PUBLIC POWER CORPORATION S.A.

Financial Report

for the six-month period ended June 30, 2018

The attached Financial Report for the six month period ended June 30th, 2018, has been established according to article 5 of Law 3556/2007, has been approved by the Board of Directors of "Public Power Corporation S.A." on September 25th, 2018, and is available for the investors, on the internet, at the web site address www.dei.gr.

Public Power Corporation S.A.
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Chalkokondyli 30 - 104 32 Athens

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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. Panagiotis Alexakis, Member of the Board of Directors,
3. Christos Papageorgiou, Member of the Board of Directors

hereby

declare

that, to the best of our knowledge:

a) the accompanying interim Condensed Financial Statements of the Parent Company and the Group, for the six month period ended June 30, 2018, which were prepared according to the International Accounting Standards – currently in effect- as adopted by the European Union, are truthfully depicting assets, liabilities, equity and the statement of income of Public Power Corporation S.A., as well as the companies included in the consolidation, according to the provisions of the paragraphs 3 to 5 of article 5 of Law 3556/2007 and,

b) the accompanying Board of Directors' Report, truthfully depicts the development, the performance and the status of Public Power Corporation S.A. and the companies included in the consolidation, as well as a description of the confronted major risks and uncertainties.

Athens, September 25th 2018

Chairman and CEO	Member of the Board	Member of the Board
Emmanuel Panagiotakis	Panagiotis Alexakis	Christos Papageorgiou

II. Report of the Board of Directors

PUBLIC POWER CORPORATION S.A.
SIX MONTH REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD 1.1.2018 - 30.6.2018
(In accordance with the provisions of Law 3556/2007, article 5 par. 6)

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

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

The six-month Report for the period ended on June 30th 2018 is available on the internet at the web site address www.dei.gr.

PPC Group 1H2018 financial results

Group results have been impacted by the spin - off of the lignite subsidiaries (2018) and the sale of IPTO (2017), therefore the amounts are not comparable. For the convenience of the reader commenting on figures refers to continuing operations.

Group Key Financial Results

	1H2018	1H2017 *	Δ (%)
Turnover (1)	€ 2,200.2 m.	€ 2,359.8 m.	-6.8%
Total Operating Expenses (excl. tax, depreciation, net financial expenses and share of profit/ (losses) in associated companies) (2)	€ 1,915.8 m.	€ 2,269.8 m.	-15.6%
EBITDA (**) (3) = (1) - (2)	€ 284.4 m.	€ 90.0 m.	216.0%
EBITDA margin (4) = (3) / (1)	12.9%	3.8%	
Depreciation, total net financial expenses, share of profit/ (losses) in associated companies (5)	€ 311.3 m.	€ 339.5 m.	-8.3%
Pre-tax profits / (Losses) (**) (6) = (3) - (5)	(€ 26.9 m.)	(€ 249.5 m.)	-89.2%

Group Key Financial Results including one offs

One-off impact from the provision for personnel's severance payment (7)	€ 151.2 m.	-	
EBITDA (including one-off impact for the provision for personnel's severance payment) (8) = (1) - (2) - (7)	€ 133.2 m.	€ 90.0 m.	48.0%
EBITDA margin (9) = (8) / (1)	6.1%	3.8%	
Pre-tax profits / (Losses) (including one-off impact for the provision for personnel's severance payment) (10) = (8) - (5)	(€ 178.1 m.)	(€ 249.5 m.)	-28.6%
Net income / (Loss) (including one-off impact for the provision for personnel's severance payment) (11)	(€ 183.8 m.)	(€ 41.4 m.)	344.0%

(*) Restated amounts according to Note 5 to the 1H2018 Financial Statements.
(**) Excluding one – off impact from the provision for personnel's severance payment amounting to € 151.2 m.
For further information regarding definitions of ratios included in abovementioned figures, please refer to the Financial Report for the six-month period ended June 30, 2018 (Report of the Board of Directors – Appendix)

EBITDA from continuing operations amounted to € 284.4 m. an increase of € 194.4 m. compared to 1H2017.
This improvement is mainly attributed to the reversal of bad debt provisions for electricity customers by € 80.1 m., the decrease of payroll expense by € 15.3 m. and of other controllable operating expenses by € 10.4 m. as well as the decrease by € 62.2 m in the electricity suppliers' charge for the Special Account for Renewables. However, this charge remains high (€ 108.2 m.) negatively impacting the Parent Company, despite the fact that this account has turned positive having now a surplus - PPC being the main contributor to this account - due to increased CO_2 emission allowances prices, which negatively impacted PPC's corresponding expense by € 46.3 m in 1H2018 (or by € 52.2 m. including the relevant expense of lignite subsidiaries).

In addition, the net impact from "NOME" type auctions increased by € 20.2 m., amounting to € 45.7 m., impacting PPC results accordingly.

