



**PUBLIC POWER CORPORATION S.A.**

**Financial Report**

**for the six-month period ended June 30, 2015**

The attached Financial Report for the six month period ended June 30<sup>th</sup>, 2015, 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 August 27<sup>th</sup>, 2015, and is available for the investors, on the internet, at the web site address [www.dei.gr](http://www.dei.gr), for at least the next 5 (five) years.

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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. Stavros Goutsos, Member of the Board of Directors and Deputy CEO
3. Panagiotis Alexakis, Member of the Board of Directors,  
hereby

declare

that, to the best of our knowledge:

- a) the accompanying interim Condensed Financial Statements of the Parent Company and the Group, for the six month period ended June 30, 2015, 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 August 27, 2015

Chairman and C.E.O.

Member of the Board and  
Deputy CEO

Member of the Board

Emmanuel Panagiotakis

Stavros Goutsos

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 1.1.2015 - 30.6.2015**  
**(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 2015**

EBITDA in 1H2015 increased by € 93.1 m. (or by 17%) compared to 1H2014, with the respective margin settling at 22% compared to 19.3%.

It is noted that the increase of EBITDA in 1H2015 versus 1H2014 is higher, taking into account the fact that 1H2014 results include the one-off positive impact of € 23.2 m from the retroactive application of the discount in the price of natural gas for the second half of 2013.

In addition, EBITDA in 1H2014 include the positive impact from the recovery, following a Decision of the European Commission, of a total amount of € 17.4 m as state aid to ALUMINIUM S.A. for the period January 2007 until March 2008. On top of that, for the same reason, pre-tax profits of 1H2014 have been increased by € 3.9 m, an amount which corresponds to the relevant credit interest. The latter positive impact was reversed in 3Q2014, following the annulment of the relevant Decision of the European Commission from the General Court of the European Union. PPC has filed a recourse to said decision in front of the European General Court and a hearing date is expected to be set.

On the contrary, 1H2014 results have been negatively impacted from a provision of € 48.3 m for the cover of the deficit created in the Day-Ahead Schedule market during 2011 and 2012 by alternative suppliers that exited the market. Said amount represents 50% of the € 96.6 m that has been allocated, according to a RAE decision, to PPC by LAGIE, the market operator, for the cover of the aforementioned deficit.

Lastly, it is noted that 1H2014 bad debt provisions had been reduced by an amount of € 68.3 m for accumulated customers' advance payments, which corresponded to total bad debt provisioning for Low Voltage customers until 30.6.2014. In 1H2015, bad debt provisions were reduced by € 5.8 m, an amount which refers to advance payments of Low and Medium Voltage customers, whose overdues turned into bad debt during 1H2015.

Excluding the abovementioned one-off items, 1H2015 EBITDA amounts to € 635 m and the respective margin at 21.8% compared to € 487.1 m and 17.2% in 1H2014, that is an increase of € 147.9 m.

**Revenues**

- Turnover increased by € 79.7 m. (2.8%) to € 2,913.3 m in 1H2015 from € 2,833.6 m in 1H2014. Turnover includes an amount of € 24.7 m. reflecting network users' participation for their connection to the network versus € 32 m in 1H2014.
- PPC's revenues from electricity sales, increased by € 81.3 m (3%) to € 2,828.1 m. in 1H2015 compared to € 2,746.8 m in 1H2014.

In detail:

- Total electricity demand increased by 4.7% (1,265 GWh) in 1H2015, to 28,216 GWh versus 26,951 GWh in 1H2014. Excluding exports and pumping, electricity demand increased by the same percentage. The increase in demand seems to be the result of colder weather conditions in 1Q2015 compared to 1Q2014, resulting to an increase of 8.6% between the two quarters.  
In 2Q2015, when weather conditions were mild, total electricity demand increased marginally by 0.2%, whereas, excluding exports and pumping, the increase amounted to 0.6%.  
Regarding PPC's domestic sales in 1H2015, they increased by 3.8% (896 GWh), with the respective margin declining by 0.9 percentage points to 97.1% from 98%. The increase in PPC's domestic sales volume was mainly attributed to the higher volume sales of 786 GWh to Low Voltage customers, including sales to beneficiaries of the Social Residential Tariff.

- PPC's electricity generation and imports covered 61.2% of total demand in 1H2015 (59% in the Interconnected System), while the corresponding percentage in 1H2014 was 68.8% (67.2% in the Interconnected System), a reduction which is due to lower lignite-fired generation by 22.5% (2,593 GWh) and lower gas-fired generation by 36.5% (722 GWh) as well as due to the doubling of imports from third parties to 4,822 GWh from 2,414 GWh in the respective period of 2014. The large increase of electricity imports stems from Balkan countries due to the lower electricity generation cost (including the fact that their generation cost is not burdened with CO<sub>2</sub> emission rights expense) compared to the System Marginal Price (SMP) levels in Greece, as well as due to increased imports from Italy, since the relevant interconnection was not operating in 1H2014. The large increase of imports in 1H2015 is expected to be contained in 9M2015 following also the imposition of capital controls at the end of June. Hydro generation in 1H2015 increased by 88.9% (or 1,517 GWh), with the largest part of the increase taking place in 1Q2015 (increase of 1,151 GWh) due to exceptional hydrological conditions that prevailed in that quarter. In addition, PPC's electricity imports increased by 38% (or 453 GWh).

### **Operating expenses**

Operating expenses before depreciation, decreased by € 13.4 m. (0.6%) from € 2,285.9 m. in 1H2014 to € 2,272.5 m. It is noted that excluding the impact of the aforementioned one off items from the financial results of the two periods, the reduction of operating expenses in 1H2015 is even higher and amounts to € 68.2 m.

More specifically:

#### **Energy mix expenditure**

- Expenditure for liquid fuel, natural gas, third party coal, CO<sub>2</sub> and energy purchases decreased by approximately € 81.2 m., or by 6.1% compared to 1H2014. Said reduction is mainly attributed to lower expenses for liquid fuel and natural gas, whereas expenses for energy purchases and imports were increased.
 

In detail:

  - The decrease in liquid fuel expense by € 63.9 m. (18.6%), from € 344.3 m. in 1H2014 to € 280.4 m. in 1H2015, is attributed to the reduction of heavy fuel oil and diesel prices, expressed in Euros, by 27% and 12.9% respectively, as electricity generation from liquid fuel marked an increase of 58 GWh. It is noted that the expense for the Special Consumption Tax on liquid fuel increased by € 3.8 m from € 59.7 m in 1H2014 to € 63.5 m in 1H2015 due to the fact that said expense is only driven by fuel quantities, which, especially for diesel, were higher.
  - Natural gas expense decreased by € 66.6 m. (38.4%), from € 173.5 m in 1H2014 to € 106.9 m in 1H2015, due to lower gas-fired generation by 722 GWh (36.5%) from 1,977 GWh in 1H2014 to 1,255 GWh in 1H2015. As a result of the lower gas-fired generation, the relevant expense for the Special Consumption Tax decreased by € 9.5 m to € 16 m. The reduction of natural gas-fired generation is expected to moderate in the 9M2015.
 

With respect to natural gas prices, there is a reduction of 1.4% in 1H2015, following the reduction of natural gas prices in 2Q2015. The positive impact from the reduction of oil price in 1H2015 is expected to drive natural gas prices down in 2H2015.
  - Third party coal expense decreased by € 11.1 m. to € 23.5 m.
  - Energy purchases expense from the System and the Network increased by 6.5% or € 40.1 m., from € 613.8 m. in 1H2014 to € 653.9 m. More specifically, and regarding the Interconnected System, energy purchases expense amounted to € 601.7 m. compared to € 550 m. in 1H2014, an increase of 9.4% or € 51.7 m., due to increased energy purchases by 2,205 GWh, mainly stemming from third party imports. A provision for an amount of € 43.4 for Capacity Assurance Mechanism is included in energy purchase expense and is based on the proposal of the Regulatory Authority of Energy (RAE), a proposal, which has not been adopted yet, whereas based on Law 4336/2015, there is a provision for the implementation of a temporary and permanent capacity payment system. The actual expense in 1H2014 amounted to € 85.7 m.
  - Expenditure for PPC electricity imports, excluding expense for interconnection rights, reached € 72 m. increased by € 17.9 m (33.1%), as a result of the increase in the volume of imports by 453 GWh (1,644 GWh in 1H2015 vs 1,191 GWh in 1H2014). For the same reason, the expense for interconnection rights increased to € 8.8 m in 1H2015 from € 3.7 m in 1H2014.
  - Expenditure for CO<sub>2</sub> emission rights amounted to € 107.2 m., that is an increase of € 2.4 m. compared to 1H2014, due to increased average price for CO<sub>2</sub> emissions rights by approximately 30%.
 

On the other hand, CO<sub>2</sub> emissions in volume terms decreased by 21.5% in 1H2015 compared to 1H2014 settling at 15.5 mln tons, mainly due to lower lignite-fired generation.

### Payroll cost

- The total reduction between the two periods in payroll cost, including capitalized payroll and payroll of seasonal personnel, amounted to € 20 m. (4%) from € 503 m in 1H2014 to € 483 m in 1H2015. In particular, total payroll of permanent employees declined by € 19.9 m to € 459.6 m in 1H2015 versus € 479.5 m in 1H2014, as a result of the decrease in the number of permanent employees on payroll by 511 to 18,458 on 30.6.2015 from 18,969 on 30.6.2014.

### Provisions

- Provisions for bad debt amounted to € 307.9 m in 1H2015 compared to € 204 m in 1H2014, an increase of € 103.9 m (50.9%). Should the reduction of provisions with the advance payments of bad debt customers had not been applied since 30.6.2014, the relevant figures would be € 313.7 m and € 272.3 m respectively, that is an increase of € 41.4 m or 15.2%.  
Adding provisions for litigation, slow moving materials and the provision that was recorded in 1H2014 for the allocation of the LAGIE deficit, total provisions amount to € 316.7 m in 1H2015 compared to € 249.1 m in 1H2014, that is an increase of € 67.6 m or 27.1%

### In conclusion,

In 1H2015, 42% of total revenues were expensed for fuel, CO<sub>2</sub> and energy purchases compared to 45.5% in 1H2014. It is noted that, energy purchases expense in 1H2015 accounted for 25% of total revenues compared to 23.5% in 1H2014. Regarding the evolution of provisions, these represent 10.9% of total revenues compared to 8.8% last year. The relevant percentage for payroll decreased to 15.1% in 1H2015 compared to 16.2% last year.

### Other Financial information

- Depreciation expense in 1H2015 amounted to € 376.2 m. compared to € 296.6 m. in 1H2014, an increase of € 79.6 m. The increase in depreciation expense is mainly attributed to the appraisal of the Group's fixed assets, which was performed at December 31, 2014 fair values. Said appraisal led to a net increase of the fixed assets value of the Group, which was recorded in 2014 annual Financial Statements.
- Net financial expenses decreased to € 100.7 m. compared to € 107.1 m in 1H2014. This development is attributed to the reduction of the average cost of debt servicing at 4.8% in 1H2015 from 5.2% in 1H2014 as a result of the repayment of higher cost debt to Greek banks with part of the proceeds from the international bonds issuance as well as lower Euribor rates.
- Pre-tax profits in 1H2015 amounted to € 165 m. compared to € 142.6 m. in 1H2014.
- Net profits amounted to € 105.6 m. compared to € 96.3 m. in 1H2014.

### Capex and net debt

- Capital expenditure in 1H2015 remained practically stable at € 256.6 m. compared to € 255.6 m. in 1H2014, while, as a percentage of total revenues it amounted to 8.8% from 9%. Excluding network users' participation for their connection to the network (€ 24.7 m. and € 32 m. in 1H2015 and 1H2014 respectively), which fund a significant part of network projects, capital expenditure amounted to 8% of total revenues for both periods. Specifically, the main components of 1H2015 capital expenditure, were as follows (in brackets the respective figures for 1H2014):

- Mining projects:	€ 46.8 m.	(€ 43.5 m.)
- Conventional Generation & RES projects:	€ 58.2 m.	(€ 74.6 m.)
- Transmission projects:	€ 52.1 m.	(€ 17.9 m.)
- Network projects:	€ 95 m.	(€ 116.6 m.)
- Net debt amounted to € 4,741.3 m., a reduction of € 165.3 m. compared to 30.6.2014 (€ 4,906.6 m.), whereas compared to 31.12.2014 (4,991.9 m.) it was reduced by € 250.6 m.



## **MAJOR EVENTS OF THE PERIOD**

Significant events for the six month period of 2015 are analytically presented in Note 13 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 a daily limit for all ATM withdrawals and restrictions on payments abroad, consequently, affecting domestic transactions and transactions with foreign suppliers and creditors. Thus, household customers, corporate customers and the public sector are likely to delay their obligations payment, adversely affecting the Group's and the Parent Company's cash flows. Moreover, a significant part of the Group's and the Parent Company's debt is due to financial institutions abroad. While capital controls imposed currently remain in force, the Group and the Parent Company are required to seek the approval of the competent authorities in order to use cash to serve their debt. Finally, the Group's and the Parent Company's operations depend to a significant extent from foreign suppliers As capital controls imposed remain in force, the Group and the Parent Company are required to seek the approval of the competent authorities to use available cash to serve payments to suppliers abroad.

The lack of liquidity of the Greek banking sector which led to the imposition of capital controls has exacerbated economic uncertainty in Greece, which can affect the operation, the activity, the financial situation and the cash flows of the Group and the Parent Company.

On August 14, 2015, the Greek Parliament passed Law 4336/2015 on the Third Program on the Greek Economy Support. However, currently it is not possible to assess accurately the potential impact on the Greek economy and the impact on the activities, the operating results, the financial condition and the cash flows of the Group and the Parent Company from the application of the third support program.

### **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 liabilities. 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.
- 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 regardless of whether it has been collected from its 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 flow for the financing of the Group's and the Parent Company's operations, including working capital needs, capital expenditure, as well as the servicing of the Group's and the Parent Company's debt.

