



PUBLIC POWER CORPORATION S.A.

Financial Report

for the six-month period ended June 30, 2016

The attached Financial Report for the six month period ended June 30th, 2016, has been established according to article 5 of Law 3556/2007, has been approved by the Board of Directors of “Public Power Corporation S.A.” on September 28th, 2016, and is available for the investors, on the internet, at the web site address www.dei.gr, for at least the next ten (10) years.

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I. Statement of the members of the Board of Directors

STATEMENT OF MEMBERS OF THE BOARD OF DIRECTORS

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

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

declare

that, to the best of our knowledge:

- a) the accompanying interim Condensed Financial Statements of the Parent Company and the Group, for the six month period ended June 30, 2016, which were prepared according to the International Accounting Standards – currently in effect- as adopted by the European Union, are truthfully depicting assets, liabilities, equity and the statement of income of Public Power Corporation S.A., as well as the companies included in the consolidation, according to the provisions of the paragraphs 3 to 5 of article 5 of Law 3556/2007 and,
- b) the accompanying Board of Directors' Report, truthfully depicts the development, the performance and the status of Public Power Corporation S.A. and the companies included in the consolidation, as well as a description of the confronted major risks and uncertainties.

Athens, September 28th 2016

Chairman and CEO

Member of the Board

Member of the Board

Emmanuel Panagiotakis

Christos Papageorgiou

Panagiotis Alexakis

II. Report of the Board of Directors

PUBLIC POWER CORPORATION S.A.
SIX MONTH REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD 1.1.2016 - 30.6.2016
(In accordance with the provisions of Law 3556/2007, article 5 par. 6)

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

FINANCIAL DATA FOR THE FIRST HALF 2016

In 1H2016, EBITDA decreased by € 105.3 m. (16.4%) compared to 1H2015, due to turnover reduction, as well as due to the one-off impact of a € 48.3 m expense. Said expense relates to the residual 50% of € 96.6 m that had been allocated, according to RAE decision 285/2013, to PPC by LAGIE (the market operator) for the cover of the deficit created in the Day-Ahead Schedule (DAS) market during 2011 and 2012 by alternative suppliers that exited the market.

It is noted that PPC had filed an application for annulment of RAE's abovementioned Decision before the Council of State, as well as an action for suspension of such Decision until a final judgment was issued. Following a relevant interim order issued by the Council of State, PPC had already paid 50% out of the € 96.6 m.

The application for annulment was rejected in September 2016 (Decision 1761/2016 of Section D' of the Council of State), resulting to PPC's obligation to pay the residual 50% of the € 96.6 m.

As a result, EBITDA margin decreased to 20.1% compared to 22%, although if the abovementioned one-off negative impact is excluded, the respective margin settles at 21.9%, remaining practically at the same level.

In addition, according to the same Decision, PPC can no longer offset amounts stemming from its capacity as electricity generator and supplier in relation to electricity generated from rooftop photovoltaics.

This is an issue that does not impact P&L statements but will have a negative effect on our cash flows, due to the increased working capital needs, since PPC is obliged to await payments in cash from LAGIE through the relevant special RES account. The issue in question concerns amounts which range from €10 m to € 16 m per month and the total delayed amount to be recovered could reach approximately € 80 m based on an estimated five-month waiting period. It is noted that the impact for PPC is contained to half the amount, since PPC, pursuant to court decisions, was already netting obligations to DAS with 50% of claims from other causes.

On a pre-tax level, excluding the one-off impact, the reduction of profitability was contained to € 24.2 m (€ 140.8 m in 1H2016 compared to € 165 m in 1H2015), due to the improvement of financial expenses and lower depreciation.

Net income, excluding the one-off impact, settled at € 91.4 m compared to € 105.6 m in 1H2015.

Revenues

- Group turnover decreased by € 248.8m. (8.5%) to € 2,664.5 m in 1H2016 from € 2,913.3 m in 1H2015. Said reduction is attributed to the decline of revenues from electricity sales in 1H2016 by € 296.7 m compared to 1H2015 (€ 2,531.4 m vs € 2,828.1 m) due to:
 - the reduction of electricity demand by 1.8%,
 - the reduction of PPC's average market share (in GWh) in the retail electricity market and the consequent deterioration of sales mix, as well as
 - the new tariff policy for commercial and industrial customers in Low and Medium Voltage and the reward of these customers who pay on time as well as of the residential customers who pay on time, by providing tariff discounts.

Finally, turnover includes an amount of € 31.3 m regarding network users' participation for their connection to the network compared to € 24.7 m in 1H2015.

In detail:

- Total electricity demand decreased by 1.8% in 1H2016 to 27,718 GWh compared to 28,216 GWh in 1H2015. Excluding exports and pumping, the reduction is 2.3% and is mainly attributed to milder weather conditions in 1H2016 compared to the respective period of 2015. It is worth noting that, despite the fact that total electricity demand declined by 5.9% in 1Q2016 compared to the respective period of 2015, in 2Q2016 total electricity demand increased by 3%, due to the significant increase of demand by 12.2% which was recorded in June 2016, and which is mainly attributed to hotter weather conditions compared to June 2015.

PPC's domestic sales declined by 6.8% (1,665 GWh) in 1H2016, as a result of the aforementioned lower demand and the retail market share reduction of PPC.

PPC's average market share in the country declined to 93.4% in 1H2016 from 97.1% in 1H2015. Especially in the Interconnected System, the respective share declined to 92.6% in 1H2016 from 96.8% in 1H2015. According to LAGIE data, the respective market share was contained to 90.3% in June 2016 compared to 95.3% in June 2015.

- PPC's electricity generation and imports covered 52.2% of total demand in 1H2016 (49% in the Interconnected System), while the corresponding percentage in 1H2015 was 61.2% (59% in the Interconnected System). PPC's market share in electricity generation, as a percentage of the total load in the Interconnected System was 45% in 1H2016 compared to 52.6% in 1H2015.

Said reduction is attributed to a large extent to the increase of third parties' natural gas fired generation by 127.8% (1,956 GWh), as a result of declining oil prices and consequently natural gas prices, as well as due to increased third parties' Renewables generation by 6.5% (296 GWh), whereas lignite fired generation decreased by 27.3% (2,444 GWh) and hydro generation by 23.9% (or 770 GWh).

On the flip side, natural gas fired generation of PPC was increased by 83.5% (1,048 GWh), due to energy generated from the new CCGT unit "Megalopolis V" of PPC.

In 1H2016, electricity imports from PPC decreased by 38.7% (636 GWh), whereas third parties imports slightly increased by 1.5% (72 GWh).

Operating expenses

Operating expenses before depreciation, decreased by € 143.5 m. (6.3%) from € 2,272.5 m. in 1H2015 to € 2,129.0 m, due to the reduction of energy mix expenses.

As already mentioned, operating expenses were negatively impacted by a one-off expense of € 48.3 m referring to the aforementioned allocation of the deficit in the Day-Ahead Schedule market.

(Note: Operating expenses are the total expenses excluding depreciation & amortization, net financial expenses, share of gain in associates, impairment losses of marketable securities and net foreign currency losses)

More specifically:

Energy mix expenditure

- Expenditure for liquid fuel, natural gas, third parties fossil fuel, CO₂ and energy purchases decreased by € 212.2 m., or by 17.1% compared to 1H2015.
In detail:

- Liquid fuel expense decreased by € 80.8 m. (28.8%), from € 280.4 m. in 1H2015 to € 199.6 m. in 1H2016 and is attributed to the reduction of heavy fuel oil and diesel prices, expressed in Euros, by 33% and 18.5% respectively.

It is noted that the expense for the Special Consumption Tax on liquid fuel, which is included in the total liquid fuel expense, decreased by € 3 m from € 63.5 m in 1H2015 to € 60.5 m in 1H2016 due to the fact that said expense is only driven by fuel quantities, which, were slightly lower for diesel and stable for heavy fuel oil.

- Natural gas expense increased by € 16.1 m. (15.1%), from € 106.9 m in 1H2015 to € 123 m in 1H2016, despite the reduction of natural gas prices by 35.9% due to the aforementioned increased natural gas fired generation. The relevant expense for the Special Consumption Tax on natural gas, which is also only volume driven and is not affected by commodity price, increased to € 20.5 m for the first five months of 2016 - given that as of 1.6.2016 the Special Consumption tax on natural gas was abolished - from € 16 m in 1H2015, due to the aforementioned increased natural gas fired generation.

- Third parties fossil fuel expense decreased by € 12.3 m. to € 11.2 m.

- Energy purchases expense from the System and the Network decreased by 10.3% from € 653.9 m. in 1H2015 to € 586.7 m, despite increased volume of energy purchases by 12.4% due to the aforementioned reduction of lignite and hydro generation, as a result of the significant reduction of the average SMP to € 42.5/MWh from € 53.4/MWh.

As of 1.5.2016, a Transitory Capacity Payment Mechanism was put in place with a maximum duration of 12 months or until the implementation of a permanent mechanism. A relevant provision for an expense of € 11.4 m. due to the implementation of this transitory mechanism for May and June has been recorded in 1H2016. Relevant invoices for settlement are expected in November 2016.

- Expenditure for PPC electricity imports, excluding expense for interconnection rights, settled at € 26.7 m. decreased by € 45.3 m (62.9%), as a result of both the decrease in the volume of imports by 636 GWh (38.7%) and of imports' prices by 9.5%. Due to the lower volume of imports, the expense for interconnection rights decreased to € 3.3 m in 1H2016 from € 8.8 m in 1H2015.

- Expenditure for CO₂ emission rights settled at € 84.5 m., that is a reduction of € 22.7 m (21.2%) compared to 1H2015, due to the reduction of CO₂ emissions in volume terms by 20% to € 12.4 m tonnes in 1H2016 from 15.5 m tonnes, as a result of lower lignite fired generation.

Payroll cost

- The total payroll cost, including capitalized payroll and payroll of seasonal personnel, declined by €4.3 m. from € 483 m in 1H2015 to € 478.7 m in 1H2016.
In particular, payroll of permanent employees marginally declined by € 1.3 m to € 458.3 m in 1H2016.
The number of permanent employees on payroll increased by 284 to 18,742 on 30.6.2016 from 18,458 on 30.6.2015, as a result of the fact that we have started the implementation of the highly necessary hirings, which were pending for many years.

Provisions

- Provisions for bad debt of Low and Medium Voltage customers amounted to € 296.6 m in 1H2016 compared to € 260.7 m in 1H2015, that is an increase of € 35.9 m, however at a significantly lower level compared to 2H2015 when they stood at € 520.1 m.
Significant part of this increase is attributed to the fact that PPC proceeded to the modification of its settlements plan (as of 01.04.2016) making it more flexible and by providing to its customers the option for a higher number of installments. This led to an extension of the time span for the payment of the amounts under settlements, which in turn resulted to the reduction of the amount which had been subtracted from provisions in order to reflect the positive impact from active settlements of overdue receivables.
For High Voltage customers, the respective provisions remained practically stable at € 46.8 m in 1H2016 versus € 47.4 m in 1H2015.
Adding provisions for litigation and slow moving materials, total provisions amounted to € 341.7 m in 1H2016 compared to € 316.7 m in 1H2015, marking an increase of € 25 m.

In conclusion.

- In 1H2016, 38.3% of total revenues were expensed for fuel, CO₂ and energy purchases compared to 42% in 1H2015. Regarding the evolution of provisions, these represent 12.8% of total revenues compared to 10.9% last year. The corresponding percentage for payroll increased to 16.3% compared to 15.1% last year, due to aforementioned turnover reduction, despite the slight decrease of the relevant expense.

Other Financial information

- Depreciation expense in 1H2016 decreased slightly by 3.4% settling at € 363.5 m. compared to € 376.2 m. in 1H2015.
- Net financial expenses decreased by € 20.6 m to € 80.1 m. compared to € 100.7 m in 1H2015.

Capex

- Capital expenditure increased by € 26.7 m or 10% in 1H2016 and amounted to € 283.3 m. compared to € 256.6 m. in 1H2015, an increase which is attributed to the implementation of phase A of the Cyclades Interconnection. As a percentage of total revenues, capital expenditure amounted to 10.6% from 8.8% in 1H2015.
Capital expenditure also includes network users' participation for their connection to the network, which for 1H2016 were increased by € 6.6 m. (€ 31.3 m. vs € 24.7 m.).
Consequently, net capex of PPC Group, that is capital expenditure excluding aforementioned participations, increased by € 20.1 m or 8.7% amounting to € 252 m. compared to € 231.9 m. in the respective period of 2015.

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

	1H2016	1H2015	Δ
Mining projects	40	47	-7
Conventional Generation & RES projects	55	58	-3
Transmission network	90	52	38
Distribution network	63	70	-7

Net debt

Net debt amounted to € 4,574.3 m., a reduction of € 167 m. compared to 30.06.2015 (4,741.3 m.), while compared to 31.12.2015 (€ 4,788.9 m) it was reduced by € 214.6 m.

(Note: Net debt consists of total debt, excluding the unamortized portion of loan issuance fees, minus cash & cash equivalents, restricted cash and available for sale financial assets)

MAJOR EVENTS OF THE PERIOD

Significant events for the six month period of 2016 are analytically presented in Note 12 of the Financial Statements.

MAJOR RISKS - UNCERTAINTIES

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

Macroeconomic conditions in Greece – Imposition of capital Controls

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

Credit Risk

The Group's and the Parent Company's business, results of operations, financial condition, cash flows and prospects depend highly on the social and macroeconomic conditions in Greece, as practically almost of the Group's assets and economic activities are in Greece. Despite the fact that, electricity sales are dispersed over a large number of customers with a wide and diversified range of operations, the Group's and the Parent Company's business activities, results of operations and cash flows are highly dependent on their customers' ability to repay their obligations. The current economic environment, the imposition of capital controls and the recent intense recession had a material adverse impact on the Group's and the Parent Company's liquidity, mainly resulting from:

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

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

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

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

Regardless of the above, the current macroeconomic conditions in Greece create considerable pressure on domestic banks resulting in increased credit risk with respect to the available cash balances of the Group and the Parent Company.

Liquidity Risk

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

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

- The increased delays in the payment or even non-payment of electricity bills.
- The obligation to pay Renewables levy (ETMEAR), Special Consumption Tax on electricity as well as VAT when due, irrespective of whether relevant amounts have been collected from the Group's and the Parent Company's customers.
- The burden associated with the collection of taxes and levies that are not related to the sale of electricity, such as municipal taxes and levies that are currently collected through electricity bills and the inability to pay for the electricity consumption amounts without paying in the same time amounts due to third parties;
- The continuous increase in the number of disadvantaged citizens included in the register of vulnerable customers that based on decisions of the State enjoy special privileges regarding a) longer repayment periods for paying their bills. b) the settlement of their debts, an increased number of installments and the privilege not to have electricity disconnected due to debt, in their residence, almost throughout the year.
- Regulatory measures on the operation of the wholesale market, which burden the cost of purchasing electricity for PPC as a Supplier.
- Potential increase of commercial losses (non-technical losses), i.e. increase of incidents of electricity thefts and arbitrary reconnection of electricity supply in cases of electricity disconnection due to debt.

The above factors may have a material adverse impact on the Group's and the Parent Company's liquidity as well as their ability to finance new or ongoing projects. It should also be noted that the Group's and the Parent Company's borrowing costs for, and access to, liquidity (for both the refinancing of the existing debt or / and new liquidity) are negatively impacted by the current status of the Greek economy.

Risk from exposure to the Banking Sector

The Group and the Parent Company may be exposed to risks arising from Greek banks, although the four (4) Greek systemic banks were successfully recapitalized.

It should be noted that as of 30/06/2016 the Group's and the Parent Company's debt obligations towards the Greek banking sector amounted to 38.6% and 35.8% respectively of their total loan obligations.

Interest rate risk and foreign currency risk

The Group's and the Parent Company's debt obligations consist of bank loans, bonds and overdrafts. It is the Group's and the Parent Company's policy to hedge on a case by case basis through derivatives, solely to mitigate risk, against the fluctuation of floating interest rates and/or foreign currency exchange rates affecting their debt portfolio. As of 30/06/2016 no derivative transactions exist for loans or debt hedging

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

Credit Rating Risk

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

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

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

Commodity price risk and risk from the Electricity Market

The Parent Company is exposed to the risk of an increase in prices of oil, natural gas, electricity purchased from the System and the Network, CO2 emission rights as well as electricity prices of direct PPC imports. The Parent Company has established a policy of oil hedging transactions, based on which the implementation of specific hedging transactions is decided on a case by case basis and according to the prevailing circumstances. It should be noted that any undertaken hedging transactions, may not provide full or adequate protection against this risk. The Parent Company has not established a hedging policy against the risk arising from the volatility of natural gas prices.

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

In terms of the risk arising from increased electricity purchase prices, it is hedged less and less by the Parent Company's vertical integration (internal hedge), since PPC's share in the wholesale market as of 30/06/2016 amounted to 52.2%, while at the same period, PPC Supply's share in the retail market amounted to 93.4%.

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

CO2 Emission Rights

The Group's and Parent Company's generation business is subject to EU Directives 2003/87/EC and 2009/29/EC, which established the European Emissions Trading System (EU ETS). In order to operate its bound thermal power plants, PPC is required to acquire and deliver CO2 emission rights under the EU ETS (the "EU Allowances" or "EUAs") to cover CO2 emissions.

Since 2013, PPC is no longer allocated free CO2 emission rights (with the exception of small quantities corresponding to thermal power generation for district heating) and as its thermal power plants currently emit 30 Mt of CO2 approximately on an annual basis, increased prices of CO2 emission rights will affect its operating costs. As PPC must acquire sufficient amounts of CO2 emission rights per year, there can be no assurance on the price level that such CO2 emission rights will be obtained in any future year. For the period from 2013 to 2020, the Parent Company expects to acquire the required CO2 emission rights from both the European and international markets, either through Exchange transactions or through bilateral agreements. Although the Parent Company attempts to manage the risk arising from potentially increasing CO2 emission rights prices by monitoring markets and developments in Europe, it is not possible to guarantee that this risk will be completely offset.

Despite adverse economic conditions and the capital control imposed in Greece during the summer of 2015, the Parent Company has managed to carry out its emissions policies and keep its buying schedule on track. Currently, the Parent Company is covering its needs for 2016 as planned.

The exposure of the Parent Company to the risk of increasing CO2 emission rights prices is linked to its ability to fully incorporate these increases in its electricity tariffs. Therefore, any increase in CO2 emission rights prices could materially, directly or indirectly, affect the Group's and the Parent Company's financial condition, results of operations and cash flows.

It should also be noted that there is an on-going dialogue in the European Union (EU) concerning the reform of the EU Emissions Trading System (EU-ETS) for the period 2021-2030. CO2 rights prices and the Company's compliance cost will be affected by the outcome of this dialogue, as well as by the already adopted regulations amending the EU-ETS (i.e. the withdrawal of significant quantities from CO2 rights auctions (backloading) in the early years of the period 2013-2020, and the Market Stability Reserve (MSR) which aims to actively control the supply of CO2 rights from 2019 onwards).

Risk of exposure in competition

The Parent Company faces intense competition mainly in the wholesale market where share loss is due to IPPs' power plants and the increased penetration of Renewables units in the System and the Network, as well as to increased electricity imports from the neighboring countries. In the current situation of very low gas prices and very low wholesale electricity prices in most energy Exchanges in neighboring countries, competition in the wholesale market in Greece is very strong, due to the high loading of the gas fueled thermal units and the high volume of electricity imports. Adverse changes in the competitive environment through the continuation of existing and/or creation of new regulatory

mechanisms in the wholesale market which strengthen the Group's competitors may have a negative impact on its results of operations and cash flows.