On a pre - tax level, operating losses are contained at € 26.9 m. in 1H2018 compared to losses of € 249.5 m. in 1H2017.

It is noted that a provision for personnel's severance payment of € 151.2 m. was recorded in 1H2018, which corresponds to the present value of the obligation undertaken by PPC and its subsidiaries due to the abolition since April 2018 (L. 4533/2018) of the offsetting of employees' severance payment amounting to € 15,000 in case of termination of their contract with the one–off allowance to which employees are entitled to by the relevant insurance organization. Taking into account the one - off impact of said provision, 1H2018 EBITDA amounted to € 133,2 m. compared to € 90 m. in 1H2017, while pre - tax losses amounted to € 178.1 m. compared to pre - tax losses of € 249.5 m. in 1H2017.

Finally, the results from discontinued operations regarding the activities of the Group's subsidiaries held for sale "Meliti Lignite S.A." and "Megalopoli Lignite S.A." include an impairment loss of € 240.6 m. which corresponds to the appraisal from an independent firm of the value of participation of the Group and the Parent Company to the two new Subsidiaries, which were created pursuant to the provisions of Law 4533/2018, so that the net value of the assets held for sale is presented at the lower one between their book value and their fair value after deducting expenses related to their sale. The appraisal did not take into account revenues from capacity payments, since currently no such mechanism is in place. If such a mechanism was implemented starting from mid 2019 and assuming a price of € 39,000 / MW for the entire life of the generation units of the two subsidiaries, then the impairment would be contained to € 98 m.

Revenues

Turnover decreased in 1H2018 by € 159.6 m. or 6.8% and amounted to € 2,200.2 m. compared to € 2,359.8 m. in 1H2017, due to market share loss and the reduction in electricity demand.

In detail:

Domestic electricity demand decreased by 2.5% in 1H2018, to 27,363 GWh compared to 28,053 GWh in 2017. However, total electricity demand (including pumping and exports) remained practically stable in 1H2018, due to increased exports from third parties by 50.4% through interconnections in northern Greece. This increase in exports is mainly attributed to the export of quantities acquired by third parties through "NOME".

PPC's average retail market share in the country, declined to 83.2% in 1H2018, compared to 87.9% in the respective period of 2017. In particular, the average retail market share in the Interconnected System was contained to 80.4% in June 2018 from 85.5% in June 2017, while PPC's average market share, per voltage, was 98.5% in High Voltage, 61% in Medium Voltage and 85% in Low Voltage compared to 98.6%, 66.6% and 90.6% in June 2017, respectively. As a result of lower demand as well as the reduction of market share, PPC electricity sales decreased by 6.7% in 1H2018.

PPC's electricity generation and imports covered 48.9% of total demand in 1H2018 (45.6% in the Interconnected System), while the corresponding percentage in 1H2017 was 49.7% (46.2% in the Interconnected System). PPC's market share in electricity generation, as a percentage of the total load of the Interconnected System was 41.7% in 1H2018 compared to 43.0% in 1H2017.

On the contrary, hydro generation in 1H2018 increased by 75% (1,297 GWh) compared to the respective period of last year, due to extremely high hydro inflows to the Reservoirs of the Hydro Power Plants.

Electricity imports increased by 16.9%, that is an increase of 776 GWh (203 GWh by PPC and 573 GWh by Third Parties). PPC imported approximately 19% of total imports.

On the contrary, lignite - fired generation decreased by 7.8%, a reduction of 462 GWh, while PPC's natural gas - fired generation decreased by 31%, that is a reduction of 1,159 GWh.

Operating Expenses

Operating expenses before depreciation excluding the one – off impact from the provision for the personnel's severance payment marked a significant decrease by € 354 m. Key factors for this decrease were the drastic reduction of bad debt provisions, the reduction in liquid fuel and natural gas expense as well as the reduction in the electricity suppliers' charge for the Special Account for Renewables, which as previously mentioned remains high. The reduction of this charge is offset by increased expense for CO_2 emission allowances, while the net impact from "NOME" type auctions is also higher.

More specifically:

Energy mix expenditure

- Expenditure for liquid fuel, natural gas, third parties fossil fuel, CO_2 and energy purchases decreased by € 177.8 m. (12.2%) compared to 1H2017.

In detail:

- Liquid fuel expense decreased by € 32.8 m. (10.4%), from € 315.7 m. in 1H2017 to € 282.9 m. in 1H2018 and is mainly attributed to the fact that the relevant expense in 2017 was negatively impacted by an amount of approximately € 30 m. due to the operation of the natural gas fired units of Komotini and Lavrio IV with oil, in order to address the energy crisis in the winter period of 2017, a cost for which PPC has not been compensated yet.
  It is noted that in 1H2018 there was a decrease in liquid fuel consumption due the lower electricity generation in the Non Interconnected Islands compared to last year when demand was higher, which was partly offset by the increase of heavy fuel oil and diesel prices (by 7.3% and 7.4%, respectively).

