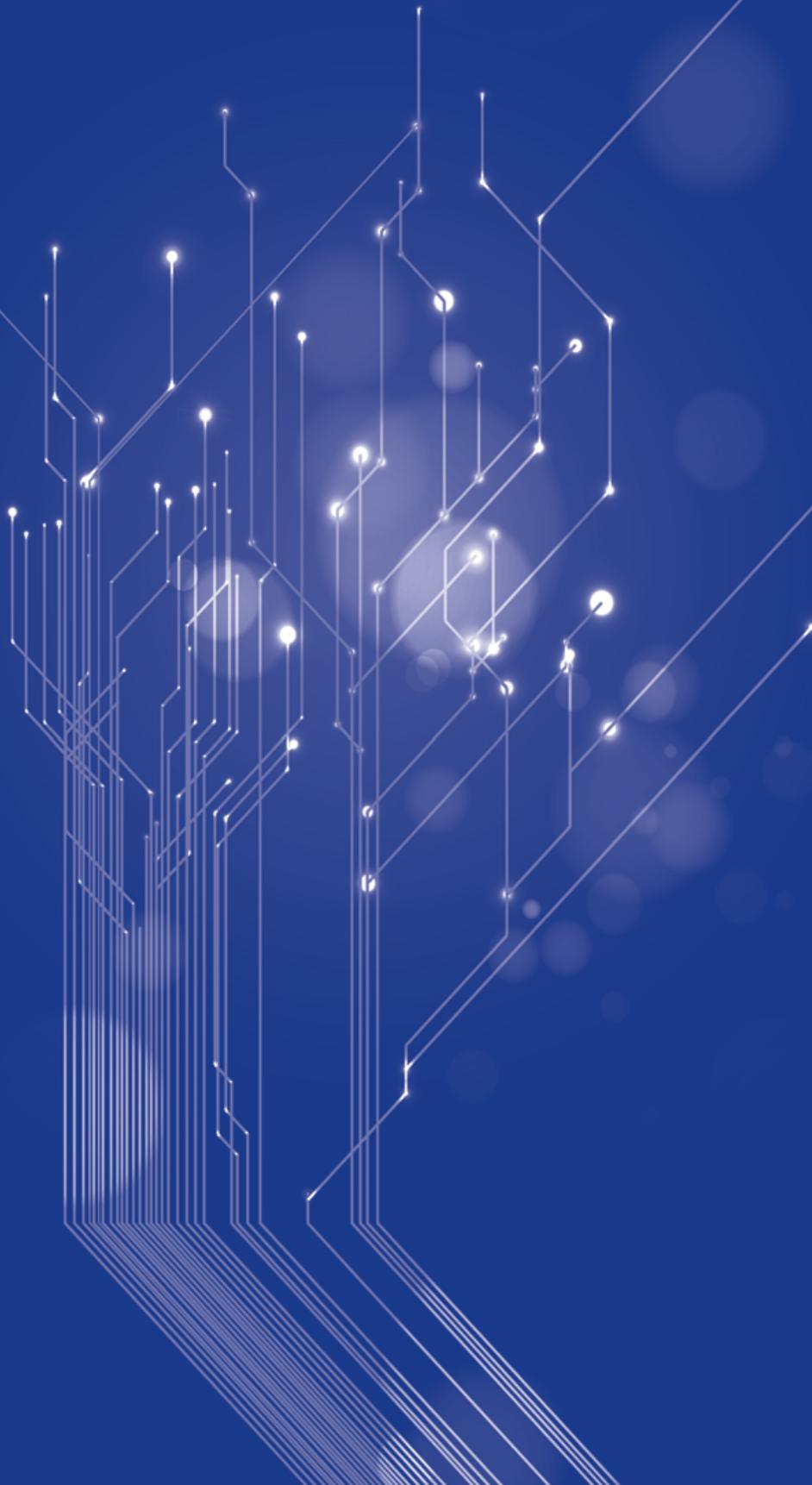
Since January 2013, and following the signing and publication in the Official Gazette of the Decision of the Minister for Environment, Energy and Climate Change concerning the new extended Social Tariff, PPC provides a tariff, which is reduced up to 42% to socially vulnerable groups such as:

- People with low income
- Families with three children
- Unemployed for a long period
- Physically challenged persons and
- Persons in need of mechanical support through the use of medical equipment.

### *Eurogroup - Cypriot Government Agreement*

On March 25, 2013, (date of agreement between Eurogroup and the Cypriot Government) the Group and the Parent Company did not have any deposits or other financial instruments in Cypriot Banks in Cyprus. Furthermore, at the same date there were no receivables or other assets with Cypriot Banks or corporations.

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2012





## Appendix I

### UNBUNDLED FINANCIAL STATEMENTS

Under the provisions of law 4001/2011 and the approved methodology of the Regulatory Authority for Energy.

## GROUP UNBUNDLED INCOME STATEMENT DECEMBER 2012

(expressed in million euro)

|   | MINES        |              | GENERATION     |                | DISTRIBUTION NETWORK |              | SUPPLY         |                | ADMINISTRATORS |                |
|---|--------------|--------------|----------------|----------------|----------------------|--------------|----------------|----------------|----------------|----------------|
|   | 2012         | 2011         | 2012           | 2011           | 2012                 | 2011         | 2012           | 2011           | 2012           | 2011           |
| <b>REVENUES</b>                                   |              |              |                |                |                      |              |                |                |                |                |
| <b>Revenues from 3rd Parties</b>                  |              |              |                |                |                      |              |                |                |                |                |
| Energy sales to customers                         | -            | -            | -              | -              | -                    | -            | 5,648.3        | 4,824.9        | -              | -              |
| Energy sales to wholesale market                  | -            | -            | 2,295.3        | 2,342.2        | -                    | -            | -              | -              | -              | -              |
| Energy exports                                    | -            | -            | -              | -              | -                    | -            | 56.8           | 39.3           | -              | -              |
| Capacity assurance mechanism                      | -            | -            | 379.2          | 390.3          | -                    | -            | -              | -              | -              | -              |
| Other Services to wholesale market                | -            | -            | 3.2            | 17.3           | -                    | -            | -              | -              | -              | -              |
| Network rentals                                   | -            | -            | -              | -              | 344.9                | -            | -              | -              | -              | -              |
| Customer's contribution                           | -            | -            | -              | -              | 106.5                | 134.7        | -              | -              | -              | 0.1            |
| PSO's revenues of other suppliers                 | -            | -            | -              | -              | -                    | -            | 12.6           | 53.1           | -              | -              |
| Transmission system usage fees                    | -            | -            | -              | -              | -                    | 63.7         | (0.0)          | -              | -              | -              |
| Other Sales                                       | 1.5          | 1.9          | 8.8            | 8.9            | 9.4                  | 22.7         | 361.0          | 118.7          | -              | -              |
| Allocated Administration Revenues                 | 7.3          | 0.5          | 6.5            | 0.4            | -                    | 0.3          | 0.9            | -              | -              | -              |
| <b>Interdepartmental Revenues</b>                 |              |              |                |                |                      |              |                |                |                |                |
| Public Service Obligations                        | -            | -            | 708.7          | 485.2          | -                    | -            | -              | -              | -              | 485.2          |
| Energy  | -            | -            | 266.6          | 282.7          | -                    | -            | 110.2          | 110.9          | -              | 284.5          |
| Lignite   | 853.5        | 894.9        | -              | -              | -                    | -            | -              | -              | -              | -              |
| Other Services                                    | 14.4         | 17.8         | -              | -              | -                    | -            | -              | -              | -              | -              |
| Distribution Network usage rentals                | -            | -            | -              | -              | -                    | 734.2        | -              | -              | -              | 734.2          |
| Obligations from Administrators                   | -            | -            | -              | -              | -                    | -            | -              | -              | -              | 17.7           |
| <b>REVENUES</b>                                   | <b>876,7</b> | <b>915,1</b> | <b>3.668,3</b> | <b>3.527,1</b> | <b>460,9</b>         | <b>955,6</b> | <b>6.189,8</b> | <b>5.147,0</b> | <b>-</b>       | <b>1.521,7</b> |
| <b>Expenses (3rd Parties)</b>                     |              |              |                |                |                      |              |                |                |                |                |
| Payroll Cost                                      | 230.5        | 277.1        | 277.0          | 330.5          | -                    | 262.0        | 41.0           | 45.1           | -              | 8.3            |
| Third party lignite and lignite reserve variation | (7.5)        | 17.0         | 48.4           | 53.6           | -                    | -            | -              | -              | -              | -              |
| Liquid fuel                                       | -            | -            | 940.7          | 803.7          | -                    | -            | -              | -              | -              | -              |
| Natural Gas                                       | -            | -            | 444.5          | 469.4          | -                    | -            | -              | -              | -              | -              |
| Depreciations                                     | 131.8        | 131.2        | 256.4          | 259.3          | 185.6                | 182.0        | 1.1            | 1.1            | -              | 6.0            |
| Energy Purchases from third party                 | -            | -            | 4.8            | 11.3           | -                    | 0.3          | 157.7          | 128.3          | -              | -              |
| Energy imports                                    | -            | -            | -              | -              | -                    | -            | 133.7          | 103.2          | -              | -              |
| Energy Purchases to wholesale market              | -            | -            | -              | -              | -                    | -            | 3,614.7        | 3,131.9        | -              | -              |
| Charge for the capacity assurance mechanism       | -            | -            | -              | -              | -                    | -            | 450.5          | 411.8          | -              | -              |
| Transmission Network Fees                         | -            | -            | -              | -              | -                    | -            | 207.9          | 240.1          | -              | -              |
| Distribution Network Fees                         | -            | -            | -              | -              | -                    | -            | 752.8          | -              | -              | -              |
| Uplift charge                                     | -            | -            | -              | -              | -                    | -            | 410.0          | 195.2          | -              | -              |
| Materials & Consumables                           | 67.5         | 85.7         | 56.9           | 63.0           | -                    | 37.1         | 1.2            | 1.3            | -              | 0.1            |
| Utilities & Maintenance                           | 174.2        | 190.6        | 51.3           | 45.7           | -                    | 41.4         | 29.3           | 27.2           | -              | 0.4            |
| Third party fees                                  | 1.4          | 1.4          | 11.8           | 9.9            | -                    | 18.4         | 12.6           | 6.1            | -              | 0.7            |
| Taxes and duties                                  | 30.5         | 21.7         | 52.7           | 2.8            | -                    | 3.2          | 4.3            | 4.3            | -              | 0.1            |
| Provisions  | 2.0          | 0.4          | 7.7            | 4.3            | -                    | 85.6         | 265.0          | 138.3          | -              | -              |
| Financial expenses                                | 35.4         | 27.7         | 138.4          | 103.9          | 68.1                 | 66.8         | -              | -              | -              | 1.6            |
| Financial income                                  | (6.9)        | (3.1)        | (26.6)         | (10.7)         | (13.0)               | (6.9)        | (27.6)         | (19.3)         | -              | (0.2)          |
| Other income/ (expense), net                      | 5.7          | 12.2         | (179.1)        | 35.2           | 8.0                  | 23.1         | (15.1)         | (2.9)          | -              | 0.5            |
| CO <sub>2</sub> Emissions                         | -            | -            | 57.1           | 9.3            | -                    | -            | -              | -              | -              | -              |
| Impairment loss of marketable securities          | 0.2          | 3.4          | 0.8            | 13.3           | 0.4                  | 8.5          | -              | -              | -              | 0.2            |
| Foreign currency gains/ (losses), net             | 0.2          | -            | 0.7            | (0.1)          | 0.3                  | (0.1)        | -              | -              | -              | -              |
| Allocated Administration Expenses                 | 44.8         | 39.6         | 41.2           | 37.5           | 0.8                  | 55.8         | 13.8           | 12.8           | -              | -              |
| <b>Interdepartmental Expenses</b>                 |              |              |                |                |                      |              |                |                |                |                |
| Public Service Obligations                        | -            | -            | -              | -              | -                    | -            | 708.7          | 485.2          | -              | 485.2          |
| Energy  | 78.2         | 75.0         | 32.0           | 35.9           | -                    | -            | 266.6          | 282.7          | -              | 284.5          |
| Lignite   | -            | -            | 853.5          | 894.9          | -                    | -            | -              | -              | -              | -              |
| Other Services                                    | -            | -            | 14.4           | 17.8           | -                    | -            | -              | -              | -              | -              |
| Distribution Network usage rentals                | -            | -            | -              | -              | -                    | -            | -              | 734.2          | -              | 734.2          |
| Obligations from Administrators                   | -            | -            | -              | -              | -                    | 17.7         | -              | -              | -              | -              |
| <b>PROFIT (LOSS) BEFORE TAX</b>                   | <b>88.8</b>  | <b>35.4</b>  | <b>583.7</b>   | <b>336.4</b>   | <b>210.8</b>         | <b>160.8</b> | <b>(838.4)</b> | <b>(779.7)</b> | <b>-</b>       | <b>-</b>       |

## PART B' - UNBUNDLED FINANCIAL STATEMENTS

| ELIMINATIONS     |                  | TOTAL PPC      |                | IPTO           |              | HEDNO          |          | SUBSIDIARIES AFFILIATES |             | OTHER COMPANIES ELIMINATIONS |               | TOTAL GROUP    |                |
|------------------|------------------|----------------|----------------|----------------|--------------|----------------|----------|-------------------------|-------------|------------------------------|---------------|----------------|----------------|
| 2012             | 2011             | 2012           | 2011           | 2012           | 2011         | 2012           | 2011     | 2012                    | 2011        | 2012                         | 2011          | 2012           | 2011           |
| -                | -                | 5,648.3        | 4,824.9        | -              | -            | -              | -        | -                       | -           | -                            | -             | 5,648.3        | 4,824.9        |
| (2,295.3)        | (2,342.2)        | -              | -              | 2,228.3        | 320.8        | -              | -        | 24.3                    | 23.0        | (2,237.3)                    | (10.6)        | 15.3           | 333.2          |
| -                | -                | 56.8           | 39.3           | -              | -            | -              | -        | -                       | -           | -                            | -             | 56.8           | 39.3           |
| (379.2)          | (390.3)          | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| (3.2)            | (17.3)           | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| (344.9)          | -                | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| -                | -                | 106.5          | 134.8          | -              | -            | -              | -        | -                       | -           | -                            | -             | 106.5          | 134.8          |
| -                | -                | 12.6           | 53.1           | -              | -            | -              | -        | -                       | -           | -                            | -             | 12.6           | 53.1           |
| -                | -                | -              | 63.7           | -              | -            | 1,167.9        | -        | -                       | -           | (1,167.9)                    | -             | -              | 63.7           |
| (331.7)          | (89.0)           | 49.0           | 63.3           | 1.9            | -            | -              | -        | -                       | -           | 80.1                         | -             | 131.0          | 63.3           |
| -                | -                | 14.6           | 1.3            | -              | -            | -              | -        | -                       | -           | -                            | -             | 14.6           | 1.3            |
| (708.7)          | (970.5)          | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| (376.8)          | (678.0)          | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| (853.5)          | (894.9)          | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| (14.4)           | (17.8)           | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| -                | (1,468.5)        | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| -                | (17.7)           | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| <b>(5.307,8)</b> | <b>(6.886,2)</b> | <b>5.887,9</b> | <b>5.180,3</b> | <b>2.230,3</b> | <b>320,8</b> | <b>1.167,9</b> | <b>-</b> | <b>24,3</b>             | <b>23,0</b> | <b>(3.325,2)</b>             | <b>(10,6)</b> | <b>5.985,2</b> | <b>5.513,6</b> |
| -                | -                | 548.5          | 923.1          | 63.9           | 70.8         | 272.6          | -        | 2.4                     | 2.7         | (12.9)                       | (2.4)         | 874.6          | 994.1          |
| -                | -                | 40.9           | 70.6           | -              | -            | -              | -        | -                       | -           | -                            | -             | 40.9           | 70.6           |
| -                | -                | 940.7          | 803.7          | -              | -            | -              | -        | -                       | -           | -                            | -             | 940.7          | 803.7          |
| -                | -                | 444.5          | 469.4          | -              | -            | -              | -        | -                       | -           | -                            | -             | 444.5          | 469.4          |
| -                | -                | 575.0          | 579.5          | 54.5           | 55.4         | 5.0            | -        | 5.1                     | 4.6         | -                            | -             | 639.7          | 639.5          |
| (162.5)          | (139.9)          | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| (133.7)          | (103.2)          | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| (1,880.3)        | (2,064.3)        | 1,734.4        | 1,067.6        | 1,978.4        | -            | 140.8          | -        | -                       | -           | (2,137.3)                    | (10.6)        | 1,716.3        | 1,057.0        |
| (450.5)          | (411.8)          | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| 0.0              | 75.5             | 207.9          | 315.6          | -              | -            | -              | -        | -                       | -           | (523.1)                      | -             | (315.2)        | 315.6          |
| (344.9)          | -                | 407.9          | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | 407.9          | -              |
| (334.2)          | (195.2)          | 75.8           | -              | -              | -            | -              | -        | -                       | -           | (75.8)                       | -             | -              | -              |
| -                | -                | 125.5          | 187.2          | 1.9            | 5.9          | 36.0           | -        | -                       | -           | -                            | -             | 163.4          | 193.1          |
| -                | -                | 254.8          | 305.3          | 6.4            | 2.1          | 631.0          | -        | 4.4                     | 4.5         | (583.9)                      | -             | 312.7          | 311.9          |
| -                | -                | 25.7           | 36.7           | 7.7            | 4.6          | 30.9           | -        | 1.2                     | 1.3         | (20.4)                       | -             | 45.2           | 42.6           |
| (48.3)           | -                | 39.1           | 32.1           | 2.1            | 2.1          | 2.8            | -        | 2.2                     | 1.0         | -                            | -             | 46.2           | 35.1           |
| -                | -                | 274.8          | 228.6          | 48.5           | (4.6)        | 14.2           | -        | -                       | -           | 0.0                          | -             | 337.4          | 224.0          |
| -                | -                | 241.9          | 199.9          | 29.8           | 24.8         | 0.2            | -        | 1.3                     | 0.7         | -                            | -             | 273.3          | 225.4          |
| -                | -                | (74.2)         | (40.1)         | (2.1)          | -            | (0.2)          | -        | (0.6)                   | (0.3)       | 37.0                         | -             | (40.2)         | (40.5)         |
| -                | -                | (180.5)        | 68.1           | 3.5            | 6.6          | 5.1            | -        | 0.4                     | 0.5         | 15.7                         | 2.4           | (155.8)        | 77.7           |
| -                | -                | 57.1           | 9.3            | -              | -            | -              | -        | -                       | -           | -                            | -             | 57.1           | 9.3            |
| -                | -                | 1.4            | 25.4           | -              | -            | -              | -        | (2.1)                   | (0.2)       | -                            | -             | (0.7)          | 25.2           |
| -                | -                | 1.2            | (0.3)          | -              | -            | -              | -        | -                       | -           | -                            | -             | 1.2            | (0.3)          |
| -                | -                | 100.6          | 145.8          | -              | -            | -              | -        | -                       | -           | -                            | -             | 100.6          | 145.8          |
| (708.7)          | (970.5)          | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| (376.8)          | (678.0)          | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| (853.5)          | (894.9)          | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| (14.4)           | (17.8)           | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| -                | (1,468.5)        | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| -                | (17.7)           | -              | -              | -              | -            | -              | -        | -                       | -           | -                            | -             | -              | -              |
| -                | -                | <b>44.9</b>    | <b>(247.1)</b> | <b>35.7</b>    | <b>153.2</b> | <b>29.4</b>    | <b>-</b> | <b>9.9</b>              | <b>8.2</b>  | <b>(24.5)</b>                | <b>-</b>      | <b>95.4</b>    | <b>(85.8)</b>  |