For instance, RAE recently introduced into public consultations a new transitory Capacity Assurance Mechanism, as well as a proposed new Variable Cost Recovery Mechanism for electricity generation units. For the variable cost recovery, L. 4336/2015 provides that "Until September 2015 the Authorities shall modify the regulations of the electricity market in order to prevent the necessity of plants' operating below their variable cost", while for the Capacity Assurance Mechanism, the same Law provides that «Until September 2015 the Authorities will apply a regime for the temporary and permanent capacity payments' system». RAE put into effect a new "Variable Cost Recovery Mechanism" with its decision 392/2015 and specified the mechanism implementation details by its decision 468/2015. Regarding the Capacity Assurance Mechanism (both temporary and permanent), final results and decisions on the permanent mechanism are pending (a set of RAE's proposals is under public consultation from 27/7//2016 with a deadline for the conclusion of the consultation by 16/09/2016) while the temporary mechanism is already in effect. The transitory capacity assurance mechanism, which for the time being is called the "Transitional Flexibility Assurance Mechanism", was enacted with L. 4389/2016 and its implementation details were determined with RAE's decision 284/2016. Its duration will be 12 months at the most from the date of its enactment (01/05/2016) and it will compensate only natural gas fueled thermal units and part of hydroelectric ones (lignite fueled units are excluded), This treatment creates a competitive disadvantage for PPC's electricity generation portfolio (mainly lignite units) in relation to its competitors in the wholesale market (exclusively gas units). The Unique Compensation Price for the provision of flexible capacity was set to €45/ kW for a 12 month period, with an upper compensation limit of €15 mil per production unit., while the total annual compensation amount of the mechanism has been set to €225 mil. All the above mentioned mechanisms (variable cost recovery, transitional flexibility assurance and permanent capacity assurance) may have a considerable impact on the Group's and the Parent Company's operation, cash flows and financial results.

Tariff risk for the competitive activities

Following the liberalization of High and Medium Voltage tariffs, Low Voltage tariffs are fully liberalized from 01.07.2013 for end customers, excluding vulnerable ones.

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

Furthermore, the Parent Company may face difficulties incorporating a potentially increased commodity cost, as well as costs related to electricity and CO2 emission rights to electricity bills, through increased tariffs.

With respect to HV customers:

There are several tariff disputes, amongst others between ALUMINIUM and PPC since the termination of the initial (dating back to 1960) electricity supply contract of the said customer. The dispute about electricity price to ALUMINIUM was submitted before the Arbitration Court at RAE, which issued its decision on October 31, 2013, setting the sale price of the energy component of the electricity at € 36.6/MWh for the time period from 01/07/2010 to 31/12/2013, forcing PPC, to provide electricity to ALUMINIUM for that period below cost. PPC has filed an appeal for the annulment of the Arbitration Decision and a complaint to the European Commission (Commission) for state aid due to the price set by the arbitration court. The Commission subsequently issued on 25/03/2015 a decision which found that PPC's complaint requires no further investigation because no state aid exists. PPC appealed (on June 29, 2015) before the General Court against this decision. Regarding PPC's petition for annulment, the Athens Court of Appeal issued on 18/02/2016 a decision, which did not accept PPC's petition. PPC has the option to appeal to the Supreme Court against the Court of Appeal's decision. Nevertheless, the final outcome cannot be predicted, and an unfavourable outcome may negatively affect PPC's relationship with ALUMINIUM and other industrial customers. Despite the discount approved on HV tariffs by the Extraordinary General Meeting of PPC's Shareholders of February 28, 2014, ALUMINIUM only pays part of the current electricity bills amounts.

Given that PPC proceeded on 02.01.2015 to an order for the deactivation of ALOUMINION's load meters and invited IPTO to proceed to all necessary actions, ALOUMINION has filed to RAE (on 9.01.2015) a complaint –application of interim measures- application of special regulatory measures against PPC, which was notified to IPTO. RAE, by a letter addressed to all parties postponed the discussion and the taking of a decision on the application. On 20.03.2015 a document of the Competition Committee (CC) was notified to PPC, by which CC asked the submission of PPC's views on a memo submitted by ALOUMINION. At the set date of the hearing (25.09.2015), CC interrupted the discussion of the case for 14.10.2015 (its next Meeting date) and granted to PPC a deadline for submitting a commitment proposal under the provision of Law 3959/2011.

After the discussion of the case, PPC submitted the relevant commitments, undertaking that : a) within ten (10) days of the notification of the CC's decision, will proceed in recalling the order for the deactivation of ALOUMINION's load meters which has been sent by PPC to ALOUMINION and IPTO SA. and b) that It will continue to supply electricity to ALOUMUNION under the current terms and conditions, until the issue of ALOUMINION's electricity tariffs, will be

resolved through either direct negotiation between the parties or by any other means. Negotiations should have been completed within three (3) months from the date of CC's acceptance of the commitments. Meanwhile PPC would refrain from adopting, and generally taking any measures against ALUMINION. The above mentioned PPC's commitments were accepted by the CC, which issued the relevant decision (621 / 2015). Abiding by its commitments, PPC recalled the order for the deactivation of ALUMINION's load meters. Negotiations between the two parties to reach an agreement on tariff policy for ALUMINION for the period from 1.1.2014 onwards have not yet been resolved. The "Electricity Supply Agreement between PPC S.A. and ALUMINION OF GREECE S.A" agenda item was introduced at the 14th Annual General Meeting of PPC's Shareholders dated 11.07.2016, which decided to postpone its decision on the matter for the next General Meeting. On 13.09.2016 PPC's BoD decided to convene an Extraordinary General Meeting of PPC's Shareholders on 05.10.2016. On the latter's agenda the above mentioned matter is included.

Furthermore, LARCO, the Parent Company's largest outstanding debtor, is liable for sums due and payable to PPC related to the consumption of electricity and currently pays only a small part of its electricity consumption bills. Given that LARCO has challenged electricity tariffs for the period from 01/07/2010 to 31/12/2013, both parties have resorted to arbitration. The Arbitral Tribunal after conference, decided to extend the decision period until October 31st 2016. Similarly, other industrial customers do not fully pay their electricity consumption bills alleging either lack of liquidity due to the adverse economic environment or non – acceptance of the competitive charges of the relevant tariffs. There is no assurance that LARCO or such other industrial customers will discharge their debts for the amounts billed in relation to their electricity consumption.

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

Following Decision 141/01.08.2013 of PPC's Board of Directors, seven (7) new tariffs for High Voltage customers were, amongst others, approved and effected for electricity consumption from 11/01/2013, whereas an additional tariff for HV customers was approved on January 2014.

Furthermore, at the Extraordinary General Meeting of PPC's Shareholders of February 28, 2014 i) the actions of PPC's management regarding the relations of PPC with ALUMINION, and ii) an extraordinary decrease of High Voltage customers' tariffs were approved. In the context of PPC's intention to sign supply contracts with ALUMINIUM, as well as with all other High Voltage customers, several meetings were held with HV customers, to provide details and clarifications on the above mentioned decision, as well as to discuss overdue debt restructuring (if any) with these customers, bearing in mind that together with the signing of the new electricity supply contracts, overdue amounts are settled as well.

As a result, PPC signed new electricity supply contracts with all its HV customers (until December 31st 2015), restructuring in the same time any overdue debt, with the exception of ALUMINION.

PPC offers from 01/01/2016 to HV customers seven (7) new tariffs for Competitive Charges, which practically correspond to the distinct consumption profiles of these customers. These tariffs are applicable for electricity consumption for the period 01/01/2016 up to 12/31/2017 and customers are entitled to choose between a monthly and a ten day period billing.

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

In addition to the above, the recent Extraordinary General Meeting of PPC's Shareholders of 07/12/2015 decided on the duration period for the new tariffs, on the provision of volume discounts for the competitive load and energy charges based on the total annual HV electricity consumption for individual Companies or Group of companies. HV customers are in the process of selecting tariffs that fit their individual profiles, as well as signing Supplementary Electricity Supply Contracts. In particular, out of the nineteen (19) HV customers representing, in terms of consumption, more than 99% of the total of High Voltage consumption, twelve (12) customers have already signed the Supplementary Electricity Supply Contracts, two (2) of them are in the process before signing it, whereas five (5) of them have not yet signed Supply Contracts. Out of the five (5) remaining customers that have not yet signed either a Contract or a Supplementary one, ALUMINION and LARCO are already mentioned, while there are also three additional customers with considerable overdue debts. For the other HV customers, having forty two (42) renewable energy installations, Supply Contracts have been signed for forty one (41) facilities, while for the last installation the signature of the Supply Contract is imminent.

Risk from regulated rates of return on Network activities

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

Risks from the implementation of Law 4412 /08.08.2016 (integration of the EU Directives 2014/24/EU and 2014/25/EU provisions).

From August 8th 2016 Law 4412/ 2016 (Procurement Works, Supplies and Services), has come into effect, which applies, in accordance with the specific provisions in it, on the procurement procedures and project implementation contract of PPC. Since according to the above mentioned Law. the activities of PPC Group fall within its provisions and further the "Regulation on Works, Supplies and Services acquired by PPC (Board Decision 206 / 30.09.2008)" are included in the repealed provisions of Law. 4412/2016, there is a possibility that delays will occur concerning Procurement and Contract execution, resulting to an adverse impact on the Group's and the Parent Company's smooth running their business activities.

Regulatory Risk

Potential modifications to the regulatory and legislative framework governing the electricity market, such as the implementation of EU legislation, the Memorandum of Economic and Financial Policy, as well as decisions by RAE concerning the regulation and functioning of the Greek electricity market in general, and any restructuring or other changes to the Group's business driven by the regulatory framework, may have a materially adverse effect on the Group's and the Parent Company's business, financial condition, results of operations and cash flows.

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

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

Risk from providing Public Service Obligations (PSOs)

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

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

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

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

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

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

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

Due to the above, PPC has filed a petition for Annulment to the State Council against RAE's decision 356/2014. The additional claimed amount from PCC's part (for the years 2012 and 2013) amounts to €445.3 mil. Although no PSO compensation amount has been approved for the years 2014 and 2015, according to available data, the aggregate

unrecoverable amount of PSO compensation for the period 2012 - 2015 is estimated to reach the amount of €600 mil. approximately.

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

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

Other regulatory risks – uncertainties

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

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

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

Furthermore, the deficit of HEMO for Renewables which is due to the fact that the total income of the relevant Renewables account with HEMO does not cover the regulated fixed feed-in tariff paid to Renewables producers creates uncertainty and related cash flow issues in the market. The primary sources of income for this account are the amounts that Suppliers pay for Renewables generated electricity, the special Renewables levy paid by Customers (ETMEAR), which as already mentioned limits their ability for the timely payment of their electricity bills and various other smaller amounts according to the relevant legislation. According to L. 4111/2013, the deficit should have been reduced to zero by the end of 2014 and as such, various measures have already been taken, while further measures have been taken under the provisions of L. 4254/2014 to reduce the deficit. However, by the end of 2014, a deficit still remained (although decreasing over time). This deficit amounted to €190.31 mil., as of June 30th 2016 according to HEMO's published data and to deal with it, additional measures must be adopted, affecting the Group's and the Parent Company's cash flows.

In addition, according to the provisions of Article 23 of Law 4414/2016 (New operating aid scheme for RES) a new charge will be imposed on Load Representatives, in order for the deficit of HEMO's RES Account to be reduced to zero. In particular, Load Representatives will be required to pay for the difference between the System Marginal Price (SMP) in the wholesale market and the SMP that would have existed if the RES did not enter to the system. Specifically, the Load Representatives will be charged gradually as follows: for the year 2016 the charge amounts to 50% of the charge resulting from the application of the above methodology, for 2017 the charge amounts to 75% and for 2018 and onwards the charge amounts to 100%. This charge will materially and adversely impact the Group's and the Parent Company's financial results and cash flows.

From the measures already implemented to reduce the RES account deficit, the price that Suppliers pay to purchase electricity generated from Renewables from the Pool, is determined according to L. 4152/2013 in such a way as to reflect at the minimum the average variable cost of conventional thermal power plants, which had an adverse impact on the Parent Company's results of operations and cash flows.

There is also no assurance that the Greek State will no further increase the cost of purchasing Renewables energy by Suppliers in the future, which could have a material adverse effect on the Group's results of operations and financial condition.

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

EMO allocated the total amount of Euro 96.6 mil., that corresponded to PPC, in seven monthly installments starting from August 2013, sent to PPC the related briefing notes amounting to Euro 13.8 mil., each. PPC considered that EMO's

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

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

PPC, following the State Council's interim decision, has recognized in its books a provision of 50% of the amount of Euro 96.6 mil. due to the uncertainty of the recoverability of this amount in the future. In September 2016, PPC's application for annulment was rejected by State Council (Section D', decision 1761/2016). As a consequence, PPC recognized the remaining 50% of the above amount in the results for the six month period ended 30/06/2016.

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

Risk from the potential implementation of measures relating to the electricity and natural gas market harmonization to the European legislation and practices.

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

Risks relating to IPTO's ownership unbundling

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

With Law 4389/2016 "Urgent Provisions for the implementation of the Financial Targets and Structural Reforms Agreement and other provisions", and in particular with articles 142-149 and 152, the provisions for the implementation of IPTO's ownership unbundling were determined. More specifically, the Bill provides that with PPC's Shareholders' General Meeting decision, which has to be taken in June 2016, PPC shall:

- Create and list in the Athens Stock Exchange a holding company, to which it will transfer 51% of IPTO's Shares. PPC will be initially the sole shareholder of that company and later on PPC will transfer all shares of the company to its shareholders.
- Sell, through an international tender, at least 20% (up to max. 24%) of IPTO's shares in a strategic investor (who will be either a European Transmission system operator or a consortium in which a European Transmission system operator will be participating). The public invitation will be announced within one month from the above mentioned PPC's Shareholders' General Meeting (i.e. in July 2016) and the preferred strategic investor must be announced within four (4) months from the above mentioned PPC's Shareholders' General Meeting (i.e. as of the end of October 2016 according to Law 4393/2016). The share purchase agreement with the strategic investor should be signed within eight months from the aforementioned General Meeting.
- Sell at least 25% of IPTO's shares in a Greek public company (named Public Holding Company of IPTO). The price per share for that sale will be equal to the price to be paid by the strategic investor as above mentioned.

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

- Fixed assets of a value of Euro 1,658 mil., as well as loan liabilities amounting to Euro 525 mil., as of 30/06/2016, will not be included henceforth.
- Operating profitability (EBITDA) of the new PPC Group will be reduced by about € 180 mil. on an annual basis (the average EBITDA of the last four years), as IPTO, being a regulated electricity transmission company enjoys an especially high amount of operational profitability, as well as a very high EBITDA margin.

It is noted that as at 31/12/2014, the value of IPTO's fixed assets valued by an independent valuation house, amounted to Euro 1,537 mil.. Additionally, in the accounting books of the Parent Company, its participation in IPTO amounts to Euro 916.4 mil.

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

Risk relating to Forward Electricity Products Auctions

Under the provisions of Law 4336/2015, PPC's market share both in the wholesale electricity market as well as in the retail electricity market should be immediately reduced by 25%, while from January 1st 2020 no entity will be allowed to either generate or import - directly or indirectly- energy quantities greater than 50% of the total energy quantity either generated or imported, annually in the country. The Competition Commission will assess the possibility of achieving the above mentioned objective by 01/01/2019 and in case of failure to achieve it, will propose appropriate measures. In case of the companies' non-compliance, fines amounting to 5% up to 10% on the annual turnover of the previous year will be imposed. The new Law 4389/2016 as well as Decisions 35 and 38 of the Government's Council for the Economic Policy determine PPC's share market levels in the retail market for the period 2016 – 2019 (87.24% for 2016, 75.24% for 2017, 62.24% for 2018 and 49.25% for 2019) as well as other key features for Regulated Forward Electricity Products Auctions, including cost elements that should be taken into account for the calculation of the Auctions' starting price.

The first auction of forward electricity products was scheduled to take place by the end of September 2016 and the physical deliveries to start in the fourth quarter of 2016. Beneficiaries of forward products will be licensed suppliers (which will be registered in a special register solely for forward electricity products purposes) with the exception of PPC and other industrial electricity consumers who may not buy forward products unless they maintain or develop a separate electricity supply activity.

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

The quantities, the price and the other characteristics of regulated forward electricity products auctions may have a significant impact on the financial position, operating results, liquidity and prospects of the Company.

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

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

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

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

Unless there are reforms in the regulatory framework to ensure the correction of existing distortions in the wholesale market, setting conditions of healthy competition and balanced development of suppliers in the market and promotion of competitive tariffs without cross-subsidization, a further increase in the competition in the supply electricity sector could

have a material adverse effect on the Group's and the Parent Company's business, prospects, financial condition and results of operations.

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

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

Other risks relating to Law 4336/14.08.2015

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

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

In Addition, by Law 4336/14.08.2015 the Greek State commits to follow with the ongoing privatization program. The Hellenic Republic Asset Development Fund's (HRADF) BoD has already approved the Asset Development Plan (ADP) which provides for the privatization of assets already held by HRADF by 31.12.2014. With Decision 33/2016 of the Government Council for Economic Policy, the Business Plan of HRADF was approved.

Currently it is not possible to accurately assess the potential impact on the Greek economy and on the activities, the operating results, the financial condition and cash flows of the Group and the Parent Company from the application of the provisions of Law. 4336/2015.

Risk from the absence of Fixed Asset insurance

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

Any severe damage to key power plants, transmission and distribution assets or mining equipment could have a significant adverse impact on the Group's and the Parent Company's business, financial condition or results of

operations. Additionally, business interruptions due to labor disputes, strikes, earthquakes, fires, and adverse weather conditions, among other factors, could potentially, depending on their severity and duration, result in a loss of revenues or increased costs for the Group.

Hydrologic Conditions

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

Lignite mining risks and availability of lignite reserves

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

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

Increased production costs, increased stripping ratios, changes in the regulatory regime governing the Parent Company's mining operations, the adoption of political decisions both by the EU and Greece, contributing to the reduction of the country's carbon footprint and the reduction of the exploitation of fossil fuels to generate electricity, the significant decline in oil prices and consequently natural gas prices and the increase in the price of CO2 emission rights incurred by lignite production may result in a revision of reserve data from time to time and may render exploitable reserves uneconomical to exploit or unexploitable.

In addition the lack of qualified skilled personnel in mining operations to operate and support its equipment may adversely affect lignite production through the Parent Company's own resources.

EPC related risks

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

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

Risk from Potential Undertaking of Social Security Liabilities

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

Litigations Risk

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

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

Simultaneously, the Group is one of the largest industrial groups in Greece, with complex activities and operations across the country. In the ordinary course of its business, from time to time, competitors, suppliers, customers, owners of property adjacent to the Group's properties, media outlets, activists, and ordinary citizens, raise complaints (even to public prosecutors) about the Group's operations and activities, to the extent they feel that such activities and

operations cause or are likely to cause economic damage to their views and/or interests, businesses or properties and, in the context of advancing those complaints, they often file criminal complaints against the Group with the public prosecutor on a variety of grounds and allegations or make public allegations in the press, which the public prosecutor is obligated to investigate further before they decide further actions, including the closing of the case for lack of any conclusive evidence. These practices have intensified during the recent economic crisis, as public prosecutors and the general public have generally become more sensitive to similar allegations, especially against companies in which the Hellenic Republic is a major shareholder and are viewed as operating in the public interest.

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

Risk from tax and other regulations

The taxation regime for corporations in Greece is frequently revised and the Group may be subject in the future to increased taxation rates. The imposition of any new taxes, or changing interpretations or application of tax regulations by the tax authorities as well as the harmonization of Greek and EU tax law and regulation may result in additional amounts being payable by the Group and the Parent Company, which could have a material adverse effect on their business, results of operations, financial condition and cash flows.

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

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

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

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

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

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

Organization and Risk Management

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

The Parent Company has established but hasn't staffed the Risk Management Department yet, as a result of the lack of experienced staff due to constraints in hiring. Till today its line management, on a case by case basis, is engaged in identifying and primarily assessing risks in order to submit recommendations to the Board of Directors regarding the design and approval of specific risk management procedures and policies. The Group and the Parent Company can provide no assurance that such procedures and policies provide full protection against the risks that they face.

The Group may face strikes

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

Health, Safety and Environmental Laws and Regulations

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

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

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

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

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

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

Information Technology (IT) security

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

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

Extraordinary events

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

The Group's and the Parent Company's operations are susceptible to industrial accidents, and employees or third parties may suffer bodily injury or death as a result of such accidents. In particular, while the Group and the Parent Company believe that their equipment has been well designed and manufactured and is subject to rigorous quality control tests,

quality assurance tests, and is in compliance with applicable health and safety standards and regulation, the design and manufacturing process is ultimately controlled by their equipment suppliers or manufacturers or EPC contractors rather than by the them, and there can be no assurance that accidents will not result during the installation or operation of this equipment. Furthermore, the consequences of these events may create significant and long-lasting environmental or health hazards and pollution and may be harmful or a nuisance to neighboring residents. The Group and the Parent Company may be required to pay damages or fines, clean up environmental damage or dismantle power plants in order to comply with environmental or health and safety regulations.