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

- The increased delays in the payment or even non-payment of electricity bills.
- The obligation to pay Renewables levy (ETMEAR), Special Consumption Tax on electricity as well as VAT when due, irrespective of whether relevant amounts have been collected from the Group's and the Parent Company's customers.
- The burden associated with the collection of taxes and levies that are not related to the sale of electricity such as municipal taxes and levies that are currently collected through electricity bills and the inability to pay for the electricity consumption amounts without paying as well 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 , especially after the imposition of capital controls and the greek banks' need for recapitalization. It should be noted that as of 30/06/2015 the Group's and the Parent Company's debt obligations towards the Greek banking sector amounted to 41% and 38% 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 for risk reduction purposes, against the fluctuation of floating interest rates and/or foreign currency exchange rates affecting their debt portfolio. Existing derivative transactions include interest rate swaps (conversion of floating rate liabilities to fixed rate liabilities) and forward currency contracts.

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 cover 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 limits 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 and the greek banking sector's as well.

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 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 GAZPOM from 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 vertical integration of the Parent Company (internal hedge), since PPC's share in the wholesale market as of 30/06/2015 amounted to 61%, while at the same period, PPC Supply's share in the retail market amounted to 97%.

Additionally, prices of the main materials (metals, etc.), except fuel, used by the Group and the Parent company for their operation and development are defined by 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 the foreign currency risk.

### **CO2 Emissions Rights**

The Group's and Parent Company's generation business is subject to EU Directives 2003/87/EC and 2009/29/EC, which established a European Emissions Trading System ("EU ETS"). In order to operate its thermal power plants, PPC is required to acquire CO2 emission rights under the EU ETS (the "EU Allowances" or "EUAs") to cover CO2 emissions. Since 2013, PPC is no longer allocated CO2 emissions rights for free, and as its thermal power plants emit approximately 40-42 Mt of CO2 on an annual basis, increased CO2 emission right prices will affect its operating costs.. As PPC must acquire sufficient CO2 emission rights on an ongoing basis, 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 such rights on both the European and international markets, either through exchange market purchases or bilateral contracts. Although the Parent Company attempts to manage the risk arising from increases in the price of CO2 emission rights by monitoring the markets and the developments in Europe, there is no assurance that such risk will be successfully managed. Capital controls have lead PPC's clearing bank in increasing the level of the risk arising from PPC's futures on CO2 emission rights, resulting in a directive towards the Parent Company not to further increase its exposure on the applicable contracts.

As a consequence, PPC's program of acquiring sufficient CO2 emission rights through future contracts is delayed. A possible extension of this directive can increase PPC's costs of acquiring CO2 emission rights, by purchasing emission rights in the spot market, paying the full amount of the emission rights' value in prices that cannot be predicted in advance.

Exposure of the Parent Company to the risk of increases in CO2 emission right 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, a decision on a European Union level is implemented, through the withdrawal of a certain CO2 rights quantity in the beginning of the 2013 – 2020 period and its reinstatement at the end of the period (backloading). In addition, discussions are in progress for controlling CO2 emission rights supply by establishing a market stability reserve mechanism. The above mentioned factors affect emission rights prices, as well as the cost of acquiring them.

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

The Parent Company faces 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. 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 our 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». Final outcome on the public consultation as well as decisions are pending, that may have a considerable impact on the Group's and the Parent Company's operation, cash flows and financial results.

Furthermore, RAE has proposed as an interim, transitional, measure to further wholesale market liberalization, the creation of a regulated forward electricity market that will provide access to third parties to the lignite-fired and hydropower electricity generation of PPC, through the introduction of NOME type of auctions. For this matter, L.4336/2015 provides that "Until September 2015 the Authorities will discuss with the European Commission the design of NOME auctions , aiming to the reduction of PPC's wholesale and retail market shares by 25%.in order to reach a below 50% level until 2020. In case of not reaching an agreement for the NOME auctions until late October 2015, the authorities will agree with the institutions on the structural measures, which will be immediately adopted and will lead to the same results mentioned above".

Pursuant to L.4336/2015 PPC's market share in both the wholesale and the retail electricity markets should promptly be decreased by 25%, while from 01/01/2020 no company would be permitted to produce or import either directly or indirectly more than 50% of the electricity produced or imported to Greece.

The Parent Company may face increasing competition in the retail market, following the liberalization of tariffs for Low Voltage customers and third party suppliers becoming active in the market, together with the adverse effects from the implementation of the NOME model and the provisions of L. 4336/2015.

Unless there are reforms in the regulatory framework to ensure the correction of existing non-market regulatory mechanisms 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 sector could have a material adverse effect on the Group's and the Parent Company's business, prospects, financial condition and results of operations.

### **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 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 as of 1-7-2010 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 requires no further investigation because no state aid exists. PPC appealed (on June 29, 2015) before the Court against this decision. Nevertheless, the final outcome cannot be predicted, and an unfavourable outcome may negatively affect our relationship with ALUMINIUM and other industrial customers. Despite the discount approved on HV tariffs from the Extraordinary General Meeting of PPC's Shareholders of February 28, 2014, ALUMINIUM only pays part of the current electricity bills amounts.

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. 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.

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 01.11.2013, 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 ALUMINIUM, 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, restructuring in the same time any overdue debt, with the exception of ALUMINIUM and LARCO. More specifically, LARCO's General Shareholder Meeting on 30.12.2014 has decided to proceed in signing a new electricity supply contract with PPC, but till today the case is still pending and in the same time to submit to arbitration the dispute between PPC and Larco on determining electricity supply price for the period 1.7.2008 to 31.12.2013, and in settling LARCO's debts up to 31.12.2013, under the provisions of the Code of Civil Law (Articles 867 et seq). There was an agreement that the decision of the arbitration would be issued within four months from the establishment as a body of the arbitral court.

On the other hand, ALUMINIUM notified PPC that the tariffs decided by the 28.02.2014 General Shareholders Meeting are not acceptable and that it is not going to proceed in signing a new electricity supply contract with PPC. Such event will have an adverse impact on PPC's financial results, while there may be additional legal disputes. Such disputes may constrain PPC's commercial policy and future actions for such clients.

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

#### **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.

## **Regulatory Risk**

Potential modifications to the regulatory and legislative framework governing the electricity market, such as the implementation of EU legislation and 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.

Additionally, RAE submitted into public consultation certain measures that would provide access to third parties to the lignite-fired and hydropower electricity generation of PPC, through auctions resembling the "NOME" model implemented in France, a model which was designed to provide access to third parties (mainly suppliers and industrials) to low-cost electricity generation (i.e. EDF's nuclear power plants), at a regulated price.

The implementation of the "NOME" model in Greece that was proposed by RAE in order to set the framework for a regulated forward electricity market shall include auctions and bilateral forward contracts between PPC and third parties. The main characteristics of the NOME model implementation in Greece are still pending, including the quantity of electricity to be auctioned, prices (fixed vs opening vs price range), time periods etc. Regarding the application of the NOME model, 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) provides that "Until September 2015 the Authorities will discuss with the European Commission the design of NOME auctions, aiming to the reduction of PPC's wholesale and retail market shares by 25%. in order to reach a below 50% level until 2020. In case of not reaching an agreement for the NOME auctions until late October 2015, the authorities will agree with the institutions on the structural measures, which will be immediately adopted and will lead to the same results mentioned above, in respect of market shares as well as timetables of implementation». The Group and the Parent Company currently cannot foresee how auction products based on the NOME model may be implemented in Greece and if they will fully reflect the Parent Company's costs and therefore no assurance can be provided that the implementation of such or other structural measures (in case of no agreement on the NOME model) will not have a material adverse effect on the Group's and the Parent Company's business, prospects, financial condition and results of operations.

## **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 are 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.

According to the methodology for PSOs calculation that was defined by a Ministerial Decision for the period 2007 – 2011 regarding the recovery of the additional cost for the electricity generation in the Non Interconnected Islands compared with the respective cost for the Interconnected System, PPC is not fully compensated for providing PSOs. According to the abovementioned methodology, the calculation of PSOs for each year, for the period 2007 – 2011, was based on the cost of electricity generation in the Non Interconnected Islands and in the Interconnected System for the year 2006, on the total electricity generation and liquid fuel quantities consumed each year in the Non Interconnected Islands, as well as on the international fuel prices and on the fluctuation of the consumer price index per year. More specifically, for the estimation of the annual compensation of 2011 for providing PSOs that affected 2012 tariffs, the increase of the Special Consumption Tax on liquid fuels used in power generation in the non-Interconnected Islands was taken into account. However, factors affecting cost, such as the premium over the commodity price, as well as the cost of transportation of fuels to the islands are not taken into account.

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.

Finally, with RAE's Decision 357/2014, the Last Resort Supplier compensation that PPC will receive for providing the service, was determined for the period 25.01.2012 to 30.04.2013 according to L. 4001/2011Art.56 par 4.

Despite the fact that with RAE's decision, the PSO compensation for 2012 and 2013 was determined, in order 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 determined 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 resulting, according to PPC's estimation, to a reduced PSO compensation by €52 mil. The additional claimed amount from PCC's part, amounts to €452 mil. No PSO compensation amount has been approved for the year 2014.

Potential changes in compensation rights for the existing PSOs that PPC provides, or changes in the methodology for the estimation of such PSO compensation, which do not allow the full recovery of PPC's costs, 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 and results of operations.

Finally, the opening of the retail electricity market for Crete and Rhodes is imminent from 01.09.2015, which 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, the Capacity Assurance Mechanism 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 CAM, 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. For instance, there is no additional 10% margin on the VCRM, no thermal units bidding below the level of the minimum variable cost and the VCRM is totally abolished from July 1st, 2014. However, on February 2015, RAE submitted into public consultation (which is still in progress) a new proposal for a revised VCRM. Since then, there were no further developments, while 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) 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"

In addition, with RAE's Decisions 338/2013 and 339/2013, some of PPC's electricity generating units of a total capacity of 1.249 MW are not included in the register of units receiving capacity availability payments (CAP), whereas natural gas generating units received an additional Capacity Availability Certificate, in the expense of lignite fired and hydro generating units, The above mentioned Mechanism was abolished by 31.12.2014. On January 2015, RAE submitted to public Consultation a new transitory Capacity Assurance Mechanism for the period January 2015 – October 2015, solely compensating the generating units' flexibility, while decisions are pending concerning the Capacity Assurance Mechanism regime after 01.01.2015. It should be noted, that based on RAE's transitory proposal, only natural gas generating units, as well as, only 582 MW of hydro generating units are compensated through this mechanism, resulting in an advantage of natural gas generating units over lignite fired and hydro generating units and consequently risking PPC's position over its gas generating competitors in the future. Furthermore, Law 4336/2015 provides that "Until September 2015 the Authorities will apply a regime for the temporary and permanent capacity payments' system", without giving any further details.

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 €65,6 mill., as of 30/06/2015 according to HEMO's published data and to deal with it, additional measures may be adopted, affecting the Group's and the Parent Company's 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 the higher of: (i) the SMP, or (ii) 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 is allocated to wholesale conventional generators, proportionally to their market share. PPC's obligation, which is contested, to cover such deficit allocated to PPC, as generator (approximately € 97 million), if the decision by the State Council is against PPC's appeal, may result in an adverse material effect on the Group's and the Parent Company's results and cash flows. The Suspension Committee of the State Council has already ordered PPC, through its interim decision to pay half of the above mentioned amount. However, Law 4336/2015 provides that "Until September 2015, the authorities should implement rules in line with the final decision of the State Council on the settlement of debts between PPC and the market operator"

This or any similar decisions by RAE in the future, addressing electricity market deficits resulting from failure of third parties or from inefficient market supervision, through allocation of these obligations to other parties, for example by prohibiting 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 and 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 which 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) provisions for the implementation of the European "Target Model" until December 2017, while the balancing market (being a key component of the "Target Model") should be implemented by June 2017, or any additional fiscal and other measures or modification to existing ones, may have a significant impact on the Group's and the Parent Company's activities, contractual commitments and financial results.

#### **Risks relating to Law 4336/14.8.2015**

Law 4336/2015 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 energy and
- entities operating in the energy markets in the interconnected system and network of the country, which will not be allowed from 01.01.2020 to either generate or import - directly or indirectly- energy quantities greater than 50% of the total energy quantity either generated by domestic plants or imported, annually. 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 obligation of the Authorities to apply, until September 2015, a regime for the temporary and permanent capacity payments' system. The Authorities shall modify the regulations of the electricity market in order to prevent the plants' forced operation below their variable cost and shall enact laws concerning the offsetting of debts between PPC and the market operator. They will implement discontinuation contracts as adopted by the European Commission. They will revise PPC's tariffs based on cost, replacing among others, the 20% discount on the high voltage tariffs, with tariffs based on generation's marginal cost. The design of the NOME auctions system will be discussed with the European Commission, aiming to the reduction of PPC's retail market share by 25%. In case of not reaching an agreement for the NOME auctions until late October 2015, the authorities will agree with the institutions on the structural measures, which will be immediately adopted and will lead to the same results mentioned above, regarding both market shares and timelines.
- The obligation of the Authorities, until October 2015, to take irreversible steps towards the privatization of the electricity transmission system operator, IPTO, unless an alternative plan will be proposed, with equivalent results on competition and investment prospects, according to the best European practices and in agreement with the institutions IPTO's full ownership unbundling. Moreover, they will 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.
- 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.

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.

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 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. 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 and changes in the regulatory regime governing the Parent Company's mining operations 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. 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 2015 OUTLOOK**

For the full year 2015, it is estimated that the aggregate electricity demand will increase by about 2,9% compared to 2014.

It is expected that Revenues from energy sales will amount to € 5,6 bill, declining by 1,2% compared to 2014, while Total Revenues will amount to € 5,8 bill, declining by 1,3% compared to 2014. In determining these figures, no adverse impact from the implementation of auctions of PPC's lignite and hydro generation on the Group's revenue, neither estimates for increased cost for the provision of PSOs are taken into account.