- Natural gas expense decreased by 33.1% to € 141.6 m. from € 211.6 m. in 1H2017 mainly due to the decrease of natural gas electricity generation and secondarily due to the lower natural gas price by 11.6%.

- Energy purchases expense from the System and the Network decreased by 14.8%, from € 846.8 m. in 1H2017 to € 721.7 m., mainly due to:
  - the lower volume of energy purchases by 15.2%
  - the decrease of the average System Marginal Price (SMP to € 53.1/MWh from € 54.7/MWh
  - the lower impact from the additional electricity suppliers' charge for the Special Account for Renewables which amounted to € 108.2 m. in 1H2018 compared to 170.3 m. in 1H2017.

  The negative effect from "NOME" electricity auctions at prices below SMP amounted to € 45.7 m. in 1H2018, that is an increase of € 20.2 m. compared to 1H2017.

- Expenditure for CO_2 emission rights increased to € 107.2 m. compared to € 60.9 m. in the respective period of 2017 due to the increase in the CO_2 emission rights' average price from € 5.12/tn to € 9.69/tn, despite lower emissions (11.1 m. tonnes compared to 11.9 m. tonnes). It is noted that for the first half of 2018, as a result of having already bought in advance certain CO_2 emission rights, the average price was contained to a lower level compared to the average spot price (€ 12.1/tn).

Payroll cost

The total payroll cost – not taking into account the payroll of the held for sale subsidiaries "Meliti Lignite S.A." and "Megalopoli Lignite S.A."-, but including : capitalized payroll , payroll of seasonal personnel and other personnel related benefits, decreased by € 16.3 m. to € 387.4 m. in 1H2018 from € 403.7 m. in 1H2017.
The number of permanent employees on payroll of PPC S.A. and PPC Group (excluding 1,319 employees of the above mentioned subsidiaries) amounted to 9,338 and 16,035 employees, respectively on 30.06.2018.

Provisions

In 1H2018 the Company's actions for the improvement of collection led to the decrease of overdue receivables and the reversal of bad debt provisions from electricity customers by € 80.1 m, whereas in 1H2017 the respective figure stood at € 124.9 m. The positive impact on 1H2018 results from this development amounted to € 205 m.
Provisions for litigation and slow moving materials, amounted to € 42.3 m. compared to € 11.1 m. in 1H2017.

Other Financial information

- Depreciation expense in 1H2018 decreased to € 278.3 m. compared to € 290.6 m. in 1H2017.

- Net financial expenses decreased by € 15.2 m. and settled at € 36.3 m. in 1H2018, due to the reduction of gross debt from € 4,419.1 m. on 30.06.2017 to € 4,106.6 m. on 30.06.2018.

Capex

Capital expenditure, amounted to € 338.4 m. in 1H2018 compared to € 201.2 m. in 1H2017. This increase is mainly attributed to increased Generation capex for the construction of the "Ptolemais V" unit as well as the increase in RES capex.
Capital expenditure also includes customers' contributions for their connection to the network, which increased slightly to € 31.3 m. in 1H2018 compared to € 28.8 m. in 1H2017.
Net capex of PPC Group, that is capital expenditure excluding aforementioned contributions, increased by € 134.7 m. or 78.1% and amounted to € 307.1 m. in 1H2018 compared to € 172.4 m. in 1H2017.

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

(in € m)	1H2018	1H2017	Δ
Mining projects	25.6	48.3	(22.7)
Conventional Generation	214.5	78.6	135.9
RES projects	20.7	0.4	20.3
Distribution network	76.0	72.2	3.8

Net debt

- Net debt stood at € 3,683.5 m. on 30.06.2018, a reduction of € 119.5 m. compared to 30.06.2017 and a reduction of € 273.7 m. compared to 31.12.2017. In February 2018, the Parent Company, proceeded to the partial redemption of € 150 m Senior Notes due in 2019, within the framework of the active management of its debt portfolio. PPC is currently monitoring its opportunities to access the international debt capital markets. The Company has mandated advisors to explore such opportunities, including the issuance of senior notes in a principal amount expected to range between € 300 and € 400 m and an expected 5-year maturity, all subject to prevailing market conditions.