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

Licensing Risk

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

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

Risk from impairment of Assets

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

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

Provision of guarantee to Subsidiaries

The Parent Company has a policy of reviewing on a case by case basis and only after the Decision of its Board of Directors to provide guarantees or intercompany loans only to subsidiaries or associates.

2H 2016 OUTLOOK

For the full year and under the assumptions that the Brent oil price will be at \$ 50 / bbl, the € / \$ exchange rate at 1,13 and that CO2 emission rights price will be at 6,2 € / ton, we estimate that revenues from electricity sales will stand at € 5,1 bil., total revenues at € 5,4 bil. and the EBITDA margin will be 19.5% - 20.5%.

BALANCES AND TRANSACTIONS WITH RELATED PARTIES

PPC balances with its subsidiaries and its associates as of June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016		December 31, 2015	
	Receivable	(Payable)	Receivable	(Payable)
Subsidiaries				
- IPTO	102,973	(691,242)	65,468	(824,137)
- PPC Renewables S.A.	602	-	1,741	-
- HEDNO S.A.	212,861	(525,291)	89,441	(347,258)
- PPC Finance PLC	-	(6,213)	-	(6,169)
- PPC ELEKTRIK	188	(91)	239	(96)
- PPC Bulgaria JSCO	-	(1,371)	-	(709)
	316,624	(1,224,208)	156,889	(1,178,369)
Associates				
LARCO (energy, lignite and ash)	296,856	-	272,163	-
	296,856	-	272,163	-

PPC's transactions with its subsidiaries and its associates for the period ended June 30, 2016 and June 30, 2015, are as follows:

	30.06.2016		30.06.2015	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
Subsidiaries				
- IPTO S.A.	92,863	(594,465)	58,051	(692,426)
- PPC Renewables S.A.	1,556	-	1,490	-
- HEDNO S.A.	533,242	(858,903)	608,003	(955,497)
- PPC Finance Plc	-	(18,551)	-	(18,519)
- PPC ELEKTRIK	954	(366)	398	(1,428)
- PPC Bulgaria JSCO	-	(15,536)	-	-
	628,615	(1,487,821)	667,942	(1,667,870)
Associates				
LARCO	29,718	(2,926)	34,150	(3,082)
	29,718	(2,926)	34,150	(3,082)

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

As of 30.6.2016, the Parent Company has guaranteed for total credit line of Euro 8 mil., through overdraft agreements. As of 30.06.2016 PPC Renewables S.A. has used Euro 875, concerning letters of guarantee.

Guarantee in favor of the subsidiary IPTO SA

On 30.06.2016 the Parent Company has guaranteed IPTO's existing bilateral loans for a total amount of Euro 325 mil. The above mentioned guarantee was approved by the Parent Company's Annual Shareholders' Meeting.

Transactions and balances with other government owned entities

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

	Purchases		Balance	
	30.06.2016	30.06.2015	30.06.2016	31.12.2015
ELPE, purchases of liquid fuel	-	53,460	95	8,176
DEPA, purchases of natural gas	122,819	104,282	52,599	67,632
	122,819	157,742	52,694	75,808

	June 30, 2016		December 31, 2015	
	Receivable	(Payable)	Receivable	(Payable)
EMO S.A.	153,187	(47,885)	165,547	(57,891)

	30.06.2016		30.06.2015	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
EMO S.A.	617,389	(961,129)	908,183	(1,315,327)

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

Management compensation

Fees concerning management members (Board of Directors and General Managers) for the six month period ended June 30, 2016 and 2015 have as follows:

	GROUP		COMPANY	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
<u>Compensation of members of the Board of Directors</u>				
- Executive members of the Board of Directors	181	125	29	29
- Non-executive members of the Board of Directors	27	27	-	-
- Compensation / Extra fees	20	17	-	-
- Contribution to defined contribution plans	46	31	9	4
- Other Benefits	44	54	44	39
	318	254	82	72
<u>Compensation of Deputy Managing Directors and General Managers</u>				
- Regular compensation	316	337	253	280
- Contribution to defined contribution plans	86	103	66	83
- Compensation / Extra fees	-	-	-	-
	402	440	319	363
Total	720	694	401	435

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

Athens, September 28th 2016

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

Emmanuel M. Panagiotakis

III. Certified Auditors' Accountants' Review Report

THIS REPORT IS A FREE TRANSLATION OF THE GREEK ORIGINAL

Report on Review of Interim Financial Information

To the Shareholders of “Public Power Corporation S.A.”

Introduction

We have reviewed the accompanying separate and consolidated condensed statement of financial position of “Public Power Corporation S.A.” as at 30 June 2016 and the related separate and consolidated condensed Statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and the selected explanatory notes that comprise the interim financial information, which form an integral part of the six-month financial report of Law 3556/2007. Management is responsible for the preparation and fair presentation of this interim condensed financial statement in accordance with the International Financial Reporting Standards as adopted by the European Union and apply for interim financial information (International Accounting Standard “IAS 34”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

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

Emphasis of Matter

We draw your attention in Note 11.2 of the interim financial information, where among other matters, the adjusting settlements amounting to € 48.2 m that were issued in October 2013 from the Independent Power Transmission Operator SA (IPTO) are discussed, which derived from the retrospective application of RAE’s decision 366/2013 for the months from May to part of August 2013. For the above charge, the Company has raised an objection to IPTO and has not recorded any relevant provision, considering that the relevant clause of RAE’s decisions cannot be applied retrospectively. The Company has filed relevant court action, which was discussed at the hearing of 22/09/2016 and the decision is expected.

Our opinion is not qualified in respect of this matter.

Reference to other legal and regulatory requirements

Our review has not identified any inconsistency between the other information contained in the six-month financial report prepared in accordance with article 5 Law 3556/2007 with the accompanying financial information.



BDO Certified Public Accountants SA
449, Mesogion Avenue, Agia Paraskevi
SOEL Reg.No: 173

Agia Paraskevi, September 28, 2016
The Certified Public Accountant

Ioannis Kalogeropoulos
SOEL Reg.No: 10741

IV. Interim Condensed Financial Statements



PUBLIC POWER CORPORATION S.A.

Interim Condensed Consolidated and Separate Financial Statements for the six month period ended June 30, 2016

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

The attached interim condensed separate and consolidated financial statements have been approved by the Board of Directors of Public Power Corporation S.A. on September 28th, 2016 and they are available on the web site of Public Power Corporation S.A. at www.dei.gr.

**CHAIRMAN AND
CHIEF EXECUTIVE
OFFICER**

**VICE
CHAIRMAN**

**CHIEF FINANCIAL
OFFICER**

**ACCOUNTING
DEPARTMENT
DIRECTOR**

**EMMANUEL M.
PANAGIOTAKIS**

**GEORGE A.
ANDRIOTIS**

**GEORGE C.
ANGELOPOULOS**

**EFTHIMIOS A.
KOUTROULIS**

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

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PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENTS OF INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016
(All amounts in thousands of Euro – except share and per share data)

	Note	GROUP		COMPANY	
		01.01.2016- 30.06.2016	01.01.2015- 30.06.2015	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
REVENUES:					
Revenue from energy sales		2,531,361	2,828,047	2,526,949	2,821,373
Other sales		133,139	85,286	78,064	66,881
		2,664,500	2,913,333	2,605,013	2,888,254
EXPENSES:					
Payroll cost		433,323	439,616	276,215	282,950
Fuel		322,832	382,011	322,832	382,011
Depreciation and amortization		363,544	376,222	324,882	338,277
Energy purchases		626,383	743,777	638,503	761,128
Transmission system usage		-	-	93,686	99,159
Distribution network usage		-	-	194,639	197,832
Emission allowances		84,453	107,151	84,453	107,151
Provisions		341,772	316,713	344,251	316,534
Financial expenses		125,815	136,450	113,475	123,995
Financial income		(45,720)	(35,759)	(70,108)	(73,481)
Other (income) / expenses, net		320,201	283,302	242,822	221,116
Share of Loss / (gain) of associates and joint ventures, net		(1,312)	(1,482)	-	-
Impairment loss of marketable securities		10	278	10	278
Foreign currency loss / (gain), net		691	102	712	111
		2,571,992	2,748,381	2,566,372	2,757,061
PROFIT / (LOSS) BEFORE TAX		92,508	164,952	38,641	131,193
Income tax expense	5	(35,406)	(59,362)	(12,712)	(38,138)
NET PROFIT / (LOSS)		57,102	105,590	25,929	93,055
Attributable to:					
Owners of the Parent		57,096	105,592		
Non-controlling interests		6	(2)		
Earnings per share, basic and diluted		0.25	0.46		
Weighted average number of shares		232,000,000	232,000,000		

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

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016
(All amounts in thousands of Euro)

	GROUP		COMPANY	
	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
Net Profit for the period	57,102	105,590	25,929	93,055
Other Comprehensive income for the period				
<i>Items of Other Comprehensive income to be reclassified to profit or loss in subsequent periods</i>				
Profit/(Loss) from change in fair values of available for sale financial assets during the period	(5,606)	-	(3,800)	-
Foreign currency translation	-	(14)	-	-
Net Other Comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(5,606)	(14)	(3,800)	-
<i>Items of Other Comprehensive income not to be reclassified to profit or loss in subsequent periods</i>	-	-	-	-
Net Other Comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods	-	-	-	-
Other Comprehensive income/(loss) for the period after tax	(5,606)	(14)	(3,800)	-
Total Comprehensive income after tax	51,496	105,576	22,129	93,055
Attributable to:				
Owners of the Parent	51,490	105,578		
Non-controlling interests	6	(2)		

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

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED FINANCIAL POSITION
AS OF JUNE 30, 2016
(All amounts in thousands of Euro)

	Note	GROUP		COMPANY	
		30.06.2016	31.12.2015	30.06.2016	31.12.2015
ASSETS					
Non - Current Assets :					
Property, plant and equipment, net		13,429,184	13,590,247	11,528,057	11,751,414
Intangible assets, net		111,089	78,558	107,460	74,330
Available for sale financial assets		3,272	316	2,085	316
Other non – current assets		128,096	143,348	1,235,843	1,251,132
Total non – current assets		13,671,641	13,812,469	12,873,445	13,077,192
Current Assets:					
Materials, spare parts and supplies, net		718,586	747,370	559,713	569,811
Trade and other receivables and other current assets		2,101,329	2,152,705	1,875,949	1,962,854
Income tax receivable		22,473	22,533	-	-
Restricted cash		118,145	127,842	118,145	127,842
Cash and cash equivalents		574,567	451,670	259,674	197,592
Total current assets		3,535,100	3,502,120	2,813,481	2,858,099
Total Assets		17,206,741	17,314,589	15,686,926	15,935,291
EQUITY AND LIABILITIES					
Equity :					
Share capital		1,067,200	1,067,200	1,067,200	1,067,200
Share premium		106,679	106,679	106,679	106,679
Fixed assets' statutory revaluation surplus included in share capital		(947,342)	(947,342)	(947,342)	(947,342)
Revaluation surplus		4,751,672	4,752,277	4,019,410	4,020,016
Reserves		(16,121)	(10,515)	89,360	93,160
Retained earnings		1,000,869	943,165	1,410,024	1,383,482
		5,962,957	5,911,464	5,745,331	5,723,195
Non – controlling interests		98	92	-	-
Total equity		5,963,055	5,911,556	5,745,331	5,723,195
Non – Current Liabilities:					
Long - term borrowings	9	4,159,982	4,491,174	3,998,992	4,365,184
Provisions		717,519	727,456	456,547	461,185
Other non – current liabilities		2,789,011	2,891,743	2,495,664	2,607,440
Total non – current liabilities		7,666,512	8,110,373	6,951,203	7,433,809
Current Liabilities :					
Trade and other payables and other current liabilities		2,194,270	2,252,898	2,022,410	2,125,357
Dividends payable		65	149	65	149
Income tax payable		305,731	198,810	254,960	176,129
Short – term borrowings	9	77,016	127,016	30,000	80,000
Current portion of long - term borrowings	9	1,000,092	713,787	682,957	396,652
Total current liabilities		3,577,174	3,292,660	2,990,392	2,778,287
Total Equity and Liabilities		17,206,741	17,314,589	15,686,926	15,935,291

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016
(All amounts in thousands of Euro)

	Share Capital	Share Premium	Legal Reserve	Revaluation Surplus	Fixed Assets Statutory Revaluation Surplus	Foreign exchange, tax-free and other reserves	Retained Earnings	Total	Non- Controlling Interests	Total Equity
Balance, January 1, 2015	1,067,200	106,679	109,203	4,833,594	(947,342)	(83,272)	1,048,597	6,134,659	90	6,134,749
- Net profit for the period	-	-	-	-	-	-	105,592	105,592	(2)	105,590
- Other comprehensive income/(loss) for the period after tax	-	-	-	-	-	(14)	-	(14)	-	(14)
Total Comprehensive income/(loss) for the period, after tax	-	-	-	-	-	(14)	105,592	105,578	(2)	105,576
- Transfers from retirements of fixed assets	-	-	-	(1,037)	-	-	1,037	-	-	-
- Dividends	-	-	-	-	-	-	(11,600)	(11,600)	-	(11,600)
- Other movements	-	-	-	(526)	-	-	5	(521)	-	(521)
Balance, June 30, 2015	1,067,200	106,679	109,203	4,832,031	(947,342)	(83,286)	1,143,631	6,228,116	88	6,228,204
Balance, January 1, 2016	1,067,200	106,679	109,203	4,752,277	(947,342)	(119,718)	943,165	5,911,464	92	5,911,556
- Net profit for the period	-	-	-	-	-	-	57,096	57,096	6	57,102
- Other comprehensive income/(loss) for the period after tax	-	-	-	-	-	(5,606)	-	(5,606)	-	(5,606)
Total Comprehensive income/(loss) for the period, after tax	-	-	-	-	-	(5,606)	57,096	51,490	6	51,496
- Transfers from retirements of fixed assets	-	-	-	(606)	-	-	606	-	-	-
- Other movements	-	-	-	1	-	-	2	3	-	3
Balance, June 30, 2016	1,067,200	106,679	109,203	4,751,672	(947,342)	(125,324)	1,000,869	5,962,957	98	5,963,055

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

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016
(All amounts in thousands of Euro)

	Share Capital	Share Premium	Legal Reserve	Revaluation Surplus	Fixed Assets Statutory Revaluation Surplus	Foreign exchange, tax-free and other reserves	Retained Earnings	Total Equity
Balance, January 1, 2015	1,067,200	106,679	109,203	4,082,686	(947,342)	8,965	1,541,057	5,968,448
- Net profit for the period	-	-	-	-	-	-	93,055	93,055
- Other comprehensive income/(loss) for the period, after tax	-	-	-	-	-	-	-	-
Total Comprehensive income/(loss) for the period, after tax	-	-	-	-	-	-	93,055	93,055
- Transfers from retirements of fixed assets	-	-	-	(1,037)	-	-	1,037	-
- Dividends	-	-	-	-	-	-	(11,600)	(11,600)
- Other movements	-	-	-	-	-	-	2	2
Balance, June 30, 2015	1,067,200	106,679	109,203	4,081,649	(947,342)	8,965	1,623,551	6,049,905
Balance, January 1, 2016	1,067,200	106,679	109,203	4,020,016	(947,342)	(16,043)	1,383,482	5,723,195
- Net profit for the period	-	-	-	-	-	-	25,929	25,929
- Other comprehensive income/(loss) for the period, after tax	-	-	-	-	-	(3,800)	-	(3,800)
Total Comprehensive income/(loss) for the period, after tax	-	-	-	-	-	(3,800)	25,929	22,129
- Transfers from retirements of fixed assets	-	-	-	(606)	-	-	606	-
- Other movements	-	-	-	-	-	-	7	7
Balance, June 30, 2016	1,067,200	106,679	109,203	4,019,410	(947,342)	(19,843)	1,410,024	5,745,331

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

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016
(All amounts in thousands of Euro)

	GROUP		COMPANY	
	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
Cash Flows from Operating Activities				
Profit before tax	92,508	164,952	38,641	131,193
Adjustments :				
Depreciation and amortization	404,008	416,727	362,681	376,120
Amortization of customers' contributions and subsidies	(40,464)	(40,505)	(37,799)	(37,843)
Interest expense	114,375	124,107	102,277	112,004
Other adjustments	280,193	204,169	262,212	169,392
Changes in assets	(242,828)	(475,888)	(225,909)	(454,950)
Changes in liabilities	4,875	212,764	(52,619)	145,979
Net Cash from Operating Activities	612,667	606,326	449,484	441,895
Cash Flows from Investing Activities				
Capital expenditure of fixed assets and software	(317,980)	(267,806)	(216,119)	(206,714)
Proceeds from customers' contributions and subsidies	1,727	1,930	1,655	1,930
Interest and dividends received	45,031	33,969	69,419	66,410
Investments	(42)	(1,269)	-	-
Net Cash used in Investing Activities	(271,264)	(233,176)	(145,045)	(138,374)
Cash Flows from Financing Activities				
Net change in short term borrowings	(50,000)	50,000	(50,000)	50,000
Proceeds from interest bearing loans and borrowings	100,000	-	65,000	-
Principal payments of interest bearing loans and borrowings	(148,968)	(44,218)	(148,968)	(42,135)
Interest paid and loans' issuance fees	(119,538)	(111,456)	(108,389)	(98,097)
Net cash used in Financing Activities	(218,506)	(105,674)	(242,357)	(90,232)
Net increase/ (decrease) in cash and cash equivalents	122,897	267,476	62,082	213,289
Cash and cash equivalents at the beginning of the period	451,670	434,511	197,592	248,318
Cash and cash equivalents at the end of the period	574,567	701,987	259,674	461,607

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

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2016

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

SELECTED DISCLOSURE NOTES

1. CORPORATE INFORMATION

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

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

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

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

On 01.12.2011 the Parent Company proceeded to the spin-off of its General Division of Transmission and the contribution to its wholly owned subsidiary "Independent Power Transmission Operator" (IPTO S.A.).

On 01.05.2012 the spin-off of the General Division of Distribution was completed by its contribution to PPC's wholly owned subsidiary "Hellenic Electricity Distribution Network Operator" (HEDNO S.A.).

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

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

At June 30, 2016, the number of staff employed by the Group was 18,742 (2015: 18,458). At June 30, 2016, 91 employees of the Group (2015: 100), have been transferred to several State agencies (ministries, organizations, etc.), out of which, 83 were compensated by PPC (2015: 96). The total payroll cost of such employees, for the first half of 2016 amounted to Euro 1,650 (2015: Euro 1,620). Additionally, PPC's transferred employees in TAYTEKO-TAP/DEI and IKA- TAP/DEI amounted to 310 on 30.06.2016, for whom payroll at June 30, 2016, amounted to Euro 6,530.

PPC Group generates electricity in its own 62 power generating stations of the Parent Company and from the additional stations (Wind Parks, Small Hydro stations and Photovoltaic plants) which belong to its wholly owned subsidiary PPC Renewables, facilitates the transmission of electricity through its own power lines of approximately 12,314 kilometres, out of which 11,369 kilometres is owned by its wholly owned subsidiary Independent Power Transmission Operator (IPTO S.A.) and distributes electricity to consumers through its own distribution lines for Medium and Low voltage of 236,950 kilometres which are managed by its wholly owned subsidiary "Hellenic Distribution Network Operator (HEDNO S.A.)".

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

Group PPC has also constructed approximately 2,153 kilometres of fibre optics network along its transmission lines and approximately 164 kilometres of urban fibre optics network.

2. LEGAL FRAMEWORK

CHANGES IN THE LEGAL FRAMEWORK FOR THE ELECTRICITY MARKET – 1st Half 2016

GENERAL PROVISIONS FOR THE INTERNAL ELECTRICITY MARKET

- Following Law 4320/2015 (OG A'29/19.03.2015) regarding the provisions for immediate actions to address the humanitarian crisis, Law 4381/2016 was enacted, by which the provisions concerning the provision of electricity free of charge are amended as follows :

"The provision of electricity, free of charge for up to 1200kWh per four month period, for a total period of 12 months, which corresponds to three settlement quarter bills for the year 2015, is provided for the electricity needs of the households' main residence who resided under extreme poverty conditions. In case of beneficiaries whose supply had been disconnected till January 31st 2015, it will be connected

PUBLIC POWER CORPORATION S.A.
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JUNE 30, 2016

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

2. LEGAL FRAMEWORK (CONTINUED)

free of charge, whilst overdue debts will be settled. The provision of free electricity could be extended in the consumption of the following year to complement the 12 month period grant.” The terms and the conditions for the settlement of overdue debts are agreed by contract between Ministry for Health and Social Solidarity and power Suppliers.