Additionally there might be material differences between the financial results and the estimated ones, due to the occurrence of events relating to risks and uncertainties faced by the Group and the Parent Company, such as those mentioned above. Such events include, such as but not limited to, possible negative developments in the international markets, changes in the Euro/USD exchange rate, changes in the international commodity prices (oil, natural gas, electricity etc.) and emission allowances, changes in the electricity market and the legislative, regulatory and fiscal framework as well as adverse development of the Group's and the Parent Company's bad debt.

## BALANCES AND TRANSACTIONS WITH RELATED PARTIES

PPC balances with its subsidiaries and its associates as of June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015		December 31, 2014	
	Receivable	(Payable)	Receivable	(Payable)
<b>Subsidiaries</b>				
- IPTO	71,604	(773,011)	306,804	(1,058,258)
- PPC Renewables S.A.	2,345	(837)	5,583	(837)
- HEDNO S.A.	166,803	(337,721)	75,696	(192,711)
- PPC Finance Plc	-	(6,190)	-	(6,171)
- PPC ELEKTRIK	37	(91)	-	-
	<u>240,789</u>	<u>(1,117,850)</u>	<u>388,083</u>	<u>(1,257,977)</u>
<b>Associates</b>				
LARCO (energy, lignite and ash)	248,222	-	229,321	-
	<u>248,222</u>	<u>-</u>	<u>229,321</u>	<u>-</u>

PPC's transactions with its subsidiaries and its associates for the period ended June 30, 2015 and June 30, 2014, are as follows:

	30.06.2015		30.06.2014	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
<b>Subsidiaries</b>				
- IPTO S.A.	58,051	(692,426)	299,310	(1,026,732)
- PPC Renewables S.A.	1,490	-	1,724	-
- HEDNO S.A.	608,003	(955,497)	656,037	(980,559)
- PPC Finance Plc	-	(18,519)	-	(15,268)
- PPC ELEKTRIK	398	(1,428)	-	-
	<u>667,942</u>	<u>(1,667,870)</u>	<u>957,071</u>	<u>(2,022,559)</u>
<b>Associates/Joint Ventures</b>				
LARCO	35,998	(3,082)	41,524	(4,518)
	<u>35,998</u>	<u>(3,082)</u>	<u>41,524</u>	<u>(4,518)</u>

### **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	
	30.06.2015	30.06.2014	30.06.2015	31.12.2014
ELPE, purchases of liquid fuel	53,460	59,855	8,433	4,416
DEPA, purchases of natural gas	104,282	150,097	29,562	29,987
	<u>157,742</u>	<u>209,952</u>	<u>37,995</u>	<u>34,403</u>

	June 30, 2015		December 31, 2014	
	Receivable	(Payable)	Receivable	(Payable)
EMO S.A.	149,146	(76,168)	166,038	(65,349)

	30.06.2015		30.06.2014	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
EMO S.A.	908,183	(1,315,327)	1,029,009	(1,318,989)

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, 2015 and 2014 have as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
<u>Compensation of members of the Board of Directors</u>				
- Executive members of the Board of Directors	97	114	29	29
- Non-executive members of the Board of Directors	18	60	-	-
- Compensation / Extra fees	17	-	-	-
- Contribution to defined contribution plans	23	26	4	-
- Other Benefits	54	56	39	56
	<b>209</b>	<b>256</b>	<b>72</b>	<b>85</b>
<u>Compensation of Deputy Managing Directors and General Managers</u>				
- Regular compensation	309	342	280	314
- Contribution to defined contribution plans	93	114	83	104
- Compensation / Extra fees	-	-	-	-
	<b>402</b>	<b>456</b>	<b>363</b>	<b>418</b>
<b>Total</b>	<b>611</b>	<b>712</b>	<b>435</b>	<b>503</b>

Compensation to members of the Board of Directors does not include standard payroll, paid to representatives of employees that participate in the Parent Company's Board of Directors. 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, August 27, 2015

**THE BOARD OF DIRECTORS**

**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 2015 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 Matters**

We draw your attention to the following issues:

1. In Note 12 of the interim financial information, where among other matters, the claim of the Electricity Market Operator SA (LAGIE) against the Company amounting to €96.6m is described, as a result of the allocation of deficit of the energy market to producers and the accounting treatment of the Company for this issue. As it is also discussed in the note, since the above mentioned claim of LAGIE is disputed in substance, as the reasons which this claim is based on are not substantiated, it is not possible to estimate the final outcome of the legal case.
2. In Note 12 of the interim financial information, where among other matters, the adjusting

settlements amounting to €48.2m 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.

Our opinion is not qualified in respect of these matters.

#### **Other matter**

The financial statements of "Public Power Corporation S.A." for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on March 27, 2015.

#### **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, August 27, 2015  
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, 2015**

**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 August 27<sup>th</sup>, 2015 and they are available on the web site of Public Power Corporation S.A. at [www.dei.gr](http://www.dei.gr).

**CHAIRMAN AND  
CHIEF EXECUTIVE  
OFFICER**

**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, 2015**

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

Note	GROUP				COMPANY			
	01.01.2015- 30.06.2015	01.01.2014- 30.06.2014	01.04.2015- 30.06.2015	(reclassified) 01.04.2014- 30.06.2014	01.01.2015- 30.06.2015	01.01.2014- 30.06.2014	01.04.2015- 30.06.2015	01.04.2014- 30.06.2014
<b>REVENUES :</b>								
Revenue from energy sales	2,828,047	2,746,833	1,320,916	1,295,275	2,821,373	2,741,848	1,317,039	1,293,275
Other sales	85,286	86,788	43,832	49,485	66,881	62,824	35,285	36,143
	<b>2,913,333</b>	<b>2,833,621</b>	<b>1,364,748</b>	<b>1,344,760</b>	<b>2,888,254</b>	<b>2,804,672</b>	<b>1,352,324</b>	<b>1,329,418</b>
<b>EXPENSES:</b>								
Payroll cost	439,616	459,691	224,117	231,596	282,950	297,351	146,056	151,868
Fuel	382,011	556,481	164,421	261,593	382,011	556,481	164,421	261,593
Depreciation	376,222	296,597	191,951	149,281	338,277	263,786	173,106	133,073
Energy purchases	10 743,777	691,048	317,071	322,332	761,128	703,568	325,552	329,170
Transmission system usage	-	-	-	-	99,159	103,773	49,521	51,241
Distribution network usage	-	-	-	-	197,832	210,550	97,533	104,350
Emission allowances	107,151	104,788	52,138	55,157	107,151	104,788	52,138	55,157
Other provisions	316,713	249,078	124,516	101,141	316,534	255,312	123,998	105,846
Financial expenses	136,450	140,333	68,091	71,924	123,995	126,875	61,805	65,378
Financial income	(35,759)	(33,236)	(18,444)	(16,615)	(73,481)	(55,892)	(54,496)	(39,709)
Other (income) / expenses,	10 283,302	224,792	155,502	134,619	221,116	151,017	122,975	95,278
Share of Loss/ (Gain) of associates and joint ventures, net	(1,482)	(1,143)	(263)	(1,146)	-	-	-	-
Impairment loss / (gain) of marketable securities	278	1,240	(129)	1,240	278	1,240	(129)	1,240
Foreign currency loss/ (gain)	102	1,347	(1,960)	297	111	1,351	(1,949)	301
<b>PROFIT / (LOSS) BEFORE TAX</b>	<b>164,952</b>	<b>142,605</b>	<b>87,737</b>	<b>33,341</b>	<b>131,193</b>	<b>84,472</b>	<b>91,793</b>	<b>14,632</b>
Income tax expense	5 (59,362)	(46,294)	(37,815)	(18,340)	(38,138)	(26,726)	(25,200)	(6,665)
<b>NET PROFIT / (LOSS)</b>	<b>105,590</b>	<b>96,311</b>	<b>49,922</b>	<b>15,001</b>	<b>93,055</b>	<b>57,746</b>	<b>66,593</b>	<b>7,967</b>
<b>Attributed to:</b>								
<b>Owners of the Parent</b>	<b>105,592</b>	<b>96,311</b>	<b>49,924</b>	<b>15,001</b>				
<b>Non – controlling interests</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>	<b>-</b>				
<b>Earnings per share, basic and diluted</b>	<b>0.46</b>	<b>0.42</b>	<b>0.22</b>	<b>0.06</b>				
<b>Weighted Average number of shares</b>	<b>232,000,000</b>	<b>232,000,000</b>	<b>232,000,000</b>	<b>232,000,000</b>				

Certain amounts have been reclassified and differ from the published interim condensed consolidated and separate financial statements of June 30, 2014 and reflect amendments which are presented in note 10 of the interim report.

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 INCOME**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015**  
(All amounts in thousands of Euro)

	<b>GROUP</b>				<b>COMPANY</b>			
	<b>01.01.2015- 30.06.2015</b>	<b>01.01.2014- 30.06.2014</b>	<b>01.04.2015- 30.06.2015</b>	<b>01.04.2014- 30.06.2014</b>	<b>01.01.2015- 30.06.2015</b>	<b>01.01.2014- 30.06.2014</b>	<b>01.04.2015- 30.06.2015</b>	<b>01.04.2014- 30.06.2014</b>
<b>Net profit / (loss) for the period</b>	<b>105,590</b>	<b>96,311</b>	<b>49,922</b>	<b>15,001</b>	<b>93,055</b>	<b>57,746</b>	<b>66,593</b>	<b>7,967</b>
<b>Other comprehensive income / (loss) for the period</b>								
Items of Other Comprehensive income to be reclassified to profit or loss in subsequent periods								
Profit/(Loss) from change in fair values of available for sale financial assets during the period	-	-	-	(151)	-	-	-	(151)
Foreign Currency translation	(14)	-	(39)	-	-	-	-	-
<b>Net Other Comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods</b>	<b>(14)</b>	<b>-</b>	<b>(39)</b>	<b>(151)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(151)</b>
Items of Other Comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods	-	-	-	-	-	-	-	-
<b>Net Other Comprehensive income not being reclassified to profit or loss in subsequent periods</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Comprehensive income / loss for the period after tax</b>	<b>(14)</b>	<b>-</b>	<b>(39)</b>	<b>(151)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(151)</b>
<b>Total Comprehensive income after tax</b>	<b>105,576</b>	<b>96,311</b>	<b>49,883</b>	<b>14,850</b>	<b>93,055</b>	<b>57,746</b>	<b>66,593</b>	<b>7,816</b>
<b>Attributable to:</b>								
<b>Owners of the Parent</b>	<b>105,578</b>	<b>96,311</b>	<b>49,885</b>	<b>14,850</b>				
<b>Non-controlling interests</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>	<b>-</b>				

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, 2015**  
**(All amounts in thousands of Euro)**

	<i>note</i>	<b>GROUP</b>		<b>COMPANY</b>	
		<u>30.06.2015</u>	<u>31.12.2014</u>	<u>30.06.2015</u>	<u>31.12.2014</u>
<b><u>ASSETS</u></b>					
<b>Non - Current Assets :</b>					
Property, plant and equipment, net		13,506,972	13,689,537	11,701,274	11,902,455
Intangible assets, net		90,736	69,946	86,962	65,765
Available for sale financial assets		2,115	2,394	2,115	2,394
Other non – current assets		144,580	153,153	1,252,413	1,262,236
<b>Total non – current assets</b>		<u>13,744,403</u>	<u>13,915,030</u>	<u>13,042,764</u>	<u>13,232,850</u>
<b>Current Assets:</b>					
Materials, spare parts and supplies, net		765,514	737,763	582,156	559,078
Trade and other receivables and other current assets		2,339,695	2,119,892	2,156,334	1,953,514
Income tax receivable		21,044	21,445	-	-
Restricted cash		135,023	144,720	135,023	144,720
Cash and cash equivalents		701,987	434,511	461,607	248,318
<b>Total current assets</b>		<u>3,963,263</u>	<u>3,458,331</u>	<u>3,335,120</u>	<u>2,905,630</u>
<b>Total Assets</b>		<u>17,707,666</u>	<u>17,373,361</u>	<u>16,377,884</u>	<u>16,138,480</u>
<b><u>EQUITY AND LIABILITIES</u></b>					
<b>Equity :</b>					
Share capital		1,067,200	1,067,200	1,067,200	1,067,200
Share premium		106,679	106,679	106,679	106,679
Fixed assets' statutory revaluation surplus included in share capital		(947,342)	(947,342)	(947,342)	(947,342)
Revaluation surplus		4,832,031	4,833,594	4,081,649	4,082,686
Reserves		25,917	25,931	118,168	118,168
Retained earnings		1,143,631	1,048,597	1,623,551	1,541,057
		<u>6,228,116</u>	<u>6,134,659</u>	<u>6,049,905</u>	<u>5,968,448</u>
<b>Non – controlling interests</b>		<u>88</u>	<u>90</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>6,228,204</u>	<u>6,134,749</u>	<u>6,049,905</u>	<u>5,968,448</u>
<b>Non – Current Liabilities:</b>					
Long - term borrowings	9	4,706,789	4,851,491	4,618,776	4,763,477
Provisions		648,545	650,544	418,044	418,869
Other non – current liabilities		2,941,292	3,011,149	2,718,455	2,796,257
<b>Total non – current liabilities</b>		<u>8,296,626</u>	<u>8,513,184</u>	<u>7,755,275</u>	<u>7,978,603</u>
<b>Current Liabilities :</b>					
Trade and other payables and other current liabilities		2,204,267	1,971,805	1,965,090	1,806,881
Dividends payable		11,747	147	11,747	147
Income tax payable		133,248	74,932	126,304	71,908
Short – term borrowings	9	147,016	97,016	100,000	50,000
Current portion of long - term borrowings	9	686,558	581,528	369,563	262,493
<b>Total current liabilities</b>		<u>3,182,836</u>	<u>2,725,428</u>	<u>2,572,704</u>	<u>2,191,429</u>
<b>Total Equity and Liabilities</b>		<u>17,707,666</u>	<u>17,373,361</u>	<u>16,377,884</u>	<u>16,138,480</u>

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



**PUBLIC POWER CORPORATION S.A.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015**  
**(All amounts in thousands of Euro)**