## INTERCONNECTED SYSTEM UNBUNDLED INCOME STATEMENT DECEMBER 2012

(expressed in million euro)

| REVENUES  | MINES        |              | GENERATION     |                |
|---|--------------|--------------|----------------|----------------|
|   | 2012         | 2011         | 2012           | 2011           |
| <b>REVENUES</b>                                   |              |              |                |                |
| Energy sales to customers                         | -            | -            | -              | -              |
| Energy sales to wholesale market                  | -            | -            | 2,295.3        | 2,342.2        |
| Energy exports                                    | -            | -            | -              | -              |
| Capacity assurance mechanism                      | -            | -            | 379.2          | 390.3          |
| Other Services to wholesale market                | -            | -            | 3.2            | 17.3           |
| Network rentals                                   | -            | -            | -              | -              |
| Customer's contribution                           | -            | -            | -              | -              |
| PSO's revenues of other suppliers                 | -            | -            | -              | -              |
| Transmission system usage fees                    | -            | -            | -              | -              |
| Other Sales                                       | 1.5          | 1.9          | 8.6            | 8.7            |
| Allocated Administration Revenues                 | 7.3          | 0.5          | 5.0            | 0.3            |
| <b>Interdepartmental Revenues</b>                 |              |              |                |                |
| Public Service Obligations                        | -            | -            | -              | -              |
| Energy  | -            | -            | -              | -              |
| Lignite   | 853.5        | 894.9        | -              | -              |
| Other Services                                    | 14.4         | 17.8         | -              | -              |
| Distribution Network usage rentals                | -            | -            | -              | -              |
| Obligations from Administrators                   | -            | -            | -              | -              |
| <b>REVENUES</b>                                   | <b>876,7</b> | <b>915,1</b> | <b>2.691,3</b> | <b>2.758,9</b> |
| <b>EXPENSES (3RD PARTIES)</b>                     |              |              |                |                |
| Payroll Cost                                      | 230.5        | 277.1        | 213.8          | 256.8          |
| Third party lignite and lignite reserve variation | (7.5)        | 17.0         | 48.4           | 53.6           |
| Liquid fuel                                       | -            | -            | 77.3           | 63.6           |
| Natural Gas                                       | -            | -            | 444.5          | 469.4          |
| Depreciations                                     | 131.8        | 131.2        | 212.0          | 220.3          |
| Energy Purchases from third party                 | -            | -            | 0.1            | 5.5            |
| Energy imports                                    | -            | -            | -              | -              |
| Energy Purchases to wholesale market              | -            | -            | -              | -              |
| Charge for the capacity assurance mechanism       | -            | -            | -              | -              |
| Transmission Network Fees                         | -            | -            | -              | -              |
| Distribution Network Fees                         | -            | -            | -              | -              |
| Uplift charge                                     | -            | -            | -              | -              |
| Materials & Consumables                           | 67.5         | 85.7         | 37.2           | 40.8           |
| Utilities & Maintenance                           | 174.2        | 190.6        | 42.5           | 37.4           |
| Third party fees                                  | 1.4          | 1.4          | 7.3            | 5.2            |
| Taxes and duties                                  | 30.5         | 21.7         | 51.7           | 2.3            |
| Provisions  | 2.0          | 0.4          | 5.7            | 3.1            |
| Financial expenses                                | 35.4         | 27.7         | 105.4          | 80.5           |
| Financial income                                  | (6.9)        | (3.1)        | (20.2)         | (8.3)          |
| Other income/ (expense), net                      | 5.7          | 12.2         | (179.7)        | 29.2           |
| CO <sub>2</sub> Emissions                         | -            | -            | 54.7           | 9.7            |
| Impairment loss of marketable securities          | 0.2          | 3.4          | 0.6            | 10.3           |
| Foreign currency gains/ (losses), net             | 0.2          | -            | 0.5            | (0.1)          |
| Allocated Administration Expenses                 | 44.8         | 39.6         | 31.8           | 28.9           |
| <b>Interdepartmental Expenses</b>                 |              |              |                |                |
| Public Service Obligations                        | -            | -            | -              | -              |
| Energy  | 78.2         | 75.0         | 30.0           | 34.1           |
| Lignite   | -            | -            | 853.5          | 894.9          |
| Other Services                                    | -            | -            | 14.4           | 17.8           |
| Distribution Network usage rentals                | -            | -            | -              | -              |
| Obligations from Administrators                   | -            | -            | -              | -              |
| <b>PROFIT (LOSS) BEFORE TAX</b>                   | <b>88.8</b>  | <b>35.4</b>  | <b>659.9</b>   | <b>503.9</b>   |

## PART B' - UNBUNDLED FINANCIAL STATEMENTS

| DISTRIBUTION NETWORK |              | SUPPLY         |                | TOTAL          |                |
|----------------------|--------------|----------------|----------------|----------------|----------------|
| 2012                 | 2011         | 2012           | 2011           | 2012           | 2011           |
| -                    | -            | 5,012.0        | 4,260.4        | 5,012.0        | 4,260.4        |
| -                    | -            | -              | -              | 2,295.3        | 2,342.2        |
| -                    | -            | 56.8           | 39.3           | 56.8           | 39.3           |
| -                    | -            | -              | -              | 379.2          | 390.3          |
| -                    | -            | -              | -              | 3.2            | 17.3           |
| 300.2                | -            | -              | -              | 300.2          | -              |
| 96.4                 | 113.4        | -              | -              | 96.4           | 113.4          |
| -                    | -            | 12.6           | 53.1           | 12.6           | 53.1           |
| -                    | 63.7         | -              | -              | -              | 63.7           |
| 8.1                  | 17.4         | 336.7          | 105.3          | 354.8          | 133.3          |
| -                    | 0.3          | 0.8            | -              | 13.1           | 1.1            |
| -                    | -            | -              | -              | -              | -              |
| -                    | -            | 108.2          | 109.1          | 108.2          | 109.1          |
| -                    | -            | -              | -              | 853.5          | 894.9          |
| -                    | -            | -              | -              | 14.4           | 17.8           |
| -                    | 638.3        | -              | -              | -              | 638.3          |
| -                    | -            | -              | -              | -              | -              |
| <b>404,7</b>         | <b>833,0</b> | <b>5,527,1</b> | <b>4,567,2</b> | <b>9,499,8</b> | <b>9,074,3</b> |
| -                    | 222.8        | 36.6           | 40.2           | 480.8          | 796.9          |
| -                    | -            | -              | -              | 40.9           | 70.6           |
| -                    | -            | -              | -              | 77.3           | 63.6           |
| -                    | -            | -              | -              | 444.5          | 469.4          |
| 157.4                | 159.6        | 1.0            | 0.9            | 502.2          | 512.0          |
| -                    | 0.2          | -              | -              | 0.1            | 5.8            |
| -                    | -            | 133.7          | 103.2          | 133.7          | 103.2          |
| -                    | -            | 3,614.7        | 3,131.9        | 3,614.7        | 3,131.9        |
| -                    | -            | 450.5          | 411.8          | 450.5          | 411.8          |
| -                    | -            | 207.9          | 240.1          | 207.9          | 240.1          |
| -                    | -            | 685.9          | -              | 685.9          | -              |
| -                    | -            | 407.0          | 186.5          | 407.0          | 186.5          |
| -                    | 31.5         | 1.1            | 1.3            | 105.7          | 159.3          |
| -                    | 35.7         | 26.3           | 24.2           | 243.0          | 287.9          |
| -                    | 15.8         | 11.8           | 5.4            | 20.5           | 27.8           |
| -                    | 2.7          | 3.9            | 3.8            | 86.1           | 30.5           |
| -                    | 84.6         | 237.2          | 121.6          | 244.9          | 209.7          |
| 60.9                 | 58.5         | -              | -              | 201.6          | 166.7          |
| (11.7)               | (6.1)        | (24.4)         | (17.0)         | (63.2)         | (34.4)         |
| 5.9                  | 20.0         | (13.5)         | (2.6)          | (181.6)        | 58.8           |
| -                    | -            | -              | -              | 54.7           | 9.7            |
| 0.4                  | 7.5          | -              | -              | 1.2            | 21.1           |
| 0.3                  | (0.1)        | -              | -              | 1.0            | (0.2)          |
| 0.7                  | 48.7         | 12.4           | 11.6           | 89.7           | 128.8          |
| -                    | -            | 591.6          | 386.4          | 591.6          | 386.4          |
| -                    | -            | 1.0            | 1.2            | 109.2          | 110.2          |
| -                    | -            | -              | -              | 853.5          | 894.9          |
| -                    | -            | -              | -              | 14.4           | 17.8           |
| -                    | -            | -              | 638.3          | -              | 638.3          |
| -                    | 2.3          | -              | -              | -              | 2.3            |
| <b>190.8</b>         | <b>149.3</b> | <b>(857.5)</b> | <b>(721.5)</b> | <b>82.0</b>    | <b>(32.9)</b>  |

## CRETE UNBUNDLED INCOME STATEMENT DECEMBER 2012

(expressed in million euro)

| REVENUES  | GENERATION    |               |
|---|---------------|---------------|
|   | 2012          | 2011          |
| <b>Revenues from 3rd Parties</b>                  |               |               |
| Energy sales to customers                         | -             | -             |
| Energy sales to wholesale market                  | -             | -             |
| Energy exports                                    | -             | -             |
| Capacity assurance mechanism                      | -             | -             |
| Other Services to wholesale market                | -             | -             |
| Network rentals                                   | -             | -             |
| Customer's contribution                           | -             | -             |
| PSO's revenues of other suppliers                 | -             | -             |
| Transmission system usage fees                    | -             | -             |
| Other Sales                                       | 0.1           | 0.1           |
| Allocated Administration Revenues                 | 0.5           | -             |
| <b>Interdepartmental Revenues</b>                 |               |               |
| Public Service Obligations                        | 353.4         | 241.2         |
| Energy  | 133.1         | 140.6         |
| Lignite   | -             | -             |
| Other Services                                    | -             | -             |
| Distribution Network usage rentals                | -             | -             |
| Obligations from Administrators                   | -             | -             |
| <b>REVENUES</b>                                   | <b>487.1</b>  | <b>381.9</b>  |
| <b>EXPENSES (3RD PARTIES)</b>                     |               |               |
| Payroll Cost                                      | 23.7          | 27.8          |
| Third party lignite and lignite reserve variation | -             | -             |
| Liquid fuel                                       | 467.8         | 399.3         |
| Natural Gas                                       | -             | -             |
| Depreciations                                     | 18.7          | 16.4          |
| Energy Purchases from third party                 | 3.0           | 2.9           |
| Energy imports                                    | -             | -             |
| Energy Purchases to wholesale market              | -             | -             |
| Charge for the capacity assurance mechanism       | -             | -             |
| Transmission Network Fees                         | -             | -             |
| Distribution Network Fees                         | -             | -             |
| Uplift charge                                     | -             | -             |
| Materials & Consumables                           | 5.5           | 6.1           |
| Utilities & Maintenance                           | 3.0           | 2.2           |
| Third party fees                                  | 0.2           | 0.1           |
| Taxes and duties                                  | 0.5           | 0.3           |
| Provisions  | 0.8           | 0.9           |
| Financial expenses                                | 14.6          | 10.7          |
| Financial income                                  | (2.8)         | (1.1)         |
| Other income/ (expense), net                      | (0.2)         | 1.7           |
| CO <sub>2</sub> Emissions                         | 1.1           | (0.4)         |
| Impairment loss of marketable securities          | 0.1           | 1.4           |
| Foreign currency gains/ (losses), net             | 0.1           | -             |
| Allocated Administration Expenses                 | 3.2           | 2.9           |
| <b>Interdepartmental Expenses</b>                 |               |               |
| Public Service Obligations                        | -             | -             |
| Energy  | 1.4           | 1.3           |
| Lignite   | -             | -             |
| Other Services                                    | -             | -             |
| Distribution Network usage rentals                | -             | -             |
| Obligations from Administrators                   | -             | -             |
| <b>PROFIT (LOSS) BEFORE TAX</b>                   | <b>(53.7)</b> | <b>(90.6)</b> |

## PART B' - UNBUNDLED FINANCIAL STATEMENTS

| DISTRIBUTION NETWORK |             | SUPPLY       |               | TOTAL         |                |
|----------------------|-------------|--------------|---------------|---------------|----------------|
| 2012                 | 2011        | 2012         | 2011          | 2012          | 2011           |
| -                    | -           | 332.0        | 293.8         | 332.0         | 293.8          |
| -                    | -           | -            | -             | -             | -              |
| -                    | -           | -            | -             | -             | -              |
| -                    | -           | -            | -             | -             | -              |
| 18.0                 | -           | -            | -             | 18.0          | -              |
| 5.2                  | 9.2         | -            | -             | 5.2           | 9.2            |
| -                    | -           | -            | -             | -             | -              |
| -                    | -           | -            | -             | -             | -              |
| 0.6                  | 2.0         | 12.6         | 7.1           | 13.3          | 9.2            |
| -                    | -           | -            | -             | 0.5           | 0.1            |
| -                    | -           | -            | -             | 353.4         | 241.2          |
| -                    | -           | 1.4          | 1.3           | 134.5         | 141.9          |
| -                    | -           | -            | -             | -             | -              |
| -                    | -           | -            | -             | -             | -              |
| -                    | 49.7        | -            | -             | -             | 49.7           |
| -                    | -           | -            | -             | -             | -              |
| <b>23.9</b>          | <b>60.9</b> | <b>346.1</b> | <b>302.3</b>  | <b>857.0</b>  | <b>745.0</b>   |
| -                    | 16.7        | 2.5          | 2.7           | 26.2          | 47.2           |
| -                    | -           | -            | -             | -             | -              |
| -                    | -           | -            | -             | 467.8         | 399.3          |
| -                    | -           | -            | -             | -             | -              |
| 12.8                 | 7.5         | -            | -             | 31.6          | 23.9           |
| -                    | -           | 83.1         | 89.8          | 86.1          | 92.7           |
| -                    | -           | -            | -             | -             | -              |
| -                    | -           | -            | -             | -             | -              |
| -                    | -           | -            | -             | -             | -              |
| -                    | -           | 33.7         | -             | 33.7          | -              |
| -                    | -           | 1.5          | 4.6           | 1.5           | 4.6            |
| -                    | 1.8         | 0.1          | -             | 5.5           | 7.9            |
| -                    | 2.0         | 1.5          | 1.5           | 4.5           | 5.6            |
| -                    | 1.1         | 0.6          | 0.5           | 0.8           | 1.8            |
| -                    | 0.2         | 0.2          | 0.3           | 0.7           | 0.8            |
| -                    | 0.2         | 15.1         | 8.2           | 15.9          | 9.4            |
| 2.4                  | 2.7         | 0.0          | -             | 17.0          | 13.5           |
| (0.5)                | (0.3)       | (1.6)        | (1.2)         | (4.9)         | (2.6)          |
| 0.7                  | 1.5         | (0.8)        | (0.2)         | (0.3)         | 3.0            |
| -                    | -           | -            | -             | 1.1           | (0.4)          |
| -                    | 0.3         | -            | -             | 0.1           | 1.7            |
| -                    | -           | -            | -             | 0.1           | -              |
| -                    | 3.0         | 0.8          | 0.7           | 4.1           | 6.6            |
| -                    | -           | 61.5         | 48.9          | 61.5          | 48.9           |
| -                    | -           | 133.1        | 140.6         | 134.5         | 141.9          |
| -                    | -           | -            | -             | -             | -              |
| -                    | -           | -            | -             | -             | -              |
| -                    | -           | -            | 49.7          | -             | 49.7           |
| -                    | 7.2         | -            | -             | -             | 7.2            |
| <b>8.4</b>           | <b>16.8</b> | <b>14.8</b>  | <b>(43.8)</b> | <b>(30.4)</b> | <b>(117.6)</b> |