- In the context of the institutionalized Intermittent Load Service (ΥΔΦ), auctions have started for the provision of ΥΔΦ1 and ΥΔΦ2 type of Intermittent Load while the revised Auction's Regulation for the abovementioned provision has also been posted on Internet by IPTO.
- The electricity used for chemical reduction, electrolytic and metallurgical process is exempted from the imposition of the Consumption Special Tax, as stated in the Decision of the Secretariat General of government revenues (OG B' 743/21.03.2016). The Decision contains information regarding the Beneficiaries, the required documents, the exempted quantities of electricity, the obligations of the beneficiaries and the obligations of the Distributors/Self-generators.
- According to the Decision 33 of the Government's Council Economic Policy (OG B' 1472/25.05.2016) the HRADF's Asset Development Plan (ADP) was approved. Specifically, for the privatisation of PPC, the Asset Development Plan (ADP) includes the potential sale of 17% PPC's shares. The Bill which is submitted and expected to be voted on 27.09.2016 provides the transfer of 34% of PPC's shares which are Greek State's ownership in under established Public Holding Company. In the companies which are transferred to the Public Holding Company, IPTO is not included.
- The Law 4389/2016 "Urgent Provisions for the implementation of the Financial Targets and Structural Reforms Agreement and other provisions" provides, among others, the following:
 - The procedures and details of the full ownership unbundling of IPTO from PPC S.A. are defined (articles 142-149 and 152). According to the specific articles, PPC must :
 - (a) Sell, through an international tender (Invitation to Submit an Expression of Interest), at least 20% of IPTO's shares in a strategic investor who will be either (a) a Transmission system operator, member of the ENTSO-E, or a transmission system operator who participates in a transmission system operator being a member of ENTSO-E or (b) a consortium in which a transmission system operator of case (a) will be participating.
 - (b) Create a holding company, to which it will transfer in kind 51% of IPTO's Shares. PPC will be initially the sole shareholder of that company and later on PPC will transfer all shares of the company to its shareholders, through share capital decrease and distribution in kind.
 - (c) Sell at least 25% of IPTO's shares in a Greek public company (named Public Holding Company of IPTO). The price per share for that sale will be equal to the price to be paid by the strategic investor as above.

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

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

Submission for Expression of Interest was received from four companies as follows:

- China Southern Power Grid,
- China State Grid International Development Limited, Hong Kong,
- RTE International on behalf of RTE Reseau de Transport d'Electricite S.A. and
- TERNA - Rete Elettrica Nazionale S.p.A. in partnership with F2i SGR S.p.A,

PUBLIC POWER CORPORATION S.A.
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JUNE 30, 2016

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

2. LEGAL FRAMEWORK (CONTINUED)

Moreover, with a recent voted Law, the time sequence of actions required to complete the full ownership unbundling was clarified and now is defined that for the conclusion of the PPC's Share Purchase Agreement with the Preferred Strategic Investor, is not required the earlier transfer of the shares held in the Holding Company to PPC's shareholders.

Phase A' (Qualification stage) has already been completed while Phase B' (Request for Binding Offers) is in progress. It is noted that CHINA Southern Power Grid was not selected to participate in Phase B'.

- the provisions of articles 135-141, define the procedures, the involved parties and all the details concerning the implementation of the regulated forward products (NOME type auctions). The auctioned quantities are defined as a percentage of PPC's share reduction in the retail market of the interconnected system, taking as a reference point PPC's market share in August 2015, and are as follows: 8% for 2016, 12% for 2017, 13% for 2018 and 13% for 2019. Those percentages may be possibly corrected in case PPC's share exceeds or falls two percentage points from the reduction target set. The first auction will take place till the end of September 2016 and the physical deliveries must start during the last three months of 2016. The beneficiaries of those products will be all the licensed Suppliers (who will be registered in the NOME registry as well) except PPC S.A. and the industrial consumers who are not allowed to buy NOME forward products unless they maintain or develop a separate activity of electricity supply. The auctions' starting price will be defined by a methodology jointly decided by the Ministers of the Economy and Environment and Energy, after RAE's opinion. The methodology will be based on the variable cost of PPC's lignite and hydroelectric units and will set the lignite/hydroelectric ratio in the forward products mix. With the Joint Ministerial Decision FIN.182348 (OG B' 2848/07.09.16) the methodology for the determination of the starting auction's forward products prices was established as well as the therefrom resulting price for the first period of implementation of the mechanism, which amounts to 37.37 € / MWh. The abovementioned price was set considering the total lignite and hydroelectric production for 2015 as well as the PPC's variable costs as further defined in this Joint Ministerial Decision.
- a "Transitional Flexibility Assurance Mechanism" will be adopted. The implementation of this transitional mechanism, which refers to the sufficient flexibility assurance and not to the capacity one, will be enacted from 01.05.2016 and its duration will be 12 months at the most. It will compensate natural gas units (open and combined cycle and cogeneration) and part of hydroelectric units, with the amount of Euro 45,000 € /MW. The upper compensation limit per unit is set to Euro 15 mil., while the total annual compensation amount of the mechanism has been set to Euro 225 mil. Following the Law and in the framework of the European Commission's Decision for the approving of the above Mechanism, RAE called, with a notice, the eligible power plants to apply for their participation in the "Transitional Flexibility Assurance Mechanism".
- All natural gas quantities consumed for electricity generation are exempted from the Consumption Special Tax, from 01.06.2016 and onwards (Art 61 par. 1 & 3).
- Finally, in the same text, the provisions of Law 4273/2014 on Establishment of a New Vertically Integrated Electricity Undertaking are repealed (OG A' 146).
- According to O.G B' 1463/24.05.2016 the Electricity Supply Code is amended concerning the rights and obligations of customers with overdue debts or under a settlement scheme for overdue debts, wishing to change their Electricity Supplier. More specifically, customers will not be able to terminate their contract with their initial Supplier in order to proceed to a Supplier change, unless either having previously paid all overdue debts arising from their initial contract, or having settled their debts to their initial Supplier under its debt settlement scheme.
- RAE, with its Decision 208/2016, redefined the Administratively Defined Energy Offer Cap to three hundred euros per Megawatt hour (300 €/MWh) in accordance with Article 71 of the Power Exchanging Code. The Decision is effective from 15 July 2016.

PUBLIC POWER CORPORATION S.A.
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JUNE 30, 2016

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

2. LEGAL FRAMEWORK (CONTINUED)

HELLENIC ELECTRICITY TRANSMISSION SYSTEM (HETS)

- The new use of transmission system charges were announced by RAE for 2016 (Decision 466/2015), effective 01.02.2016, which are significantly lower in almost all the consumers categories or at least stabilized (prevention or restrain of large changes) for the HV and MV customers with an annual consumption greater than 13 GWh, marking the smooth adjustment of those charges in the requirements of the European law. The annual allowed revenue for the use of the transmission system was lowered by 1.7% compared to 2015.
- RAE by its Decision 453/2015 approved the required revenue for 2016 to Euro 203.4 mil. in accordance with its previous Decision 572/2014 which had approved the Allowed Revenue for the regulated period 2015-2017 to Euro 254.7mil., 250.2 mil. and 261 mil. per year, respectively.

HELLENIC ELECTRICITY DISTRIBUTION NETWORK (HEDN)

- The annual cost and the required revenue for the use of HEDN were announced by RAE for 2016 (Decision 455/2015) amounting to Euro 757.8mil. and 747.4 mil. respectively. Concerning the charges for the use of HEDN for 2016, there is either reduction (in MV customers) or stabilization for the power and energy charges in all customers categories, compared to 2015.
- HEDNO, as NII Operator, announced to interested Load Representatives for their participation in the Market of NII, that market opening for the electrical system of Crete begins from 21.06.2016. Simultaneously, the necessary methodologies for the operation of NII market were approved by RAE (Decisions 46/2016 and 47/2016).

ETMEAR – SPECIAL FEE FOR THE REDUCTION OF CO2 EMISSIONS (ex RES Fee)

- The new 2016 charges for ETMEAR were announced. The reduction of the ETMEAR required revenue by an amount of Euro 130 mil. leads to a weighted average reduction of the charges by 8.1%, compared to the corresponding charges of 2014-2015 (RAE Decision 465/2015). The abovementioned unit charges are also applied to the self-generators depending on the category they belong.
- The new operating aid scheme for RES was enacted (L. 4414/2016) and includes, among others, a provision for a new source of revenues of the RES Special Account through which the production of "green energy" is compensated (Article 23). In particular, the suppliers will be asked to pay compensation, being part of the revenues of the RES special account, for the difference between the System Marginal Price (SMP) in the wholesale market and the SMP that would exist if the RES did not enter to the system. Those costs will be defined in such a way that the deficit of the Account will be set to zero at the end of the two years 2016-2017, as the deficit elimination at the end of 2017 is a memorandum commitment. Specifically, the Load Representatives will be charged gradually as follows: for the year 2016 the charge amounts to 50% of the charge resulting from the application of the above methodology, for 2017 the charge amounts to 75% and for 2018 and onwards the charge amounts to 100%. The EU decision 2014/536 for the applying of derogation in the Non Interconnected Islands was also incorporated in that law.
- Based on its Decision 214/2016 and the L.4414/2016 for the new RES operating aid scheme, RAE announced that the ETMEAR charges will remain unchanged until the 30th of September 2016 for all the customers' categories while then it will reexamine ETMEAR coefficients taking into consideration the RES Special Account revenues.
- The annual allocation method of the revenues coming from the indisposed rights auctions of greenhouse gas emissions was defined for the period 2016-2020 (OG A' 33/27.2.2016) so that :
 - a) At least 60% of the revenues to be a RES Special Account resource
 - b) Part of the revenues, defined by a ministerial Decision, will cover the needs of the companies exposed in a significant carbon leakage risk
 - c) Part of the revenues, defined by a ministerial Decision, will be allocated in parties for the energy saving projects.

OTHER ISSUES

- In the context of the national target for energy savings, the provision of a discount on the regulated charges (ETMEAR, PSOs, Transmission System and Distribution Network use charges) on electricity and natural gas will be granted to Universities as a reward for attaining energy savings (L. 4386/2016). The same Law includes details on the methodology and the way of implementing and recovering the said discount.

PUBLIC POWER CORPORATION S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2016

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

2. LEGAL FRAMEWORK (CONTINUED)

- The temporary methodology for the calculation of the Estimated Energy Consumption, of Energy Charged and of the Load Representatives' representation percentage in the Non Interconnected Islands (NII) (RAE Decision 46/31.03.2016) was approved along with the temporary methodology of the Load Representatives Guarantees (RAE Decision 47/31.03.2016), which will be applied during the transition implementation period of the NII Code and up to the issuance of the Manual for the market operation in the NII.
- Following the implementation of the REMIT (Regulation on Wholesale Energy Markets Integrity and Transparency) regulation in the Greek market, EMO announced that the participants will be required to report that the details of the contracts concluded for the wholesale energy products for the provision of electricity or natural gas, physically delivered in the Greek market and executed as Bilateral Contracts, will be done according to Article 3.1 (a) of the regulation.
- The maximum annual charge of electricity customers for covering Public Service Obligations (PSOs) was adjusted for 2016 (RAE Decision 41/2016). This adjustment is connected to the average annual change in the consumer's price index. Due to the decrease of that index by 1.7% in 2015 compared to 2014, the aforementioned upper limit for 2016 is set at Euro 780,000, compared to the amount of Euro 794,000 applied in 2015.
In the same logic, the annual RAE's contribution fees imposed on businesses operating in the energy sector were adjusted (RAE Decision 43/2016). The amount of the annual contribution fee charged to electricity suppliers, was set to 0.07€ per absorbed MWh for 2016. The corresponding amount imposed on electricity generators is set to 8.02€ per MW of max net capacity.
- By the L.4412/2016 "Public Conventions of Projects, Procurements and Services" (adoption of Directives 2014/24/EU and 2014/25/EU), the following provisions were incorporated in the national Law :
 - a) Provisions of the Directive 2014/24/EU concerning the public conventions procedures
 - b) Provisions of the Directive 2014/25/EU concerning the procurements of the Bodies operating in the water, energy, transport and postal services.
- The supply tariffs of PPC SA, as a Last Resort Electricity Supplier, were approved, for the fourth year of the service (RAE Decision 223/2016) and the accrual rates are as follows:
 - a) 5% for the HV customers on the wholesale market cost
 - b) 10% for MV customers on the current PPC's MV customer tariffs and
 - c) 10% for LV customers on the current PPC's LV customer tariffs
- The supply tariffs of PPC SA, as a Universal Service Provider, were approved for the fourth year of the service (RAE Decision 224/2016) as follows:
The rate of increase is set at 10% on the current tariffs of specific PPC's LV customers categories (Residential customers and small businesses with a delivery power up to 25kVA), against the increase rate of 12% which was applicable on the third year of that service provision.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

Basis of preparation of financial statements

The accompanying interim condensed consolidated and separate financial statements ("financial statements") for the six month period ended June 30, 2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting" which defines the form and the content of the interim financial statements. The accompanying financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the latest annual financial statements as at December 31, 2015 made publicly available.

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

Approval of Financial Statements: The Board of Directors approved the accompanying financial statements, on September 28th, 2016.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(All amounts in thousands of Euro, unless otherwise stated)

3.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies applied to the separate and consolidated financial statements are the same as those applied to the annual separate and consolidated financial statements for the year ended December 31, 2015 with the exception of the following interpretations that are effective as of 1 January 2016 onwards.

Standards and Interpretations effective for the current financial year

- **IAS 19 (Amendment) Employee benefits: (effective for annual periods beginning on or after 1 February 2015)**
The limited scope amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- **IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)**
The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity.
- **IFRS 10, IFRS 12 and IAS 28 (Amendments): “Investment Entities - Applying the Consolidation Exception” (effective for annual periods beginning on or after 1 January 2016)**
These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
In specific, the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, even when the investment entity measures all of its subsidiaries at fair value instead of consolidating them, only if the latter’s financial statements are in accordance to IFRS 10. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.
- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)**
This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a ‘business’.
- **IAS 1: (Amendments) Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016)**
In December 2014, IASB issued amendments to IAS 1. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. The objective is to resolve issues relating to the existing presentation and disclosure requirements and to ensure that exercising professional judgment by the entities upon compilation of financial statements.
- **IAS 16 and IAS 38 (Amendments) “Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016)**
This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- **IAS 27 (Amendment) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)**
This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements.

Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after 1 February 2015)

The amendments set out below describe the key changes to seven IFRSs following the publication of the results of the IASB’s 2010-12 cycle of the annual improvements project

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3.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- **IFRS 2 Share-based Payment:** The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.
- **IFRS 3 Business combinations:** The amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 "Financial instruments: Presentation". It also clarifies that all non-equity contingent consideration, both financial and non-financial, is measured at fair value through profit or loss.
- **IFRS 8 Operating Segments:** The amendment requires disclosure of the judgements made by management in aggregating operating segments.
- **IFRS 13 Fair Value Measurement:** The amendment clarifies that the standard does not remove the ability to measure short-term receivables and payables at invoice amounts in cases where the impact of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment and IAS 38 Intangible Assets:** Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- **IAS 24 Related Party Disclosures:** The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Annual Improvements to IFRSs 2014 (effective for annual periods beginning on or after 1 January 2016)

The amendments set out below describe the key changes to four IFRSs.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- **IFRS 7 Financial Instruments: Disclosures:** The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement and clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
- **IAS 19 Employee Benefits:** The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.
- **IAS 34 Interim Financial Reporting:** The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

Standards and Interpretations effective for subsequent periods

Certain new standards, amendments of standards and interpretations have been issued but are not yet effective for the annual period beginning on 1 January 2016. These have not been endorsed by the EU and the management of the Group is in the process of assessing their impact its financial statements.

- **IFRS 9 Financial Instruments" and subsequent amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2018)**

The final version of IFRS 9 (2014) replaces the guidance in IAS 39 'Financial Instruments: Recognition and Measurement' which deals with the classification and measurement of financial assets and financial liabilities and it also includes an expected credit losses model that replaces the incurred loss impairment model used today. Moreover, if a financial liability has been classified (in accordance to IFRS 9) at fair value through P&L, any movement in fair value resulting from a movement in the entity's credit risk, will be accounted for in other comprehensive income instead of in the income statements. IFRS 9 also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements. The standard has not been yet endorsed by the EU.

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3.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- **IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)**

The standard, issued on May 2014, contains more authoritative and precise requirements in comparison to the current standards (IAS 28 and IAS 11). The objective of the standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services, by applying a five step process.

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to separate performance obligations
- Recognize revenue as the entity satisfies a performance obligation

The management of the Group is in the process of assessing the impact of this standard on the Group's financial statements. The standard has not been yet endorsed by the EU.

- **IFRS 16: Leases (effective for annual periods beginning on or after 1 January 2019)**

IFRS 16 has been issued in January 2016 and supersedes IAS 17. The objective of the standard is to ensure the lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The management of the Group is in the process of assessing the impact of this standard on the Group's financial statements. The standard has not yet been endorsed by the EU.

- **IAS 7: (Amendment) Cash flow statement (effective for annual periods beginning on or after 1 January 2017)**

These amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements. The amendments have not yet been endorsed by the EU.

- **IAS 12: (Amendment) Recognition of Deferred Taxes for Unrealized Losses (effective for annual periods beginning on or after 1 January 2017)**

These amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The management of the Group is in the process of assessing the impact of this standard on the Group's financial statements. The amendments have not yet been endorsed by the EU.

- **IFRS 2: (Amendment) Classification and measurement of Shared-based Payment transactions (effective for annual periods beginning on or after 1 January 2018)**

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The management of the Group is in the process of assessing the impact of this standard on the Group's financial statements. The amendments have not yet been endorsed by the EU.

4. SEASONALITY OF OPERATIONS

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

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5. INCOME TAXES (CURRENT AND DEFERRED)

	Group		Company	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Current income taxes	97,586	73,988	78,172	67,163
Deferred income tax	(62,706)	(16,914)	(65,986)	(31,313)
Additional taxes	526	2,288	526	2,288
Total income tax expense	35,406	59,362	12,712	38,138

According to Greek Tax Legislation, companies that have their residence in Greece are subject to an income tax rate of 29% and an income tax prepayment of 100%.

Tax returns for the companies residing in Greece are filed annually but profits or losses declared for tax purposes remain provisional until such time, as the tax authorities audit the returns and the records of the company and a final assessment is issued. The Group establishes a provision, if deemed necessary, by case and by company, against the event of additional taxes being imposed by the tax authorities.

Based on the applicable Income Tax Code, since the fiscal year 2011, the certified auditors issue an "Annual Tax Compliance Report" after conducting a tax audit at the same time with the financial audit. The tax audit is conducted on particular tax areas, specified by an audit program, according to the provisions of the tax law. Audit matters which are not covered by the above mentioned decision are dealt in accordance to the ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information".

The Group's companies that are subject to the above mentioned provisions are: PPC S.A., IPTO S.A., HEDNO S.A., and PPC Renewables S.A.

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

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

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5. INCOME TAXES (CURRENT AND DEFERRED) (CONTINUED)

Company	Country	Unaudited tax years since
- PPC (Parent Company)	Greece	2009
- PPC Renewables S.A.	Greece	2012
- HEDNO S.A.	Greece	2012
- IPTO S.A	Greece	2009
- Arkadikos Ilios Ena S.A.	Greece	2007
- Arkadikos Ilios Dio S.A.	Greece	2007
- Iliako Velos Ena S.A.	Greece	2007
- Iliako Velos Dio S.A.	Greece	2007
- SOLARLAB S.A.	Greece	2007
- Iliaka Parka Ditikis Makedonias Ena S.A.	Greece	2007
- Iliaka Parka Ditikis Makedonias Dio S.A.	Greece	2007
- PPC FINANCE PLC	United Kingdom	2009
- PPC BULGARIA JSCo	Bulgaria	2014
- PPC Elektrik Tedarik ve Ticaret A.S.	Turkey	2014
- PHOIBE ENERGIAXH S.A.	Greece	2007

As at 31.12.2013, the Parent Company recognized a deferred tax liability on the difference between the accounting and tax basis of the value of its investment in the subsidiary IPTO S.A. More specifically, the value of the investment in PPC's tax books amounts to Euro 38,444, while the respective value in the accounting books amounts to Euro 916,376. By applying on the difference of Euro 877,932 the 2013 income tax rate of 26%, a deferred tax liability of Euro 228,262 was derived. On 30.09.2015, due to the increase in the income tax rate in 29%, the deferred tax liability was readjusted to Euro 254,600, while the difference of Euro 26,338 was charged to the 2015 income statement.