	Share Capital	Share Premium	Legal Reserve	Revaluation Surplus	Fixed Assets Statutory Revaluation Surplus	Other Reserves			Retained Earnings	Total	Non-Controlling Interests	Total Equity
						Fair value of available for sale financial assets	Foreign exchange, tax-free and other reserves	Other Reserves Total				
<b>Balance, January 1, 2014</b>	<b>1,067,200</b>	<b>106,679</b>	<b>107,491</b>	<b>4,186,763</b>	<b>(947,342)</b>	-	<b>33,019</b>	<b>33,019</b>	<b>849,763</b>	<b>5,403,573</b>	-	<b>5,403,573</b>
- Net profit for the period	-	-	-	-	-	-	-	-	96,311	96,311	-	96,311
- Other comprehensive income / (loss) for the period after tax	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive income for the period, after tax</b>	-	-	-	-	-	-	-	-	<b>96,311</b>	<b>96,311</b>	-	<b>96,311</b>
- Transfers from retirements of fixed assets	-	-	-	(15,564)	-	-	-	-	15,564	-	-	-
- Incorporation of subsidiary	-	-	-	-	-	-	-	-	-	-	92	92
- Other movements	-	-	-	-	-	-	-	-	25	25	-	25
<b>Balance, June 30, 2014</b>	<b>1,067,200</b>	<b>106,679</b>	<b>107,491</b>	<b>4,171,199</b>	<b>(947,342)</b>	-	<b>33,019</b>	<b>33,019</b>	<b>961,663</b>	<b>5,499,909</b>	<b>92</b>	<b>5,500,001</b>
<b>Balance, January 1, 2015</b>	<b>1,067,200</b>	<b>106,679</b>	<b>109,203</b>	<b>4,833,594</b>	<b>(947,342)</b>	-	<b>(83,272)</b>	<b>(83,272)</b>	<b>1,048,597</b>	<b>6,134,659</b>	<b>90</b>	<b>6,134,749</b>
- Net profit for the period	-	-	-	-	-	-	-	-	105,592	105,592	(2)	105,590
- Other comprehensive income / (loss) for the period after tax	-	-	-	-	-	-	(14)	(14)	-	(14)	-	(14)
<b>Total Comprehensive income for the period, after tax</b>	-	-	-	-	-	-	<b>(14)</b>	<b>(14)</b>	<b>105,592</b>	<b>105,578</b>	<b>(2)</b>	<b>105,576</b>
- Transfers from retirements of fixed assets	-	-	-	(1,037)	-	-	-	-	1,037	-	-	-
- Dividends	-	-	-	-	-	-	-	-	(11,600)	(11,600)	-	(11,600)
- Other movements	-	-	-	(526)	-	-	-	-	5	(521)	-	(521)
<b>Balance, June 30, 2015</b>	<b>1,067,200</b>	<b>106,679</b>	<b>109,203</b>	<b>4,832,031</b>	<b>(947,342)</b>	-	<b>(83,286)</b>	<b>(83,286)</b>	<b>1,143,631</b>	<b>6,228,116</b>	<b>88</b>	<b>6,228,204</b>

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, 2015**  
**(All amounts in thousands of Euro)**

	Share Capital	Share Premium	Legal Reserve	Revaluation Surplus	Fixed Assets Statutory Revaluation Surplus	Other Reserves			Retained Earnings	Total Equity
						Fair value of available for sale financial assets	Foreign exchange, tax-free and other reserves	Other Reserves Total		
<b>Balance, January 1, 2014</b>	<b>1,067,200</b>	<b>106,679</b>	<b>107,491</b>	<b>3,478,917</b>	<b>(947,342)</b>	-	<b>108,983</b>	<b>108,983</b>	<b>1,401,121</b>	<b>5,323,049</b>
- Net profit for the period	-	-	-	-	-	-	-	-	57,746	57,746
- Other comprehensive income / (loss) for the period, after tax	-	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive income for the period, after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,746</b>	<b>57,746</b>
- Transfers from retirements of fixed assets	-	-	-	(15,564)	-	-	-	-	15,564	-
- Other movements	-	-	-	-	-	-	-	-	2	2
<b>Balance, June 30, 2014</b>	<b>1,067,200</b>	<b>106,679</b>	<b>107,491</b>	<b>3,463,353</b>	<b>(947,342)</b>	-	<b>108,983</b>	<b>108,983</b>	<b>1,474,433</b>	<b>5,380,797</b>
<b>Balance, January 1, 2015</b>	<b>1,067,200</b>	<b>106,679</b>	<b>109,203</b>	<b>4,082,686</b>	<b>(947,342)</b>	-	<b>8,965</b>	<b>8,965</b>	<b>1,541,057</b>	<b>5,968,448</b>
- Net profit for the period	-	-	-	-	-	-	-	-	93,055	93,055
- Other comprehensive income / (loss) for the period, after tax	-	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive income for the period, after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93,055</b>	<b>93,055</b>
- Transfers from retirements of fixed assets	-	-	-	(1,037)	-	-	-	-	1,037	-
- Dividends	-	-	-	-	-	-	-	-	(11,600)	(11,600)
- Other movements	-	-	-	-	-	-	-	-	2	2
<b>Balance, June 30, 2015</b>	<b>1,067,200</b>	<b>106,679</b>	<b>109,203</b>	<b>4,081,649</b>	<b>(947,342)</b>	-	<b>8,965</b>	<b>8,965</b>	<b>1,623,551</b>	<b>6,049,905</b>

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, 2015**  
**(All amounts in thousands of Euro)**

	GROUP		COMPANY	
	01.01.2015- 30.06.2015	01.01.2014- 30.06.2014	01.01.2015- 30.06.2015	01.01.2014- 30.06.2014
<b>Cash Flows from Operating Activities</b>				
Profit before tax	164,952	142,605	131,193	84,472
Adjustments :				
Depreciation and amortization	416,727	334,608	376,120	299,186
Amortization of customers' contributions and subsidies	(40,505)	(38,011)	(37,843)	(35,400)
Interest expense	124,107	128,455	112,004	115,454
Other adjustments	204,169	149,744	169,392	137,836
Changes in assets	(475,888)	(618,094)	(454,950)	(586,504)
Changes in liabilities	212,764	(60,876)	145,979	(190,032)
<b>Net Cash from Operating Activities</b>	<b>606,326</b>	<b>38,431</b>	<b>441,895</b>	<b>(174,988)</b>
<b>Cash Flows from Investing Activities</b>				
Capital expenditure of fixed assets and software	(267,806)	(285,631)	(206,714)	(246,575)
Proceeds from customers' contributions and subsidies	1,930	2,992	1,930	2,992
Interest and dividends received	33,969	33,236	66,410	50,657
Investments	(1,269)	(1,093)	-	(1,843)
<b>Net Cash used in Investing Activities</b>	<b>(233,176)</b>	<b>(250,496)</b>	<b>(138,374)</b>	<b>(194,769)</b>
<b>Cash Flows from Financing Activities</b>				
Net change in short term borrowings	50,000	(60)	50,000	-
Proceeds from interest bearing loans and borrowings	-	1,032,978	-	1,032,978
Principal payments of interest bearing loans and borrowings	(44,218)	(519,791)	(42,135)	(517,488)
Interest paid and loans' issuance fees	(111,456)	(157,978)	(98,097)	(145,694)
Dividends paid	-	(5)	-	(5)
<b>Net cash used in Financing Activities</b>	<b>(105,674)</b>	<b>355,144</b>	<b>(90,232)</b>	<b>369,791</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>267,476</b>	<b>143,079</b>	<b>213,289</b>	<b>34</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>434,511</b>	<b>260,278</b>	<b>248,318</b>	<b>185,513</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>701,987</b>	<b>403,357</b>	<b>461,607</b>	<b>185,547</b>

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, 2015**

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

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**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, 2015, the number of staff employed by the Group was 18,458 (2014: 18,969). At June 30, 2015, 100 employees of the Group (2014: 99), have been transferred to several State agencies (ministries, organizations, etc.), out of which, 96 were compensated by PPC (2014: 95). The total payroll cost of such employees, for the first half of 2015 amounted to Euro 1,620 (2014: Euro 1,846). Additionally, PPC's transferred employees in TAYTEKO-TAP/DEI and IKA-TAP/DEI amounted to 329 on 30.06.2015, for whom payroll at June 30, 2015, amounted to Euro 6,884.

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 12,242 kilometres, out of which 11,297 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 236,150 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 2,110 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 – 1<sup>st</sup> Half 2015**

**GENERAL PROVISIONS FOR THE INTERNAL ELECTRICITY MARKET**

- By the Presidential Decree 24 (OG A' 20/27.01.2015) the Ministry of Reconstruction of Production, Environment & Energy was established, including the Services of the former Ministry of Environment, Energy and Climate Change along with jurisdiction, institutions, positions and personnel as well as with supervised bodies (among others PPC S.A.).

**PUBLIC POWER CORPORATION S.A.**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

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**2. LEGAL FRAMEWORK (CONTINUED)**

- Law 4336/2015 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 energy and
  - entities operating in the energy markets in the interconnected system and network of the country, which will not be allowed from 01.01.2020 to either generate or import - directly or indirectly- energy quantities greater than 50% of the total energy quantity either generated by domestic plants or imported, annually. 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 obligation of the Authorities to apply, until September 2015, a regime for the temporary and permanent capacity payments' system. The Authorities shall modify the regulations of the electricity market in order to prevent the plants' forced operation below their variable cost and shall enact laws concerning the offsetting of debts between PPC and the market operator. They will implement discontinuation contracts as adopted by the European Commission. They will revise PPC's tariffs based on cost, replacing among others, the 20% discount on the high voltage tariffs, with tariffs based on generation's marginal cost. The design of the NOME auctions system will be discussed with the European Commission, aiming to the reduction of PPC's retail market share by 25%. In case of not reaching an agreement for the NOME auctions until late October 2015, the authorities will agree with the institutions on the structural measures, which will be immediately adopted and will lead to the same results mentioned above, regarding both market shares and timelines.
  - The obligation of the Authorities, until October 2015, to take irreversible steps towards the privatization of the electricity transmission system operator, IPTO, unless an alternative plan will be proposed, with equivalent results on competition and investment prospects, according to the best European practices and in agreement with the institutions for IPTO's full ownership unbundling. Moreover, they will 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.
  - 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.
  - 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.
- L. 4320/2015 (OG A'29/19.03.2015) "Provisions for immediate actions to address the humanitarian crisis, the organization of Government and Governmental Institutions and other provisions" has entered into force. More specifically, the following provisions relating to the electricity sector combined with the Joint Ministerial Decision 494/2015, are enacted:

**PUBLIC POWER CORPORATION S.A.**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

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**2. LEGAL FRAMEWORK (CONTINUED)**

- The free of charge electricity supply for up to 1200kWh per four months, for the year 2015, is provided for the electricity needs of the households dwelling under extreme poverty conditions, main residents, financed through the state budget. The abovementioned Joint Ministerial Decision determines the value of electricity as far as, supply charges, regulated charges, ETMEAR, Special Consumption Tax and the 5% Special levy, are concerned.
- In the case of a supply termination until January 31, 2015 the reconnection of electricity is free of charge, whilst arrears are settled.
- The terms and conditions for settling arrears, are agreed, according to contracts between the Ministry of Labor and Social Solidarity and the electricity suppliers.
- The cash value of the above mentioned benefits is not to be included in any income prerequisites that are set in order to receive any other benefit of a social or welfare origin.

The eligibility criteria for the beneficiaries of the privileges, according to the law's provisions, are specified in the Joint Ministerial Decision 494 (OG B'577 / 09.04.2015). Specifically, the criteria related to the income thresholds for the beneficiaries of the above-mentioned privileges were further amended by the Joint Ministerial Decision 1082 (OG B' 938/22.05.2015).

A new Joint Ministerial Decision (Fin 861) amended the criteria regarding the beneficiaries for the gratis reconnection and supply of electricity, regardless of their inclusion or not in the Social Solidarity Tariff, as well as crediting the free electricity consumption amounts to the bills issued every four months, according to actual meter reading.

**HELLENIC ELECTRICITY DISTRIBUTION NETWORK (HEDN)**

- The distribution network operator (HEDNO), announced that the market opening for the electrical systems of Crete and Rhodes begins from 01.09.2015 under the Code of the Non-interconnected Islands (NII). The announcement determines the process of activating a Load Representative's participation contract, as a Supplier in the NII, as well as the process of initiating the operation of said Load Representative per NII system. It is noted that, per HEDNO'S announcement, any Load Representative, already operating in an NII system or several NII systems and wishing to operate in any other NII system whenever that is allowed in the near future, is to be treated as a new Load Representative for that system and should follow, in a similar way, the process of its operation initiation in the new NII system.

**CODES AND MANUALS**

- Following IPTO's proposal, unit charges, uplift coefficients and other parameters were determined for calculating the non-compliance charges, due to irregular offers and declarations for the calendar year 2015 (RAE Decision 1/2015). Specifically, for 2015, the numeric value for the tolerance BAL\_TOL is amended, while the remaining numerical values of the coefficients/ parameters used in the calculation of the non-compliance Charges remain unchanged.

**PUBLIC SERVICE OBLIGATIONS (PSOs)**

- The highest annual customer charge per consumption point, covering PSOs charges for the year 2015, was set to 793,525 Euro (RAE Decision 106/2015). That limit is being annually readjusted according to the respective annual change of the consumer prices index, as published by the Hellenic Statistical Authority.

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

- Following L.4254/2014, RAE began monitoring the progress of integrating the necessary procedures for the implementation of the above mentioned Law's provisions as well as assessing the effects of the implementation, taking into account data provided by the Monthly Bulletin Monitoring of the Special Account of EMO SA, by monthly calculating and making publicly known, both inputs and outputs relating to the balancing of the Special Account.

In the context of the above mentioned monitoring, RAE's Decision (772/2014) was issued where ETMEAR's allocation coefficients are readjusted and increased as well as the relative charges per customer category, effective from 01.01.2015, aiming to a total ETMEAR amount – for the year 2015 - of Euro 1,048.35 mil.