## OTHER NON INTERCONNECTED ISLANDS UNBUNDLED INCOME STATEMENT DECEMBER 2012

(expressed in million euro)

|   | GENERATION    |               |
|---|---------------|---------------|
|   | 2012          | 2011          |
| <b>REVENUES</b>                                   |               |               |
| <b><u>Revenues from 3rd Parties</u></b>           |               |               |
| Energy sales to customers                         | -             | -             |
| Energy sales to wholesale market                  | -             | -             |
| Energy exports                                    | -             | -             |
| Capacity assurance mechanism                      | -             | -             |
| Other Services to wholesale market                | -             | -             |
| Network rentals                                   | -             | -             |
| Customer's contribution                           | -             | -             |
| PSO's revenues of other suppliers                 | -             | -             |
| Transmission system usage fees                    | -             | -             |
| Other Sales                                       | 0.2           | 0.1           |
| Allocated Administration Revenues                 | 1.0           | 0.1           |
| <b><u>Interdepartmental Revenues</u></b>          |               |               |
| Public Service Obligations                        | 355.2         | 244.0         |
| Energy  | 133.6         | 142.1         |
| Lignite   | -             | -             |
| Other Services                                    | -             | -             |
| Distribution Network usage rentals                | -             | -             |
| Obligations from Administrators                   | -             | -             |
|   | <b>489,9</b>  | <b>386,3</b>  |
| <b>EXPENSES (3RD PARTIES)</b>                     |               |               |
| Payroll Cost                                      | 39.6          | 46.0          |
| Third party lignite and lignite reserve variation | -             | -             |
| Liquid fuel                                       | 395.6         | 340.9         |
| Natural Gas                                       | -             | -             |
| Depreciations                                     | 25.7          | 22.6          |
| Energy Purchases from third party                 | 1.7           | 2.8           |
| Energy imports                                    | -             | -             |
| Energy Purchases to wholesale market              | -             | -             |
| Charge for the capacity assurance mechanism       | -             | -             |
| Transmission Network Fees                         | -             | -             |
| Distribution Network Fees                         | -             | -             |
| Uplift charge                                     | -             | -             |
| Materials & Consumables                           | 14.2          | 16.1          |
| Utilities & Maintenance                           | 5.8           | 6.2           |
| Third party fees                                  | 4.3           | 4.6           |
| Taxes and duties                                  | 0.4           | 0.3           |
| Provisions  | 1.2           | 0.3           |
| Financial expenses                                | 18.4          | 12.7          |
| Financial income                                  | (3.5)         | (1.3)         |
| Other income/ (expense), net                      | 0.8           | 4.3           |
| CO <sub>2</sub> Emissions                         | 1.3           | 0.1           |
| Impairment loss of marketable securities          | 0.1           | 1.6           |
| Foreign currency gains/ (losses), net             | 0.1           | -             |
| Allocated Administration Expenses                 | 6.3           | 5.7           |
| <b><u>Interdepartmental Expenses</u></b>          |               |               |
| Public Service Obligations                        | -             | -             |
| Energy  | 0.6           | 0.5           |
| Lignite   | -             | -             |
| Other Services                                    | -             | -             |
| Distribution Network usage rentals                | -             | -             |
| Obligations from Administrators                   | -             | -             |
|   | <b>(22,5)</b> | <b>(76,9)</b> |
| <b>PROFIT (LOSS) BEFORE TAX</b>                   |               |               |

## PART B' - UNBUNDLED FINANCIAL STATEMENTS

| DISTRIBUTION NETWORK |              | SUPPLY       |               | TOTAL        |               |
|----------------------|--------------|--------------|---------------|--------------|---------------|
| 2012                 | 2011         | 2012         | 2011          | 2012         | 2011          |
| -                    | -            | 304.3        | 270.7         | 304.3        | 270.7         |
| -                    | -            | -            | -             | -            | -             |
| -                    | -            | -            | -             | -            | -             |
| -                    | -            | -            | -             | -            | -             |
| 26.7                 | -            | -            | -             | 26.7         | -             |
| 4.9                  | 12.1         | -            | -             | 4.9          | 12.1          |
| -                    | -            | -            | -             | -            | -             |
| -                    | -            | -            | -             | -            | -             |
| 0.7                  | 3.3          | 11.8         | 6.3           | 12.6         | 9.8           |
| -                    | -            | -            | -             | 1.0          | 0.1           |
| -                    | -            | -            | -             | 355.2        | 244.0         |
| -                    | -            | 0.5          | 0.4           | 134.1        | 142.6         |
| -                    | -            | -            | -             | -            | -             |
| -                    | -            | -            | -             | -            | -             |
| -                    | 46.3         | -            | -             | -            | 46.3          |
| -                    | -            | -            | -             | -            | -             |
| <b>32,4</b>          | <b>61,7</b>  | <b>316,7</b> | <b>277,5</b>  | <b>839,0</b> | <b>725,6</b>  |
| -                    | 22.5         | 1.9          | 2.2           | 41.5         | 70.6          |
| -                    | -            | -            | -             | -            | -             |
| -                    | -            | -            | -             | 395.6        | 340.9         |
| -                    | -            | -            | -             | -            | -             |
| 15.4                 | 14.9         | 0.1          | 0.1           | 41.2         | 37.6          |
| -                    | -            | 74.6         | 38.6          | 76.3         | 41.4          |
| -                    | -            | -            | -             | -            | -             |
| -                    | -            | -            | -             | -            | -             |
| -                    | -            | -            | -             | -            | -             |
| -                    | -            | 33.2         | -             | 33.2         | -             |
| -                    | -            | 1.5          | 4.1           | 1.5          | 4.1           |
| -                    | 3.8          | -            | -             | 14.2         | 19.9          |
| -                    | 3.7          | 1.5          | 1.5           | 7.3          | 11.4          |
| -                    | 1.5          | 0.2          | 0.2           | 4.5          | 6.3           |
| -                    | 0.2          | 0.2          | 0.2           | 0.6          | 0.8           |
| -                    | 0.8          | 12.7         | 8.5           | 13.9         | 9.6           |
| 4.8                  | 5.6          | -            | -             | 23.2         | 18.3          |
| (0.9)                | (0.6)        | (1.6)        | (1.1)         | (6.1)        | (3.0)         |
| 1.4                  | 1.7          | (0.7)        | (0.1)         | 1.5          | 5.8           |
| -                    | -            | -            | -             | 1.3          | 0.1           |
| -                    | 0.7          | -            | -             | 0.1          | 2.3           |
| -                    | -            | -            | -             | 0.1          | -             |
| -                    | 4.1          | 0.6          | 0.6           | 6.9          | 10.4          |
| -                    | -            | 55.6         | 50.0          | 55.6         | 50.0          |
| -                    | -            | 132.6        | 141.0         | 133.1        | 141.4         |
| -                    | -            | -            | -             | -            | -             |
| -                    | -            | -            | -             | -            | -             |
| -                    | -            | -            | 46.3          | -            | 46.3          |
| -                    | 8.1          | -            | -             | -            | 8.1           |
| <b>11,5</b>          | <b>(5,3)</b> | <b>4,3</b>   | <b>(14,4)</b> | <b>(6,6)</b> | <b>(96,6)</b> |

## UNBUNDLED INCOME STATEMENT OF ADMINISTRATORS DECEMBER 2012

(expressed in million euro)

| REVENUES  | NETWORK ADMINISTRATOR |              | ADMINISTRATOR OF NON-INTERCONNECTED ISLANDS |              |
|---|-----------------------|--------------|---|--------------|
|   | 2012                  | 2011         | 2012  | 2011         |
| <b>Revenues from 3rd Parties</b>                  |                       |              |   |              |
| Energy sales to customers                         | -                     | -            | -   | -            |
| Energy sales to wholesale market                  | -                     | -            | -   | -            |
| Energy exports                                    | -                     | -            | -   | -            |
| Capacity assurance mechanism                      | -                     | -            | -   | -            |
| Other Services to wholesale market                | -                     | -            | -   | -            |
| Network rentals                                   | -                     | -            | -   | -            |
| Customer's contribution                           | -                     | -            | -   | 0.1          |
| PSO's revenues of other suppliers                 | -                     | -            | -   | -            |
| Transmission system usage fees                    | -                     | -            | -   | -            |
| Other Sales                                       | -                     | -            | -   | -            |
| Allocated Administration Revenues                 | -                     | -            | -   | -            |
| <b>Interdepartmental Revenues</b>                 |                       |              |   |              |
| Public Service Obligations                        | -                     | -            | -   | 485.2        |
| Energy  | -                     | -            | -   | 284.5        |
| Lignite   | -                     | -            | -   | -            |
| Other Services                                    | -                     | -            | -   | -            |
| Distribution Network usage rentals                | -                     | 638.3        | -   | 95.9         |
| Obligations from Administrators                   | -                     | 2.3          | -   | 15.4         |
| <b>REVENUES</b>                                   | -                     | <b>640.6</b> | -   | <b>881.1</b> |
| <b>EXPENSES (3RD PARTIES)</b>                     |                       |              |   |              |
| Payroll Cost                                      | -                     | 1.0          | -   | 7.4          |
| Third party lignite and lignite reserve variation | -                     | -            | -   | -            |
| Liquid fuel                                       | -                     | -            | -   | -            |
| Natural Gas                                       | -                     | -            | -   | -            |
| Depreciations                                     | -                     | -            | -   | 6.0          |
| Energy Purchases from third party                 | -                     | -            | -   | -            |

## PART B' - UNBUNDLED FINANCIAL STATEMENTS

|   | NETWORK ADMINISTRATOR |          | ADMINISTRATOR OF NON-INTERCONNECTED ISLANDS |          |
|---|-----------------------|----------|---|----------|
|   | 2012                  | 2011     | 2012  | 2011     |
| Energy imports                              | -                     | -        | -   | -        |
| Energy Purchases to wholesale market        | -                     | -        | -   | -        |
| Charge for the capacity assurance mechanism | -                     | -        | -   | -        |
| Transmission Network Fees                   | -                     | -        | -   | -        |
| Distribution Network Fees                   | -                     | -        | -   | -        |
| Uplift charge                               | -                     | -        | -   | -        |
| Materials & Consumables                     | -                     | -        | -   | 0.1      |
| Utilities & Maintenance                     | -                     | 0.1      | -   | 0.4      |
| Third party fees                            | -                     | 0.1      | -   | 0.7      |
| Taxes and duties                            | -                     | -        | -   | 0.1      |
| Provisions                                  | -                     | -        | -   | -        |
| Financial expenses                          | -                     | -        | -   | 1.6      |
| Financial income                            | -                     | -        | -   | (0.2)    |
| Other income/ (expense), net                | -                     | -        | -   | 0.5      |
| CO <sub>2</sub> Emissions                   | -                     | -        | -   | -        |
| Impairment loss of marketable securities    | -                     | -        | -   | 0.2      |
| Foreign currency gains/ (losses), net       | -                     | -        | -   | -        |
| Allocated Administration Expenses           | -                     | -        | -   | -        |
| <b><u>Interdepartmental Expenses</u></b>    |                       |          |   |          |
| Public Service Obligations                  | -                     | -        | -   | 485.2    |
| Energy                                      | -                     | 1.2      | -   | 283.3    |
| Lignite                                     | -                     | -        | -   | -        |
| Other Services                              | -                     | -        | -   | -        |
| Distribution Network usage rentals          | -                     | 638.3    | -   | 95.9     |
| Obligations from Administrators             | -                     | -        | -   | -        |
| <b>PROFIT (LOSS) BEFORE TAX</b>             | <b>-</b>              | <b>-</b> | <b>-</b>                                    | <b>-</b> |

## GROUP UNBUNDLED BALANCE SHEET DECEMBER 2012

(expressed in million euro)

|   | ADMINISTRATION   |                   | MINES          |                | GENERATION     |                | DISTRIBUTION NETWORK |                | SUPPLY         |                | ADMINISTRATORS |             |
|---|------------------|-------------------|----------------|----------------|----------------|----------------|----------------------|----------------|----------------|----------------|----------------|-------------|
|   | 2012             | 2011              | 2012           | 2011           | 2012           | 2011           | 2012                 | 2011           | 2012           | 2011           | 2012           | 2011        |
| <b>ASSETS</b>                                     |                  |                   |                |                |                |                |                      |                |                |                |                |             |
| <b>NON-CURRENT ASSETS</b>                         |                  |                   |                |                |                |                |                      |                |                |                |                |             |
| Tangible Assets                                   | -                | -                 | 1,510.3        | 1,516.8        | 5,118.0        | 5,143.8        | 4,365.0              | 4,992.3        | 35.0           | 34.0           | -              | 83.5        |
| Intangible Assets                                 | -                | -                 | -              | 0.4            | 51.1           | 88.6           | -                    | 0.1            | -              | -              | -              | -           |
| Investments in related parties                    | 1,065.7          | 816.7             | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Other Long-term Receivables                       | -                | -                 | 2.5            | 3.1            | 8.4            | 8.9            | -                    | 0.3            | 18.6           | 30.6           | -              | -           |
| Marketable and other securities                   | -                | -                 | 0.7            | 1.6            | 3.0            | 4.7            | 1.5                  | 0.1            | (0.3)          | -              | -              | -           |
| Administration non-current assets                 | -                | -                 | 16.6           | 16.0           | 56.6           | 54.9           | 46.9                 | 52.2           | 0.5            | 0.7            | -              | -           |
| <b>TOTAL NON-CURRENT ASSETS</b>                   | <b>1,065.7</b>   | <b>816.7</b>      | <b>1,530.2</b> | <b>1,538.0</b> | <b>5,237.1</b> | <b>5,300.9</b> | <b>4,413.3</b>       | <b>5,045.1</b> | <b>53.9</b>    | <b>65.4</b>    | <b>-</b>       | <b>83.5</b> |
| <b>CURRENT ASSETS</b>                             |                  |                   |                |                |                |                |                      |                |                |                |                |             |
| Inventories                                       | -                | -                 | 109.8          | 77.8           | 511.7          | 488.0          | -                    | 208.1          | -              | -              | -              | 3.2         |
| Trade Accounts Receivable                         | -                | -                 | -              | -              | (0.2)          | 5.1            | 4.4                  | 88.6           | 1,201.3        | 962.5          | -              | -           |
| Various Debtors                                   | -                | -                 | 21.1           | 47.0           | 649.2          | 418.9          | 66.1                 | (7.0)          | 10.8           | 125.8          | -              | 1.6         |
| Financial Assets                                  | -                | -                 | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Cash in hand                                      | -                | -                 | 23.4           | 28.8           | 95.7           | 114.1          | 47.1                 | 75.5           | 193.7          | 272.7          | -              | 1.7         |
| Other current assets                              | -                | -                 | (0.9)          | (0.2)          | (1.2)          | (1.7)          | (13.5)               | 1.0            | 89.9           | 2.5            | -              | -           |
| Administration current assets                     | -                | -                 | 15.9           | 5.6            | 126.5          | 32.5           | 11.7                 | 11.4           | 121.5          | 54.5           | -              | -           |
| <b>TOTAL CURRENT ASSETS</b>                       | <b>-</b>         | <b>-</b>          | <b>169.3</b>   | <b>159.0</b>   | <b>1,381.8</b> | <b>1,056.9</b> | <b>115.7</b>         | <b>377.6</b>   | <b>1,617.1</b> | <b>1,418.0</b> | <b>-</b>       | <b>6.6</b>  |
| <b>TOTAL ASSETS</b>                               | <b>1,065.7</b>   | <b>816.7</b>      | <b>1,699.5</b> | <b>1,696.9</b> | <b>6,618.9</b> | <b>6,357.8</b> | <b>4,529.0</b>       | <b>5,422.7</b> | <b>1,671.0</b> | <b>1,483.3</b> | <b>-</b>       | <b>90.0</b> |
| <b>LIABILITIES AND EQUITY</b>                     |                  |                   |                |                |                |                |                      |                |                |                |                |             |
| <b>EQUITY</b>                                     |                  |                   |                |                |                |                |                      |                |                |                |                |             |
| Share Capital                                     | 1,067.2          | 1,067.2           | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Revaluation Surplus                               | 106.7            | 106.7             | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Legal reserve                                     | 107.5            | 107.5             | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Revaluation Gain of Fixed Assets                  | 3,559.3          | 4,211.1           | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Capitalised Fixed assets' tax revaluation surplus | 207.7            | 207.7             | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Reserves  | 1,685.7          | 1,547.1           | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Fixed assets' revaluation surplus                 | (947.3)          | (947.3)           | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| <b>TOTAL EQUITY</b>                               | <b>5,786.8</b>   | <b>6,300.0</b>    | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>             | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>    |
| <b>CAPITAL FUNDING TO BUSINESS UNITS</b>          | <b>(9,585.7)</b> | <b>(10,578.1)</b> | <b>1,450.3</b> | <b>1,451.6</b> | <b>5,928.5</b> | <b>5,650.1</b> | <b>2,789.6</b>       | <b>3,611.4</b> | <b>(582.7)</b> | <b>(216.0)</b> | <b>-</b>       | <b>81.0</b> |
| <b>NON-CURRENT LIABILITIES</b>                    |                  |                   |                |                |                |                |                      |                |                |                |                |             |
| Long-term debt                                    | 3,026.2          | 3,142.7           | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Actuarial Provision and Provision for Risks       | 253.8            | 389.7             | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Deferred tax liability, long term                 | -                | -                 | 30.9           | 8.5            | 126.0          | 76.0           | 62.0                 | 117.2          | (13.3)         | (7.7)          | -              | 2.8         |
| Subsidies for fixed assets acquisition            | -                | -                 | 1.5            | 1.9            | 231.9          | 236.2          | 1,428.5              | 1,487.2        | -              | -              | -              | -           |
| Other long-term liabilities & Customers' advances | -                | -                 | -              | -              | 0.1            | 0.1            | -                    | -              | 528.7          | 498.1          | -              | -           |
| Administration non-current liabilities            | -                | -                 | 1.9            | 1.3            | 11.8           | 8.1            | 25.0                 | 21.3           | 7.3            | 4.9            | -              | -           |
| <b>TOTAL NON-CURRENT LIABILITIES</b>              | <b>3,280.0</b>   | <b>3,532.4</b>    | <b>34.2</b>    | <b>11.7</b>    | <b>369.8</b>   | <b>320.3</b>   | <b>1,515.5</b>       | <b>1,625.8</b> | <b>522.7</b>   | <b>495.2</b>   | <b>-</b>       | <b>2.8</b>  |
| <b>CURRENT LIABILITIES</b>                        |                  |                   |                |                |                |                |                      |                |                |                |                |             |
| Accounts Payable and Various Creditors            | -                | -                 | 136.8          | 176.9          | 112.1          | 226.4          | 173.0                | 135.5          | 1,571.1        | 1,113.9        | -              | 5.7         |
| Short-term Debt                                   | 241.5            | 224.0             | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Current portion of long-term bank loans           | 1,339.0          | 1,335.1           | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| SWAPs   | 4.0              | 3.1               | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Accrued and other current liabilities             | -                | -                 | 52.4           | 45.1           | 123.5          | 146.2          | 7.4                  | 41.2           | 13.5           | 9.3            | -              | 0.5         |
| Income Tax Payable                                | -                | -                 | 17.2           | -              | 70.1           | -              | 34.5                 | -              | (7.4)          | -              | -              | -           |
| Dividends payable                                 | 0.2              | 0.2               | -              | -              | -              | -              | -                    | -              | -              | -              | -              | -           |
| Administration current liabilities                | -                | -                 | 8.8            | 11.7           | 14.9           | 14.8           | 9.0                  | 8.9            | 153.8          | 80.8           | -              | -           |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>1,584.6</b>   | <b>1,562.3</b>    | <b>215.1</b>   | <b>233.7</b>   | <b>320.6</b>   | <b>387.4</b>   | <b>223.9</b>         | <b>185.5</b>   | <b>1,731.0</b> | <b>1,204.1</b> | <b>-</b>       | <b>6.2</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>               | <b>1,065.7</b>   | <b>816.7</b>      | <b>1,699.5</b> | <b>1,696.9</b> | <b>6,618.9</b> | <b>6,357.8</b> | <b>4,529.0</b>       | <b>5,422.7</b> | <b>1,671.0</b> | <b>1,483.3</b> | <b>-</b>       | <b>90.0</b> |