Part of this surplus value arising in the tax books, of an amount of Euro 589,615, originates from the reserve of Law 2941/2001 relating to the spanned off Transmission segment which was transferred to IPTO S.A. in its capacity as a sole successor. In accordance to paragraph 3, case (6), of article 98 of Law 4001/2011, all tax or accounting treatment which was performed by PPC relating to the segment and which relates to future benefits or liabilities, is transferred to IPTO S.A.

Consequently, upon the disposal of IPTO S.A. and the payment by the Parent Company of the respective income tax derived from the difference between the sale consideration and the tax book value, the reserve of Law 2941/2001 (Euro 589,615) is considered as taxed, and thus IPTO S.A. in its capacity as a sole successor of PPC S.A., is eligible to transfer this reserve to retained earnings and thus making it available for distribution without payment of any additional income taxes.

6. INVESTMENTS IN SUBSIDIARIES

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

	Company	
	30.06.2016	31.12.2015
IPTO S.A	916,376	916,376
HEDNO S.A.	56,982	56,982
PPC Renewables S.A.	155,438	155,438
PPC FINANCE PLC	59	59
PPC BULGARIA JSCo	522	522
PPC ELEKTRIK TEDARIK VE TICARET A.S	1,350	1,350
Total	1,130,727	1,130,727

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6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The consolidated financial statements include the financial statements of PPC and its subsidiaries. The subsidiaries, included in the consolidation, are the following (full consolidation):

Name	Ownership Interest		Country and Year of Incorporation and activity	Principal Activities
	30.06.2016	31.12.2015		
PPC Renewables S.A.	100%	100%	Greece - 1998	RES
HEDNO S.A.	100%	100%	Greece - 1999	HEDN
IPTO S.A.	100%	100%	Greece - 2000	HETS
Arkadikos Ilios Ena S.A.	100%	100%	Greece - 2007	RES
Arkadikos Ilios Dio S.A.	100%	100%	Greece - 2007	RES
Iliako Velos Ena S.A.	100%	100%	Greece - 2007	RES
Iliako Velos Dio S.A.	100%	100%	Greece - 2007	RES
SOLARLAB S.A.	100%	100%	Greece - 2007	RES
Iliaka Parka Ditikis Makedonias Ena S.A.	100%	100%	Greece - 2007	RES
Iliaka Parka Ditikis Makedonias Dio S.A.	100%	100%	Greece - 2007	RES
PPC Finance PLC	100%	100%	UK - 2009	Financing Services
PPC BULGARIA JSCo	85%	85%	Bulgaria - 2014	Supply of power
PPC Elektrik Tedarik ve Ticaret A.S.	100%	100%	Turkey - 2014	Supply of power
PHOIBE ENERGIKI S.A	100%	100%	Greece -2007	RES

As described in Notes 2 and 13, the procedure for the full ownership unbundling of IPTO from PPC S.A. is in progress, in accordance with the provisions of L. 4389/2016 (articles 142-149 and 152). On 30.06.2016, the Management of the Group and the Parent Company considers that the criteria of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and of IFRIC 17 "Distribution of Non-cash Assets to Owners" are not met, and as a result, investment in IPTO S.A. was not classified as held for sale or for distribution respectively.

On 30.06.2016, the summary amounts of IPTO's Statement of Income are as follows:

	01.01- 30.06.16
Revenues	141,912
EBITDA	103,343
Profit Before Tax	55,648
Net Profit	39,355

It is also noted that the full ownership unbundling of IPTO from PPC S.A. for the period 01.01 - 30.06.2016, would result in a reduction of Revenues and EBITDA for the PPC Group by Euro 34.8 mil. and Euro 102.8 mil. respectively.

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7. INVESTMENTS IN ASSOCIATES

The Group and the Parent Company's associates on 30.06.2016 and 31.12.2015 are as follows (equity method):

	Group		Company	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Larco S.A.	-	-	-	-
PPC Renewables ROKAS S.A.	1,845	2,110	-	-
PPC Renewables TERNA Energiaki S.A.	2,877	2,877	-	-
PPC Renewables NANKO Energy – MYHE Gitani S.A.	2,546	2,389	-	-
PPC Renewables MEK Energiaki S.A.	1,512	1,421	-	-
PPC Renewables ELTEV AIFOROS S.A.	2,549	2,373	-	-
PPC Renewables EDF EN GREECE S.A.	11,146	11,242	-	-
Aioliko Parko LOYKO S.A.	22	24	-	-
Aioliko Parko MBAMBO VIGLIES S.A.	26	28	-	-
Aioliko Parko KILIZA S.A.	29	31	-	-
Aioliko Parko LEFKIVARI S.A.	27	31	-	-
Aioliko Parko AGIOS ONOUFRIOS S.A.	30	32	-	-
Renewable Energy Applications LTD	27	27	-	-
WASTE SYCLO S.A.	48	55	221	221
PPC Solar Solutions A.E.	974	976	980	980
	23,658	23,616	1,201	1,201

The full list of the Group and the Parent Company's associates, are as follows:

Name	Note	Ownership Interest		Country and year of Incorporation	Principal Activities
		30.06.16	31.12.15		
Larco S.A.		11.45%	11.45%	Greece – 1989	Metallurgical
PPC Renewables ROKAS S.A.		49.00%	49.00%	Greece - 2000	RES
PPC Renewables TERNA Energiaki S.A.		49.00%	49.00%	Greece – 2000	RES
PPC Renewables NANKO Energy – MYHE Gitani S.A.		49.00%	49.00%	Greece – 2000	RES
PPC Renewables MEK Energiaki S.A.		49.00%	49.00%	Greece - 2001	RES
PPC Renewables ELTEV AIFOROS S.A.		49.00%	49.00%	Greece – 2004	RES
PPC Renewables EDF EN GREECE S.A.		49.00%	49.00%	Greece – 2007	RES
EEN VOIOTIA S.A.	1	46.60%	46.60%	Greece – 2007	RES
Aioliko Parko LOYKO S.A.		49.00%	49.00%	Greece – 2008	RES
Aioliko Parko MBAMBO VIGLIES S.A.		49.00%	49.00%	Greece – 2008	RES
Aioliko Parko KILIZA S.A.		49.00%	49.00%	Greece – 2008	RES
Aioliko Parko LEFKIVARI A.E.		49.00%	49.00%	Greece – 2008	RES
Aioliko Parko AGIOS ONOUFRIOS S.A.		49.00%	49.00%	Greece - 2008	RES
Renewable energy applications LTD		49.00%	49.00%	Cyprus - 2010	RES
Waste Syclo S.A.		49.00%	49.00%	Greece - 2011	Waste Management
PPC Solar Solutions S.A.		49.00%	49.00%	Greece - 2014	RES

1. It is consolidated from the associate company PPC Renewables EDF EN GREECE S.A. as it participates by 95% in its share capital.

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8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

PPC balances with its subsidiaries and its associates as of June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016		December 31, 2015	
	Receivable	(Payable)	Receivable	(Payable)
Subsidiaries				
- IPTO	102,973	(691,242)	65,468	(824,137)
- PPC Renewables S.A.	602	-	1,741	-
- HEDNO S.A.	212,861	(525,291)	89,441	(347,258)
- PPC Finance PLC	-	(6,213)	-	(6,169)
- PPC Elektrik	188	(91)	239	(96)
- PPC Bulgaria JSCO	-	(1,371)	-	(709)
	316,624	(1,224,208)	156,889	(1,178,369)
Associates				
LARCO (energy, lignite and ash)	296,856	-	272,163	-
	296,856	-	272,163	-

PPC's transactions with its subsidiaries and its associates for the period ended June 30, 2016 and June 30, 2015 are as follows:

	June 30, 2016		June 30, 2015	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
Subsidiaries				
- IPTO S.A.	92,863	(594,465)	58,051	(692,426)
- PPC Renewables S.A.	1,556	-	1,490	-
- HEDNO S.A.	533,242	(858,903)	608,003	(955,497)
- PPC Finance PLC	-	(18,551)	-	(18,519)
- PPC Elektrik	954	(366)	398	(1,428)
- PPC Bulgaria JSCO	-	(15,536)	-	-
	628,615	(1,487,821)	667,942	(1,667,870)
Associates				
LARCO	29,718	(2,926)	34,150	(3,082)
	29,718	(2,926)	34,150	(3,082)

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8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

As of 30.6.2016, the Parent Company has guaranteed for total credit line of Euro 8 mil., through overdraft agreements. As of 30.06.2016 PPC Renewables S.A. has used Euro 875, concerning letters of guarantee.

Guarantee in favor of the subsidiary IPTO SA

On 30.06.2016 the Parent Company has guaranteed IPTO's existing bilateral loans for a total amount of Euro 325 mil. The above mentioned guarantee was approved by the Parent Company's Annual Shareholders' Meeting.

Transactions and balances with other government owned entities

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

	Purchases		Balance	
	30.06.2016	30.06.2015	30.06.2016	31.12.2015
ELPE, purchases of liquid fuel	-	53,460	95	8,176
DEPA, purchases of natural gas	122,819	104,282	52,599	67,632
	122,819	157,742	52,694	75,808

	June 30, 2016		December 31, 2015	
	Receivable	(Payable)	Receivable	(Payable)
EMO S.A.	153,187	(47,885)	165,547	(57,891)

	30.06.2016		30.06.2015	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
EMO S.A.	617,389	(961,129)	908,183	(1,315,327)

In addition to the above, and within its normal course of business (sale of electricity, services received, etc.), PPC enters into transactions with a large number of entities (profit or nonprofit) which are owned by the Government. All transactions with government owned entities are at arm's length terms.

Management compensation

Fees concerning management members (Board of Directors and General Managers) for the six month period ended June 30, 2016 and 2015 have as follows:

	GROUP		COMPANY	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
<u>Compensation of members of the Board of Directors</u>				
- Executive members of the Board of Directors	181	125	29	29
- Non-executive members of the Board of Directors	27	27	-	-
- Compensation / Extra fees	20	17	-	-
- Contribution to defined contribution plans	46	31	9	4
- Other Benefits	44	54	44	39
	318	254	82	72
<u>Compensation of Deputy Managing Directors and General Managers</u>				
- Regular compensation	316	337	253	280
- Contribution to defined contribution plans	86	103	66	83
- Compensation / Extra fees	-	-	-	-
	402	440	319	363
Total	720	694	401	435

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8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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, as well as the respective PPC's social security contributions. Also, it does not include the benefit for the electricity supply based on the PPC personnel invoice to the Board of Director Executive members, the Deputy Managing Directors and the General Managers.

9. LOANS AND BORROWINGS

During the first half of 2016, the Group proceeded to debt repayments amounting to Euro 199 mil. (Parent Company Euro 199 mil.) out of which an amount of Euro 50 mil. (at 31.12.2015) refers to an overdraft facility which was refinanced in February 2016 through a Revolving Credit Facility of Euro 65 mil. maturing in 2019.

The subsidiary company IPTO S.A. after an initial disbursement of an amount of Euro 30 mil. in 2015, proceeded in drawing an additional amount of Euro 35 mil. in March 2016 from the European Investment Bank for the project "Cyclades Interconnection Phase A" from a total financing line of Euro 130 mil. guaranteed by the Greek State.

The Parent Company's and the Group's loan obligations on June 30th, 2016 as well as on December 31st 2015 are as follows:

	GROUP		COMPANY	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
- Bank Loans	2,291,871	2,320,446	2,103,848	2,167,423
- Bonds Payable	2,901,382	2,921,078	2,611,280	2,630,976
Unamortized portion of loan issuance fees	(33,179)	(36,563)	(33,179)	(36,563)
Total long term borrowings	5,160,074	5,204,961	4,681,949	4,761,836
Less current portion:				
- Bank Loans	187,387	191,491	160,364	164,468
- Bonds Payable	821,278	530,976	531,166	240,864
Unamortized portion of loan issuance fees	(8,573)	(8,680)	(8,573)	(8,680)
Total current portion of borrowings	1,000,092	713,787	682,957	396,652
Non-current portion of borrowings	4,159,982	4,491,174	3,998,992	4,365,184
Short term borrowings	77,016	127,016	30,000	80,000
Total loans and borrowings	5,237,090	5,331,977	4,711,949	4,841,836

Credit Rating

On June 30th 2016, PPC's credit rating from S&P and ICAP credit houses was set "CCC-" with negative outlook and "C" respectively. It is noted that ICAP, in July 2016, lowered PPC's credit rating by one notch to D.

10. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value and they are not based on observable market data.

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

The following tables present a comparison of the carrying amount of the Group and the Parent Company's financial instruments that are carried at amortized cost and their fair value as well as the tangible fixed assets which are revalued periodically (the last revaluation was conducted on 31.12.2014):

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10. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

Group	Carrying amount		Fair value	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Non – financial assets				
Fixed Assets	13,429,184	13,590,247	13,429,184	13,590,247
Financial Assets				
Trade receivables	1,772,559	1,844,208	1,772,559	1,844,208
Restricted cash	118,145	127,842	118,145	127,842
Cash and cash equivalents	574,567	451,670	574,567	451,670
Financial Liabilities				
Long-term borrowings	5,160,074	5,204,961	5,054,875	5,105,970
Trade payables	1,651,427	1,848,740	1,651,427	1,848,740
Short term borrowings	77,016	127,016	77,016	127,016

Parent Company	Carrying amount		Fair value	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Non – financial assets				
Fixed Assets	11,528,057	11,751,414	11,528,057	11,751,414
Financial Assets				
Trade receivables	1,635,390	1,699,805	1,635,390	1,699,805
Restricted cash	118,145	127,842	118,145	127,842
Cash and cash equivalents	259,674	197,592	259,674	197,592
Financial Liabilities				
Long-term borrowings	4,681,949	4,761,836	4,576,750	4,662,845
Trade payables	1,596,773	1,830,239	1,596,773	1,830,239
Short term borrowings	30,000	80,000	30,000	80,000

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

Fair value of trade receivables and trade accounts payable approximate their carrying amounts. Fair value of the remaining financial assets and financial liabilities is based on future cash flows discounted using either direct or indirect observable inputs and are within the Level 2 of the fair value hierarchy.

Fair value of tangible assets is included in level 3 of fair value hierarchy.

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10. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

As at June 30, 2016, the Group and the Parent Company held the following financial instruments measured at fair value:

Financial Assets	Fair value		Fair value Hierarchy
	30.06.2016	31.12.2015	
Group			
Investments available for sale	3,272	316	Level 1
Financial derivative instruments	-	689	Level 2
Parent Company			
Investments available for sale	2,085	316	Level 1
Financial derivative instruments	-	689	Level 2

11. COMMITMENTS, CONTINGENCIES AND LITIGATION.

11.1 OWNERSHIP OF PROPERTY

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

1. The Parent Company has completed the registration of its property through a fixed assets registry. These assets (almost entirely) are registered at the relevant land registries over the country and the cadastral application is monitored. The update of the existent in the company new integrated information system for fixed assets management is in progress.
2. In a number of cases, expropriated land, as presented in the expropriation statements, differs (in quantitative terms), with what the Parent Company considers as its property.
3. Agricultural land acquired by the Parent Company through expropriation in order to be used for the construction of hydroelectric power plants, will be transferred to the State at no charge, following a decision of the Parent Company's Board of Directors and a related approval by the Ministry of Development, if such land is no longer needed by the Parent Company for the fulfilment of its purposes.

The property, plant and equipment of the Group are located all over Greece. Currently, the Group does not carry any form of insurance coverage on its property, plant and equipment (except for its information technology equipment), resulting to the fact that if a sizable damage is incurred to its property, it might affect its profitability. Materials, spare parts as well as liabilities against third parties are not insured. It is examined –in the newly formed legal framework- the conduction of a tender for the selection of an insurance company to cover for assets as well as liabilities against third parties.

11.2 LITIGATION AND CLAIMS

The Group is a defendant in several legal proceedings arising from its operations. The total amount claimed as at June 30, 2016, amounts to Euro 1,650 mil. as further detailed below:

1. **Claims with contractors, suppliers and other claims:** A number of contractors and suppliers have raised claims against the Group. These claims are either pending before courts or under arbitration and mediation proceedings. The total amount involved is Euro 589 mil. In most cases the Group has raised counter claims, which are not reflected in the accounting records, until the time of collection.
2. **Fire incidents and floods:** A number of individuals have raised claims against the Group for damages incurred as a result of alleged electricity-generated fires and floods. The total amount involved is Euro 43 mil. and Euro 11 mil., respectively.
3. **Claims by employees:** Employees are claiming the amount of Euro 212 mil., for allowances and other benefits that according to the employees should have been paid by PPC.
4. **Litigation with PPC Personnel Insurance Organization (PPC-PIO):** Until June 30, 2016, PPC Personnel Insurance Organization (former "PPC PIO", TAYTEKO/IKA at present) had filed, before the courts, seven (7) lawsuits against PPC, claiming an amount in total of Euro 87.7 mil., of which three (3) are pending for a total amount of Euro 7 mil.
5. **General Federation of PPC Personnel (GENOP DEI/KHE) and PanHellenic Federation of Retirees' (POS DEI) lawsuit against PPC**

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11. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

GENOP DEI/KHE and POS DEI have filed a lawsuit against PPC in the Multimember Court of First Instance in Athens. By the above mentioned lawsuit they pursue that PPC will be obliged to pay to third parties, who are not litigants, in particular the insurance funds of IKA – ETAM and TAYTEKO the amount of Euro 634.8 mil. plus interest, for the coverage of the resource, which according to the lawsuit, the State did not pay to the above mentioned insurance funds for the years 2010 and 2011. The lawsuit was scheduled to be heard in the Multimember Court of First Instance in Athens on September 18th, 2014 but it was postponed for February 23, 2017. In view of the fact that the above mentioned lawsuit is based on admissions which are in contrast with the provisions of Decision 13/2010 of the Supreme Court (see also 1767/2014, 299 and 805/2015) and Decision 668/2012 of the Athens Court of Appeals, the Parent Company considers that the possibilities of a positive outcome for the lawsuit in question, are minimal and therefore, has not formed a provision.

6. PPC's lawsuit against ETAA (former TSMEDE)

ETAA (former TSMEDE) by its Decision 7/2012 has imposed on PPC the amount of Euro 27.4 mil. in application of article 4 of L. 3518/2006, as employer contributions due to the Main pension Branch for the period 01.01.2007 – 30.04.2012 and pertaining to the engineers insured before 01.01.1993 to the above mentioned Insurance Fund, that have been employed by PPC for the above mentioned period.

Against the above mentioned 7/2012 decision of the Insurance Fund in question, PPC has filed (legally and timely) the 05.09.2012 appeal to the Athens Administrative Court of First Instance. The date for the discussion of the appeal has been taken place by the court for discussion on 03.11.2014. The discussion of the appeal took place and the issuance of a decision is expected.

Since its employees – who are engineers- are insured mandatorily to PPC's Insurance Fund based on L. 4491/1966, thus resulting to PPC paying on their behalf to the above mentioned Insurance Fund the corresponding employer contributions while insurance for the above mentioned engineers in ETAA is optional and is done by choice, with them paying the corresponding insurance contributions provided for engineers that are independently employed, the Parent Company considers that the possibilities of a negative outcome of its appeal are minimal and therefore has not established a provision.

7. Annulment requests against the request for proposal (RFP) by PPC S.A. for the sale of 66 % IPTO's shares

Two annulment requests have been filed (one of them includes an application of interim measures) against PPC's RfP in 2014 for the sale of 66% of IPTO's (PPC's subsidiary) shares. The first request has been filed by five (5) trade unions and the second has been filed by the PanHellenic Federation of Retirees' (POS DEI). The above mentioned requests were discussed in front of the Supreme Court's Plenary Session (after postponement) on December 5, 2014. The Supreme Court's Plenary Session with its decisions 1745/2016 and 1746/2016 rejected the two annulment requests.