Following this decision, Law 4324/2015 annulled the above mentioned decision by RAE, stating that, for the year 2015, the unit charges for the ETMEAR will remain unchanged at the level set for the year 2014. This regulation will be applied retroactively from 1.1.2015. The amounts that have already been charged by electricity suppliers, in excess of the law's provisions, will be recalculated and any resulting differences will be offset or included in the corresponding ETMEAR fee, in the next clearing bill.

**PUBLIC POWER CORPORATION S.A.**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

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**2. LEGAL FRAMEWORK (CONTINUED)**

- The highest annual customer charge per consumption point, covering ETMEAR charges is being annually readjusted according to the annual change of the consumer prices index, as published by the Hellenic Statistical Authority. That charge, for the year 2015, was set to 978,117 Euro (RAE Decision 105/2015) due to the 1.3% decrease of the average consumer prices index for the year 2014 compared to that of 2013.

**OTHER ISSUES**

- In December 2011, the EU adopted Regulation 1227/2011 on the integrity and transparency of the wholesale energy market (Regulation on Wholesale Energy Markets Integrity and Transparency - REMIT). The REMIT Regulation applies to wholesale energy products' trading and sets the framework for identifying and avoiding abusive practices affecting wholesale energy markets and establishes rules for the requirement of publishing details of trading energy products in the wholesale market. In this context EMO started the registration process with ACER («Agency for the Cooperation of Energy Regulators») for being included in the list of "Registered Mechanisms Reference" (Registered Reporting Mechanisms-RRM). Upon completion of the registration as RRM, EMO will be able to take on, on behalf of participants (following an agreement), the obligation of sending to ACER, the relevant reports of transactions in the Greek wholesale energy market, thus satisfying the REMIT prerequisites. The link to the platform CEREMP (Central European Registry of Energy Market Participants) was also activated, in order for the participants in the wholesale energy markets to register, in accordance with the provisions of the Regulation (RAE's announcement 27.02.2015).
- In accordance with PPC's recommendation to RAE the uplifts percentages on PPC supply tariffs, in its capacity as Supplier of Last Resort, for its third year of the service are decreased as follows (RAE Decision 212/2015):
  - (a) by 5% for HV customers on the wholesale market cost
  - (b) by 10% for MV customers on the valid MT customers PPC tariffs (it was 12%)
  - (c) by 10% for LT customers on the valid LT customers PPC tariffs (it was 12%)The uplift percentage on PPC's supply tariffs, in its capacity as Universal Service Provider, is also maintained for its third year of the service (RAE Decision 213/2015), i.e. 12% on the valid PPC tariffs for specific customer categories (Residential customers and small businesses with power supply up to 25kVA).
- RAE's contribution fees imposed on businesses operating in the energy sector are adjusted annually, according to the annual change in the consumer price index, as published by the Hellenic Statistical Authority. Due to the decrease of 1.3% of the average consumer price index for 2014 compared with that of 2013, the amount of the annual contribution fee charged to suppliers, depending on the total amount of their customers energy absorbed by the System or by the Network, is set to 0.07€ per absorbed MWh for 2015 (RAE Decision 147/2015). The corresponding amount imposed on electricity generators is set to 8.16€ per MW of max net capacity.

**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, 2015 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, 2014 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 August 27<sup>th</sup>, 2015.

**PUBLIC POWER CORPORATION S.A.**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

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**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, 2014 with the exception of the following interpretations that are effective as of 1 January 2015 onwards.

• **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendment has not been endorsed by the EU. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements.

• **IAS 19 Employee benefits (Amended): Employee Contributions**

The amendment is effective for annual periods beginning on or after 1 February 2015. The 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. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements.

• **IFRS 9 Financial Instruments – Classification and measurement**

The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has not yet been endorsed by the EU. The management of the Group is in the process of assessing the impact of this standard on the Group's financial statements.

• **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment requires of an investor to apply the acquisition method (according to IFRS 3) when acquiring a participation in a joint activity that is a business). The amendment has not yet been endorsed by the EU. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements.

• **IFRS 14 Regulatory Deferral Accounts**

The standard is effective for annual periods beginning on or after 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. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU.



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**3.2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

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

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements.
- **IAS 27 Separate Financial Statements (amended)**

The amendment is effective on or after 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. This amendment has not yet been endorsed by the EU. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements.
- **IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – (Amendment): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The amendments have not yet been endorsed by the EU. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements.
- The IASB has issued the **Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015.
  - **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
  - **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
  - **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
  - **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
  - **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
  - **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
  - **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

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**3.2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

The IASB has issued the **Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015.

- **IFRS 3 Business Combinations:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- **IFRS 13 Fair Value Measurement:** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- **IAS 40 Investment Properties:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

The IASB has issued the **Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. These annual improvements have not yet been endorsed by the EU. The Management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
  - **IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
  - **IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
  - **IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.
- **IFRS 10, IFRS 11 and IAS 28: Investment Entities - Applying the Consolidation Exception (Amendments)**  
The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures 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. These amendments have not yet been endorsed by the EU. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements.

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**3.2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

• **IAS 1: Disclosure Initiative (Amendment)**

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. 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. These amendments have not yet been endorsed by the EU. The management of the Group is in the process of assessing the impact of this amendment on the Group's financial statements.

**4. SEASONALITY OF OPERATIONS**

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

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

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
Current income taxes	73,988	52,656	67,163	49,194
Deferred income tax	(16,914)	(6,446)	(31,313)	(22,552)
Additional taxes	2,288	84	2,288	84
<b>Total income tax expense</b>	<b>59,362</b>	<b>46,294</b>	<b>38,138</b>	<b>26,726</b>

The Group's companies that are resident in Greece are subject to the provisions of L. 4172/2013 and an income tax rate of 26% (further information pertaining to the subsequent change in the income tax rate based on the provisions of L. 4334/2015, are presented in Note 14). 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, which is in effect 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.

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 QUANTUM ENERGY LTD	Cyprus	2011
- PPC BULGARIA JSCo	Bulgaria	2014
- PPC Elektrik Tedarik ve Ticaret A.S.	Turkey	2014
- PHOIBE ENERGIAXH S.A.	Greece	2007

**6. INVESTMENTS IN SUBSIDIARIES**

The Parent Company's subsidiaries are as follows:

	Company	
	30.06.2015	31.12.2014
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 ELEKTRİK TEDARİK VE TİCARET A.S	687	687
PPC Quantum Energiaki Ltd	-	-
<b>Total</b>	<b>1,130,064</b>	<b>1,130,064</b>

In July 2014, the Parent Company decided to increase the share capital of its wholly owned subsidiary PPC ELEKTRİK TEDARİK VE TIC, by Euro 663, which was paid in August 2015.

In August 2015, the Parent Company proceeded to the initial payment of the share capital of its 51% subsidiary PPC QUANTUM ENERGY LTD which amounted to Euro 51.

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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
	30.06.2015	31.12.2014		
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 Quantum Energy Ltd	51%	51%	Cyprus, 2011	Engineering, construction and operation of a power plant
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 ENERGI AKI S.A	100%	100%	Greece -2007	RES

**7. INVESTMENTS IN ASSOCIATES**

The Group and the Parent Company's associates on 30.06.2015 and 31.12.2014 are as follows (equity method):

	Group		Company	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Larco S.A.	-	-	-	-
PPC Renewables ROKAS S.A.	1,841	2,326	-	-
PPC Renewables TERNA Energiaki S.A.	2,734	2,297	-	-
PPC Renewables NANKO Energy – MYHE Gitani S.A.	2,405	1,639	-	-
PPC Renewables MEK Energiaki S.A.	1,758	1,241	-	-
PPC Renewables ELTEV AIFOROS S.A.	2,410	2,292	-	-
PPC Renewables EDF EN GREECE S.A.	10,585	10,683	-	-
Aioliko Parko LOYKO S.A.	27	28	-	-
Aioliko Parko MBAMBO VIGLIES S.A.	30	31	-	-
Aioliko Parko KILIZA S.A.	29	30	-	-
Aioliko Parko LEFKIVARI S.A.	34	35	-	-
Aioliko Parko AGIOS ONOUFRIOS S.A.	35	36	-	-
Renewable Energy Applications LTD	29	27	-	-
WASTE SYCLO S.A.	42	26	162	162
PPC Solar Solutions A.E.	975	974	980	980
	<b>22,934</b>	<b>21,665</b>	<b>1,142</b>	<b>1,142</b>

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**7. INVESTMENTS IN ASSOCIATES (CONTINUED)**

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

Name	Note	Ownership Interest		Country and year of Incorporation	Principal Activities
		30.06.15	31.12.14		
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.

**8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

PPC balances with its subsidiaries and its associates as of June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015		December 31, 2014	
	Receivable	(Payable)	Receivable	(Payable)
<b>Subsidiaries</b>				
- IPTO	71,604	(773,011)	306,804	(1,058,258)
- PPC Renewables S.A.	2,345	(837)	5,583	(837)
- HEDNO S.A.	166,803	(337,721)	75,696	(192,711)
- PPC Finance Plc	-	(6,190)	-	(6,171)
- PPC ELEKTRIK	37	(91)	-	-
	<b>240,789</b>	<b>(1,117,850)</b>	<b>388,083</b>	<b>(1,257,977)</b>
<b>Associates</b>				
LARCO (energy, lignite and ash)	248,222	-	229,321	-
	<b>248,222</b>	<b>-</b>	<b>229,321</b>	<b>-</b>

PPC's transactions with its subsidiaries and its associates for the period ended June 30, 2015 and June 30, 2014, are as follows:

	30.06.2015		30.06.2014	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
<b>Subsidiaries</b>				
- IPTO S.A.	58,051	(692,426)	299,310	(1,026,732)
- PPC Renewables S.A.	1,490	-	1,724	-
- HEDNO S.A.	608,003	(955,497)	656,037	(980,559)
- PPC Finance Plc	-	(18,519)	-	(15,268)
- PPC ELEKTRIK	398	(1,428)	-	-
	<b>667,942</b>	<b>(1,667,870)</b>	<b>957,071</b>	<b>(2,022,559)</b>
<b>Associates/Joint Ventures</b>				
LARCO	35,998	(3,082)	41,524	(4,518)
	<b>35,998</b>	<b>(3,082)</b>	<b>41,524</b>	<b>(4,518)</b>

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**8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

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

As of 30.06.2015, the Parent Company has guaranteed total loans of Euro 8 mil., through account credit agreements. As of 30.06.2015 PPC Renewables S.A. has used Euro 785, concerning letters of guarantee.

**Guarantee in favor of the subsidiary IPTO SA**

On 30.06.2015 the Parent Company has guaranteed IPTO's bilateral loans for a total amount of Euro 325 mil. The above mentioned guarantee was approved by the Parent Company's Annual Shareholders' Meeting.

**Transactions and balances with other 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.

	<b>Purchases</b>		<b>Balance</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>31.12.2014</b>
ELPE, purchases of liquid fuel	53,460	59,855	8,433	4,416
DEPA, purchases of natural gas	104,282	150,097	29,562	29,987
	<b>157,742</b>	<b>209,952</b>	<b>37,995</b>	<b>34,403</b>

	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
	<b>Receivable</b>	<b>(Payable)</b>	<b>Receivable</b>	<b>(Payable)</b>
<b>EMO S.A.</b>	149,146	(76,168)	166,038	(65,349)

	<b>30.06.2015</b>		<b>30.06.2014</b>	
	<b>Invoiced to</b>	<b>Invoiced from</b>	<b>Invoiced to</b>	<b>Invoiced from</b>
<b>EMO S.A.</b>	908,183	(1,315,327)	1,029,009	(1,318,989)

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, 2015 and 2014 have as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30.06.2015</b>	<b>30.06.2014</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
<u>Compensation of members of the Board of Directors</u>				
- Executive members of the Board of Directors	97	114	29	29
- Non-executive members of the Board of Directors	18	60	-	-
- Compensation / Extra fees	17	-	-	-
- Contribution to defined contribution plans	23	26	4	-
- Other Benefits	54	56	39	56
	<b>209</b>	<b>256</b>	<b>72</b>	<b>85</b>
<u>Compensation of Deputy Managing Directors and General Managers</u>				
- Regular compensation	309	342	280	314
- Contribution to defined contribution plans	93	114	83	104
- Compensation / Extra fees	-	-	-	-
	<b>402</b>	<b>456</b>	<b>363</b>	<b>418</b>
<b>Total</b>	<b>611</b>	<b>712</b>	<b>435</b>	<b>503</b>

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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 members, the Deputy Managing Directors and the General Managers.

**9. NET BORROWING**

During the first half of 2015, the Group proceeded to debt repayment amounting to Euro 43.3 mil. (Parent Company: Euro 41.2 million)

In January 2015, the total credit line of an overdraft facility by a commercial bank amounting to Euro 50 mil. was drawn by the Parent Company.

The loan obligations of the Parent Company and the Group as of 30.06.2015 are presented at the following table:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2015</b>	<b>31.12.2014</b>
Bank Loans	2,355,101	2,388,538	2,240,055	2,271,406
Bonds Payable	3,078,261	3,087,959	2,788,159	2,797,856
Unamortized portion of loan issuance fees'	(40,015)	(43,478)	(39,875)	(43,292)
<b>Total</b>	<b>5,393,347</b>	<b>5,433,019</b>	<b>4,988,339</b>	<b>5,025,970</b>
Less current portion				
- Bank Loans	163,229	133,305	136,206	104,196
- Bonds Payable	531,991	456,991	241,879	166,879
Unamortized portion of loan issuance fees'	(8,662)	(8,768)	(8,522)	(8,582)
<b>Total current portion of loans and borrowings</b>	<b>686,558</b>	<b>581,528</b>	<b>369,563</b>	<b>262,493</b>
<b>Non-current portion of loans and borrowings</b>	<b>4,706,789</b>	<b>4,851,491</b>	<b>4,618,776</b>	<b>4,763,477</b>
Short term borrowings	147,016	97,016	100,000	50,000
<b>Total loans and borrowings</b>	<b>5,540,363</b>	<b>5,530,035</b>	<b>5,088,339</b>	<b>5,075,970</b>

**Credit rating**

In February 2015, the rating house Standard and Poor's (S&P) affirmed the "B" credit rating of PPC SA and revised its outlook to negative from stable.