## PART B' - UNBUNDLED FINANCIAL STATEMENTS

| ELIMINATIONS |         | TOTAL PPC       |                 | IPTO           |                | HEDNO        |      | SUBSIDIARIES AFFILIATES |              | OTHER COMPANIES ELIMINATIONS |                | TOTAL GROUP     |                 |
|--------------|---------|-----------------|-----------------|----------------|----------------|--------------|------|-------------------------|--------------|------------------------------|----------------|-----------------|-----------------|
| 2012         | 2011    | 2012            | 2011            | 2012           | 2011           | 2012         | 2011 | 2012                    | 2011         | 2012                         | 2011           | 2012            | 2011            |
| -            | -       | 11,028.3        | 11,770.4        | 1,544.6        | 1,678.3        | 77.0         | -    | 140.3                   | 138.8        | (2.1)                        | -              | 12,788.0        | 13,587.5        |
| -            | -       | 51.1            | 89.1            | 0.7            | 0.1            | 0.6          | -    | 0.1                     | 0.1          | (0.4)                        | -              | 52.1            | 89.3            |
| -            | -       | 1,065.7         | 816.7           | -              | -              | -            | -    | 20.0                    | 15.9         | (1,065.7)                    | (816.6)        | 20.0            | 15.9            |
| -            | -       | 29.6            | 43.0            | 1.5            | 8.6            | 0.1          | -    | 0.4                     | 0.4          | -                            | (6.6)          | 31.5            | 45.5            |
| -            | -       | 4.9             | 6.4             | -              | -              | -            | -    | -                       | -            | -                            | -              | 4.9             | 6.4             |
| -            | -       | 120.6           | 123.8           | -              | -              | -            | -    | -                       | -            | -                            | -              | 120.6           | 123.8           |
| -            | -       | <b>12,300.2</b> | <b>12,849.4</b> | <b>1,546.7</b> | <b>1,687.1</b> | <b>77.6</b>  | -    | <b>160.8</b>            | <b>155.2</b> | <b>(1,068.1)</b>             | <b>(823.2)</b> | <b>13,017.2</b> | <b>13,868.5</b> |
| -            | -       | 621.4           | 777.2           | 48.9           | 52.8           | 175.9        | -    | 1.0                     | 1.0          | -                            | -              | 847.2           | 830.9           |
| (3.3)        | -       | 1,202.3         | 1,056.2         | 548.9          | -              | 3.1          | -    | 16.3                    | 2.2          | (512.1)                      | -              | 1,258.5         | 1,058.5         |
| (577.7)      | (411.6) | 169.5           | 174.6           | 71.8           | 94.9           | 139.6        | -    | 12.6                    | 12.3         | (212.9)                      | (50.8)         | 180.6           | 231.0           |
| -            | -       | -               | -               | -              | -              | -            | -    | -                       | -            | -                            | -              | -               | -               |
| -            | -       | 359.9           | 492.8           | 30.4           | 21.6           | 22.1         | -    | 5.7                     | 3.3          | -                            | -              | 418.1           | 517.7           |
| (7.2)        | -       | 67.1            | 1.6             | 29.3           | 35.3           | 1.6          | -    | 1.0                     | 0.9          | (37.1)                       | (3.7)          | 62.0            | 34.1            |
| -            | -       | 275.6           | 104.0           | -              | -              | -            | -    | -                       | -            | -                            | -              | 275.6           | 104.0           |
| (588.1)      | (411.6) | <b>2,695.9</b>  | <b>2,606.4</b>  | <b>729.3</b>   | <b>204.6</b>   | <b>342.4</b> | -    | <b>36.4</b>             | <b>19.8</b>  | <b>(762.0)</b>               | <b>(54.5)</b>  | <b>3,041.9</b>  | <b>2,776.3</b>  |
| (588.1)      | (411.6) | <b>14,996.1</b> | <b>15,455.8</b> | <b>2,276.0</b> | <b>1,891.7</b> | <b>420.0</b> | -    | <b>197.2</b>            | <b>175.0</b> | <b>(1,830.2)</b>             | <b>(877.7)</b> | <b>16,059.1</b> | <b>16,644.8</b> |
| -            | -       | 1,067.2         | 1,067.2         | 38.4           | 36.4           | 37.6         | -    | 62.1                    | 57.8         | (138.1)                      | (94.1)         | 1,067.2         | 1,067.2         |
| -            | -       | 106.7           | 106.7           | -              | -              | -            | -    | 25.6                    | 25.6         | (25.6)                       | (25.6)         | 106.7           | 106.7           |
| -            | -       | 107.5           | 107.5           | 11.2           | 4.1            | -            | -    | 1.3                     | 1.0          | (12.5)                       | (5.1)          | 107.5           | 107.5           |
| -            | -       | 3,559.3         | 4,211.1         | 646.1          | 742.7          | 48.3         | -    | 7.3                     | 7.2          | 23.6                         | 23.6           | 4,284.6         | 4,984.7         |
| -            | -       | 207.7           | 207.7           | -              | -              | -            | -    | -                       | -            | -                            | -              | 207.7           | 207.7           |
| -            | -       | 1,685.7         | 1,547.1         | 240.1          | 75.1           | (26.2)       | -    | 22.4                    | 13.7         | (894.0)                      | (713.7)        | 1,028.1         | 922.3           |
| -            | -       | (947.3)         | (947.3)         | -              | -              | -            | -    | -                       | -            | -                            | -              | (947.3)         | (947.3)         |
| -            | -       | <b>5,786.8</b>  | <b>6,300.0</b>  | <b>935.9</b>   | <b>858.3</b>   | <b>59.6</b>  | -    | <b>118.7</b>            | <b>105.4</b> | <b>(1,046.6)</b>             | <b>(815.0)</b> | <b>5,854.5</b>  | <b>6,448.7</b>  |
| -            | -       | -               | -               | -              | -              | -            | -    | -                       | -            | -                            | -              | -               | -               |
| -            | -       | 3,026.2         | 3,142.7         | 276.2          | 422.8          | -            | -    | 0.4                     | -            | -                            | -              | 3,302.9         | 3,565.5         |
| -            | -       | 253.8           | 389.7           | 34.7           | 30.3           | 141.1        | -    | 2.8                     | 1.2          | -                            | -              | 432.4           | 421.2           |
| -            | -       | 205.6           | 196.8           | 35.6           | 267.0          | (34.2)       | -    | 3.3                     | 3.7          | (1.6)                        | (13.2)         | 208.6           | 454.3           |
| -            | -       | 1,661.8         | 1,725.3         | 133.8          | 136.0          | -            | -    | 5.3                     | 5.8          | -                            | -              | 1,801.0         | 1,867.1         |
| -            | -       | 528.7           | 498.2           | 4.3            | -              | -            | -    | -                       | 0.1          | -                            | -              | 533.1           | 498.2           |
| -            | -       | 46.1            | 35.6            | -              | -              | -            | -    | -                       | -            | -                            | -              | 46.1            | 35.6            |
| -            | -       | <b>5,722.2</b>  | <b>5,988.2</b>  | <b>484.7</b>   | <b>856.2</b>   | <b>106.9</b> | -    | <b>11.8</b>             | <b>10.8</b>  | <b>(1.6)</b>                 | <b>(13.2)</b>  | <b>6,324.0</b>  | <b>6,842.0</b>  |
| (576.8)      | (411.6) | 1,416.2         | 1,246.5         | 511.7          | 49.0           | 212.3        | -    | 55.5                    | 47.7         | (733.3)                      | (51.6)         | 1,462.4         | 1,291.4         |
| -            | -       | 241.5           | 224.0           | 50.0           | -              | -            | -    | 10.0                    | 9.7          | -                            | -              | 301.5           | 233.7           |
| -            | -       | 1,339.0         | 1,335.1         | 161.6          | 94.1           | -            | -    | -                       | -            | -                            | -              | 1,500.6         | 1,429.2         |
| -            | -       | 4.0             | 3.1             | -              | -              | -            | -    | -                       | -            | -                            | -              | 4.0             | 3.1             |
| (11.4)       | -       | 185.5           | 242.3           | 132.1          | 13.0           | 29.7         | -    | 0.3                     | 1.0          | (48.7)                       | (2.9)          | 298.9           | 253.4           |
| -            | -       | 114.3           | -               | -              | 21.2           | 11.4         | -    | 0.8                     | 0.4          | -                            | 5.0            | 126.6           | 26.7            |
| -            | -       | 0.2             | 0.2             | -              | -              | -            | -    | -                       | -            | -                            | -              | 0.2             | 0.2             |
| -            | -       | 186.4           | 116.3           | -              | -              | -            | -    | -                       | -            | -                            | -              | 186.4           | 116.3           |
| (588.1)      | (411.6) | <b>3,487.1</b>  | <b>3,167.5</b>  | <b>855.4</b>   | <b>177.3</b>   | <b>253.4</b> | -    | <b>66.7</b>             | <b>58.8</b>  | <b>(782.0)</b>               | <b>(49.5)</b>  | <b>3,880.7</b>  | <b>3,354.1</b>  |
| (588.1)      | (411.6) | <b>14,996.1</b> | <b>15,455.8</b> | <b>2,276.0</b> | <b>1,891.7</b> | <b>420.0</b> | -    | <b>197.2</b>            | <b>175.0</b> | <b>(1,830.2)</b>             | <b>(877.7)</b> | <b>16,059.1</b> | <b>16,644.8</b> |

## INTERCONNECTED SYSTEM UNBUNDLED BALANCE SHEET DECEMBER 2012

(expressed in million euro)

| ASSETS  | MINES          |                | DISTRIBUTION   |                |
|---|----------------|----------------|----------------|----------------|
|   | 2012           | 2011           | 2012           | 2011           |
| <b>NON-CURRENT ASSETS</b>                         |                |                |                |                |
| Tangible Assets                                   | 1,510.3        | 1,516.8        | 4,128.0        | 4,166.0        |
| Intangible Assets                                 | -              | 0.4            | 46.6           | 81.3           |
| Investments in related parties                    | -              | -              | -              | -              |
| Other Long-term Receivables                       | 2.5            | 3.1            | 7.0            | 7.1            |
| Marketable and other securities                   | 0.7            | 1.6            | 2.4            | 3.7            |
| Administration non-current assets                 | 16.6           | 16.0           | 45.5           | 44.6           |
| <b>TOTAL NON-CURRENT ASSETS</b>                   | <b>1,530.2</b> | <b>1,538.0</b> | <b>4,229.5</b> | <b>4,302.7</b> |
| <b>CURRENT ASSETS</b>                             |                |                |                |                |
| Inventories                                       | 109.8          | 77.8           | 291.2          | 308.9          |
| Trade Accounts Receivable                         | -              | -              | (0.2)          | 5.1            |
| Various Debtors                                   | 21.1           | 47.0           | 586.1          | 393.3          |
| Financial Assets                                  | -              | -              | -              | -              |
| Cash in hand                                      | 23.4           | 28.8           | 75.7           | 90.2           |
| Other current assets                              | (0.9)          | (0.2)          | 3.7            | 3.2            |
| Administration current assets                     | 15.9           | 5.6            | 86.0           | 22.7           |
| <b>TOTAL CURRENT ASSETS</b>                       | <b>169.3</b>   | <b>159.0</b>   | <b>1,042.4</b> | <b>823.3</b>   |
| <b>TOTAL ASSETS</b>                               | <b>1,699.5</b> | <b>1,696.9</b> | <b>5,271.9</b> | <b>5,126.0</b> |
| <b>LIABILITIES AND EQUITY</b>                     |                |                |                |                |
| <b>EQUITY</b>                                     |                |                |                |                |
| Share Capital                                     | -              | -              | -              | -              |
| Revaluation Surplus                               | -              | -              | -              | -              |
| Legal reserve                                     | -              | -              | -              | -              |
| Revaluation Gain of Fixed Assets                  | -              | -              | -              | -              |
| Capitalised Fixed assets' tax revaluation surplus | -              | -              | -              | -              |
| Reserves  | -              | -              | -              | -              |
| Fixed assets' revaluation surplus                 | -              | -              | -              | -              |
| <b>TOTAL EQUITY</b>                               | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       |
| <b>CAPITAL FUNDING TO BUSINESS UNITS</b>          | <b>1,450.3</b> | <b>1,451.6</b> | <b>4,691.4</b> | <b>4,480.1</b> |
| <b>NON-CURRENT LIABILITIES</b>                    |                |                |                |                |
| Long-term debt                                    | -              | -              | -              | -              |
| Actuarial Provision and Provision for Risks       | -              | -              | -              | -              |
| Deferred tax liability, long term                 | 30.9           | 8.5            | 99.6           | 59.4           |
| Subsidies for fixed assets acquisition            | 1.5            | 1.9            | 226.2          | 235.1          |
| Other long-term liabilities & Customers' advances | -              | -              | 0.1            | 0.1            |
| Administration non-current liabilities            | 1.9            | 1.3            | 9.8            | 6.7            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>              | <b>34.2</b>    | <b>11.7</b>    | <b>335.7</b>   | <b>301.3</b>   |
| <b>CURRENT LIABILITIES</b>                        |                |                |                |                |
| Accounts Payable and Various Creditors            | 136.8          | 176.9          | 76.5           | 204.7          |
| Short-term Debt                                   | -              | -              | -              | -              |
| Current portion of long-term bank loans           | -              | -              | -              | -              |
| SWAPs   | -              | -              | -              | -              |
| Accrued and other current liabilities             | 52.4           | 45.1           | 102.2          | 127.2          |
| Income Tax Payable                                | 17.2           | -              | 55.4           | -              |
| Dividends payable                                 | -              | -              | -              | -              |
| Administration current liabilities                | 8.8            | 11.7           | 10.7           | 12.7           |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>215.1</b>   | <b>233.7</b>   | <b>244.8</b>   | <b>344.6</b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>               | <b>1,699.5</b> | <b>1,696.9</b> | <b>5,271.9</b> | <b>5,126.0</b> |