It is noted that apart from the above mentioned annulment requests, a relevant lawsuit is pending in the civil courts with an initial court date of Supreme Court's Plenary Session 10.01.2018 (the interim measures hearing has taken place on October 14, 2014 for which a rejection decision (247/2014) was issued) for the annulment of PPC's BoD decision concerning the RfP.

8. Annulment requests against the request for binding offer (RfBO) by PPC S.A. for the sale of 24 % IPTO's shares

An annulment request has been filed in front of the Supreme Court against PPC's RfBO (Request for Binding Offer) in 2016 for the sale of 24% of IPTO's (PPC's subsidiary) shares. The above mentioned request has been filed by General Federation of PPC Personnel (GENOP DEI/KHE). A rapporteur in the case has not yet been appointed and a court date has not been determined.

9. Lawsuits of IPTO against PPC.

IPTO has filed against PPC, two lawsuits for a total amount of Euro 540 mil. for amounts due – according to IPTO- to the Company's participation in the wholesale electricity market. In particular:

- By its first lawsuit IPTO is asking for an amount of Euro 242.7 mil. (with interest) for amounts due which the Parent Company collects from supply bills and conveys to IPTO, that in turn conveys them to EMO. The interest for the above mentioned sums amounts to Euro 22.5 mil.
- By its second lawsuit, IPTO is asking for the payment of Euro 232.6 mil. (with interest) for amounts due which the Parent Company collects from supply bills and conveys to IPTO. The interest for the above mentioned sums amounts to Euro 40.6 mil.

The lawsuits are scheduled to be heard on May 18, 2017 in the Multimember Court of First Instance in Athens. The Parent Company considers that there is a chance of paying interest on certain sums due

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11. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

and has established a provision of Euro 30.3 mil. It is noted that PPC, if necessary, will file lawsuits against IPTO as well.

On its side, the Parent Company has served an extrajudicial document inviting IPTO to pay a total amount of Euro 14 mil. The above mentioned amount corresponds to overdue interest of invoices which incorporate debts to PPC from March 2012 until the 02.02.2015. IPTO, up to this date, has not answered to this extrajudicial document.

10. *Lawsuits of the Municipality of Keratsini against PPC.*

The Municipality of Keratsini with its lawsuit on 19.03.2014 which (after various postponements and cancellations) will be discussed before the Multimember Court of First Instance in Piraeus on 19.10.2016, claims from PPC a total amount of Euro 62,616. The Municipality of Keratsini claims that PPC failed to comply with its obligations under its BoD's Decision (No. 231/1996), which ratified the Protocol of Collaboration between the Municipality, the Ministry of Development and the Ministry of Environment. On the one hand, the Protocol provided that PPC should transfer an area of 41,744 sq.m. to the Municipality and on the other hand stop the operation of its Unit Agios Georgios in Keratsini from July 2006.

It is noted that the above mentioned lawsuit is in the same context with two lawsuits of PPC against Municipality of Keratsini before the Multimember Court of First Instance in Piraeus, i.e., No.1220/2005 and No.1221/2005, with which PPC claims from the Municipality the amounts of Euro 17,770 and Euro 479, respectively, as compensation for trespassing on PPC's property. For the above mentioned lawsuits a preliminary decision was already issued by the Multimember Court of First Instance in Piraeus (No. 5883/2013), which initially accepted PPC's requests and appointed an expert to draft an expertise. The expert vowed, after postponement, on 23.09.2016.

For the above amounts, the Group and the Parent Company have established provisions which as of June 30, 2016 amounted to Euro 201 mil. and Euro 123 mil., respectively (30.06.2015: Group: Euro 164 mil. and Parent Company: 110 mil.), which are considered adequate for the expected losses arising from the final judgment.

PPC's relation to its personnel's Social Security Funds

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

Litigations Risk

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

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

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

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11. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

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

Litigation with "Alouminion of Greece" (ALOUMINION)

1. On 31.10.2013 with a majority of two to one (2/1) Decision No. D1/1/2013, the Permanent Arbitration Court of RAE decided the price for the supply of electricity to ALOUMINION S.A. at Euro 40.7/MWh for the period 01.07.2010 until 31.12.2013. At this price both the fixed and variable energy costs are included, as well as System Use Charges, Ancillary Services Charges, Public Service Obligations, and state fees on behalf of RAE and HTSO/EMO, although Renewable Energy/Gaseous Pollutants special fees/ETMEAR, Special Electricity Tax, DETE and other taxes imposed are not included. The burden on the financial results of the third quarter of 2013 imposed by the above mentioned Decision, as far as the supply of electricity to ALOUMINION is concerned, for the period 01.07.2010 until 30.9.2013 amounted to Euro 105.5 mil.

As the abovementioned Decision compels PPC to sell at a loss, PPC filed an action for invalidity against it, which was scheduled to be heard on 04.12.2014, and was postponed for 01.10.2015 and, in addition, submitted a complaint for state aid before the European Commission (December 2013).

Regarding PPC's appeal for the annulment of RAE's Arbitration Decision, the Athens Court of Appeals issued on 18.02.2016 a decision (634/2016), not accepting PPC's lawsuit for the annulment of RAE's arbitration decision No 1/2013 and against ALOUMINION. PPC may appeal on the Supreme Court against this decision.

The European Commission by a letter in June 12th, 2014, has notified PPC that it does not intend to further examine the complaint. PPC has challenged the Commission's decision in front of the General Court of the European Union by its appeal dated 22/08/2014 (case T-639/2014).

On 17.04.2015 PPC was notified of a subsequent decision (dated 25.03.2015) of the European Commission, through which, the latter concluded, as the decision dated 12.06.2014 had, that PPC's complaint, concerning illegal state aid towards ALOUMINION, does not require further investigation concerning state aid but using a different rationale. Specifically, the new decision is based mostly on the fact that the decision to resort to arbitration met the criteria of a private investor and therefore that it could not lead to an illegal state aid.

On 20.05.2015 the General Court of the European Union forwarded to PPC an application by the European Community, by which the latter requests the dismissal of the above mentioned trial, which is pending following the T-639/14 complaint by PPC, reasoning that, a decision is no longer necessary, since the Commission has issued a subsequent decision dated 25.03.2015, replacing its previous decision dated 12.06.2015. PPC filed a relevant memo in front of the General Court. Subsequently, the General Court issued a provision which terminated the proceedings in Case T-639/14. PPC appeals on the Supreme Court of the European Union (on April 22nd 2016) against this

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Provision (Case C-228/16 P). It has also filed (on June 29th 2015) an action for annulment according to art. 263 of the Treaty for the Operation of the European Union, against the abovementioned decision of the Commission, dated 25.03.2015 [Case SA 38101 (2015/NN) (former 2013/CP)]. The hearing's date is still pending.

2. State Aid of Euro 17.4 mil.

Furthermore case C-590/14 P is pending, relating to PPC's petition for the annulment of the General Court's decision dated 8.10.2014 in case T-542/11 "ALOUMINION against Commission". This decision has annulled the Commission's decision dated 13.07.2011, which awarded to PPC an amount of €17.4 mil., payable by ALOUMINION, for an illegal state aid, as a result of the implementation of a favorable tariff for the period January 2007 – March 2008 and a decision is pending.

3. ALOUMINION does not accept tariffs for the High Voltage Customers, which were decided on PPC's 28.02.2014 General Shareholders' Meeting and proceeds with a partial payment of the amounts due to PPC for the consumptions of its industrial installations, calculating, by its statement, the supply tariff of the energy consumed for the year 2014, on the base of the above mentioned 1/31.10.2013 Arbitration Decision.

In addition, ALOUMINION, in months of negotiations has denied all proposed tariffs by PPC, since 2013, including the tariff decided by PPC's General Shareholders Meeting on 28.02.2014.

PPC through its General Shareholders' Meeting on 22.12.2014 has decided concerning High Voltage Customers that do not accept its 28.02.2014 Decision that : "The Management should have been committed to take measures against companies that do not sign an electricity supply contract for 2014". Following that, PPC proceeded on 02.01.2015 to an order for the deactivation of ALOUMINION's load meters and invited IPTO to proceed to all necessary actions.

Following that, ALOUMINION has filed the RAE I-191545/09.01.2015 complaint –application of interim measures- application of special regulatory measures against PPC, which was notified to IPTO. RAE, by its letter to PPC and IPTO –notified to ALOUMINION- recommended to all parties not to execute the above mentioned order of deactivation. Afterwards, on 28.04.2015 RAE, notified by a letter an extract of its 11.03.2015 plenary session, by which the discussion and decision on ALOUMINION's complaint was suspended until the resolving of some issues relating to the quorum set by law in order to take a decision on the above mentioned complaint.

On 20.03.2015 a document of the Competition Committee (CC) was notified to PPC, by which CC asked the submission of PPC's views on a memo submitted by ALOUMINION, with which the latter asked from the CC, on 25.02.2015, to apply interim measures (among others the suspension of PPC's complaint regarding its supply relationship dated 07.11.2013, as well as its January 2015 declaration of discontinuation of representation of ALOUMINION's meters). PPC has submitted the relevant data in time. The CC set 29.07.2015 as the hearing date. Finally the hearing was held on 25.09.2015 and on 14.10.2015 and the CC granted to PPC a deadline for submitting a commitment proposal under the provision of par. 6 of article 25 of Law 3959/2011.

Following an oral hearing of the case on 15.10.2015, PPC submitted the final set of commitments undertaking that : a) within ten (10) days of the notification of the CC's decision, will proceed in recalling the order for the deactivation of ALOUMINION's load meters which has been sent by PPC to ALOUMINION and IPTO SA by its extrajudicial statements on 02.01.2015 and 19.01.2015 and b) that it will continue to supply electricity to ALOUMINION under the current terms and conditions, while the issue of ALOUMINION's electricity tariffs, will be resolved through either direct negotiation between the parties or by any other means. Negotiations should have been completed within three (3) months from the date of CC's acceptance of the commitments. The latter date has been extended until 31.05.2016. Meanwhile PPC would refrain from adopting, and generally taking any measures against ALOUMINION. The above mentioned PPC's commitments were accepted by the CC, which issued the relevant decision (621 / 2015). Abiding by its commitments, PPC recalled the order for the deactivation of ALOUMINION's load meters. Subsequently, negotiations were held between the parties, while an extension of the quarter in which the parties must conclude their negotiations was granted twice by successive decisions of the Competition Committee (CC), initially until 31.05.2016 and then until 08.07.2016. The theme of "Electricity Supply Agreement between PPC S.A. and ALUMINION OF GREECE S.A" was introduced at the 14th Annual General Meeting of PPC's Shareholders dated 11.07.2016, which decided to postpone its decision on the matter for the next General Meeting. On 13.09.2016 PPC's BoD decided to convene an Extraordinary General Meeting of PPC's Shareholders on 05.10.2016. On the latter's agenda the above mentioned matter is included.

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11. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

Old Bank of Crete

The dispute with the old "Bank of Crete" is dating back to 1989, when the bank was under liquidation. More precisely, by a mandatory action of the then trustee of the Bank, PPC's deposits were mandatorily converted to stake-holding in the share capital of the Bank and to obligatory credit to the Bank. PPC by its July 22, 1991 lawsuit against the bank asked to be compensated for GRD 2.2 billion approximately, (Euro 6.5 mil.) for the reason that the above mentioned Act of the trustee of the Bank was held invalid.

Moreover, PPC had outstanding loan balances, received under six (6) loan agreements for which it was agreed upon to be repaid gradually through installments. On June 10, 1991, although PPC has paid the overdue installments, the Bank has terminated all of the above mentioned loan agreements and thus on that date the claim against PPC became overdue for the whole amount of the loans. For that reason, against PPC's above mentioned lawsuit, the Bank has proposed before the Court an offset of its claim resulting by the above mentioned loans, amounting to GRD 4 bil. approximately, and furthermore has asked the payment of this amount by PPC by its lawsuit dated 28.12.1995. The Court of First Instance has postponed the hearing of the Bank's lawsuit against PPC until the final outcome of the hearing, which started with PPC's lawsuit against the Bank.

PPC's lawsuit against the Bank was rejected by the Multimember Court of Athens and PPC appealed against the said Decision of the Court which was also rejected by the Athens Appeal Court. The above mentioned decision was brought to review by PPC before the Supreme Court, which accepted it and in consequence the case was again brought to trial before the Court of Appeals, which held that an expert report should take place. After the said expert report the Court's decision was held partially in PPC's favor (Court of Appeals decision 2005). However, a petition for review before the Supreme Court was filed against the aforementioned Decision which was then accepted by the Supreme Court and then was resubmitted to the Court of Appeals which by its inconclusive decision (Nr 4093/2009) ordered the completion of the expert report. The official expert report was completed at the end of May 2012. Following that, the hearing of the case would have taken place on October 25, 2012, but it was postponed for September 26, 2013, due to the strike of both judges and lawyers. The case was heard on the abovementioned date.

Decision 3680/2014 of the Court of Appeals was issued, which only partially accepts PPC's lawsuit while essentially accepting the results of the ordered by the Court above mentioned official expert report, as following : a) the amount due by the Bank of Crete to PPC at the time of the filing of the lawsuit by PPC on 22.07.1991 amounted to GRD 1,268,027,987 and b) The amount due by PPC to the Bank of Crete on 01.07.1991 due to the loan amounts becoming overdue by the Bank and after the suggested by the Bank set off of its counterclaim against the above-mentioned PPC's claim, amounted to GRD 2,532,936,698.

PPC intends to appeal against the above mentioned decision. It is noted that until the final judgment on the appeal, the discussion of the aforementioned (28 December 1995) lawsuit of the Bank of Crete against PPC is pending.

In case that the Supreme Court accepts PPC's annulment, then it will judge the case anew and the decision which will issue will be irrevocable. In case of a positive outcome for PPC, for which there are increased probabilities, then the case of the Bank against PPC might be rejected.

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

On May 13th, 2008, PPC filed before the General Court of the European Union (General Court), an application for the annulment of the Commission's decision of March 5, 2008 regarding the granting by the Hellenic Republic of lignite extraction rights to PPC. The Greek State has intervened before the aforementioned Court in favor of PPC, while two competitors of PPC have intervened in favor of the European Commission. Furthermore, on August 4, 2009, the European Commission issued a decision (which was notified to PPC on August 7, 2009), in which the measures for the compliance with the decision of March 5, 2008 were defined as obligatory for the Hellenic Republic.

The Commission's Decision made obligatory for the Hellenic Republic the launching of public tender procedures for the concession of lignite rights for the mines of Drama, Ellassona, Vevi and Vegora to third parties excluding PPC, with the exception of those cases where there were no other valid and binding offers. The Hellenic Republic was also obliged, to ensure that the third parties that would be awarded the relevant extraction rights, would not sell to PPC the extracted lignite from the specific mines, with the exception of those cases where there would be no other valid and binding offers. PPC submitted an application for the annulment of the said decisions of the Commission before the CFI of the European Communities. Furthermore, the Hellenic Republic has intervened before the CFI in the said proceedings, in favor of PPC. The hearing of the cases took place before the General Court on February 2, 2012. The General Court of the European Union on 20.9.2012 issued two (2) decisions for both cases (Case T-169/08 and T-421/09) in favor of PPC.

The Commission appealed for the revision of the relevant decisions before the General Court of the European Union (Cases C-553/12 and C-554/12). The abovementioned appeals have been notified to PPC on December 19, 2012.

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11. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

On March 25, 2013 the companies "MYTILINEOS S.A – GROUP OF COMPANIES", "PROTERGIA S.A." and "ALOUMINION S.A." filed before the European Union Court, an intervention petition in favor of the European Union and against PPC, for the annulment of the above mentioned Decisions of the General Court of September 20th, 2012. The hearing of the case took place on October 3, 2013.

On July 17, 2014, the Court of the European Union has issued a decision on the annulment requests for the Commission, by accepting them. In particular the Court of the European Union, by citing cases, has accepted that for the application of the directives in question of the union law it is required (but also enough) the adoption of a measure, by which a member state exclusively grants rights to a public company, creates an inequality of opportunities between companies and thus drives the company to an abuse of its dominant position. The European Union's Court has not accepted the Commission's request to judge the case in its substance following the injunction of the decision in the first degree but referred the case again to the General Court of the European Union, in order for it to deliver a decision on the remaining annulment reasons, which, although PPC had invoked in front of the Court, the General Court had not examined.

Before the hearing of the case, the General Court of the European Union requested that the parties reply to inquiries sent to them on February 2016 and the parties submitted to the Court their written replies. On 08.03.2016 both Case T-169/08 RENV, in which parties are PPC as an applicant and the Greek Republic as intervener in support of PPC and on the other hand the European Commission and the "Thessaloniki Energy A .E. " Greek Energy & Development SA " as interveners in support of the Commission and" MYTILINEOS SA. ", " PROTERGIA SA " and "ALOUMINIUM SA" as interveners in the appeal, as well as Case T-421/09 RENV between the same parties (but without interveners) were discussed before the General Court. The decision of the Court is still pending.

Alleged claims of EMO, against PPC S.A.

- **Implementation of methodology for the payments allocation due to deficits of the Day Ahead Schedule (DAS)**

It is noted that following the issuance of RAE's Decision 285/2013, EMO sent a letter to PPC, according to which an amount of Euro 96.6 million is seemingly allocated to PPC, based on the finalization of the methodology by RAE for "the fair allocation of payments to cover deficits in the Day Ahead Schedule (DAS)" created by third party suppliers during 2011 and 2012.

In continuation to this letter, EMO allocating the total amount of Euro 96.6 mil.in seven monthly installments starting from August 2013, sent to PPC the related briefing notes amounting to Euro 13.8 mil., each. PPC considered that EMO's alleged claim violates fundamental principles of law, while simultaneously neither the amount nor the reasons for this claim are substantiated. In addition, the relevant RAE Decision was contested in court. In particular, PPC had already filed an application for annulment of RAE's Decision 285/2013, before the Council of State, as well as, an action for suspension of such Decision, until a final judgment is issued by the Council of State. The hearing for the application for the annulment took place on March 18, 2014. In the meantime, the Council of State had issued an interim Decision (n. 62/2014), which suspended the payment of 50% of the amount of Euro 96.6 mil., which is attributable to PPC. At the same time, EMO has filed a lawsuit in the Multimember Court of First Instance for an amount of Euro 55 mil. which is the equivalent of 4 equal installments out the total amount of Euro 96.6 mil. The hearing of this lawsuit has been scheduled after postponement for June 7, 2017. The above mentioned case depends on the State Council's decision for the validity of RAE's Decision 285/2013, which constitutes the legal basis of the dispute in the Court of First Instance.

PPC, following the State Council's interim decision, has recognized in its books since 2014 a provision of 50% of the amount of Euro 96.6 mil. due to the uncertainty of the recoverability of this amount in the future. In September 2016, PPC's application for annulment was rejected by State Council (Section D', decision 1761/2016). As a consequence, PPC recognized the remaining 50% of the above amount in the results for the six month period ended 30/06/2016.

In addition, the company "ELPEDISON" by a lawsuit requests EMO to be ordered to pay to "ELPEDISON" an amount of Euro 89.4 mil. (with interest), stemming from its participation to DAS. The lawsuit is founded to RAE's Decision 285/2013, according to its second part, which forbids the practice of offsetting claims from the participating in DAS with claims from other causes. Specifically, it claims that EMO's negligence to demand from PPC to stop the practice of offsetting amounts not pertaining to the DAS market led to EMO's inability to timely pay ELPEDISON which is why it claims the above mentioned amounts from EMO. The lawsuit was scheduled to be heard in the Multimember Court of Piraeus on May 25, 2016.

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EMO asks PPC to participate in the trial as a procedural guarantor asking with an incidental request that PPC is reprobated to pay the above mentioned sums (according to PPC's share of the electricity supply market energy) in case of an adverse decision. The notice of EMO against PPC for the latter's participation in the trial of Elpedison against EMO was going to be heard together with the main trial at the hearing of 25.5.2016. The additional independent intervention which PPC brought into trial hearing on 30.03.2016 was postponed, but it was likely to be heard for relevant reasons together with the above mentioned main trial and notice of the EMO on 25.5.2016. The above mentioned cases were postponed, and more specifically, on the initiative of Elpedison, which is the first applicant, and upon consent of EMO and PPC.