In addition within the same month, following relevant downgrade of the sovereign, Standard & Poor's, lowered PPC 's rating to 'B-' from 'B' and placed it on CreditWatch with negative implications.

In April 2015, the rating house Standard and Poor's (S&P), following relevant downgrade of the sovereign, lowered PPC's rating to 'CCC+' from 'B-' maintaining the CreditWatch with negative implications.

Within the same month, the rating house ICAP, lowered PPC's rating to 'C' from 'B'.

In June 2015 and July 2015, the rating house Standard and Poor's (S&P), following relevant downgrades of the sovereign, lowered PPC's rating to 'CCC' from 'CCC+' and to 'CCC -' from 'CCC', respectively, maintaining a negative outlook.



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**10. RECLASSIFICATIONS**

On June 30, 2015 the Group has proceeded to the reclassification of second quarter's figures in the income statement, as follows:

	<b>Group</b>		
	<b>01.04-30.06.14 published</b>	<b>Reclassification effect</b>	<b>01.04-30.06.14 reclassified</b>
Energy Purchases	323,029	(697)	322,332
Other(income) / expenses	133,922	697	134,619

These reclassifications were made in order to provide improved information.

**11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

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, that are not based on observable market data.

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

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

<b>Group</b>	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2015</b>	<b>31.12.2014</b>
<b>Non – financial assets</b>				
Fixed Assets	13,506,972	13,689,537	13.506.972	13,689,537
<b>Financial Assets</b>				
Trade receivables	2,036,027	1,772,670	2.036.027	1,772,670
Restricted cash	135,023	144,720	135.023	144,720
Cash and cash equivalents	701,987	434,511	701.987	434,511
<b>Financial Liabilities</b>				
Long-term borrowings	5,393,347	5,433,019	5.132.227	5,314,018
Trade payables	1,723,548	1,672,772	1.723.548	1,672,772
Short term borrowings	147,016	97,016	147.016	97,016

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**11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

Parent Company	Carrying amount		Fair value	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
<b>Non – financial assets</b>				
Fixed Assets	11,701,274	11,902,455	11,701,274	11,902,455
<b>Financial Assets</b>				
Trade receivables	1,899,795	1,638,789	1,899,795	1,638,789
Restricted cash	135,023	144,720	135,023	144,720
Cash and cash equivalents	461,607	248,318	461,607	248,318
<b>Financial Liabilities</b>				
Long-term borrowings	4,988,339	5,025,970	4,727,219	4,906,969
Trade payables	1,592,343	1,601,802	1,592,343	1,601,802
Short term borrowings	100,000	50,000	100,000	50,000

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

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

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

As at June 30, 2015, the Group and the Parent Company held the following financial instruments measured at fair value:

Group and Parent Company	Fair value		Fair value Hierarchy
	30.06.2015	31.12.2014	
<b>Financial Assets</b>			
Investments available for sale	2,115	2,394	Level 1
Financial derivative instruments	1,775	3,565	Level 2

**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 a daily limit for all ATM withdrawals and restrictions on payments abroad, consequently, affecting domestic transactions and transactions with foreign suppliers and creditors. Thus, household customers, corporate customers and the public sector are likely to delay their obligations payment, adversely affecting the Group's and the Parent Company's cash flows. Moreover, a significant part of the Group's and the Parent Company's debt is due to financial institutions abroad. While capital controls imposed currently remain in force, the Group and the Parent Company are required to seek the approval of the competent authorities in order to use cash to serve their debt. Finally, the Group's and the Parent Company's operations depend to a significant extent from foreign suppliers As capital controls imposed remain in force, the Group and the Parent Company are required to seek the approval of the competent authorities to use available cash to serve payments to suppliers abroad.

The lack of liquidity of the Greek banking sector which led to the imposition of capital controls has exacerbated economic uncertainty in Greece, which can affect the operation, the activity, the financial situation and the cash flows of the Group and the Parent Company.

On August 14, 2015, the Greek Parliament passed Law 4336/2015 on the Third Program on the Greek Economy Support. However, currently it is not possible to assess accurately the potential impact on the Greek economy and the impact on the activities, the operating results, the financial condition and the cash flows of the Group and the Parent Company from the application of the third support program .

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**12. COMMITMENTS AND CONTINGENCIES.**

**12.1. OWNERSHIP OF PROPERTY**

Key issues 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.

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

**12.2. LITIGATION AND CLAIMS**

The Group is a defendant in several legal proceedings arising from its operations. The total amount claimed as at June 30, 2015, amounts to Euro 1,630 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 629 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 42 mil. and Euro 11 mil., respectively.
3. **Claims by employees:** Employees are claiming the amount of Euro 198 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) (in Greek it is "OAP-DEI" i.e. PPC's Social Security Fund):** Until June 30, 2015, PPC Personnel Insurance Organization (former "PPC PIO", TAYTEKO/IKA at present) had filed, before the courts, seven (7) lawsuits against PPC, claiming an amount in total of Euro 87,704,000 and particularly seeking to:
  - (a) obtain the ownership of a building sold by PPC in 1999 for an amount of Euro 13,294,203. For this particular claim, a series of decisions have been issued (1767/2014 Supreme Court and most important 13/2010 Supreme Court), the latest being Decision Nr. 4909/13 of the Multi-Member Court of Appeal of Athens (MMCAA), which reversed Decision Nr. 2579/05 of the Multi-Member Court of First Instance of Athens (MMCFIA), which had declared void the transfer of the building, thereby questioning the ownership of PPC over it,
  - (b) obtain the ownership of the ground floor of the above mentioned building, owned by PPC and collect the rents amounting to Euro 2,318,076 (concerns rents until 30.04.2008) earned by PPC over a specified period of time by renting out the particular property. The outcome of the case has been resolved with Decision Nr. 1760/2014 of the Multi-Member Court of First Instance of Athens (MMCFIA) in favour of PPC.
  - (c) obtain the ownership of another building, of an estimated value of Euro 8,000,000. For the above mentioned case, there have been issued Decision Nr. 13/2010 of the Plenary Session of the Supreme Court (PSSC) and Decision Nr. 4841/13 of the MMCAA, (the later reversed Decision Nr. 7420/07 of the MMCFIA, which had declared void the transfer of the building, thereby questioning the ownership of PPC over it and an appeal is filed in the Supreme Court which was heard on 04.02.2015 and a decision is pending).

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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The above mentioned (a), (b) and (c) were based on Decision 13/2010 of the Plenary Session of the Supreme Court.

(d) be compensated for securities and shares which became property of PPC, and part of which has been sold, as well as for related dividends collected by PPC for a total amount of Euro 59,392,823. For the above mentioned case Decisions 2666/09 MMCFIA and 668/12 MMCAA were issued, in favour of PPC, while on an appeal was filed against Decision 668/12 MMCAA, which was heard on 24.11.2014 and for which a decision is pending.

(e) to oblige PPC to render detailed accounts concerning management of bonds that PPC kept on behalf of PPC – PIO' of an amount of Euro 55.000. For the above-mentioned matter Decision 495/2008 of the Athens Multi Member Court, Decision 1459/2009 of the Athens Appeals' Court were issued, and a positive outcome by the Supreme Court is expected.

(f) Finally, two (2) more lawsuits have been filed against PPC, before the MMCFIA with a total claim of Euro 3,961,924. The first lawsuit by OAP – DEI, TAYTEKO etc. (compensation regarding medical offices rentals due to non-concession of the Geraniou street property of Euro 1,643,848) was scheduled to be discussed on 06.11.2014 and was postponed for 06.04.2017 and the second lawsuit by OAP – DEI, TAYTEKO etc. was heard on 13.11.2014 (compensation for illegally collected rentals in the Filellinon street property for the period 01.10.2005- 30.04.2008 for Euro 2,318,076)

The aforementioned cases (b) – (e) are strongly expected to be resolved in favour of PPC pursuant to the recently issued Decision No 13/2010 of the Plenary Session of the Supreme Court regarding the (a) case, according to which reversed Decision 2567/2007 of the Court of Appeals, that had originally accepted PIOs' action against PPC.

Under a decision by the Supreme Court, the Court reached inter alia the decision that the prohibition of conveyance or any kind of freezing or change of Insurance Fund's "Insurance Fund of Personnel" assets, provided for under art.5 par.3 Law No. 163/1975, extends from the application (20.09.1975) of Law No 163/1975 until the repeal of the above mentioned Insurance Fund (taken place on 31.5.1985) and does not extend to time subsequent of the repeal, when PPC would become the assets holder under art.5 par.1 Law No. 163/1975, PPC remains the asset holder also for the establishment of PPC/PIO according to Law No 2773/1999, as in force.

The abovementioned Decision of the Plenary Session remitted the case to the Court of Appeals, which in turn issued Decision 4909/13 MMCAA and Decision 4841/13 MMCAA (an appeal has been filed as abovementioned in the Supreme Court was heard on 04.02.2015 and a decision is pending), in favour of PPC. The aforementioned Decision 13/2010 creates a precedent in relation to all other abovementioned pending cases (b) to (e) and therefore the established provision on December 31, 2009 was reversed within 2010 fiscal year.

**5. General Federation of PPC Personnel (GENOP DEI) and PanHellenic Federation of Retirees' (POS DEI) lawsuit against PPC**

GENOP DEI 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 and Decision 668/2012 of the Athens Court of Appeals, the Parent Company considers that the possibilities of an adverse outcome for PPC, for the lawsuit in question, are minimal and therefore, has not formed a provision.

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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**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 the 05.09.2012 appeal to the Athens Administrative Court of First Instance. The discussion of the appeal took place on 03.11.2014 and the issuance of a decision is 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. Lawsuits against HEDNO**

The companies "KENTOR" (former "ENERGA") and "NEW APPLICATION" (former "HELLAS POWER") have filed lawsuits before the MMCFA against HEDNO, which were to be discussed on 12.02.15 and 19.02.15 respectively, by which they claim amounts of Euro 520.8 mil. and Euro 361.3 mil., respectively. On 02.03.2015 both companies resigned expressly and unreservedly from the above mentioned lawsuits, by an out of court declaration.

**8. 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 for the sale of 66% of IPTO's (PPC's subsidiary) shares. The first request has been filed by five 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 on December 5, 2014 and a decision is pending. It is noted that apart from the above mentioned annulment requests, a relevant lawsuit is pending in the civil courts with a court date of 11/05/2016 (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

**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- by the Parent Company's participation in the wholesale electricity market.

In particular:

- By its first lawsuit IPTO is asking for an amount of Euro 242.7 (with interest) for amounts due which the Parent Company collects from supply bills and conveys to IPTO, that in turn conveys them to EMO (LAGIE). 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 amount 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 and has established a provision of Euro 30.3 mil. It is noted that PPC will file lawsuits against IPTO as well.

For the above amounts the Group and the Parent Company have established adequate provisions, which as at June 30, 2015 amounted approximately to Euro 164 mil. and 110 mil., respectively (30.06.2014: Euro 155 mil. for the Group and 79 mil. for the Parent Company), which are considered adequate for the expected losses, derived by the final judgement.

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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

Despite the fact that under the current legislation the Group does not have any obligation to cover in the future any deficit whatsoever between 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.

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.

***"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 the 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).

The Commission, by a letter in June 2014, has notified PPC, that it does not intend to further examine the complaint, given that, according to the Commission, the complaint in question pertains to amounts, which were defined, following an arbitration by an arbitrary court, to which the parties resorted to, mutually, and therefore it cannot constitute a "vehicle" of state aid, since it is not a state entity.

PPC has challenged the 22/8/2014 Commission's decision in front of the General Court of the European Union (case T-639/2014).

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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

On 17.04.2015 PPC was notified of a subsequent decision (dated 25.03.2015) of the European Commission, through which, the latter concluded, in relation to the decision dated 12.06.2014, 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 passed on to PPC a document, 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. The Court has set a deadline for PPC to answer by July 3<sup>rd</sup>, 2015, in relation to the above mentioned dismissal. PPC has filed a relevant memo (July 3<sup>rd</sup>, 2015) in front of the General Court. It has also filed (on June 29<sup>th</sup> 2015) an action for annulment according to art. 263 of the Treaty for the Operation of the European Union, against the abovementioned decision of the Commission, dated 25.03.2015 [Case SA 38101 (2015/NN) (former 2013/CP)].

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., for an illegal state aid, as a result of the implementation of a favourable tariff for the period January 2007 – March 2008. PPC has filed a memo, answering both the Commission and Alouminion's claims in the case, before the General Court on August 3, 2015. A hearing date 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 1/31.10.2013 Arbitration Decision. In addition, ALOUMINION, in months of negotiations has declined all proposed tariffs by PPC, since 2013, including the tariff decided by PPC's General Shareholders Meeting on 28.02.2014.

PPC by its Shareholders' General Meeting on 22.12.2014, decided that, as far as High Voltage Customers that have not accepted the tariff decided by its General Shareholders' Meeting on 28.02.2014: "the Management should have been committed to take measures against the companies not signing supply contracts 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. PPC asked that the complaint being dropped, the immediate payment of all amounts due by ALOUMINION being ordered and the infliction of administrative penalties to ALOUMINION.

RAE, by its letter to PPC and IPTO –notified to ALOUMINION- has proceeded to a recommendation to all parties to not execute the above mentioned order of deactivation.

Afterwards, on 28.04.2015 RAE, by a letter notified an excerpt of its 11.03.2015 plenary session, by which the discussion and decision on Alouminion's complaint is suspended until the resolving of some issues relating to the quorum demanded by law in order for a decision to be made on the above mentioned complaint.