## PART B' - UNBUNDLED FINANCIAL STATEMENTS

| DISTRIBUTION NETWORK |                | SUPPLY         |                | TOTAL           |                 |
|----------------------|----------------|----------------|----------------|-----------------|-----------------|
| 2012                 | 2011           | 2012           | 2011           | 2012            | 2011            |
| 3,733.9              | 4,344.0        | 32.9           | 25.0           | 9,405.1         | 10,051.8        |
| -                    | 0.1            | -              | -              | 46.7            | 81.7            |
| -                    | -              | -              | -              | -               | -               |
| -                    | 0.2            | 18.6           | 30.6           | 28.2            | 41.1            |
| 1.3                  | 0.1            | (0.3)          | -              | 4.1             | 5.4             |
| 40.8                 | 45.6           | 0.5            | 0.6            | 103.4           | 106.7           |
| <b>3,776.0</b>       | <b>4,389.9</b> | <b>51.7</b>    | <b>56.3</b>    | <b>9,587.4</b>  | <b>10,286.8</b> |
| -                    | 145.8          | -              | -              | 401.0           | 532.4           |
| 3.1                  | 87.7           | 1,096.6        | 890.3          | 1,099.5         | 983.0           |
| 56.9                 | (16.3)         | 12.4           | 80.3           | 676.6           | 504.3           |
| -                    | -              | -              | -              | -               | -               |
| 41.3                 | 66.1           | 172.3          | 239.9          | 312.7           | 425.1           |
| (2.7)                | 1.1            | 82.5           | 2.2            | 82.6            | 6.3             |
| 10.6                 | 10.1           | 109.6          | 48.0           | 222.1           | 86.3            |
| <b>109.2</b>         | <b>294.5</b>   | <b>1,473.6</b> | <b>1,260.6</b> | <b>2,794.4</b>  | <b>2,537.3</b>  |
| <b>3,885.2</b>       | <b>4,684.4</b> | <b>1,525.3</b> | <b>1,316.9</b> | <b>12,381.9</b> | <b>12,824.2</b> |
| -                    | -              | -              | -              | -               | -               |
| -                    | -              | -              | -              | -               | -               |
| -                    | -              | -              | -              | -               | -               |
| -                    | -              | -              | -              | -               | -               |
| -                    | -              | -              | -              | -               | -               |
| -                    | -              | -              | -              | -               | -               |
| -                    | -              | -              | -              | -               | -               |
| <b>2,448.3</b>       | <b>3,155.2</b> | <b>(621.3)</b> | <b>(176.8)</b> | <b>7,968.8</b>  | <b>8,910.0</b>  |
| -                    | -              | -              | -              | -               | -               |
| -                    | -              | -              | -              | -               | -               |
| 54.4                 | 103.4          | (13.8)         | (6.5)          | 171.0           | 164.8           |
| 1,150.4              | 1,247.5        | -              | -              | 1,378.0         | 1,484.4         |
| -                    | -              | 463.2          | 433.1          | 463.3           | 433.2           |
| 19.7                 | 18.0           | 5.9            | 4.3            | 37.3            | 30.4            |
| <b>1,224.4</b>       | <b>1,368.8</b> | <b>455.3</b>   | <b>431.0</b>   | <b>2,049.6</b>  | <b>2,112.7</b>  |
| 167.8                | 117.8          | 1,530.0        | 987.0          | 1,911.0         | 1,486.4         |
| -                    | -              | -              | -              | -               | -               |
| -                    | -              | -              | -              | -               | -               |
| -                    | -              | -              | -              | -               | -               |
| 6.5                  | 34.8           | 12.3           | 4.9            | 173.4           | 211.9           |
| 30.2                 | -              | (7.7)          | -              | 95.1            | -               |
| -                    | -              | -              | -              | -               | -               |
| 7.9                  | 7.8            | 156.7          | 70.9           | 184.0           | 103.1           |
| <b>212.4</b>         | <b>160.4</b>   | <b>1,691.3</b> | <b>1,062.8</b> | <b>2,363.5</b>  | <b>1,801.4</b>  |
| <b>3,885.2</b>       | <b>4,684.4</b> | <b>1,525.3</b> | <b>1,316.9</b> | <b>12,381.9</b> | <b>12,824.2</b> |

## CRETE UNBUNDLED BALANCE SHEET DECEMBER 2012

(expressed in million euro)

|   | GENERATION   |              |
|---|--------------|--------------|
|   | 2012         | 2011         |
| <b>ASSETS</b>                                     |              |              |
| <b>NON-CURRENT ASSETS</b>                         |              |              |
| Tangible Assets                                   | 444.9        | 446.2        |
| Intangible Assets                                 | 2.4          | 4.0          |
| Investments in related parties                    | 0.0          | -            |
| Other Long-term Receivables                       | 0.5          | 0.7          |
| Marketable and other securities                   | 0.3          | 0.4          |
| Administration non-current assets                 | 5.0          | 4.7          |
| <b>TOTAL NON-CURRENT ASSETS</b>                   | <b>453.0</b> | <b>456.0</b> |
| <b>CURRENT ASSETS</b>                             |              |              |
| Inventories                                       | 97.5         | 91.5         |
| Trade Accounts Receivable                         | -            | -            |
| Various Debtors                                   | 26.7         | 10.3         |
| Financial Assets                                  | -            | -            |
| Cash in hand                                      | 9.1          | 11.2         |
| Other current assets                              | (1.4)        | (3.8)        |
| Administration current assets                     | 13.5         | 3.9          |
| <b>TOTAL CURRENT ASSETS</b>                       | <b>145.4</b> | <b>113.1</b> |
| <b>TOTAL ASSETS</b>                               | <b>598.4</b> | <b>569.1</b> |
| <b>LIABILITIES AND EQUITY</b>                     |              |              |
| <b>EQUITY</b>                                     |              |              |
| Share Capital                                     | -            | -            |
| Revaluation Surplus                               | -            | -            |
| Legal reserve                                     | -            | -            |
| Revaluation Gain of Fixed Assets                  | -            | -            |
| Capitalised Fixed assets' tax revaluation surplus | -            | -            |
| Reserves  | -            | -            |
| Fixed assets' revaluation surplus                 | -            | -            |
| <b>TOTAL EQUITY</b>                               | <b>-</b>     | <b>-</b>     |
| <b>CAPITAL FUNDING TO BUSINESS UNITS</b>          | <b>555.8</b> | <b>543.4</b> |
| <b>NON-CURRENT LIABILITIES</b>                    |              |              |
| Long-term debt                                    | -            | -            |
| Actuarial Provision and Provision for Risks       | -            | -            |
| Deferred tax liability, long term                 | 12.0         | 9.3          |
| Subsidies for fixed assets acquisition            | 0.3          | 0.3          |
| Other long-term liabilities & Customers' advances | -            | -            |
| Administration non-current liabilities            | 0.8          | 0.6          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>              | <b>13.1</b>  | <b>10.2</b>  |
| <b>CURRENT LIABILITIES</b>                        |              |              |
| Accounts Payable and Various Creditors            | 13.2         | 3.1          |
| Short-term Debt                                   | -            | -            |
| Current portion of long-term bank loans           | -            | -            |
| SWAPs   | -            | -            |
| Accrued and other current liabilities             | 8.1          | 11.9         |
| Income Tax Payable                                | 6.7          | -            |
| Dividends payable                                 | -            | -            |
| Administration current liabilities                | 1.7          | 0.6          |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>29.6</b>  | <b>15.5</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>               | <b>598.4</b> | <b>569.1</b> |

## PART B' - UNBUNDLED FINANCIAL STATEMENTS

| DISTRIBUTION NETWORK |              | SUPPLY      |               | TOTAL        |              |
|----------------------|--------------|-------------|---------------|--------------|--------------|
| 2012                 | 2011         | 2012        | 2011          | 2012         | 2011         |
| 294.3                | 256.4        | 1.0         | 4.7           | 740.1        | 707.3        |
| -                    | -            | -           | -             | 2.4          | 4.0          |
| -                    | -            | -           | -             | -            | -            |
| -                    | 0.1          | -           | -             | 0.5          | 0.8          |
| 0.1                  | -            | -           | -             | 0.4          | 0.4          |
| 2.4                  | 2.6          | -           | -             | 7.4          | 7.4          |
| <b>296.7</b>         | <b>259.1</b> | <b>1.0</b>  | <b>4.7</b>    | <b>750.8</b> | <b>719.9</b> |
| -                    | 19.0         | -           | -             | 97.5         | 110.5        |
| 0.9                  | 2.1          | 57.5        | 39.3          | 58.4         | 41.4         |
| 4.0                  | 6.4          | (0.9)       | 24.9          | 29.7         | 41.5         |
| -                    | -            | -           | -             | -            | -            |
| 2.5                  | 3.1          | 11.7        | 17.1          | 23.3         | 31.4         |
| (10.6)               | -            | 3.8         | 0.1           | (8.2)        | (3.6)        |
| 0.3                  | 0.5          | 6.4         | 3.5           | 20.2         | 7.9          |
| <b>(2.9)</b>         | <b>31.2</b>  | <b>78.4</b> | <b>84.9</b>   | <b>220.9</b> | <b>229.2</b> |
| <b>293.8</b>         | <b>290.3</b> | <b>79.5</b> | <b>89.6</b>   | <b>971.7</b> | <b>949.1</b> |
| -                    | -            | -           | -             | -            | -            |
| -                    | -            | -           | -             | -            | -            |
| -                    | -            | -           | -             | -            | -            |
| -                    | -            | -           | -             | -            | -            |
| -                    | -            | -           | -             | -            | -            |
| -                    | -            | -           | -             | -            | -            |
| -                    | -            | -           | -             | -            | -            |
| <b>143.2</b>         | <b>152.9</b> | <b>25.0</b> | <b>(16.9)</b> | <b>724.0</b> | <b>679.4</b> |
| -                    | -            | -           | -             | -            | -            |
| -                    | -            | -           | -             | -            | -            |
| 3.2                  | 4.5          | 0.4         | (0.5)         | 15.6         | 13.2         |
| 147.0                | 121.6        | -           | -             | 147.3        | 121.9        |
| -                    | -            | 31.8        | 31.7          | 31.8         | 31.7         |
| 2.9                  | 1.6          | 0.7         | 0.3           | 4.4          | 2.5          |
| <b>153.2</b>         | <b>127.7</b> | <b>32.9</b> | <b>31.4</b>   | <b>199.1</b> | <b>169.3</b> |
| (5.5)                | 6.8          | 22.1        | 68.2          | 29.8         | 78.1         |
| -                    | -            | -           | -             | -            | -            |
| -                    | -            | -           | -             | -            | -            |
| -                    | -            | -           | -             | -            | -            |
| 0.4                  | 2.6          | 0.7         | 1.4           | 9.2          | 15.8         |
| 1.8                  | -            | 0.2         | -             | 8.7          | -            |
| -                    | -            | -           | -             | -            | -            |
| 0.8                  | 0.5          | (1.5)       | 5.5           | 0.9          | 6.5          |
| <b>(2.6)</b>         | <b>9.8</b>   | <b>21.5</b> | <b>75.1</b>   | <b>48.5</b>  | <b>100.5</b> |
| <b>293.8</b>         | <b>290.3</b> | <b>79.5</b> | <b>89.6</b>   | <b>971.7</b> | <b>949.1</b> |

## OTHER NON INTERCONNECTED UNBUNDLED BALANCE SHEET DECEMBER 2012

(expressed in million euro)

|   | GENERATION   |              |
|---|--------------|--------------|
|   | 2012         | 2011         |
| <b>ASSETS</b>                                     |              |              |
| <b>NON-CURRENT ASSETS</b>                         |              |              |
| Tangible Assets                                   | 545.2        | 531.6        |
| Intangible Assets                                 | 2.1          | 3.3          |
| Investments in related parties                    | -            | -            |
| Other Long-term Receivables                       | 0.9          | 1.1          |
| Marketable and other securities                   | 0.3          | 0.6          |
| Administration non-current assets                 | 6.1          | 5.6          |
| <b>TOTAL NON-CURRENT ASSETS</b>                   | <b>554.6</b> | <b>542.2</b> |
| <b>CURRENT ASSETS</b>                             |              |              |
| Inventories                                       | 123.0        | 87.6         |
| Trade Accounts Receivable                         | -            | -            |
| Various Debtors                                   | 36.4         | 15.3         |
| Financial Assets                                  | -            | -            |
| Cash in hand                                      | 11.0         | 12.8         |
| Other current assets                              | (3.4)        | (1.1)        |
| Administration current assets                     | 27.1         | 5.9          |
| <b>TOTAL CURRENT ASSETS</b>                       | <b>194.0</b> | <b>120.5</b> |
| <b>TOTAL ASSETS</b>                               | <b>748.6</b> | <b>662.7</b> |
| <b>LIABILITIES AND EQUITY</b>                     |              |              |
| <b>EQUITY</b>                                     |              |              |
| Share Capital                                     | -            | -            |
| Revaluation Surplus                               | -            | -            |
| Legal reserve                                     | -            | -            |
| Revaluation Gain of Fixed Assets                  | -            | -            |
| Capitalised Fixed assets' tax revaluation surplus | -            | -            |
| Reserves  | -            | -            |
| Fixed assets' revaluation surplus                 | -            | -            |
| <b>TOTAL EQUITY</b>                               | <b>-</b>     | <b>-</b>     |
| <b>CAPITAL FUNDING TO BUSINESS UNITS</b>          | <b>681.3</b> | <b>626.6</b> |
| <b>NON-CURRENT LIABILITIES</b>                    |              |              |
| Long-term debt                                    | -            | -            |
| Actuarial Provision and Provision for Risks       | -            | -            |
| Deferred tax liability, long term                 | 14.4         | 7.3          |
| Subsidies for fixed assets acquisition            | 5.4          | 0.8          |
| Other long-term liabilities & Customers' advances | -            | -            |
| Administration non-current liabilities            | 1.2          | 0.7          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>              | <b>21.0</b>  | <b>8.9</b>   |
| <b>CURRENT LIABILITIES</b>                        |              |              |
| Accounts Payable and Various Creditors            | 22.4         | 18.6         |
| Short-term Debt                                   | -            | -            |
| Current portion of long-term bank loans           | -            | -            |
| SWAPs   | -            | -            |
| Accrued and other current liabilities             | 13.2         | 7.1          |
| Income Tax Payable                                | 8.0          | -            |
| Dividends payable                                 | -            | -            |
| Administration current liabilities                | 2.5          | 1.5          |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>46.2</b>  | <b>27.2</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>               | <b>748.6</b> | <b>662.7</b> |

## PART B' - UNBUNDLED FINANCIAL STATEMENTS

| DISTRIBUTION NETWORK |              | SUPPLY      |               | TOTAL          |                |
|----------------------|--------------|-------------|---------------|----------------|----------------|
| 2012                 | 2011         | 2012        | 2011          | 2012           | 2011           |
| 336.8                | 391.9        | 1.1         | 4.3           | 883.1          | 927.8          |
| -                    | -            | -           | -             | 2.1            | 3.3            |
| -                    | -            | -           | -             | -              | -              |
| -                    | 0.1          | -           | -             | 0.9            | 1.2            |
| 0.1                  | -            | -           | -             | 0.5            | 0.6            |
| 3.6                  | 4.0          | -           | -             | 9.8            | 9.7            |
| <b>340.6</b>         | <b>396.0</b> | <b>1.1</b>  | <b>4.3</b>    | <b>896.3</b>   | <b>942.6</b>   |
| -                    | 43.4         | -           | -             | 123.0          | 131.0          |
| 0.3                  | (1.2)        | 47.2        | 33.0          | 47.6           | 31.8           |
| 5.2                  | 2.9          | (0.8)       | 20.6          | 40.8           | 38.8           |
| -                    | -            | -           | -             | -              | -              |
| 3.3                  | 6.2          | 9.7         | 15.6          | 24.0           | 34.6           |
| (0.2)                | (0.1)        | 3.6         | 0.1           | (0.1)          | (1.0)          |
| 0.8                  | 0.8          | 5.4         | 3.1           | 33.3           | 9.8            |
| <b>9.5</b>           | <b>52.0</b>  | <b>65.1</b> | <b>72.5</b>   | <b>268.6</b>   | <b>245.0</b>   |
| <b>350.1</b>         | <b>448.0</b> | <b>66.3</b> | <b>76.8</b>   | <b>1,164.9</b> | <b>1,187.5</b> |
| -                    | -            | -           | -             | -              | -              |
| -                    | -            | -           | -             | -              | -              |
| -                    | -            | -           | -             | -              | -              |
| -                    | -            | -           | -             | -              | -              |
| -                    | -            | -           | -             | -              | -              |
| -                    | -            | -           | -             | -              | -              |
| -                    | -            | -           | -             | -              | -              |
| <b>198.0</b>         | <b>303.3</b> | <b>13.6</b> | <b>(22.2)</b> | <b>892.9</b>   | <b>907.7</b>   |
| -                    | -            | -           | -             | -              | -              |
| -                    | -            | -           | -             | -              | -              |
| 4.4                  | 9.4          | 0.1         | (0.7)         | 19.0           | 16.0           |
| 131.1                | 118.2        | -           | -             | 136.5          | 119.0          |
| -                    | -            | 33.6        | 33.3          | 33.6           | 33.3           |
| 2.5                  | 1.7          | 0.7         | 0.3           | 4.4            | 2.8            |
| <b>138.0</b>         | <b>129.3</b> | <b>34.5</b> | <b>32.8</b>   | <b>193.5</b>   | <b>171.0</b>   |
| 10.7                 | 10.8         | 19.0        | 58.8          | 52.2           | 88.1           |
| -                    | -            | -           | -             | -              | -              |
| -                    | -            | -           | -             | -              | -              |
| -                    | -            | -           | -             | -              | -              |
| 0.5                  | 3.9          | 0.5         | 3.0           | 14.3           | 14.0           |
| 2.4                  | -            | 0.1         | -             | 10.6           | -              |
| -                    | -            | -           | -             | -              | -              |
| 0.4                  | 0.6          | (1.4)       | 4.5           | 1.5            | 6.7            |
| <b>14.1</b>          | <b>15.4</b>  | <b>18.2</b> | <b>66.2</b>   | <b>78.5</b>    | <b>108.8</b>   |
| <b>350.1</b>         | <b>448.0</b> | <b>66.3</b> | <b>76.8</b>   | <b>1,164.9</b> | <b>1,187.5</b> |