Companies "HERON II THERMAL POWER PLANT VIOTIAS S.A." and "PROTERGIA THERMAL POWER PLANT AGIOY NIKOLAOS S.A." by similar lawsuits request EMO to be ordered to pay to them the amounts of Euro 14.3 and 3.8 respectively stemming from their participation to DAS. EMO asks PPC to participate in the trials as a procedural guarantor asking with an incidental request that PPC is reprobated to pay the above mentioned sums (according to PPC's share of the electricity supply market energy) in case of an adverse decision. The notices of EMO against PPC for the latter's participation in the trials of "HERON II THERMAL POWER PLANT VIOTIAS S.A." and "PROTERGIA THERMAL POWER PLANT AGIOY NIKOLAOS S.A." against EMO were going to be heard together with the main trial (after postponements) at the hearing of 3.5.2017 and 28.4.2017 respectively.

- **Offsets of Photovoltaic Systems Producers in buildings**

Moreover, the above mentioned Decision 285/2013 of RAE which does not permit the netting of amounts that PPC owes to EMO based on DAS settlement, including energy generated by PVs on rooftops, with the amounts that PPC is contractually required to pay directly to the generators in question, based on the feed - in tariff, leads to delays in recovering the latter amounts from EMO. Non implementation of an offset does not impact financial results but will have a negative effect on cash flows, due to the increased working capital needs, since PPC is obliged to await payments in cash from EMO through the relevant special RES account. The issue in question concerns amounts which range from Euro 10 mil. to Euro 16 mil. per month and the total amount to be recovered could reach approximately Euro 80 mil. based on an estimated five-month waiting period. EMO has already filed both a claim and an application for interim measures before the Court of First Instance of Athens against PPC. On the application for interim measures Decision 6022/2014 of the Multimember First Instance Court of Athens was issued, ordering a temporary injunction on offsetting amounts due from DAS with amounts claimed from other causes at a rate of 50% of the amounts claimed. The hearing is scheduled for January 12, 2017. With the decision 1761/2016 of State Council (Section D'), PPC can no longer offset amounts raised from its status as a Producer and Supplier simultaneously, in relation to the energy produced by Photovoltaic Systems in buildings.

Corrective settlements of IPTO, concerning the Special Account of art. 143, of Law 4001/2011

According to L.4152/2013, RES energy purchases in the Interconnected System are disbursed through the market operation, on the higher amount of either their income from DAS and Imbalances settlements or the value of energy they inject to the system multiplied by the weighted average variable cost of the conventional thermal power plants. This amendment started being applied from 14.08.2013, when RAE's Decision 366/2013 was published in OG, amending the relevant articles of the Power Exchange Code and specifying the methodology of calculations, with which the provision of law was implemented. In October 2013, IPTO has sent to PPC S.A. corrective clearing statements for May, June, July and part of August of 2013, totaling to an amount of Euro 48.2 mil., which derived from the retrospective application of the relevant methodology. For this amount, PPC considers that retrospective application is not included in the relevant provisions of the Law and thus has not recorded any relevant provision. For the above, PPC S.A. has filed a lawsuit at the Multimember Athens Court, which was discussed on 22.09.2016 and a decision is pending.

11.3 ENVIRONMENTAL OBLIGATIONS

1. HPP Messochora (161.6 MW)

According to Law 3481/2006, the environmental terms for the construction and operation of the projects of the Acheloos River Diversion Scheme to Thessaly, in which Messochora HPP is included, were approved and their fulfilment was a prerequisite for the implementation of the projects and for which responsibility lies with the administrator, responsible for construction and operation of the respective projects. Following the publication of the Law for Public Projects, as well as PPC's projects that have been auctioned and constructed or were under construction and were related to projects of the Acheloos River Diversion Scheme to Thessaly as well as energy projects were allowed to operate or be

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completed, according to the approved Administration Plan and the above-mentioned environmental terms.

Based on the above-mentioned terms the continuation of the project was allowed for the completion and operation of Messochora HPP as well as the completion of the construction project of the tunnel, which have already been completed and finally delivered by 17.06.2010. After the publication of Law 3734/2009, matters concerning the Messochora Hydroelectric Project were arranged. These matters concerned expropriation of areas in the Messochora HEP Reservoir, expropriation of the Messochora Village and of the areas where it will be relocated, as well as arranging compensations for the affected inhabitants. All the above mentioned expropriations are declared of great importance in the public's interest and their settlement will allow the completion of the Project and the operation of the Messochora Power Plant.

Following ruling No 141/2010 by the competent Suspension Committee of the Council of State, the immediate cease of all works has been ordered at all relevant projects, as well as the cease of operation of all completed projects. Further developments, namely the final judgment, will be issued by the Plenary of the Council of State after taking into consideration the (11.09.2012) Decision of the European Court of Justice, to which relevant preliminary questions had been addressed referring to the compatibility of the provisions of Law 3481/2006 with the European legal framework. The Council of State by its recent Decision 26/2014 has decided to annul the 567/14.09.2006 letter by EYDE/OSYE, by which and according to the Court's Decision 3053/2009, it has been allowed, under the provisions of L. 3481/2006, and the approved environmental terms, the continuation of the diversion scheme in total. The above mentioned decision by the Council of State resulted to the inability to continue, complete and operate HPP Messochora.

The Parent Company (PPC S.A.), considering that the Hydroelectric Plant of Messochora is independent from the Acheloos River Diversion to Thessaly Scheme and therefore it should not be affected from the abovementioned issues and examining the possibility to disengage Messochora Power Plant from the overall Acheloos River Diversion Scheme, so that the Project can be dealt with as an independent unit and have its own environmental terms, independently from the other Projects of the Diversion Scheme, proceeded to the review and the updating of the Environmental Impact Assessment (EIA) for HPP Messochora.

After the completion of the approval process and the publication, by the relevant OG (9.2014), of the Decisions for the approval of Management Plans for River basins of the Western Sterea Hellas Water District and the Thessaly Water District the EIA is completed and submitted to the Directory of Environmental Permits (DEP) of the Ministry of Environment, Energy and Climate Change (now Ministry of Environment and Energy), which has proceeded to the procedures for the issuance of the Joint Ministerial Decision regarding the Environmental Terms for the Project.

DEP sent the EIA to competent bodies for consultation. The Thessaly Region and the Western Greece Water Directorate of Decentralized Administration of Peloponnese, Western Greece and the Ionian Sea have delivered positive opinions on the subject.

It is estimated that the procedure issuance of the Joint Ministerial Decision regarding the Environmental Terms for the Project will be completed by the end of 2016.

After the issuance of the Joint Ministerial Decision regarding the Environmental Terms for the Project, the construction of the remaining works and the procedure for expropriation of the remaining land will proceed, in order to make it possible to start the operation of the Project, which is estimated in the 1st half of 2019.

On June 30, 2016 the aggregate expenditure amount for HPP Messochora amounted to Euro 281 mil., while an additional amount of Euro 122 mil. is estimated to be required in order to complete the project.

2. Under IPPC (Integrated Pollution Prevention and Control) Directive, the Reference Document on Best Available Techniques for Large Combustion Plants – BREF LCP (with a thermal capacity greater than 50 MW) was issued in July 2006. In accordance with the European Directive 2001/80/EC, a pollutants emissions reduction plan for existing Large Combustion Plants has been approved by the Parent Company's Board of Directors, was submitted to the authorities and has been incorporated in the National Emissions Reduction Plan of Greece for the period 2008-2015, according to the provisions of the aforementioned Directive.

In December 2010, the new Directive (2010/75/ EU) was issued for industrial emissions (Industrial Emissions Directive – IED), revising Directives IPPC and 2001/80/ EC, which is effective from 06.01.2011. Following the provisions of Article 32 of Directive 2010/75/EU, a Transitional National Emissions Reduction Plan (TNERP) for the period 2016-2020 was elaborated and officially submitted by Greece to the EU at the end of 2012. The TNERP was approved by the EU on November 26, 2013. On December 2013, PPC submitted to the Ministry of Environment and Energy an application for limited

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changes to the TNERP, along with its declaration to use the limited life-time derogation (Article 33) for certain Power Plants. After the approval from the Ministry of Environment and Energy the revised TNERP was resubmitted on March 18, 2014 by the Greek authorities and was approved by the EU on July 07, 2014. The Joint Ministerial Decision for TNERP was issued in August 2015 (Nr. 34062/957/E1032017/2015). Finally, according to the above, SES Agios Dimitrios, Meliti and Megalopolis A' and B' are included in the TNERP, while SES Amyntaion and Kardia will use the limited life-time derogation.

In 2011 began the process of revising the Reference Document on Best Available Techniques Manual for Large Combustion Plants, which is underway, within the framework of Directive 2010/75 / EU and is coordinated by the EIPPCB (European IPPC Bureau). Following the adoption, of the legally binding, conclusions of the revised Manual expected in 2016 or early 2017, additional investments in PPC's major thermal stations may be required.

3. On November 28, 2015 Directive 2015/2193 of the European Parliament and the Council's of November 25th 2015 was published in the Official Journal of the European Union, on the limitation of emissions of certain pollutants into the air from Medium Combustion Units, regardless of the type of fuel used. As Medium Combustion Units, are defined units with a rated thermal input equal to or greater than 1 MWth and less than 50 MWth. Pollutants in question are sulfur dioxide (SO₂), Nitrogen oxides (NO_x) and dust, while rules for the monitoring of emissions of carbon monoxide (CO) are defined. Production units of such a size, operate mainly in the islands (engines and turbines). Also, in many of PPC's SES, there are many G/S and auxiliary boilers, but with limited operating time. The provisions of the new Directive should be thoroughly examined by the competent services of PPC, so as together with the competent Greek authorities to timely promote the appropriate strategies for the electrification of the islands with technically and economically viable solutions which should also be promptly implemented, and in any case before the expiry of the deadline laid down by the Directive. Indicatively, major projects such as the islands' interconnection, should be planned and implemented in such a way as to fully cover the needs of all islands in electricity, while any remaining production units will be used as a backup solution and will be operating only in an emergency, not exceeding 500 hours of operation per year.
4. The extent of land contamination has to be assessed for many of PPC's installations, following the provisions of art. 22 of Directive 2010/75/EU. At present, there appears to be no requirement for large-scale remediation projects at PPC's sites, and it is unlikely that this will be required at the mining areas or at the lignite-fired power stations for the foreseeable future. Remediation, however, may be required, at some of the company's oil-fired power stations in the future.
5. PPC has performed limited studies on the presence of asbestos-containing materials, at its premises. Upon submission by PPC of a full environmental impact assessment study, the Ministry of Environment issued in May 2004 the environmental permit for the construction and operation by PPC, in its premises in Ptolemaida area of an environmentally – controlled Industrial Waste Management Area for the management and final disposal of asbestos containing construction materials, from the plants of the Northern System. With the real estate transfer contract no. 37244 / 05.06.2015, which is legally transcribed, PPC transferred full ownership of the Industrial Waste Management Area, located at the Kardia Mine of the Western Macedonia Lignite Center, in DIADYMA S.A. From the date of signing the contract, DIADYMA S.A. is responsible for the Area's management.
6. During the operation of the Transmission Lines, Substations and Hyperhigh Voltage Centers, there is no electromagnetic radiation, but two separate fields, the magnetic and the electric field. At places where the public or the Company's personnel might find themselves close to the above mentioned lines and substations, the values for those fields are substantially less than the limits. Those limits were established by the International Commission on Non Ionizing Radiation Protection (ICNIRP) in collaboration with the World Health Organization (WHO). The above mentioned limits have also been adopted by the European Union as well as the Greek State.
It must be noted though, that the limits stated in the above regulations for both fields do not constitute dangerous values, but rather contain large safety factors, in order to cover for some vagueness due to the limited knowledge about both the magnetic and electric fields' influence in order to fulfil the requirement for the prevention of any adverse impacts.
7. The Environmental Permit for Klidi Mine is expected to be issued.
8. Furthermore the Parent Company's Mine Environmental Department has carried out all required procedures, for the renewal of Environmental Permit for Amyntaio and Megalopolis Mines.

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CO₂ Emissions

During March and May 2013, CO₂ emission licenses have been issued for all 31 PPC installations, for the 3rd implementation phase of the European Union Emissions Trading System (EU ETS phase III, from 1 January 2013 to 31 December 2020). By November 2015 the license of the Lignite Centre of Western Macedonia thermal station was revoked due to its decommissioning and as a result PPC's bound installations amount to thirty (30).

By the end of March 2016, the verification of the annual emissions reports for 2015 by accredited third party verifiers was completed successfully and the reports were promptly submitted to the Competent Authority. The total verified emissions of all 30 bound plants of PPC for 2015 amounted to 34.3 Mt CO₂.

Emission Allowances (CO₂)

According to the current European and National legislation, during the 3rd implementation phase of the EU ETS (period 2013-2020), PPC is not entitled to free allocation of emission allowances, with the exception of allowances allocated for emissions corresponding to the generation of thermal power for district heating.

In accordance with its verified CO₂ emissions for 2015, the emission allowances that PPC delivered to the Greek part of the EU Greenhouse Gas Emission Allowances Trading Registry (EU Registry) to fulfil its compliance obligations for the period 01.01.2015 – 31.12.2015 amounted to 34.3 Mt. During 2015, PPC has been allocated with about - 87.2 thousand emission allowances for district heating emissions.

Based on provisional ex-post data for 2016, the CO₂ emissions of the Parent Company's bound plants for the period 01.01.2016 – 30.06.2016 amount to 12.4 Mt. Moreover, according to updated forecasted data, the total CO₂ emissions from 01.07.2016 up to 31.12.2016 are estimated at about 16.3 Mt. It should be noted that the emissions of 2016 will be considered final by the end of March 2017, when the verification of the annual emissions reports (for the year 2016) by accredited third party verifiers will be completed. Consequently, the total CO₂ emissions that PPC will have to deliver for the period 01.01.2016 – 31.12.2016 are estimated at 28.7 Mt.

11.4 INVESTMENTS - COMMITMENTS

A new Steam Electric unit 660 MW in Ptolemaida

The drawing up by the Contractor of the studies for the Project licensing and their submission to PPC for review have been completed. On 24.04.2015, the Installation License of the Project was issued by the Ministry of Reconstruction of Production, Environment and Energy. On 01.07.2015 the Building Permit was issued and the Contractor was informed accordingly. Following that, PPC paid to the Contractor the first advance payment of Euro 198 mil. against a Letter of Guarantee of Advance Payment of Euro 227 mil., which was submitted to PPC by the Contractor, in order for the second stage (construction) of the Project to start.

The construction on the Project will be completed within 50 months as from the date of issuance of the Building Permit and the signing of the relevant Protocol for unhindered access to the Worksite and the necessary utilities (water, power). The above mentioned Protocol was signed on 24.11.2015. Works at the site are underway. Moreover, PPC's examination of the submitted by the Contractor updated time schedule for the second stage of the Project is in progress. The second advanced payment of Euro 198 million was paid to the Contractor in August 2016, following the Contractor's request for the granting of the second advanced payment and the presenting of the relevant Letters of Guarantee amounting to Euro 227 mil. in accordance with the conventional provisions .

On 30.06.2016 the total expenditure for the Project amounted to Euro 340 mil.

A new diesel engine Power Plant 115.4 MW in South Rhodes burning of heavy fuel oil with low sulphur content

Civil Works as well as the installation works of the machines and other electrical equipment are in progress. On 30.06.2016 the total expenditure for the project amounted to Euro 131 mil.

A new combined cycle unit at Megalopolis 811 MW

The Unit was put into commercial operation on 27.01.2016. The Commercial Operation of the Unit ended on 09.06.2016. Recently, performance tests of the Unit have been executed and it is expected the submission of the said tests evaluation Report by the Third Party.

On 30.06.2016 the total expenditure for the Project amounted to Euro 513 mil.

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11.5 PPC RENEWABLES (PPCR)

Construction of Wind Park in Rethimnon

In March 2014, the construction of eight wind turbines, out of a total of eleven, in the wind park of Rethimnon (Koprino) was completed, since by its 13.02.2014 Temporary Order, followed by its Decision 401/2014, the Suspension Committee of the Council of State, ordered the cessation of construction and operation of three non- installed wind turbines until the issuance of a decision on the relevant suspension request, which has already been discussed in the Council of State's Section E'. The decision was in PPC R's favor. In December 2014 the interconnection of the wind park to HEDNO's network was initiated, following the issuance of a partial operation license by Crete's Decentralized Administration. In October 2015 the construction of the wind turbines was initiated by the Constructor, but works are delayed due to reaction from the local community.

Hybrid Project in Ikaria

The project of a 6.85 MW total capacity combines the utilization of two renewable energy sources, Wind and Hydroelectric. The hybrid project in Ikaria is expected to be completed and commence operation in 2017.

Exploitation Rights of the geothermal fields

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 has been awarded 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. PPCR's BoD decided not to proceed with the Ministry the signing of the notarial deeds.

Production Licenses of two new Wind Parks in Rodopi

In November 2015, the Regulatory Authority of Energy issued amendments of the production licenses of three new PPC Renewables' wind parks of a total capacity of 122.5 MW and a budgeted cost of Euro 155.2 mil. in the Rodopi region.

Transfer of Wind Park's Electrical Energy Production License in Voreino Pellas area

On 14.07.2016, PPC Renewables S.A proceed to the acquisition of Power Generation License of Wind Park Fidopetra of a capacity of 14 MW by the Voreino Pellas S.A., in which PPC Renewables S.A. owns 49% of shares.

Repowering of SHPP Louros

On April 15th 2016, PPC Renewables issued a public tender concerning the assignment of the project for the modernization and renovation of SHHP LOUROS, of a nominal capacity of 8.84 MW, with a budgeted cost of Euro 6.4 mil. The offer submission was on 28.06.2016. The tender is in progress.

11.6 IPTO S.A.

• **High Voltage Center (HVC) in Megalopolis and connection with the Transmission System (400 kV and 150 kV)**

Within a time frame of only two years, IPTO constructed the new High Voltage Center (HVC) of GIS type and open air insulation in Megalopolis. The HVC was electrified in August 2013.

The construction of the 150 kV interconnecting transmission lines of the HVC as well as both 400 kV transmission lines connecting the HVC with the new natural gas unit of Megalopolis V, have been concluded.

On 29.03.2016, a modification for the Environmental Study of Megalopolis HVC was issued, concerning HVC's expanding for the installation of compensation coils of the overhead transmission line 400 kV Patras HVC – Megalopolis HVC.

As far as the construction of the 400 kV interconnection lines of the Megalopolis HVC to the Patra area and from there through submarine and overhead transmission lines to the 400 kV Mainland System, the approval of Environmental Terms was granted on May 23, 2014 and the completion of the land expropriations is pending. It must be noted that there is a recourse against the Ministry of Environment (currently the Ministry of Reconstruction of Production, Environment & Energy) in the State Council against the annulment of the obligatory land expropriations in the Antirio area and objections to the construction of the transition station in the area of the Patras University. In order to override objections a modification for the Environmental Study for the 400Kv transmission line (Athens – Aheloos) –

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Interconnection to Antirio – Patras HVC – as well as for the 400kV Patras HVC – Megalopolis HVC was submitted on August 6th, 2015 and on October 19th, 2015 respectively to the appropriate authorities. At the same time preliminary construction works are underway aiming to shorten the period of time needed for completing the project.

• **Interconnection of Cyclades to the Mainland Transmission System**

The contracts of the project have been signed since September 10, 2014 with the four contractors with a cost of Euro 231 mil., approximately.

The submarine cables of the interconnection are under construction, and the immersion of the Syros – Mykonos, Syros-Tinos, Syros-Lavrio and Syros-Paros interconnection cable has already been completed. The submarine cable on Tinos has also been installed. Moreover, civil engineer works have begun on the High Voltage Station in Syros, and on the High Voltage Station in Paros as well as on the link station of GIS Lavrion and the High Voltage Station in Mykonos under the close supervision of the Archaeological Service of Cyclades.

The overall project was scheduled for completion by the end of July 2016 although there are delays in the civil engineer works that will lead to the completion of the project by the end of the first half of 2017.