On 20.03.2015 a document of the Competition Committee (CC) was notified to PPC, by which CC asks the submission of PPC's views on a memo submitted by ALOUMINION, with which the latter asked 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. In the hearing, the CC has postponed the hearing for 25.09.2015 and has issued a decision for a temporary suspension of PPC's order to IPTO for the deactivation of ALOUMINION's load meters and PPC's abstention from any activity for the interruption of supply of energy to Alouminion, until the issuance of the decision by the CC.

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**12. COMMITMENTS AND CONTINGENCIES (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. On June 10, 1991, although PPC has paid the overdue installments, the Bank has terminated all of the above mentioned loan agreements and thus on that date the claim against PPC became overdue for the whole amount of the loans.

For that reason, against PPC's above mentioned lawsuit, the Bank has proposed an offset of its claim resulting by the above mentioned loans, amounting to GRD 4 bil. approximately, and furthermore has asked the payment of this amount by PPC by its lawsuit dated 28.12.1995. The Court of First Instance has postponed the hearing of the Bank's lawsuit against PPC until the final outcome of the hearing, which started with PPC's lawsuit against the Bank.

The action was rejected by the Multimember Court of Athens and PPC appealed against the said Decision of the Court, which was also rejected by the Athens Appeal Court.

The above mentioned decision was brought to review by PPC before the Supreme Court, which accepted it and in consequence the case was again brought to trial before the Court of Appeals, which held that an expert report should take place. After the said expert report the Court's decision was held partially in PPC's 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 take 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 above-mentioned date and 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 owed 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 owed by PPC to the Bank of Crete on 01.07.1991 due to the loan amounts becoming overdue by the Bank and after the suggested by the Bank set off of its counterclaim against the above-mentioned PPC's claim, amounted to GRD 2,532,936,698.

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

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

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

On May 13th, 2008, PPC filed before the General Court of the European Union (General Court), an application for annulment of the Commission's decision of March 5, 2008 regarding the granting by the Hellenic Republic of lignite extraction rights.

The Greek State has intervened before the aforementioned Court in favour of PPC, while two competitors of PPC have intervened in favour 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 -defined as obligatory for the Hellenic Republic- the launching of public tender procedures for the concession of lignite rights for the mines of Drama, Ellasona, Vevi and Vegora to third parties excluding PPC, with the exception of those cases where there are no other valid and binding offers.

The Hellenic Republic was also obliged, to assure that the third parties that would be awarded the relevant extraction rights, would not sell to PPC the extracted lignite from the specific mines, with the exception of those cases where there would be no other valid and binding offers.



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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

PPC submitted an application for 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 favour of PPC. The hearing of the cases took place before the sixth circuit General Court on February 2, 2012. The General Court of the European Union on 20.9.2012 issued decisions for both cases.

In particular, as far as case **T-169/08** is concerned, the Court has ruled the following:

- State measures, which were in effect prior to the liberalization of the energy market, are preserved and continue to affect the lignite supply market, although PPC is not responsible for other companies failing to gain access to lignite reserves.
- PPC's part in the lignite's supply market was limited to the exploitation of reserves for which extraction rights were granted.
- The Commission did not support that PPC exploited its dominant position in the above mentioned market.
- The Commission did not prove that the advantageous access to lignite was capable of creating a situation, in which PPC, simply by exercising its lignite extraction rights would abuse its dominant position in the energy wholesale supply market or could be led to such abusive conduct. The Commission simply noted that PPC still has a dominant position.
- It is not clear, that PPC is in an advantageous position opposite to its competitors, in consequence of a state measure which constitutes an abuse of dominant position.
- It is not clear that, in order to admit the existence of a violation of article 86, para. 1 EC combined with article 82 EC, is adequate, in order to prove that a state measure falsifies competition by creating a situation of inequality of opportunities, between businesses without demanding definition of abuse of dominant position. Therefore it decided that granting to PPC the specific rights is not against European Union's law [ art.106 para.1(special or exclusive rights to public companies) combined with art. 102 (abuse of dominant position) of the Treaty for the operation of the European Union)].

As far as case T-421/09 is concerned the Court has annulled as irrelevant the above mentioned Commission's Decision of August 4, 2009, following the annulment of the Commission's decision of March 5, 2008, given that, it pertained to the executive part of the violation ascertained in the decision of March 5, 2008.

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

On March 25, 2013 the companies "MYTILINEOS S.A – GROUP OF COMPANIES", "PROTERGIA S.A." and "ALOUMINION S.A." filed before the European Union Court, an intervention petition in favor of the European Union and against PPC, for the annulment of the above mentioned Decision of the Court of September 20<sup>th</sup>, 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 it is able to drive the company to an abuse of 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. PPC has submitted a Memo with its observations to the Court within the legal deadline. Following that the other litigants "MYTILINEOS S.A – GROUP OF COMPANIES", "PROTERGIA S.A." and "ALOUMINION" have filed relevant memos and the appointment of a hearing is pending.

**Alleged claims of EMO (LAGIE), against PPC S.A.**

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

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

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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

In continuation to this letter, EMO allocating the total amount of Euro 96.6 mil. in seven monthly installments starting from August 2013, sent to PPC the related briefing notes amounting to Euro 13.8 mil., each. PPC considers 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 has been contested in court.

In particular, PPC has 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, and the decision is pending. In the meantime, the Council of State has 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.

In spite of the assessment that there are reasonable chances for a favorable outcome, following the intermediate decision of the Supreme Court, PPC 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 parallel 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 for December 9, 2015. Consequently and under the prerequisite that the State Council will not have issued a final decision, by that date, there is the prospect of postponing the above mentioned lawsuit since the validity of RAE's Decision 285/2013, depends on the State Council's decision, which constitutes the legal basis of the dispute in the court. Consequently PPC has not established a provision beyond the one mentioned previously.

Additionally, 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 by 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.

EMO has asked 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 in case of defeat. The lawsuit was scheduled to be heard in the Multimember Court of Piraeus on May 27, 2015, but was postponed for January 27, 2016. PPC considers that there is the possibility of postponement of the hearing of the EMO's lawsuit since a decision by the State Council is expected, considering the validity of RAE's Decision 285/2013, which is the legal base for the trial in the Court of First Instance. Consequently, PPC has not established a provision.

- **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 11 mil. to Euro 31 mil. per month and the total amount to be recovered could reach approximately Euro 120 mil. based on an estimated eight-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, nonetheless it is estimated that the matter will be settled legislatively.

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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**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 m, 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 is scheduled to be discussed on 22.09.2016.

**12.3. ENVIRONMENTAL OBLIGATIONS**

Key uncertainties that may influence the final level of environmental investment which the Group will be required to undertake, over the forthcoming decade, include:

**1. HPP Messochora (161.6 MW)**

According to Greek Law 3481/2006, the environmental terms for the continuation, completion and operation of the projects of the Acheloos River Diversion Scheme to Thessaly, in which Messochora HPP is included, were approved and their fulfilment is a prerequisite for the implementation of the projects and for which responsibility lies with the administrator, responsible for construction and operation of the respective projects.

Following the publication of the Law for Public Projects, as well as PPC's projects that have been auctioned and constructed or were under construction and were related to projects of the Acheloos River Diversion Scheme to Thessaly as well as energy projects were allowed to operate or be completed, according to the approved Administration Plan and the above-mentioned environmental terms.

Based on the above-mentioned terms the continuation of the project was allowed for the completion and operation of Messochora HPP as well as the completion of the construction project of the tunnel, which are already been completed and are finally delivered by 17.06.2010.

After the publication of Law 3734/2009, matters concerning the Messochora Hydroelectric Project are arranged. These matters concern expropriation of areas in the Messochora HEP Reservoir, expropriation of the Messochora Village and of the areas where it will be relocated and arrangement of compensations to the affected inhabitants. All the above mentioned expropriations are declared for public utility reasons of great importance and their settlement will allow the completion of the Project and the operation of the Messochora Power Plant.

Following 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.

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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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, in order to proceed with the procedures for the Decision of the relevant Ministers regarding the Environmental Terms for the Project, which is estimated to be completed in the second half of 2015.

After the publication of the Environmental Terms Decision, 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 2018.

On June 30, 2015 the aggregate expenditure amount for HPP Messochora amounted to Euro 280 mil., approximately and is expected to require an additional amount Euro 122 million to complete and operate the project, which is estimated to operate in 2018.

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 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 the country for the period 2008-2015, according to the provisions of the aforementioned Directive.

In December 2010, the new Directive (2010/75/ EC) was issued for industrial emissions (Industrial Emissions Directive – IED), which is effective from 06.01.2011 and which amends Directives IPPC and 2001/80/ EC. 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 the country 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 competent authority an application for several changes to the TNERP, along with its declaration to use the limited life-time derogation (Article 33) for certain Power Plants. After the approval of the competent authority the revised TNERP was resubmitted on March 18, 2014 by the country and was approved by the EU on July 07, 2014. Finally, according to the above, SES Agios Dimitrios, Meliti and Megalopolis A' and B' are included in the TNERP, while SES Amyntaion and Kardias will use the limited life-time derogation.

The revision process of the BREF LCP began in year 2010 and is currently underway. After the finalization of the revision process and the issuance of the, legally binding, conclusions of the revised BREF LCP, which is expected during 2017, additional investments for the main thermal power plants may be required.

3. The European Commission in December 2013 issued a proposal for a new Directive on the limitation of emissions of certain pollutants into the air from medium combustion plants (COM(2013) 919 final). The proposal applies to combustion plants of 1-50 MWth and includes different combustion technologies (boilers, internal combustion engines and gas turbines), as well as different fuels (solid, liquid and gas). Currently, the proposal is under the "trilogue" (European Commission, European Parliament and the Council) negotiation procedure and is expected to be finalized until the end of 2015 or the beginning of 2016. Despite the fact that the Directive foresees time extensions for plants located in SIS/MIS (application from 2025 for new plants and from 2030 for existing ones), its adoption will significantly affect the operation of the medium combustion plants located in the non-interconnected Greek islands.
4. The extent of land contamination has to be assessed for many of PPC's installations, following to 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 from PPC, in its premises in Ptolemaida area of an environmentally – controlled landfill site for the management and final disposal of asbestos containing construction materials, from the plants of the Northern System.

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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

6. During the operation of the Transmission Lines, Substations and Hyperhigh Voltage Centers, there is no electromagnetic radiation, but two separate fields, the magnetic and the electric field. At places where the public or the Company's personnel might find themselves close to the above mentioned lines and substations, the values for those fields are substantially less than the limits. Those limits were established by the International Commission on Non Ionizing Radiation Protection (ICNIRP) in collaboration with the World Health Organization (WHO). The above mentioned limits have also been adopted by the European Union as well as the Greek State.  
It must be noted though, that the limits stated in the above regulations for both fields do not constitute dangerous values, but rather contain large safety factors, in order to cover for some vagueness due to the limited knowledge about both the magnetic and electric fields' influence in order to fulfil the requirement for the prevention of any adverse impacts.
7. The Environmental Permit for Klidi Mine is expected to be issued.
8. Furthermore the Parent Company's Mine Environmental Department has carried out all required procedures, for the renewal of Environmental Permit for Amyntaio and Megalopolis Mines.

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

During March and May 2013, CO<sub>2</sub> emission licenses have been issued for all 31 PPC installations, for the 3<sup>rd</sup> implementation phase of the European Union Emissions Trading System (EU ETS phase III, from 1 January 2013 to 31 December 2020).

By the end of March 2015, the verification of the annual emissions reports regarding the year 2014 by accredited third party verifiers was completed successfully and the reports were promptly submitted to the Competent Authority. The total verified emissions of all 31 bound plants of PPC for 2014 amounted to 39.2 Mt CO<sub>2</sub>.

**Emission Allowances (CO<sub>2</sub>)**

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

In accordance with its verified CO<sub>2</sub> emissions for 2014, 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 year 2014 amounted to 39.2 Mt. During 2014, PPC has been allocated with about 150.6 thousands allowances for district heating emissions.

Based on the provisional ex-post data, the CO<sub>2</sub> emissions of the Parent Company's bound plants for the period 01.01.2015 – 30.06.2015 amount to 15.5 Mt. In addition, PPC's emissions for the rest of the year (01.07.2015 – 31.12.2015) are estimated at 20.1 Mt. It should be noted that the emissions of 2015 will be considered final by the end of March 2016, after the verification of the annual emissions reports by accredited third party verifiers. Consequently, the total CO<sub>2</sub> emissions that PPC will have to deliver for compliance purposes for the period 01.01.2015 – 31.12.2015 are estimated at 35.6 Mt.

**12.4. ENVIRONMENTAL INVESTMENTS**

***A new Steam Electric unit 660 MW in Ptolemaida***

The drawing up by the Contractor of the studies for the Project licensing and their submission to the Corporation 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 has been issued and the Contractor has been informed accordingly. Following that, PPC will pay to the Contractor the first advance payment of € 198 mil. against a Letter of Guarantee of Advance Payment of € 227 mil., which will be submitted to PPC by the Contractor, in order 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.

On 30.06.2015 the total expenditure for the project amounted to Euro 119 mil.

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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***A new diesel engine Power Plant 115,4 MW in South Rhodos burning of heavy fuel oil with low sulphur content***

Civil Works which begun in September 2014 at the area of main facilities of the Power Station in accordance with the Environmental Impact Assessment study and the new time schedule, are in progress.

PPC and the Contractor continue the preventive maintenance of engines, generators and transformers, which are temporarily stored in Elefsis port, and are scheduling the transportation of said equipment at the Project site within the second half of 2015.

On 30.06.2015 the total expenditure for the project amounted to Euro 110 mil.

***A new combined cycle unit at Megalopolis 811 MW***

All required works for putting the Unit into operation have been completed. The commissioning of the Unit with use of natural gas, which has been supplied by DESFA on 05.01.2015, is in progress.

The Unit is expected to enter commercial operation within the second half of 2015.

On 30.06.2015 the total expenditure for the project amounted to Euro 504 mil.

**HPP ILARION (157 MW)**

In July 2012, PPC SA announced the successful tapping of the diversion tunnel of the Ilarionas Hydroelectric Project and the start of the Reservoir impoundment. The works in the Substation, as well as the remaining works in the riverbed area downstream of the Dam, have been completed, the Units tests have been finished and the procedure in order to register in the Independent Power Transmission Operator's Units Registry, which is to be completed within the third quarter of 2015.