## UNBUNDLED BALANCE SHEET OF ADMINISTRATORS DECEMBER 2012

(expressed in million euro)

|   | NETWORK ADMINISTRATOR |            | ADMINISTRATOR OF NON-INTERCONNECTED ISLANDS |             |
|---|-----------------------|------------|---|-------------|
|   | 2012                  | 2011       | 2012  | 2011        |
| <b>ASSETS</b>                                     |                       |            |   |             |
| <b>NON-CURRENT ASSETS</b>                         |                       |            |   |             |
| Tangible Assets                                   | -                     | -          | -   | 83.4        |
| Intangible Assets                                 | -                     | -          | -   | -           |
| Investments in related parties                    | -                     | -          | -   | -           |
| Other Long-term Receivables                       | -                     | -          | -   | -           |
| Marketable and other securities                   | -                     | -          | -   | -           |
| Administration non-current assets                 | -                     | -          | -   | -           |
| <b>TOTAL NON-CURRENT ASSETS</b>                   | -                     | -          | -   | <b>83.4</b> |
| <b>CURRENT ASSETS</b>                             | -                     | -          | -   | -           |
| Inventories                                       | -                     | -          | -   | 3.2         |
| Trade Accounts Receivable                         | -                     | -          | -   | -           |
| Various Debtors                                   | -                     | 0.2        | -   | 1.4         |
| Financial Assets                                  | -                     | -          | -   | -           |
| Cash in hand                                      | -                     | -          | -   | 1.7         |
| Other current assets                              | -                     | -          | -   | -           |
| Administration current assets                     | -                     | -          | -   | -           |
| <b>TOTAL CURRENT ASSETS</b>                       | -                     | <b>0.2</b> | -   | <b>6.3</b>  |
| <b>TOTAL ASSETS</b>                               | -                     | <b>0.3</b> | -   | <b>89.8</b> |
| <b>LIABILITIES AND EQUITY</b>                     | -                     | -          | -   | -           |
| <b>EQUITY</b>                                     |                       |            |   |             |
| Share Capital                                     | -                     | -          | -   | -           |
| Revaluation Surplus                               | -                     | -          | -   | -           |
| Legal reserve                                     | -                     | -          | -   | -           |
| Revaluation Gain of Fixed Assets                  | -                     | -          | -   | -           |
| Capitalised Fixed assets' tax revaluation surplus | -                     | -          | -   | -           |
| Reserves  | -                     | -          | -   | -           |
| Fixed assets' revaluation surplus                 | -                     | -          | -   | -           |
| <b>TOTAL EQUITY</b>                               | -                     | -          | -   | -           |
| <b>CAPITAL FUNDING TO BUSINESS UNITS</b>          | -                     | <b>0.1</b> | -   | <b>80.9</b> |

|   | NETWORK ADMINISTRATOR |            | ADMINISTRATOR OF NON-INTERCONNECTED ISLANDS |             |
|---|-----------------------|------------|---|-------------|
|   | 2012                  | 2011       | 2012  | 2011        |
| <b>ASSETS</b>                                     |                       |            |   |             |
| <b>NON-CURRENT LIABILITIES</b>                    |                       |            |   |             |
| Long-term debt                                    | -                     | -          | -   | -           |
| Actuarial Provision and Provison for Riks         | -                     | -          | -   | -           |
| Deferred tax liability, long term                 | -                     | -          | -   | 2.8         |
| Subsidies for fixed assets acquisition            | -                     | -          | -   | -           |
| Other long-term liabilities & Customers' advances | -                     | -          | -   | -           |
| Administration non-current liabilities            | -                     | -          | -   | -           |
| <b>TOTAL NON-CURRENT LIABILITIES</b>              | <b>-</b>              | <b>-</b>   | <b>-</b>                                    | <b>2.8</b>  |
| <b>CURRENT LIABILITIES</b>                        |                       |            |   |             |
| Accounts Payable and Various Creditors            | -                     | -          | -   | 5.6         |
| Short-term Debt                                   | -                     | -          | -   | -           |
| Current portion of long-term bank loans           | -                     | -          | -   | -           |
| SWAPs   | -                     | -          | -   | -           |
| Accrued and other current liabilities             | -                     | -          | -   | 0.5         |
| Income Tax Payable                                | -                     | -          | -   | -           |
| Dividens payable                                  | -                     | -          | -   | -           |
| Administration current liabilities                | -                     | -          | -   | -           |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>-</b>              | <b>0.1</b> | <b>-</b>                                    | <b>6.1</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>               | <b>-</b>              | <b>0.3</b> | <b>-</b>                                    | <b>89.8</b> |

## Notes to the Unbundled Financial Statements

### 1. GENERAL INFORMATION

According to the provisions of European Directive 2009/72, as well as the provisions of Law 4001/2011, which integrates the aforementioned European Directive into the national legislation, unbundling is the separation of financial statements (balance sheet and income statement) of an integrated electric utility into different financial statements for each one of its activities. The unbundled financial statements will reflect each activity's financial position, assets and liabilities, as if such activities prepared financial statements had they been separate (independent) legal entities.

PPC, as a vertically organized integrated electric utility, keeps in its internal accounting, separate accounts for its activities and prepares separate balance sheets and statements of income for each one of its activities (balance sheet and statement of income before tax – hereinafter referred to as “unbundled financial statements”), as if these activities were carried out by different entities, in order to avoid discriminations, cross subsidization and distortion of competition.

Further to the above, PPC should keep separate accounts for its activities carried out in the non-interconnected islands in accordance with the provisions of Law 4001/2011.

The summary totals of the unbundled financial statements are equal and agree with PPC's issued consolidated balance sheet and statement of income, prepared in accordance with International Financial Reporting Standards, with the exception of provision for income tax, as unbundled statements of income are presented before tax.

The accounting principles applied for the preparation of the unbundled financial statements are those applied for the preparation of the Company's separate and consolidated financial statements.

The preparation of the unbundled financial statements requires management to make estimates, assumptions and judgments that affect the reported assets and liabilities for each activity. Such estimates, assumptions and judgments are regularly reviewed in order to reflect the managements' current view on facts and transactions concerned.

The unbundling methodology applied by the Company for the preparation of the accompanied unbundled financial statements was approved by the 142/2013 Decision of the Regulatory Authority for Energy.

In 2011 the activity of Transmission was transferred to the subsidiary of PPC SA, “Independent Power Transmission Operation” (IPTO), that was established in compliance with Law 4001/2011 and European Union Directive 2009/72/EC regarding the adoption of common rules in the organization of EU electricity markets. According to Law 4001/2011 ADMIE undertakes the role of Transmission System Operator for the Hellenic Electricity Transmission System and as such performs the duties of System operation maintenance and development so as to ensure Greece's electricity supply in a safe, efficient and reliable manner. Although a wholly owned subsidiary of PPC S.A., ADMIE is entirely independent from its parent company in terms of its management and operation, retaining effective decision-making rights, in compliance with all relevant independence requirements of Law 4001/2011 and Directive 2009/72/EC.

In 2012 the activity of Distribution was transferred to the subsidiary of PPC SA “HELLENIC ELECTRICITY DISTRIBUTION NETWORK OPERATOR ( HEDNO SA). The Distribution Unit is responsible for the power distribution within the whole Greek territory, not only to the interconnected system area but also to the non-interconnected islands. The energy is received from the Transmission network providing the possibility to supply all Network users with the energy needed. According to Law 2773/1999, PPC through the Supply Division constitutes the only power supplier in Greece while acts as the Operator of the Distribution Network. In 2012, the network management and provision of services for the whole country, as well as the activities of the non-Interconnected islands Operator were transferred as a whole (100%) to the subsidiary of PPC S.A. However the assets of the Distribution Network and of the Network of non-interconnected islands remained at the ownership of PPC SA.

The unbundled financial statements were approved by the Company's Board of Directors, in its meeting, held on March 28, 2013.

## 2. ACCOUNTING UNBUNDLING METHODOLOGY

The methodology applied for the preparation of the unbundled financial statements consists of the following phases:

- Determination of activities into which the integrated electric utility should be unbundled
- Preparation of unbundled trial balances
- Preparation of unbundled balance sheets and establishment of «Capital Funding» account
- Preparation of the unbundled statements of income
- Quantification of inter-segment revenues and expenses among activities through the application of an internal pricing system

### Determination of activities into which the integrated electric utility should be unbundled

The activities for unbundled financial statements are prepared, on a first level and for the whole Group, are Mines, Generation, Distribution Network, Supply, and Corporate.

On a second level, these activities are presented as follows:

- Interconnected System
  - Mines
  - Generation
  - Distribution network
  - Supply
- System of Crete
  - Generation
  - Distribution network
  - Supply
- System of other non interconnected islands
  - Generation
  - Distribution network
  - Supply
- Corporate

#### *Mines*

Mines include the lignite extraction activity carried out in the Lignite Centers of West Macedonia and Megalopolis.

#### *Generation*

Generation includes the electricity generation activities in the interconnected system, the system of Crete and the system of non interconnected islands.

#### *Distribution Network*

Distribution Network includes the rental of assets to HEDNO SA, in the interconnected system, the system of Crete in and the system of non interconnected islands.

#### *Supply*

Supply reflects the Company's activity which monitors relationships with final customers in the interconnected system, the system of Crete in and the system of non interconnected islands.

### Corporate

The Corporate acts as the lender (funding source) of all activities and retains in its balance sheet all investments in subsidiaries, associates and joint ventures and in its liabilities and shareholders' equity all equity accounts, funding and provisions of a financial nature. The capital funding account which is also presented in the liabilities side of Corporate reflects the funds that have been made available to activities in order to finance their operations.

The balance sheet and statement of income of the Corporate is further allocated based on certain allocation rules which are described in detail in the following pages.

Related parties are reflected as a separate activity in the group unbundled financial statements.

### Preparation of unbundled trial balances

In the Company's accounting system, each cost centre represents an organizational entity, in which the assets and liabilities are recorded.

General and Cost Accounting trial balances, through the codification of each cost centre, provides the ability of detection and grouping of data which are directly ascribed to activities, and of composition of activities trial balances.

These trial balances include the balances of all balance sheet and statement of income accounts per activity.

In order for these trial balances to be generated, the following tasks are performed (this process is applied per account and cost centre for the minimum account degree in General and Cost Accounting):

- Cost centers are recorded in order to identify the boundaries of activities and then all cost centers to be assigned to activities with which they are related to.
- It is ensured that all cost centers are subordinate to one of the predefined activities and, at the same time, there is no possibility that two distinct activities include the same cost centre.
- The sum totals of the cost centers and accounts are reconciled with the comprehensive trial balance of the Company.
- Each modification in cost centers and trial balance accounts is detected and recorded in order to be embedded in the proper activities or balance sheet and income statement accounts respectively.
- The trial balance accounts are codified and grouped into sections of the balance sheet and of the income statement based on company's needs and its published financial statements.
- The amounts that are depicted in the Corporate trial balance (which include the central financial services where a significant amount of the accounting entries is performed) and relate to the activities (e.g. significant balances of suppliers and contractors, taxes etc), are identified and ascribed in the activities based on the information extracted through the peripheral subsystems (subsystem of beneficiaries', fixed assets, constructions etc).
- The account balances, which, due to their nature, do not relate to activities into which have been ascribed, are reclassified and ascribed into the correct activities.
- The account balances which relate to activities and have not been directly ascribed or correlated with specific activities, are concentrated separately, in order to be allocated based on allocation criteria per fourth-degree account (the lowest account degree where the accounting entries are performed).

The allocation criteria, which are used for the first level of allocations and derived from trial balances amounts, are the following:

***Payroll***

Applies for the allocation of account balances related either with payroll or with general personnel issues (e.g. various payroll receivables and obligations, social securities funds, personnel loans etc). The specific allocation criterion is defined based on the payroll of employees who were actually employed in this activity (allocated payroll). According to this criterion, each activity proportionally receives an amount from the allocated Corporate accounts, based on the percentage of its participation in the total payroll amount of activities.

***Material consumption***

applies for the allocation of account balances which are related to the materials consumption and suppliers cycle (e.g. orders from abroad, purchases in transit, suppliers etc.). According to this criterion, each activity's proportion depends on the total amount of activity's material consumptions in terms of total consumption.

***Net book value of assets***

Applies for the allocation of the account balances that are related to the fixed assets cycle (e.g. projects receivables, projects advances, subsidies, contractor works beneficiaries, contractors taxes etc) and reflects the total amount of assets net book value for each activity in terms of total net book value.

***Total Operating Expenses***

Used for the allocation of general nature's accounts balances and expresses total value of operating expenses of every activity expressed in terms of total operating expenses.

***Compensation and third party fees***

Applies for the allocation of the corresponding category of accounts and reflects the ratio of Compensation and third party fees of every activity expressed in terms of total.

***Third party allowances***

Used for the allocation of the trial balance accounts that relate to third party allowances (apart from contract works), such as rentals, water supply, postage, etc.

***Various expenses***

Used for the allocation of various expenses accounts balances except for travel expenses, which relate to payroll; it is quantified as the ratio of every activity's various expenses expressed in terms of total various expenses.

***Depreciation Expense***

Applies for the allocation of depreciation expense accounts balances. The value of every activity's depreciation expense expressed in terms of total depreciation expense represents the corresponding percentage from the allocation.

***Sales***

It is used for the allocation of accounts balances that relate to the Company's sales.

The account balances of financial nature included in the balance sheet and income statement (cash and cash equivalents, loans, derivatives etc), are aggregated separately, in order to be further allocated in the activities.

### **Preparation of unbundled balance sheets and establishment of «Capital Funding» account**

The balances of balance sheet accounts of financial nature are allocated in the activities according to each activity's capital funding, which equals the capital employed of every activity including the provisions of liabilities and excluding the investments in affiliates of assets.

Then, the balance sheet accounts' balances are allocated in the activities, which have still remained to the Corporate (fixed assets, inventories, cash & cash equivalents etc.), based on each activity's total of non current and current assets and total non current and current liabilities. In Corporate's balance sheet finally remain subsidiaries, joint ventures and affiliates as well as total equity and liabilities of the entity.

Upon completion of the aforementioned allocations, the balance sheets per activity are prepared.

Capital Funding, presented in separate line of liabilities, represents capitals been granted from the Company to every activity for the achievement of its business goals.

Total Capital Funding equals total equity, liabilities and provisions of the whole Company excluding the investments in related parties (subsidiaries, joint ventures and affiliates)

The allocated assets and liabilities of Corporate in activities are presented in a separate line item in each activity's financial statement.

### **Preparation of the unbundled statements of income**

Income statement accounts of financial nature are allocated to activities based on Capital Funding of every activity, as calculated above.

Then, income statement account balances that have remained in Corporate are allocated in the activities. For the allocation of revenues and expenses to activities the criterion is based on direct expenses of every activity, with the exception of expenses that relate to the "ERMIS" system of customers' monitoring and billing that are assigned only to Supply.

Upon completion of the above allocations, the statements of income for each activity are prepared.

The Corporate expenses and revenues allocated to the activities are presented separately in a line item in each activity.

### **Quantification of inter-segment revenues and expenses among activities through the application of an internal pricing system**

Within the framework of an integrated utility products and services are exchanged among its activities, which would be recorded if these activities would operate as independent entities.

In order for these products and services to be quantified and recorded, an internal pricing system is applied if necessary (where there is no external determination of internal exchanges).

The most important services and products internally exchanged in PPC among its activities that are presented in the unbundled financial statements are the following:

## PART B' - NOTES TO THE UNBUNDLED FINANCIAL STATEMENTS

| Product/ Service                                       | Activity which                           |   |
|--|--|---|
|  | Renders                                  | Receives                                    |
| <b>Interconnected system</b>                           |  |   |
| Lignite  | Mines                                    | Generation                                  |
| Other Services   | Mines                                    | Generation                                  |
| Self-consumption energy                                | Supply                                   | Mines                                       |
| Self-consumption energy                                | Supply                                   | Generation                                  |
| <b>System of Crete</b>                                 |  |   |
| Energy   | Generation                               | Supply                                      |
| Self-consumption Energy                                | Supply                                   | Generation                                  |
| <b>System of other non-interconnected islands</b>      |  |   |
| Energy   | Generation                               | Supply                                      |
| Self-consumption Energy                                | Supply                                   | Generation                                  |
| <b>Return of receivable Public service obligations</b> |  |   |
| Return of receivable<br>Public service obligations     | Interconnected<br>Supply                 | Generation<br>of Non-interconnected islands |
| Return of receivable<br>Public service obligations     | Crete supply                             | Generation<br>of Non-interconnected islands |
| Return of receivable<br>Public service obligations     | Supply of non- interconnected<br>islands | Generation<br>of Non-interconnected islands |

Each activity's revenues from product sales or services to another activity are quantified, through the internal pricing system.

Also, the activity that receives the product/ service records the related cost (expense).

For unbundled balance sheet preparation purposes, it is considered that all transactions among the activities are settled in cash and as a result, no accounts receivable or accounts payable are recorded among the activities in their balance sheets.

- The inter-segment energy sales for self-consumption in the interconnected system are calculated based on each activity's metered consumption of energy, the average marginal price including the Return of receivable Public service obligations and Transmission System Tariffs and HTSO uplift charge.
- In the system of Crete and in the system of other non-interconnected islands the inter-segment energy sales for self-consumption are calculated with the third party sales of the same customer class.

In more detail, in the interconnected system:

- The Mines internal revenue is calculated in accordance of the agreement for the lignite supply between Mines and Generation. Other services from Mines to Generation are also calculated with the same way.

In the system of Crete and in the system of other non-interconnected islands:

- The internal Generation revenues are calculated on basis of the calorific production and the estimated average marginal price of the interconnected system.
- The Public Service Obligations which are collected and yielded from the Supply are yielded to the Generation of the Non-interconnected islands.

Finally, for the purpose of preparation of the unbundled financial statements, services that PPC receives / renders to / from the wholesale market (ancillary services, energy, etc.) are quantified and presented separately, and not on a net basis, a practice which is applied by PPC through the preparation process of its consolidated financial statements.

### Lignite Supply Contract

The lignite supply contract determines the internal lignite market, i.e the lignite sales of the activity of the Lignite General Division to the activity of the Generation General Division. The contract has to do with the consumption of the lignite stations on a continuous basis, as well as with the necessary stock for the specific period. The calculation of the relative amounts takes place on the monthly basis, taking into account the monthly consumption and the calorific value of the lignite delivered.

## 2 Distribution of Profits for the Year 2012

|              |                          |                       |
|--------------|--------------------------|-----------------------|
|              | Profit of the year       | 44,891,000.00         |
| <b>PLUS</b>  | Profit carried forward   | 780,674,100.00        |
|              | <b>Total</b>             | <b>825,565,100.00</b> |
| <b>MINUS</b> | Income Tax               | 27,796,000.00         |
|              | <b>Retained earnings</b> | <b>797,769,100.00</b> |
|              | 1. Legal Reserve         | 854,750.00            |
|              | 2. Dividends             | 5,800,000.00          |
|              | 3. Retained Earnings     | 791,114,350.00        |
|              | <b>Total</b>             | <b>797,769,100.00</b> |

### Note

The proposed amount of dividends of € 5.800.000 will be exclusively covered by previous years' taxed profits.