• **Interconnection of Crete to the Mainland Transmission System**

IPTO has proceeded to preliminary actions for the implementation of the project, aiming to achieve the main interconnection (Direct Current or DC) within the next decade and the “saving” interconnection (Alternating Current or AC) towards the end of 2019. In the abovementioned context, a seabed’s preliminary study for the main interconnection (DC) has been conducted in collaboration with the University of Patras. At the same time several locations that have been deemed appropriate for the construction of terminal stations were considered in Crete, without being accepted by local authorities in Crete. The Crete Region and other local authorities, have indicated the Korakia location along the borders of the Rethimnon and Heraklion provinces as a desirable location, which has been deemed acceptable by IPTO as a terminal location, as well as for the creation of a lagoon. Research on the construction of terminal stations has been done and the most appropriate place would be a barren land space between Damasta-Marathos.

The route and the finalization of the required works for the “saving” interconnection (Alternating Current or AC) have been concluded. This interconnection will connect the High Voltage Center (HVC) of Molai with the High Voltage Center (HVC) of Chania through an overhead and an underground transmission line as well as with two submarine cables E.P, 150 kV, of a total capacity of 400 MVA from the Southern tip of Cape Malea to Ravdoucha, Kissamos Bay Chania. The Contractor to prepare the EIA was selected, and the contract was signed in May 2016.

• **Project for the reinforcement of the “Nea Santa” High Voltage Center (HVC)**

The “Nea Santa” HVC is a project of extreme importance for the Eastern Macedonia and Thrace areas. Through the “Nea Santa” HVC the interconnection of the Hellenic Electricity Transmission System with the Turkish one and the Bulgarian one (Maritsa) in the future, the absorption of the total of the produced energy by the new RES station in Thrace as well as the upgrade of the reliability of the Northeastern System have been achieved.

The project is in the acceptance stage (150kV side and automated substation system).

• **Construction project for the transmission line of 400 kV between the Lagadas and Filippi HVCs.**

In July 2014, the contract for the construction of the transmission line 400 kV from the HVC Lagadas to the HVC Filippi, with an approximate length of 110 km, was signed with ATERMON S.A. as the contractor and a contractual price of Euro 26.7 mil. The project is to be completed by early 2017.

Ten Year Network Development Plan (TYNDP) of the subsidiary IPTO S.A.

From February 9, 2016 to March 9, 2016, IPTO, by its BoD’s Decision 8/03.02.2016, put into public consultation the preliminary draft of the TYNDP for the period 2017-2026. Following that and after taking under consideration the outcome of the above mentioned public consultation, IPTO submitted the Ten Year Network Development Plan (TYNDP) 2017-2026 for approval to RAE, on 26.04.2016. With its 280/04.08.2016 decision, RAE approved the Ten Year Network Development Plan (TYNDP) 2017-2026.

Use of Congestion Income, from the country’s international interconnections access rights, for the year 2016.

With its 425/2015 decision, RAE (Use of Congestion Income, from the country’s international interconnections access rights, for the year 2016 (OG 2559-2015)), approved the use of Euro 60.1 mil.,

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from the Reserve Account (Interconnections Transfer Capacity Allocation according to article 178 of the Greek Grid Control Code For Electricity) that IPTO keeps, for the reduction of the Annual Cost for the use of the Transmission System, for the year 2016. With the same decision, RAE has set the maximum amount derived from the revenues of the interconnection's allocation, which takes under consideration when it approves the Allowed Revenue for the Hellenic Transmission System to Euro 61 mil.

11.7 BUSINESS COLLABORATION

Memorandum of Cooperation between PPC and DEPA

On 08.09.2016, PPC and DEPA signed a memorandum of understanding according to which they will jointly explore the possibility of cooperation in the supply of power generation units in the Non-Interconnected system with liquefied natural gas, and the development of natural gas distribution systems in neighboring and / or remote areas that are not supplied by DEPA network, as well as in providing combined energy products. Possible cooperation will be initially explored in Crete, Rhodes, Patra, Lesvos and Samos, while it may expand to other areas.

Memorandum of Understanding between PPC and CMEC

On 14.09.2016 PPC and Chinese company China Machinery Engineering Corporation (CMEC) signed a Memorandum of Understanding, according to which CMEC will explore its interest in participating, along with PPC, in a company which will undertake the construction and operation of the already licensed lignite plant Meliti II, the operation of the existing plant Meliti I, as well as the development and exploitation of lignite mines in Meliti - Florina region. Planning of the company includes the participation of other partners with mining activities in the area. Participation of each of the participants in the company will be proportional to the value of the assets that will be contributed.

Decision for the Set-up of a wholly owned subsidiary in Albania

In September 2016, the Board of Directors of the Parent Company decided the set-up of a wholly owned subsidiary in Albania, under the name "PPC Albania", based at Tirana. The company will be active in electricity trading and its initial share capital amounts to Euro 150.

PPC's Participation in the Concession Tender of HPP Menzelet and Kilavuzlu in Turkey

In September 2016, the Board of Directors of the Parent Company decided to approve the conduct of the legal and financial audit (due diligence) of the documents of the concession tender of HPP Menzelet and Kilavuzlu in Turkey from PPC and PPC Elektrik Tedarik ve Ticaret Anonim Sirketi. The latter is PPC's wholly owned subsidiary in Turkey.

Collaboration framework with DEPA S.A.

PPC covers its needs for natural gas by the new contract signed on October 29th, 2012 with DEPA which pertains to the procurement and transportation of natural gas through the Hellenic Natural Gas System (HNGT).

Following DEPA's commitments, which were accepted by the Competition Commission in relation to the existing contractual quantitative obligations by DEPA's clients, the Parent Company proceeded for the years 2015 and 2016 to the readjustment of the Annual Contractual Quantity according to its real needs.

Since 2013 - and until today - DEPA has proceeded to the unilateral determination of the implementation of the new DESFA tariffs on the contract between DEPA - PPC, as far as the usage cost of borders' entry points is concerned, as well as the pricing of natural gas purchases. The above mentioned charges have not been accepted by PPC and the relevant amounts of the invoices issued by DEPA, have not yet been paid. The negotiations between the parties for the settlement of the aforementioned abeyance are in their final stages.

Furthermore, the certification of the relevant calculation formulae by an independent verifier, in accordance with the long term contracts between DEPA and its suppliers, is still pending for the previous years (2012-2015).

Finally, following the publication of the revised Operational Code for the National Gas System and in accordance to both the contractual provisions as well as DEPA's commitments to the Competition Commission, the latter has sent to PPC a draft version of the contract for the supply of natural gas without the inclusion of transportation service through the national network. This draft version will be examined in light of the final arrangements that will result from the new under public consultation amended National Gas System Management Code as well as the new use charges tariffs.

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11. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

Special Consumption Tax on Electricity

In implementing the audit findings by the Audit Department of the Customs House regarding to the special consumption tax on electricity self-consumption by power plants, the Parent Company includes in its monthly special consumption tax returns the related tax and pays it with recourse, while also resorting to the Administrative Courts. The Parent Company will continue to pay with recourse, the relevant special consumption tax on electricity self-consumption until a final decision by the court is issued.

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

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

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

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

12. SIGNIFICANT EVENTS

High Voltage Tariffs

In the context of the February 28, 2014 Extraordinary General Shareholders Meeting, the representative of the Majority Shareholder, namely the Hellenic Republic, proposed and the General Shareholders Meeting approved an extraordinary tariff discount of 10% to PPC's approved tariffs for all High Voltage customers with the duration of one year plus one, effective 01.01.2014. Out of the 24 High Voltage supplies, that represent, in terms of consumption, more than 99% of the total of High Voltage consumption, PPC initially proceeded in signing 22 supply contracts.

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12. SIGNIFICANT EVENTS (CONTINUED)

In addition, in January 2015, PPC announced that, in applying the decision of the Extraordinary General Shareholders Meeting of December 22, 2014 and in view of securing the public interest the Parent Company has reached an initial agreement with LARCO, for the signing of a contract for the supply of electricity, from 01.01.2014 onwards according to PPC's General Shareholders' Meeting of February 28, 2014, as well as methods of settling past differences between the two companies.

Specifically, PPC's BoD by its decision dated 30.12.2014 has decided to accept LARCO's proposal for the direct referral to arbitration, according to the provisions of Civil Procedure, of the dispute between the two companies relating to the energy supply tariff for the sums due by LARCO until December 31, 2013 and the signing of a supply contract with the above mentioned company with a tariff in accordance with the decision of PPC's Extraordinary Shareholders' Meeting of 28.02.2014, for the year 2014 as well as the year 2015 and until the next convention of PPC's General Meeting relevant to the matter of the High Voltage Tariffs. In the above mentioned supply contract it is provided for that in two months' time the two parties will agree on the settlement of LARCO's debts for the period 01.01.2014 – 31.12.2014.

LARCO's General Shareholders' Meeting, by its 30.12.2014 decision, has also decided to sign the supply contract with PPC and to refer to arbitration, according to the provisions of Civil Procedure, about the dispute between the two companies. The parties have signed an arbitration agreement, in order to determine the price of supply of energy for the period 01.07.2010 – 31.12.2013 and in order for debts incurred by LARCO to be settled for the period before 31.12.2013, according to the provisions of the Code for Civil Procedure (Article 867 and subs) on 25.06.2015. At the same date the contract for the supply of energy, was signed as well.

Furthermore, it was initially assessed that, following the appointment of a new Board of Directors in LARCO, the revisit of the tariff issue for the period 01.07.2010 - 31.12.2013 would be feasible, by using all reconciliation means between the two companies and leaving the arbitration procedure as the last resort.

On 05.11.2015, following written communication, LARCO was invited, to proceed to the settlement of its debts relating to electricity consumption for the period 01.01.2014 – 31.08.2015 until 20.11.2015. Since LARCO did not settle until 20.11.2015 its debts, PPC sent an out of court letter to LARCO and to IPTO, inviting IPTO to deactivate LARCO's load meters, setting at the same time a tight deadline for the settlement of LARCO's debts.

Meanwhile, in December 2015 the Arbitration Court was formed into body and the arbitration for determining the price of electricity for the period 01.07.2010-31.12.2013 as well as the corollary to this settlement of LARCO's debts to PPC is in process. The Arbitration Court after conference, decided to extend the issuance of the decision until October 31, 2016. After receiving authorization from Athens Bar Association on behalf of Larco's procurators, the Arbitration Court set new deadlines on the procedural actions of the parties in dispute (indicative submission of pleadings on April 27th, 2016).

Additionally, it should be noted that PPC and SOVEL and Sidenor were in dispute relating to the increase of ten (10%) percent to PPC's High Voltage Tariff. This increase was effected on 1.7.2008 for PPC's High Voltage customers and hence the dispute relates to the amounts due of the aforementioned companies regarding the above mentioned increase. Then the parties agreed to fully and finally settle the dispute through arbitration proceedings before the Arbitration Court, consisting of three (3) arbitrators and according to the provisions of the Code of Civil Procedure (Article 873). After conducting the above mentioned arbitration proceedings, the relevant arbitration decision was issued (January 2016). With this decision, the Arbitration Court determined the amount of the relative increase for the period from 1.7.2008 to 31.12.2013 to a certain percentage of the 30.6.2008 applicable Invoice A 150, obliging the parties to pay the amounts due.

New tariffs for medium and low voltage customers

In August 2015, PPC's new tariffs for medium and low voltage customers were approved. PPC's new tariffs policy follows modern trends in the retail market and is designed in such a way in order to meet consumer needs, through the new discount policy. Furthermore, a loyalty program for residential customers paying their bills on time and in full is launched. More specifically:

a) Creation of new corporate tariffs

PPC designed a new tariff product – "Corporate Tariff" – offering highly competitive rates to large size companies and groups of companies (with an aggregate annual electricity consumption equal to or greater than 10 GWH), serving their customers on a nationwide level through many and different points of service (100 or more power supplies) in medium and low voltage. The new "Corporate Tariff" is effective for electricity consumption as of September 1st, 2015.

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12. SIGNIFICANT EVENTS (CONTINUED)

b) Medium voltage customers

- The highly competitive tariffs BM1 and BM2 involving large commercial and industrial companies with an annual consumption per power supply greater than 13GWh will also apply to power supplies with an annual consumption greater than 10GWh and
- Reduction of the remaining tariffs BF, BY and BX.

c) Low voltage customers

After the substantial reduction in July 2014 of Tariff G21 addressing primarily business premises, such as shops, workshops, small crafts and office buildings, Tariff G22 for commercial and industrial customers with power greater than 25KVA is also reduced.

Reductions in the Medium and Low voltage tariffs are effective for electricity consumption as of October 1st, 2015.

d) Customer rewarding

PPC will refund to residential customers timely and fully paying their bills, twice the value of the fixed fee in each clearing account for the year 2016, i.e. to those who have paid on time and in full their clearing bills for the year 2015. In this manner, PPC will refund approximately Euro 30 mil., to customers that timely and fully pay their bills.

New High Voltage Tariffs for the period 2016 - 2017

PPC offers from 01.01.2016 to HV customers seven (7) new tariffs for Competitive Charges, which practically correspond to the distinct consumption profiles of these customers. These tariffs are applicable for electricity consumption for the period 01.01.2016 up to 31.12.2017 and customers are entitled to choose between a monthly and a ten day period billing.

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

In addition to the above, the recent Extraordinary General Meeting of PPC's Shareholders of 07.12.2015 decided on the duration period for the new tariffs, on the provision of volume discounts for the competitive load and energy charges based on the total annual HV electricity consumption for individual Companies or Group of companies. HV customers are in the process of selecting tariffs that fit their individual profiles, as well as signing Supplementary Electricity Supply Contracts

For ALOUMINION, following decision 621/2015 of the Competition Committee, negotiations are in progress and until the solution of the dispute, this customer will be billed the same way as for the period 2014 – 2015. By 21.04.2016 decision of the Plenary Session of the Competition Committee, the claim of PPC and ALUMINION for an extension until 31.05.2016 for the completion of negotiations has been approved. Negotiations between the two parties to reach an agreement on ALUMINION tariffs for the period from 1.1.2014 onwards have not yet been resolved. The theme of "Electricity Supply Agreement between PPC S.A. and ALUMINION OF GREECE S.A" was introduced at the 14th Annual General Meeting of PPC's Shareholders, which was completed on 11.07.2016 and decided to postpone its decision on the matter for the next General Meeting. On 13.09.2016 PPC's BoD decided to convene an Extraordinary General Meeting of PPC's Shareholders on 05.10.2016. On the latter's agenda the above mentioned matter is included.

LARCO S.A. has not up to this day signed a Supplementary Electricity Supply Contract for the period 2016-2017.

Rewarding Program of PPC's business customers "CONSISTENCY"

On 02.02.2016, the Board of Directors of the Parent Company approved the new Rewarding Program of PPC's business customers. Specifically, all business customers who will pay full their bills as well as any debt settlement installments, until payment due date, they will receive a refund (credit) on their next bill, 10% of the value of the electricity consumption in previous bill which has been paid on time.

The Program began for bills issued on 01.04.2016 and afterwards. Namely, if the bill issued on 01.04.2016 and then, will be paid on time (until payment due date), as well as any debt settlement installments, then in the immediate next bill, will be credited automatically (without customer request), the refund 10% of the value of the electricity consumption in previous bill which has been paid on time.

New Rewarding Program of PPC's residential and business customers "CONSISTENCY"

In June 2016, the Board of Directors of the Parent Company approved the new Rewarding Program of PPC's residential and business customers. Specifically, all residential and business customers who will pay full their bills as well as any debt settlement installments, until payment due date, they will receive a refund

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12. SIGNIFICANT EVENTS (CONTINUED)

(credit) on their next bill, 15% of the value of the electricity consumption in previous bill which has been paid on time. The Program began for bills issued on 01.07.2016 and afterwards. Especially for business tariffs type BM and corporate tariff a discount 15% is provided.

Furthermore, it approved a special discount on the current bills paid on time and on any settlement installments, in the context of negotiations for bilateral contracts with HV customers.

Other arrangements for the settlement of customer debts

On 29.03.2016, the Management Board of the Parent Company approved the amended Debt Settlement Regulation and decided the following arrangements for the payment of the Parent Company's customer debts.

- From 01.04.2016 until 31.07.2016, all customers can settle their debts in thirty six (36) installments without any advance payment.
In the above mentioned arrangement will have the opportunity to participate also for the remaining of their debt and those customers that have already settled their debts under the applicable at present Settlements Regulation.
The payment of the first installment shall be effected with the approval of the Arrangement.
- From 01.08.2016 onwards for all residential and business customers (except seasonal and agricultural customers) the following will apply :
 - Monthly installments : An amount equal (at first) to 30% of the average monthly bill (on an annual basis) but with a minimum number of eighteen (18) installments and a maximum of thirty six (36)
 - Advances :
 - a) Customers without unconventional behavior: 5%
 - b) Customers with unconventional behavior: 15%

On 12.08.2016 the Board of Directors of the Parent Company approved the extension of the above mentioned Program until 30.09.2016. Furthermore, it approved from 03.08.2016 and afterwards, for the customers who were disconnected due non-payment and require debt settlement and reconnection, in order to be reconnected, among others and the following:

- For customers, who were not included in the above Rewarding Program of thirty six (36) installments and they did not have any active settlement at 01.04.2016 with programs before that date, their debt to be settled with immediate payment of 30% of the amount due and eight (8) monthly installments.
- For customers with an active settlement at 01.04.2016, which was approved before 01.04.2016, who within ten (10) days from the disconnection they do not require their inclusion in the above mentioned Rewarding Program of thirty six (36) installments effective until 30.09.2016, or they do not settle their debts on the basis of the Settlement Plan in which they have been included, their debt to be settled with immediate payment of 30% of the amount due and eight (8) monthly installments.
- For the customers who have been included in the above Rewarding Program of thirty six (36) installments, who within ten (10) days from the disconnection they do not settle their debts on the basis of the Settlement Plan, their debt to be settled with immediate payment of 30% of the amount due and eight (8) monthly installments.

13. SUBSEQUENT EVENTS

Repayment of loans and new loans

Within the period 01.07.2016 - 28.09.2016, the Group proceeded to debt repayments of loan installments amounting to Euro 38.56 mil. (Parent Company Euro 35.87 mil.).

The subsidiary IPTO S.A. is under negotiations with banks for the issuance of a Syndicated Medium-Term Bond Loan of Euro 337.1 mil. which will refinance all loans from Greek Banks.

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13. SUBSEQUENT EVENTS (CONTINUED)

IPTO's ownership unbundling

As further described in Notes 2 and 6, the application process of IPTO's ownership unbundling is in progress.

Developments regarding the RAE's Decision 285/2013

As further described in Note 11.2, there have been developments regarding the application for annulment of RAE's Decision 285/2013 which the Parent Company filed.

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14. SEGMENT INFORMATION

Sales and inter segment results are as follows:

	Sales		Profit (Loss) Before Tax	
	01.01.2016 30.06.2016	01.01.2015 30.06.2015	01.01.2016- 30.06.2016	01.01.2015- 30.06.2015
<u>Interconnected system</u>				
Mines	226,726	331,945	(112,323)	(43,262)
Generation	542,686	837,401	(290,077)	(62,842)
Distribution Network	146,486	155,696	65,002	79,800
Supply	2,631,428	2,988,235	227,521	66,997
	3,547,326	4,313,277	(109,877)	40,693
<u>Creta Network</u>				
Generation	168,647	195,005	25,806	13,310
Distribution Network	11,690	11,315	4,046	4,808
Supply	330,062	350,356	38,959	29,917
	510,399	556,676	68,811	48,035
<u>Non-Interconnected Islands System</u>				
Generation	173,292	214,119	10,857	20,332
Distribution Network	10,941	10,371	2,825	3,225
Supply	316,423	339,090	45,321	17,583
	500,656	563,580	59,003	41,140
Eliminations (Parent Company)	(1,953,368)	(2,545,279)	20,704	1,325
Total (Parent Company)	2,605,013	2,888,254	38,641	131,193
IPTO S.A.	694,714	693,813	55,648	42,132
HEDNO S.A.	866,083	934,199	14,079	9,921
Group other Companies	46,852	24,992	5,953	9,779
Eliminations (Group)	(1,548,162)	(1,627,925)	(21,812)	(28,072)
Income tax	-	-	(35,407)	(59,363)
Grand total (Group)	2,664,500	2,913,333	57,102	105,590