The Plant is expected to be set in commercial operation in the fourth quarter of 2015.

The total installed capacity of the plant is 157 MW and it is expected to generate, on an annual basis, approximately 330 GWh of "clean" electricity.

On 30.06.2015 the total expenditure for the project amounted to Euro 300 mil.

**12.5. 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' pending a decision. The decision was in PPCR's favor and the installation of the remaining three wind turbines is expected in the year 2015.

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.

**Hybrid Project in Ikaria**

The project of 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 2016.

**Exploitation Rights of the geothermal fields**

By decisions of the Deputy Minister for Environment, Energy and Climate Change concerning the outcome of 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, was awarded. The BoD has approved the acceptance of leases, however, the notarial deeds have not been signed by the Ministry yet. The deadline for signing the above notarial deeds leases has been extended until December 31, 2015.

**Production Licenses of two new Wind Parks in Rodopi**

In October 2014, the Regulatory Authority of Energy has issued the production licenses for two new PPC Renewables' wind parks of 106 MW total capacity and Euro 127.2 mil. in Rodopi region. In June 2015 a new generation permit by a wind park of 20MW capacity and a budgeted cost of Euro 24 mil. in an adjacent position with the two above mentioned parks.

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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Repowering of SHPP Louros**

In March 2014, PPC Renewables issued a public tender concerning the assignment of the project of the modernization and renovation of SHHP LOUROS, of 8.84 MW nominal capacity, with a budget of Euro 6.4 mil. and a submission deadline of June 24, 2014.

During the evaluation of the bids, new data arose as far as the amendment of technical requirements is concerned, thus leading to the annulment of the tender and its reissuance in 2015.

**12.6. IPTO S.A.**

**New investments by IPTO in the Energy Transmission System**

• **Electrical Interconnection of “NEA MAKRI - POLYPOTAMOS” and High Voltage Network in South Evia**

Following yearly endeavors, the subterranean interconnection section between the Nea Makri High Voltage Center to the Polypotamos High Voltage Center has successfully been electrified on 07/04/2015 while the overhead cable of the interconnection between the Polypotamos High Voltage Center and South Evia (Evia 7 High Voltage Center) was electrified on 24.07.2015 and begun its trial operation at the same day

• **High Voltage Center (HVC) 400 kV in Aliveri**

The construction of Aliveri's (GIS) HVC, which will serve the new thermal power unit and RES generators in Evia, has been concluded and is in operation. The temporary as well as the final acceptance of the HVC is pending.

• **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, has been concluded.

As far as the construction of the 400 kV interconnection lines of the Megalopolis HVC to the Patra area and from there through submarine and overhead transmission lines to the 400 kV Mainland System, the approval of Environmental Terms was granted at 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. 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 cable has been completed. The construction of the civil engineer works has started on the GIS station in Syros, the GIS station in Paros as well as the GIS station in Lavrio. The completion of the whole project is scheduled for the end of July 2016 although several delays in the civil engineer works have already been noticed.

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

IPTO has proceeded to preliminary actions for the implementation of the project, aiming to achieve the interconnection within the current decade. In the abovementioned context, a preliminary study of the seabed in collaboration with the University of Patras, has been conducted for the immersion of submarine cables. 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 various local authorities in Crete. The Crete Region and other local authorities, are indicating the Korakia position along the borders of the Rethimnon and Heraklion provinces as an acceptable position. The position is under consideration as are positions in the mainland such as positions in Attica or the Peloponnese.

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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

- **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. By 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 has 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, ATERMON S.A. as the contractor and a contractual price of Euro 26.7 mil. The project is to be completed by early 2017.
- **Upgrading projects of the 400kV System**
  - Replacement of switchgear equipment of 400kV in HVCs is currently being performed in the Pallini, Kardias, Larissa, Thessaloniki, Larimna and Distomo HVCs. The project has been completed as far as Pallini HVC is concerned. Specifically, obsolete air insulated 400 kV switches, are replaced with new SF6 insulated ones.
  - Reactive power compensation projects for 400kV Transmission lines by installing 400 kV self-inductances. More specifically the installation of two 400kV 30MVAR self-inductances in the Larimna (1) and Agios Stefanos HVC (1), respectively and one 50MVAR self-inductance in the Aliveri HVC (almost completed), have been included in the investment plan. Additionally, the siting for three (3) 400kV self-inductances in the Megalopolis HVC, has also been included in the investment plan.

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

By its Decision 560/25.11.2013 which was published in OG B' 3297/24.12.2013, RAE has approved the Ten Year Network Development Plan (TYNDP) of the subsidiary IPTO S.A. for the period 2014-2023, after having imposed some amendments concerning the schedule for the Cyclades Interconnection (3<sup>rd</sup> phase). The approved TYNDP 2014-2023, was published in OG B' 556/05.03.2014, based on RAE's Decision 77A/2014/18.02.2014.

From February 17, 2014 until March 17, 2014, IPTO has put into public consultation the preliminary draft of the TYNDP 2015-2024. Following that and after taking under consideration the outcome of the above mentioned public consultation, IPTO submitted the Ten Year Network Development Plan (TYNDP) for the period 2015-2024 to RAE, following Decision 34/20.05.2014 of IPTO's BoD. In the context of the approval process on June 16, 2014 RAE has submitted the TYNDP 2015-2024 to a new public consultation, with a deadline of July 18, 2014, pending the final decision. RAE has sent IPTO of its O-5967/29.09.2014 letter by which it notifies IPTO its remarks in the consultation and asks that it submits a revised TYNDP for the period 2015-2024, in order to be approved. IPTO has not proceeded to such submission but following an oral communication with RAE, agreed upon the issuance of a preliminary TYNDP for the period 2017-2026 and to submit it in public consultation by the end of the current year.

**Approval of the Annual Cost and Usage Charges for the Hellenic Transmission System for 2015**

RAE by its Decision 572/2014 has approved the Allowed Revenue for the regulated period 2015-2017 to Euro 254.7mil., 250.2 mil. and 261 mil. per year, respectively, as well as the required revenue for the year 2015 amounting to Euro 215.1mil. A decision by RAE is pending as far as the definition of the unit charges for the Use of the System for 2015.

**Use of Congestion Income, from the country's international interconnections access rights, for the year 2015.**

With its 571/2014 decision, RAE approved the use of Euro 25 mil. from the Reserves 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 Transmission System Annual Cost for the year 2015.



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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**12.7. BUSINESS COLLABORATION**

**PPC's Participation in waste management tenders.**

Waste Syclo, is a joint company by PPC S.A. and Terna Energy, with Terna Energy owning 51% and PPC 49% of the share capital, responsible for the study, construction of projects, provision of all types of services related to waste management in general, electricity generation from waste management, and urban and industrial waste water treatment, within the territory of Greece.

Waste Syclo submitted in May 6<sup>th</sup> 2014, an Expression of Interest in Phase A' of the tender published by the municipality of Corfu for the construction of an integrated solid waste management facility of Corfu, and has been preselected to continue to Phase B' when it will be tendered. At the same time the revision of the framework for the management of Attica's waste is expected, following the annulment of the previous tenders by the Attica prefecture in December 2014, within the establishment of the new National Waste Management framework.

**Business Collaboration with Quantum Corporation Ltd and the former Bank of Cyprus**

PPC - QUANTUM ENERGY LTD, is a company founded by PPC, Quantum Corporation LTD and the Bank of Cyprus, with share capital participation 51%, 40% and 9% respectively. This company has been appointed as the contractor for the "EuroAsia Interconnector" Project, according to the regulatory provisions of the European Regulation 347/2013. On November 11, 2014, following IPTO's letter of intent for the acquisition of 51% of PPC's participation in PPC QUANTUM ENERGY LTD, PPC's Board of Directors decided to initially accept, pending the fulfillment of certain commitments posed by IPTO S.A., by the abovementioned letter of intent. The abovementioned commitments have been fulfilled and the completion of the procedure is expected by IPTO.

**Collaboration framework with DEPA S.A.**

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

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

Furthermore the Parent Company proceeded to the supply of small quantities of natural gas through auctions (annual – 2015 and quarterly - Q1 2015) to which DEPA proceed in application of the Competition Commission's decisions.

For the year 2013 - and until today – DEPA has proceeded to a unilateral determination of the provisions on the contract between DEPA - PPC, of the implementation of the new DESFA tariffs, as far as the usage cost of borders' entry points is concerned as well as invoicing purchases of natural gas. The abovementioned charges have not been accepted by PPC and the relevant amounts of the invoices issued by DEPA, have not yet been paid. Both parties are in contact in order to settle the abovementioned matter.

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 (2012-2014).

Moreover, following the publication of the revised Operational Code for the National Gas System and according to the contractual provisions and DEPA's commitments to the Competition Commission, the latter has send to PPC a draft of the contract for the supply of natural gas without the inclusion of transportation through the national natural gas system. The draft in question is currently being negotiated by the two parties.

**Special Consumption Tax on Electricity**

The Parent Company is currently being audited by the Audit Department of Customs House and the Piraeus Custom House D', in relation to the special consumption tax on electricity for the period May 2010 to September 2012. The audit pertains to energy self-consumption by thermal plants, mines and hydro power stations. In the context of the audit the Parent Company has submitted a relevant explanatory memo with clarifications, following an invitation by the Piraeus Custom House D'.

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**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**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..

**13. SIGNIFICANT EVENTS**

**High Voltage Tariffs**

In the context of the February 28, 2014 Extraordinary General Shareholders Meeting, in which 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 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 has signed 22 supply contracts.

In addition, in January 2015, PPC announced that, in application of the Extraordinary General Shareholders Meeting of December 22, 2014 and in view of securing the public interest the Parent Company has reached an 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 according to the 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, for the definition of the price of supply of energy for the period 01.07.2008 – 31.12.2013 and in order for debts incurred by LARCO to be settled for the time before 31.12.2013, according to the provisions of the Code for Civil Procedure on 25.06.2015. At the same date the contract for the supply of energy, was signed as well.

Furthermore, it is 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 is feasible, by using all reconciliation means between the two companies and leaving the arbitration procedure as the last resort.

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**13. SIGNIFICANT EVENTS (CONTINUED)**

**VAT refund request**

On December 3, 2014 the Parent Company submitted a request for the return of credit VAT amounting to Euro 40 mil., relating to the period 01.01.2014 - 30.09.2014. The return procedure was completed in July 2015, following a tax audit and the entire requested amount was approved. The refund is realized through offsets with the Parent Company's tax obligations.

**Formation into body of the new Boards of Directors' of PPC S.A, IPTO S.A. and HEDNO S.A.**

In April and May 2015, the new BoDs of the Parent company and its subsidiaries IPTO S.A and HEDNO S.A were formed into body.

**14. SUBSEQUENT EVENTS**

**Income tax**

According to Law 4334/26.07.2015, the income tax rate for legal entities that reside in Greece increased from 26% to 29% and the advance payment of income tax increased from 80% to 100%. The change in the income tax rate will have a retroactive application effective January 1<sup>st</sup>, 2015, while the increase in the advance payment, based on the provisions of Law 4336/2015, from January 1, 2014.

This change in the income tax rate is expected to result to an increase in deferred tax liability amounting to Euro 90,195 and Euro 79,841 for the Group and the Parent Company respectively, of which Euro 62,672 and Euro 59,649 will be recorded directly to other comprehensive income. The current income tax is expected to increase by Euro 8,537 and Euro 7,750 for the Group and the Parent Company, respectively.

**Dividend distribution**

In July 2015, PPC S.A. announced that, according to the decision of its 13th Annual Shareholders' Meeting, which was convened on July 13, 2015 (following a postponement on June 29/2015) the distribution of a dividend of Euro 11,600 or 0.05 Euro/share, for the year 2014, without any further tax encumbrance for either the Parent Company or its shareholders.

**Bonds - borrowings**

During the period 01/07/2015 – 28/08/2015, the Parent Company proceeded to debt repayments amounting to Euro 120.5 million.

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**15. SEGMENT INFORMATION**

Sales and inter segment results are as follows:

	Sales		Profit (Loss) Before Tax	
	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014	01.01.2015 - 30.06.2015	01.01.2014 - 30.06.2014
<b><u>Interconnected system</u></b>				
Mines	331,945	385,436	(43,262)	5,220
Generation	837,401	1,131,024	(62,842)	71,522
Distribution Network	155,696	165,099	79,800	68,178
Supply	2,988,235	3,096,271	66,997	(113,329)
	<b>4,313,277</b>	<b>4,777,830</b>	<b>40,693</b>	<b>31,591</b>
<b><u>Creta Network</u></b>				
Generation	195,005	221,589	13,310	13,336
Distribution Network	11,315	11,643	4,808	5,471
Supply	350,356	320,259	29,917	6,602
	<b>556,676</b>	<b>553,491</b>	<b>48,035</b>	<b>25,409</b>
<b><u>Non-Interconnected Islands System</u></b>				
Generation	214,119	222,943	20,332	24,291
Distribution Network	10,371	13,714	3,225	1,005
Supply	339,090	298,100	17,583	4,490
	<b>563,580</b>	<b>534,757</b>	<b>41,140</b>	<b>29,786</b>
Eliminations (Parent Company)	(2,545,279)	(3,061,406)	1,325	(2,314)
<b>Total (Parent Company)</b>	<b>2,888,254</b>	<b>2,804,672</b>	<b>131,193</b>	<b>84,472</b>
IPTO S,A,	693,813	1,122,935	42,132	56,971
HEDNO S,A,	934,199	1,027,659	9,921	15,260
Group other Companies	24,992	26,644	9,779	4,731
Eliminations (Group)	(1,627,925)	(2,148,289)	(28,072)	(18,829)
Income tax	-	-	(59,363)	(46,294)
<b>Grand total (Group)</b>	<b>2,913,333</b>	<b>2,833,621</b>	<b>105,590</b>	<b>96,311</b>

## V. Figures and Information