ANNUAL  
REPORT  
2012



# 3 Condensed Financial Data and Information for the Year

**JANUARY 1, 2012 - DECEMBER 31, 2012**

(published in accordance to the article 135 of the corporate law 2190, for companies which prepare the annual consolidated and stand alone financial statements in accordance with IAS / IFRS)

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

The purpose of the following data is to provide users with general financial information about the financial condition and the results of operations of Public Power Corporation S.A. and PPC Group. We recommend users that, before proceeding to any kind of investing activity or transaction with the Company, to access the company's web site where the condensed financial statements and the auditor's review report, when is required are published.

## COMPANY'S DATA

|   |  |
|---|--|
| Corporate seat:                             | Chalkokondyli 30 - GR 104 32 Athens                        |
| General Commercial Registry:                | 786301000 (former Company's Reg. No 47829/06/B/00/2)       |
| Appropriate Authority:                      | Ministry of Energy and Climate Change                      |
| <b>Web site address:</b>                    | <a href="http://www.dei.gr">www.dei.gr</a>                 |
| Date of approval by the Board of Directors: | March 28, 2013   |
| <b>Certified auditor accountant:</b>        | <b>Papazoglou Panagiotis</b>                               |
| Audit company:                              | ERNST & YOUNG (HELLAS) CERTIFIED AUDITORS ACCOUNTANTS S.A. |
| Type of auditors' report:                   | Unqualified opinion - emphasis of matter                   |

### Board of Directors:

|                        |   |
|------------------------|---|
| Zervos Arthouros       | <i>Chairman &amp; Chief Executive Officer</i> |
| Dologlou Konstantinos  | <i>Vice Chairman</i>                          |
| Ekaterinari Rania      | <i>Deputy CEO-Executive member</i>            |
| Alexakis Panagiotis    | <i>Independent - non executive member</i>     |
| Antoniou Ilias         | <i>Independent - non executive member</i>     |
| Vasilogeorgis Harilaos | <i>Independent - non executive member</i>     |
| Vernikos Nikolaos      | <i>Independent - non executive member</i>     |
| Zontanos Konstantinos  | <i>Independent - non executive member</i>     |
| Thomoglou Pavlos       | <i>Independent - non executive member</i>     |

Athens, March 28, 2013

CHAIRMAN AND CHIEF  
EXECUTIVE OFFICER

**ARTHOUROS  
ZERVOS**

VICE CHAIRMAN

**KONSTANTINOS  
DOLOGLOU**

CHIEF FINANCIAL  
OFFICER

**GEORGE C.  
ANGELOPOULOS**

CHIEF ACCOUNTANT

**EFTHIMIOS A.  
KOUTROULIS**

## DATA FROM STATEMENT OF FINANCIAL POSITION

Amounts in thousands of Euro

|   | GROUP             |                   | COMPANY           |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 31.12.2012        | 31.12.2011        | 31.12.2012        | 31.12.2011        |
| <b>ASSETS</b>   |                   |                   |                   |                   |
| Tangible assets                                       | 12,903,591        | 13,702,609        | 11,143,858        | 11,885,466        |
| Intangible assets, net                                | 54,377            | 92,703            | 53,445            | 92,512            |
| Other non- current asset                              | 54,178            | 66,736            | 1,097,864         | 1,049,340         |
| Materials, spare parts and supplies                   | 855,337           | 847,585           | 629,599           | 793,809           |
| Trade receivables                                     | 1,320,910         | 979,816           | 1,264,686         | 977,596           |
| Other current assets                                  | 444,771           | 429,592           | 438,893           | 340,632           |
| Available for sale financial assets                   | 5,021             | 6,435             | 5,021             | 6,435             |
| Restricted cash                                       | 141,500           | 154,833           | 141,500           | 154,833           |
| Cash and cash equivalents                             | 279,427           | 364,495           | 221,208           | 339,539           |
| <b>TOTAL ASSETS</b>                                   | <b>16,059,112</b> | <b>16,644,804</b> | <b>14,996,074</b> | <b>15,640,162</b> |
| <b>EQUITY AND LIABILITIES</b>                         |                   |                   |                   |                   |
| Share capital   | 1.067.200         | 1.067.200         | 1.067.200         | 1.067.200         |
| Share premium   | 106.679           | 106.679           | 106.679           | 106.679           |
| Other equity items                                    | 4.680.580         | 5.326.511         | 4.612.910         | 5.177.861         |
| Equity attributable to shareholders of the parent (a) | 5.854.459         | 6.500.390         | 5.786.789         | 6.351.740         |
| Minority interests (b)                                |                   | 0                 | 0                 | 0                 |
| Total Equity (c)=(a)+(b)                              | 5,854,459         | 6,500,390         | 5,786,789         | 6,351,740         |
| Interest bearing loans and borrowings                 | 3,302,887         | 3,565,542         | 3,026,223         | 3,142,670         |
| Provisions / other non current liabilities            | 3,021,113         | 3,224,756         | 2,695,978         | 2,978,202         |
| Short term borrowings                                 | 1,802,093         | 1,662,936         | 1,580,456         | 1,559,066         |
| Other current liabilities                             | 2,078,560         | 1,691,180         | 1,906,628         | 1,608,484         |
| Total liabilities (d)                                 | 10,204,653        | 10,144,414        | 9,209,285         | 9,288,422         |
| <b>TOTAL EQUITY AND LIABILITIES (c) + (d)</b>         | <b>16,059,112</b> | <b>16,644,804</b> | <b>14,996,074</b> | <b>15,640,162</b> |

## DATA FROM STATEMENT OF COMPREHENSIVE INCOME

Amounts in thousands of Euro

|   | GROUP              |                   |
|---|--------------------|-------------------|
|   | 01.01 - 31.12.2012 | 01.01- 31.12.2011 |
| Sales   | 5.985.222          | 5.513.552         |
| Gross operating results   | 474.645            | 756.542           |
| Profit / (Loss) before tax, financing and investing activities                              | 330.936            | 122.488           |
| Profit / (Loss) before tax from continuing operations                                       | 95.398             | (85.800)          |
| Profit / (Loss) after tax from continuing operations (a)                                    | 30.529             | (148.947)         |
| Profit / (Loss) after tax from discontinuing operations (b)                                 | 0                  | 0                 |
| <b>Profit / (Loss) after tax from (continuing and discontinuing operations )(a)+(b)=(c)</b> | <b>30.529</b>      | <b>(148.947)</b>  |
| <br><u>Distributed to:</u>  |                    |                   |
| - Owners of the Parent  | 30,529             | (148,947)         |
| - Minority interests  | 0                  | 0                 |
| Other comprehensive income after tax (d)  | (677,000)          | 9,927             |
| <b>Total comprehensive income after tax (c)+(d)</b>   | <b>(646,471)</b>   | <b>(139,020)</b>  |
| - Owners of the Parent  | (646,471)          | (139,020)         |
| - Minority interests  | 0                  | 0                 |
| Earnings / (Loss) per share, basic and diluted (in Euro)                                    | 0,1316             | (0,6420)          |
| Interim dividend (in Euro)  | 0,0250             | 0,0000            |
| Profit before tax, financing and investing activities and depreciation and amortisation     | 990,855            | 779,816           |

## DATA FROM STATEMENT OF COMPREHENSIVE INCOME

Amounts in thousands of Euro

|   | COMPANY            |                   |
|---|--------------------|-------------------|
|   | 01.01 - 31.12.2012 | 01.01- 31.12.2011 |
| Sales   | 5,887,911          | 5,180,332         |
| Gross operating results   | 576,060            | 567,113           |
| Profit / (Loss) before tax,   |                    |                   |
| Profit / (Loss) before tax, financing and investing activities                              | 217,040            | (63,707)          |
| Profit / (Loss) before tax from continuing operations                                       | 44,891             | (247,147)         |
| Profit / (Loss) after tax from continuing operations (a)                                    | 17,095             | (272,936)         |
| Profit / (Loss) after tax from discontinuing operations (b)                                 | 0                  | 0                 |
| <b>Profit / (Loss) after tax from (continuing and discontinuing operations) (a)+(b)=(c)</b> | <b>17,095</b>      | <b>(272,936)</b>  |
| <u>Distributed to:</u>  |                    |                   |
| - <i>Owners of the Parent</i>   | 17,095             | (272,936)         |
| - <i>Minority interests</i>   | 0                  | 0                 |
| Other comprehensive income after tax (d)  | (582,000)          | 9,927             |
| <b>Total comprehensive income after tax (c)+(d)</b>   | <b>(564,905)</b>   | <b>(263,009)</b>  |
| - <i>Owners of the Parent</i>   | (564,905)          | (263,009)         |
| - <i>Minority interests</i>   | 0                  | 0                 |
| Earnings / (Loss) per share, basic and diluted (in Euro)                                    | 0,0737             | (1,1764)          |
| Interim dividend (in Euro)  | 0,0250             | 0,0000            |
| Profit before tax, financing and investing activities and depreciation and amortisation     | 812,234            | 533,657           |

## DATA FROM STATEMENT OF CHANGES IN EQUITY

Amounts in thousands of Euro

|  | GROUP            |                  | COMPANY          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 31.12.2012       | 31.12.2011       | 31.12.2012       | 31.12.2011       |
| Total equity at beginning of the year<br>(01.01.2012 and 01.01.2011, respectively)       | 6,448,695        | 6,769,528        | 6,300,045        | 6,746,334        |
| Remeasurment of fixed assets' deffered tax<br>as of 1st January 2012                     | 51.695           | 0                | 51.695           | 0                |
| Total Comprehensive income after tax   | (646,471)        | (139,020)        | (564,905)        | (263,009)        |
| Dividends  | 0                | (183,280)        | 0                | (183,280)        |
| Other  | 540              | 1,467            | (46)             | 0                |
| <b>Equity at the end of the year</b><br><b>(31.12.2012 and 31.12.2011, respectively)</b> | <b>5,854,459</b> | <b>6,448,695</b> | <b>5,786,789</b> | <b>6,300,045</b> |

## DATA FROM STATEMENT OF CASH FLOW

Amounts in thousands of Euro

|  | GROUP             |                   | COMPANY           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 01.01- 31.12.2012 | 01.01- 31.12.2011 | 01.01- 31.12.2012 | 01.01- 31.12.2011 |
| <b>Cash Flows from Operating Activities</b>              |                   |                   |                   |                   |
| Profit / (Loss) before tax from continuing operations    | 95,398            | (85,800)          | 44,891            | (247,147)         |
| Profit / (Loss) before tax from discontinuing operations | 0                 | 0                 | 0                 | 113,890           |
| Adjustments:   |                   |                   |                   |                   |
| Depreciation and amortisation                            | 722,527           | 722,679           | 651,570           | 657,419           |
| Devaluation of fixed assets                              | 14,500            | 11,001            | 14,500            | 10,374            |
| Amortisation of customers' contributions and subsidies   | (76,893)          | (75,725)          | (70,876)          | (70,429)          |
| Provision for CO <sub>2</sub> emission rights            | 51,321            | 6,833             | 51,321            | 6,833             |
| Impairment of investments available for sale             | 0                 | 25,564            | 0                 | 25,564            |
| Fair value (gain) / loss of derivative instruments       | 912               | 3,073             | 912               | 3073              |
| Share of loss of joint venture                           | 0                 | 0                 | 0                 | 97                |
| Share of loss of associates                              | (2,067)           | (97)              | 0                 | 0                 |
| Interest income  | (42,309)          | (43,664)          | (76,343)          | (43,346)          |
| Sundry provisions  | 324,772           | 222,358           | 282,535           | 227,055           |
| Unrealised foreign exchange losses (gains)               |                   |                   |                   |                   |
| on interest bearing loans and borrowings                 | 504               | 1,157             | 504               | 1,336             |
| Unbilled revenue   | (126,731)         | (90,536)          | (126,731)         | (90,536)          |
| Retirement of fixed assets and software                  | 25,307            | 22,033            | 24,583            | 22,033            |
| Amortisation of loan origination fees                    | 7,930             | 5,348             | 7,405             | 4,545             |
| Interest expense   | 251,776           | 205,546           | 222,646           | 182,420           |
| <b>Working capital adjustments:</b>                      |                   |                   |                   |                   |
| <b>(Increase) / Decrease in:</b>                         |                   |                   |                   |                   |
| Accounts receivable, trade and other                     | (490,021)         | (231,340)         | (526,264)         | (301,346)         |
| Other current assets                                     | 20,388            | (34,782)          | (18,929)          | (4,849)           |
| Materials, spare parts and supplies                      | (13,928)          | (5,303)           | (34,702)          | (9,132)           |
| Increase / (decrease) in:                                |                   |                   |                   |                   |
| Trade and other payables                                 | 295,570           | 540,502           | 390,957           | 495,917           |
| Other non-current liabilities                            | 34,855            | (8,989)           | 30,574            | (8,990)           |
| Accrued / other liabilities excluding interest           | 16,808            | 62,130            | (54,865)          | 60,386            |
| Income tax paid  | (50,370)          | (268,921)         | 0                 | (268,404)         |
| Distribution business unit spin-off                      | 0                 | 0                 | 216,998           | 0                 |
| Discontinuing operations                                 | 0                 | 0                 | 0                 | 174,807           |
| <b>Net Cash from Operating Activities (a)</b>            | <b>1,060,249</b>  | <b>983,067</b>    | <b>1,030,686</b>  | <b>941,570</b>    |

## DATA FROM STATEMENT OF CASH FLOW

Amounts in thousands of Euro

|   | GROUP             |                    | COMPANY           |                    |
|---|-------------------|--------------------|-------------------|--------------------|
|   | 01.01- 31.12.2012 | 01.01- 31.12.2011  | 01.01- 31.12.2012 | 01.01- 31.12.2011  |
| <b><u>Cash Flows from Investing Activities</u></b>                        |                   |                    |                   |                    |
| Interest received   | 42,309            | 43,664             | 39,367            | 43,346             |
| Capital expenditure of fixed assets and software                          | (798,033)         | (1,130,904)        | (728,761)         | (1,027,959)        |
| Proceeds from customers' contributions and subsidies                      | 10,582            | 17,498             | 7,224             | 17,518             |
| Investments in subsidiaries and associates                                | (2,224)           | 1,649              | (8,578)           | (24,146)           |
| Distribution business unit spin-off                                       | 0                 | 0                  | (120,167)         | 0                  |
| Discontinuing operations  | 0                 | 0                  | 0                 | (66,528)           |
| <b>Net Cash used in Investing Activities (b)</b>                          | <b>(747,366)</b>  | <b>(1,068,093)</b> | <b>(810,915)</b>  | <b>(1,057,769)</b> |
| <b><u>Cash Flows from Financing Activities</u></b>                        |                   |                    |                   |                    |
| Net change in short-term borrowings                                       | 67,794            | (16,515)           | 17,500            | (26,000)           |
| Proceeds from interest bearing loans and borrowings                       | 1,080,500         | 928,313            | 1,080,500         | 928,313            |
| Principal payments of interest bearing loans and borrowings               | (1,272,296)       | (692,108)          | (1,193,561)       | (513,001)          |
| Interest paid   | (273,914)         | (207,377)          | (242,506)         | (182,420)          |
| Dividends paid  | (35)              | (183,241)          | (35)              | (183,241)          |
| Discontinuing operations  | 0                 | 0                  | 0                 | (184,953)          |
| <b>Net Cash used in Financing Activities (c)</b>                          | <b>(397,951)</b>  | <b>(170,928)</b>   | <b>(338,102)</b>  | <b>(161,302)</b>   |
| <b>Net increase / (decrease) in cash and cash equivalents (a)+(b)+(c)</b> | <b>(85,068)</b>   | <b>(255,954)</b>   | <b>(118,331)</b>  | <b>(277,501)</b>   |
| <b>Cash and cash equivalents at the beginning of the year</b>             | <b>364,495</b>    | <b>620,449</b>     | <b>339,539</b>    | <b>617,040</b>     |
| <b>Cash and cash equivalents at the end of the year</b>                   | <b>279,427</b>    | <b>364,495</b>     | <b>221,208</b>    | <b>339,539</b>     |

## ADDITIONAL DATA AND INFORMATION

Amounts in thousands of Euro, unless otherwise stated

1. The Group's companies with their respective addresses and participation percentages, as well as their unaudited tax years, that are included in the consolidated financial statements are listed below:

Full consolidation method:

| Company                                    | Note | % participation | Country of incorporation | Unaudited tax Years from |
|--|------|-----------------|--------------------------|--------------------------|
| PPC S.A.                                   |      | Parent Company  | Greece                   | 2009                     |
| PPC RENEWABLE SOURCES S.A.                 |      | 100%            | Greece                   | 2009                     |
| HEDNO S.A. (ex PPC RHODES S.A.)            |      | 100%            | Greece                   | 1999                     |
| ITSO S.A. (ex PPC TELECOMMUNICATIONS S.A.) |      | 100%            | Greece                   | 2007                     |
| ARKADIKOS ILIOS 1 S.A.                     |      | 100%            | Greece                   | 2007                     |
| ARKADIKOS ILIOS 2 S.A.                     |      | 100%            | Greece                   | 2007                     |
| ILIAKO VELOS 1 S.A.                        |      | 100%            | Greece                   | 2007                     |
| ILIAKO VELOS 2 S.A.                        |      | 100%            | Greece                   | 2007                     |
| SOLARLAB S.A.                              |      | 100%            | Greece                   | 2007                     |
| ILIAKA PARKA DITIKIS MAKEDONIAS 1 S.A.     |      | 100%            | Greece                   | 2007                     |
| ILIAKA PARKA DITIKIS MAKEDONIAS 2 S.A.     |      | 100%            | Greece                   | 2007                     |
| PHOIBE ENERGIKI S.A.                       | 1    | 100%            | Greece                   | 2007                     |
| PPC FINANCE PLC                            |      | 100%            | UK                       | -                        |
| PPC QUANTUM ENERGY LTD                     |      | 51%             | Cyprus                   | -                        |

**Equity method:**

| Company  | Note | % participation | Country of incorporation | Unaudited tax Years from |
|--|------|-----------------|--------------------------|--------------------------|
| LARCO S.A.                                     |      | 11,45%          | Greece                   | 2002                     |
| WASTE SYCLO S.A.                               |      | 49%             | Greece                   | -                        |
| PPC RENEWABLES ROKAS S.A.                      |      | 49%             | Greece                   | 2010                     |
| PPC RENEWABLES – TERNA ENERGIAKI S.A.          |      | 49%             | Greece                   | 2010                     |
| PPC RENEWABLES – MEK ENERGIAKI S.A.            |      | 49%             | Greece                   | 2010                     |
| PPC RENEWABLES NANKO ENERGY – MYHE GITANI S.A. |      | 49%             | Greece                   | 2007                     |
| PPC RENEWABLES ELTEV AIFOROS S.A.              |      | 49%             | Greece                   | 2008                     |
| GOOD WORKS S.A.                                |      | 49%             | Greece                   | 2005                     |
| PPC RENEWABLES EDF EN GREECE S.A.              |      | 49%             | Greece                   | 2010                     |
| EEN VOIOTIA S.A.                               | 2    | 46,60%          | Greece                   | 2007                     |
| AIOLIKO PARKO LOUKO S.A                        |      | 49%             | Greece                   | 2008                     |
| AIOLIKO PARKO BABO VIGLIES S.A.                |      | 49%             | Greece                   | 2008                     |
| AIOLIKO PARKO LEFKIVARI S.A.                   |      | 49%             | Greece                   | 2008                     |
| AIOLIKO PARKO AGIOS ONOUFRIOS S.A.             |      | 49%             | Greece                   | 2008                     |
| AIOLIKO PARKO KILIZA S.A.                      |      | 49%             | Greece                   | 2008                     |
| RENEWABLE ENERGY APPLICATIONS LTD              |      | 49%             | Cyprus                   | 2010                     |

1. In the second quarter of 2012 the above company was acquired by the Group. Till the end of March 2012 it was consolidated from the associate company Good Works S.A.

2. It is consolidated by the associate company PPC Renewables EDF en Greece S.A. as it participates by 95% in its share capital.

Further information for the unaudited tax years of the Parent Company as well as Group's companies, is presented in Note 14 of the Financial Report.

- The accounting policies adopted in the preparation of the financial statements are presented in Note 3.4 of the Financial Report and are consistent with those followed in the preparation of the financial statements for the year ended December 31, 2011, except from them which are presented in Note 3.2 of the Financial Report.
- No burdens exist on the Parent's and the Group's fixed assets. Further information is presented in Note 15 of the Financial Report.

4. Adequate provisions have been established for all litigation.
5. Provisions of the Group and the Parent Company as of December 31, 2012 are as follows:

|   | Group    | Company  |
|---|----------|----------|
| a) Provision for litigation and arbitration | 8,272    | 2,567    |
| b) Tax provisions                           | (14,776) | (14,776) |
| c) Other provisions                         | 329,115  | 272,199  |

6. Total payrolls of the Group and the Parent Company number 20.030 and 11.369 as of December 31, 2012 (2011: 20.821 and 19.452, respectively). Further information is presented in Note 1 of the Financial Report.
7. Sales and purchases of the Group and the Parent Company for the year ended December 31, 2012 as well as receivables and payables as of December 31, 2012 of the Group and the Parent Company, according to IAS 24 are as follows:

|  | Group   | Company   |
|--|---------|-----------|
| a) Sales   | 231,609 | 542,622   |
| b) Purchases   | 860,280 | 2,971,115 |
| c) Receivables from related parties                        | 508,042 | 551,531   |
| d) Payables to related parties                             | 366,801 | 1,013,631 |
| e) Key management personnel compensations                  | 1,761   | 1,245     |
| f) Receivables from key management personnel compensations | 0       | 0         |
| g) Payables to key management personnel compensations      | 0       | 0         |

8. Capital expenditure of the Parent Company and the Group for the year ended December 31, 2012 amounted to Euro 717,2 million and of Euro 820,6 million respectively.
9. Other Comprehensive income / (loss) after tax which was recognized directly in equity for the year ended December 31, 2012 are as follows:

|  | Group     | Company   |
|--|-----------|-----------|
| Profit / (Loss) from fair value available for sale valuation | 0         | 0         |
| Impairment of fixed assets                                   | (677,000) | (582,000) |
| Total  | (677,000) | (582,000) |

10. Certain reclassifications have been made to prior year amounts of the Parent Company and the Group for comparative reasons. These reclassifications did not have any effect on prior year results. Furthermore, as of January 1, 2012 the fixed assets' deferred tax was remeasured. Further information is presented in Note 14 of the Financial Report.
11. The progress regarding the terms of electricity supply between PPC S.A. and ALOUMINION S.A., is presented in Note 38 of Financial Report.
12. Information regarding the new contract for the procurement of natural gas, the negotiation of the differences and the receivables between PPC and DEPA and the option for acquisition of DEPA shares by PPC, is presented in Notes 22 and 38 of the Financial Report.
13. In July 2011 the Board of Directors of the Parent Company approved the agreement for the settlement of new debts incurred by LARCO's electricity consumption as well as the new contract for the procurement of lignite. Further information is presented in Note 19 of the Financial Report.
14. On April 23, 2012 HEDNO began its operation. Further information is presented in Note 13 of the Financial Report.
15. According to the provisions of L. 4001/2011 IPTO is being assigned with the Hellenic transmission system operation (HETSO). The spin-off of PPC' s transmission activity was completed in the time limits defined by L. 4001/2011 (November 2011). Furthermore, balances relating to the investment in EMO of the Parent Company and the deferred tax liabilities as of 31.12.2011 have been modified. Further information is presented in Note 13 of the Financial Report.
16. According to article 99 L. 4001/2011, the societe anonyme "Operator of the Hellenic Transmission System S.A." (HTS) transfer its activities apart from the operation of the Day Ahead Schedule which will be conducted by the independent "Operator of Electricity Market" (EMO S.A.), to IPTO. HTSO' s above mentioned contribution was realized through spin-off which was typically and fully completed in the second half of 2012. IPTO' s share capital as a result of the above mentioned spin-off was increased by Euro 2.078. Further information is presented in Note 13 of the Financial Report.
17. The Parent Company and IPTO decided to perform an impairment test according to IAS 36 on the Transmission and Distribution fixed assets. As a result the equity of IPTO, on 31.12.2012, was reduced by Euro 95 million and the equity of the Parent Company by Euro 582 million. Further information is presented in Note 13 of the Financial Report.

## 4 Related Parties Transactions

### Related Party Transactions for the Year 2012

Amounts in thousands of Euro

|  | 31.12.12         |
|--|------------------|
| <b>Due from:</b>   |                  |
| IPTO S.A. (former PPC TELECOMMUNICATIONS S.A.)                           | -                |
| PPC RENEWABLES S.A.  | 43,485           |
| HEDNO S.A. (former PPC Rhodes S.A.)                                      | -                |
| ARKADIKOS ILIOS 1 S.A.   | 3                |
| ARKADIKOS ILIOS 2 S.A.   | 1                |
| <b>TOTAL</b>   | <b>43,489</b>    |
| <b>Due to:</b>   |                  |
| IPTO S.A. (former PPC TELECOMMUNICATIONS S.A.)                           | 526,268          |
| PPC RENEWABLES S.A.  | 856              |
| HEDNO S.A. (former PPC Rhodes S.A.)                                      | 119,706          |
| <b>TOTAL</b>   | <b>646,830</b>   |
| <b>Revenues from:</b>  |                  |
| SERVICES RENDERED TO IPTO S.A. (former PPC TELECOMMUNICATIONS S.A.)      | 10,885           |
| SERVICES RENDERED TO PPC RENEWABLES S.A.                                 | 7,184            |
| SERVICES RENDERED TO HEDNO S.A. (former PPC Rhodes S.A.)                 | 292,944          |
| <b>TOTAL</b>   | <b>311,013</b>   |
| <b>Expenses to:</b>  |                  |
| EXPENSES FROM SERVICES TO IPTO S.A. (former PPC TELECOMMUNICATIONS S.A.) | 1,260,681        |
| EXPENSES FROM SERVICES TO PPC RENEWABLES S.A.                            | 2,099            |
| EXPENSES FROM SERVICES TO HEDNO S.A. (former PPC Rhodes S.A.)            | 848,055          |
| <b>TOTAL</b>   | <b>2,110,835</b> |

ANNUAL  
REPORT  
2012



## 5 Announcements to the ASE 2012

The Company's announcements that were publicized for the briefing of the investor community, during 2012, according to the Law 3401/2005 –article 10, are available on the company's website [www.dei.gr](http://www.dei.gr) in the electronic address [www.dei.gr/InvestorRelation/Announcements](http://www.dei.gr/InvestorRelation/Announcements)

1. New Tariffs 2012  
(5 Jan 2012)

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2. Invitation of an Extraordinary Special Meeting of Minority  
(5 Jan 2012)

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3. Clarifications on the Agenda regarding the Invitation to the Extraordinary Special Meeting of PPC S.A. Minority Shareholders  
(11 Jan 2012)

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4. Memorandum of Strategic Partnership with SILCIO group  
(12 Jan 2012)

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5. Comment on press reports about the salaries of a member of BoD  
(16 Jan 2012)

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6. Clarifications on Electricity Supply Services (Hellas Power + Energa)  
(24 Jan 2012)

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7. New Medium Voltage Tariffs for 2012  
(27 Jan 2012)

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8. Comment on press articles claiming that the Company faces difficulties in making payments towards RAE & HTSO  
(30 Jan 2012)

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9. Date of the Re-convene Extraordinary Special Meeting of Minority Shareholders  
(31 Jan 2012)

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10. Termination of Cooperation with General Manager of Human Resources & Organization  
(1 Feb 2012)

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11. IPTO undertakes the operation of the Greek Power Transmission System  
(1 Feb 2012)

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12. Recognition for the environmental performance of the Generation Division of PPC  
(6 Feb 2012)

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13. Comment on press articles regarding amounts due to DEPA  
(8 Feb 2012)

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14. Results of the Re-convene Extraordinary Special Meeting of Minority Shareholders of PPC S.A.  
(14 Feb 2012)

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15. Comment on Press reports regarding new High Voltage Tariffs  
(29 Feb 2012)

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16. New composition of the BoD  
(1 Mar 2012)

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17. Invitation in an Extraordinary General Meeting  
(2 Mar 2012)

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18. 12M 2011 Results Estimates  
(2 Mar 2012)

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19. Comment on press article regarding unpaid bills  
(8 Mar 2012)

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20. Formation of body of the BoD of ADMIE S.A.  
(13 Mar 2012)

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21. 2012 Budget Approval by the BoD  
(13 Mar 2012)

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22. Comment on press articles referring to the financing of the construction of Ptolemais V  
(13 Mar 2012)

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23. Date of FY2011 Financial Results  
(19 Mar 2012)

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24. Comments on Press Reports regarding PSO' s  
(22 Mar 2012)

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25. Resolutions of the Extraordinary General Meeting of the Shareholders of PPC S.A.  
(29 Mar 2012)

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26. Financial calendar for the year 2012  
(30 Mar 2012)

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27. Presentation to Analysts for 12M 2011  
(30 Mar 2012)

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28. 12M 2011 Financial Results  
(30 Mar 2012)

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29. 12M 2011 Financial Statements  
(30 Mar 2012)

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30. Election of the BoD of DEDDIE S.A.  
(2 Apr 2012)

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31. Appointment of General Manager of Support Operations  
(3 Apr 2012)

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32. 12M 2012 Financial Statements - Correction  
(3 Apr 2012)

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33. Resignation of a Board Member of PPC S.A.  
(12 Apr 2012)

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34. Comments on press reports about the liquidity levels of the Company  
(20 Apr 2012)

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35. Amendment of Financial Calendar 2012  
(25 Apr 2012)

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36. Election of new Member of the Board of the PPC S.A.  
(26 Apr 2012)

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37. Release of Regulated Information, Law 3340/2005  
(26 Apr 2012)

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38. HEDNO S.A. becomes operational  
(2 May 2012)

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39. Comment on press releases regarding HV Tariffs  
(3 May 2012)

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| 40. | Comment on a press article about tax return<br>(9 May 2012)                                   |
| 41. | Comment on a press article regarding 17% stock package<br>(11 May 2012)                       |
| 42. | Comment on a press article for LAGIE<br>(11 May 2012)   |
| 43. | Comment on a press article for LAGIE and PPC<br>(11 May 2012)                                 |
| 44. | Release date of 1Q2012 Financial Results<br>(17 May 2012)                                     |
| 45. | Release of Regulated Information, Law 3340/05<br>(21 May 2012)                                |
| 46. | RAE ' s decision for Aluminium S.A. tariff<br>(22 May 2012)                                   |
| 47. | Financial Results 3M 2012<br>(29 May 2012)  |
| 48. | Release of Regulated Information, Law 3340/05<br>(29 May 2012)                                |
| 49. | Presentation to the Analysts 3M 2012<br>(29 May 2012)   |
| 50. | Financial Statements 3M 2012<br>(29 May 2012)   |
| 51. | Invitation of the AGM<br>(31 May 2012)  |
| 52. | Comment on press article regarding unpaid bills<br>(31 May 2012)                              |
| 53. | Clarifications on Reuters interview<br>(5 Jun 2012)   |
| 54. | Comment on pres article regarding PPC' s obligations<br>(5 Jun 2012)                          |
| 55. | Clarifications on the items of AGM Agenda<br>(7 Jun 2012)                                     |
| 56. | Release of Regulated Information, Law 3340/05<br>(8 Jun 2012)                                 |
| 57. | Comments on press articles regarding financing and liquidity issues<br>(12 Jun 2012)          |
| 58. | Annual Report 2011<br>(21 Jun 2012)   |
| 59. | Comments on a press article for the loan with the "Loans & Consignment Fund"<br>(22 Jun 2012) |
| 60. | Postponement of Annual Ordinary General Meeting<br>(26 Jun 2012)                              |

61. Comments on press articles regarding refinancing of loans  
(4 Jul 2012)

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62. Decisions of an AGM  
(13 Jul 2012)

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63. Ilarionas hydro power plant  
(13 Jul 2012)

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64. Release of Regulated Information, Law 3340/05  
(17 Jul 2012)

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65. Date of 1H 2012 Financial Results  
(21 Aug 2012)

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66. Resignation of Deputy CEO  
(29 Aug 2012)

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67. 1H 2012 Financial Results of PPC S.A.  
(30 Aug 2012)

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68. Presentation to the Analysts – 1H 2012  
(30 Aug 2012)

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69. Financial Statements 1H 2012  
(30 Aug 2012)

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70. 50MW Photovoltaic Park in Megalopolis  
(11 Sep 2012)

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71. Invitation of an EGM on 4.10.2012  
(11 Sep 2012)

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72. PPCR wind park in Crete becomes operational  
(13 Sep 2012)

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73. Clarifications on the items of the Agenda of the EGM  
(13 Sep 2012)

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74. Release of Regulated Information, Law 3556/07  
(14 Sep 2012)

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75. Judgments of the EU General Court on lignite case  
(20 Sep 2012)

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76. Resolutions of the EGM  
(4 Oct 2012)

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77. Expiration of the five year period for the collection of the year 2006 dividend  
(9 Oct 2012)

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78. Release of Regulated Information, Law 3556/07 – Clarifications  
(11 Oct 2012)

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| <b>79.</b> | RAE' s decision for LARCO S.A. tariff<br><i>(25 Oct 2012)</i>                          |
| <b>80.</b> | Contract and Settlement Agreement signed with DEPA S.A.<br><i>(30 Oct 2012)</i>        |
| <b>81.</b> | Invitation to an EGM on 30.11.2012<br><i>(7 Nov 2012)</i>                              |
| <b>82.</b> | Invitation to a SGM<br><i>(13 Nov 2012)</i>  |
| <b>83.</b> | Date of 9M2012 Financial Results<br><i>(19 Nov 2012)</i>                               |
| <b>84.</b> | Cancellation of Cyclades Interconnection Centre<br><i>(19 Nov 2012)</i>                |
| <b>85.</b> | Correction of the Invitation of the MGM<br><i>(27 Nov 2012)</i>                        |
| <b>86.</b> | 9M 2012 Financial Results<br><i>(27 Nov 2012)</i>                                      |
| <b>87.</b> | Announcement for Ptolemais V<br><i>(27 Nov 2012)</i>                                   |
| <b>88.</b> | Presentation to Analysts of the 9M 2012 Financial Results<br><i>(27 Nov 2012)</i>      |
| <b>89.</b> | Financial Statements of the 9M 2012<br><i>(27 Nov 2012)</i>                            |
| <b>90.</b> | Comment on press articles for debts to DEPA<br><i>(28 Nov 2012)</i>                    |
| <b>91.</b> | Resolutions of the EGM<br><i>(3 Dec 2012)</i>  |
| <b>92.</b> | First prize for PPC ' s environmental performance<br><i>(5 Dec 2012)</i>               |
| <b>93.</b> | Results of the Minority Special Meeting<br><i>(11 Dec 2012)</i>                        |
| <b>94.</b> | BoD Decision for Ptolemais V Unit<br><i>(11 Dec 2012)</i>                              |
| <b>95.</b> | Re-election of Mr. Arthouros Zervos as Chief Executive Officer<br><i>(20 Dec 2012)</i> |
| <b>96.</b> | Election of Chairman of the Board of Directors of PPC S.A.<br><i>(21 Dec 2012)</i>     |



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