Net Debt evolution

(in € m)	30.06.2018	31.12.2017	30.06.2017
Gross Debt (1)	4,106.6	4,304.5	4,419.1
Cash and cash equivalents / Restricted cash / Other financial assets (2)	423.1	347.3	616.1
Net Debt (3) = (1) - (2)	3,683.5	3,957.2	3,803.0

Financial Results of the Parent Company

Key Financial Results

	1H2018	1H2017 (*)	Δ (%)
Turnover (1)	€ 2,130.4 m.	€ 2,315.2 m.	*-8.0%*
Total Operating Expenses (excl. tax, depreciation, net financial expenses and share of profit/ (losses) in associated companies) (2)	€ 1,870.1 m.	€ 2,260.9 m.	*-17.3%*
EBITDA (**) (3) = (1) - (2)	€ 260.3 m.	€ 54.3 m.	*379.4%*
EBITDA margin (4) =(3)/(1)	12.2%	2.3%	
Depreciation, total net financial expenses, share of profit/ (losses) in associated companies (5)	€ 308.7 m.	€ 129.4 m.	*138.6%*
Pre-tax profits / (Losses) (**) (6) = (3) - (5)	(€ 48.4 m.)	(€ 273.7 m.)	*-82.3%*

Key Financial Results including one offs

One-off impact from the provision for personnel's severance payment (7)	€ 88.4 m.	-	
EBITDA (including the one -off impact from the provision for personnel's severance payment) (8) = (1) - (2) - (7)	€ 171.9 m.	€ 54.3 m.	*216.7%*
EBITDA margin (9) = (8) / (1)	8.1%	2.3%	
Income from IPTO sale (10) (***)	-	€ 198.6 m.	
Pre-tax profits / (Losses) (including the one -off impact from the provision for personnel's severance payment and the income from IPTO sale) (11) = (8) - (5) + (10)	(€ 136.8 m.)	(€ 75.1 m.)	*82.2%*
Net income / (Loss) (including the one -off impact from the provision for personnel's severance payment and the income from IPTO sale) (12)	(€ 144.9 m.)	(€ 29.6 m.)	*389.5%*

(*) Restated amounts according to Note 5 to the 1H2018 Financial Statements.
(**) Excluding one-off impact from the provision for personnel's severance payment amounting to € 88,4 m.
(***) This amount does not relate to the cash benefit for PPC from the sale of 49% of IPTO (24% to State Grid and 25% to the Greek State)
For further information regarding definitions of ratios included in abovementioned figures, please refer to the Financial Report for the six-month period ended June 30, 2018 (Report of the Board of Directors – Appendix)

Financial Results of HEDNO S.A./DEDDIE
(Hellenic Electricity Distribution Network Operator)

	1H2018	1H2017	Δ (%)
Turnover	€ 433.8 m.	€ 388.5 m.	*11.7%*
EBITDA (excluding the one-off impact from the provision for personnel's severance payment)	€ 21.3 m.	€ 28.8 m.	*-26.0%*
EBITDA margin	4.9%	7.4%	
One-off impact from the provision for personnel's severance payment	€ 62.7 m.	-	
EBITDA (including the one-off impact from the provision for personnel's severance payment)	(€ 41.4 m.)	€ 28.8 m.	*-243.8%*
EBITDA margin	-9.5%	7.4%	
Pre-tax profits / (Losses) (excluding the one-off impact from the provision for personnel's severance payment)	€ 18.3 m.	€ 25.6 m.	*-28.5%*
Pre-tax profits / (Losses) (including the one-off impact from the provision for personnel's severance payment)	(€ 44.4 m.)	€ 25.6 m.	*-273.4%*
(Net income / (Loss) (excluding the one-off impact from the provision for personnel's severance payment)	€ 13.6 m.	€ 18.4 m.	*-26.1%*
Net income / (Loss) (including the one-off impact from the provision for personnel's severance payment)	(€ 30.9 m.)	€ 18.4 m.	*-267.9%*

Financial Results of PPC Renewables S.A.

	1H2018	1H2017	Δ(%)
Turnover	€ 11.9 m	€ 11.5 m.	*3.5%*
EBITDA	€ 2.3 m	€ 6.6 m.	*-65.2%*
EBITDA margin	19.6 %	57.5%	
Pre-tax profits / (Losses)	€ 3.0 m	€ 2.9 m.	*3.4%*
Net income / (Loss)	€ 1.0 m	€ 1.5 m.	*-33.3%*

MAJOR EVENTS OF THE PERIOD

Significant events for the six month period of 2018 are presented in detail in Note 6 & 15 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

The Group's and the Parent Company's business, results of operations, financial condition and prospects depend highly on the macroeconomic and political conditions in Greece, as almost all of their assets and operations are in Greece. Due to the fact that the Group and the Parent Company are almost exclusively operating in Greece, any change or development in the macroeconomic environment can directly and materially affect their operating results, financial condition and cash flows.

The Group and the Parent Company continue to be subject to certain risks relating to :

- The residential and business demand for electricity.
- Changes in tax legislation.
- The deterioration in their Customers' financial condition and their ability to timely pay electricity bills.
- Capital controls and capital movement restrictions
- European economic and political developments

which may directly and significantly affect their activities, operating results, financial condition and cash flows.

Credit Risk

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

- Difficulties in payment and increases in delayed payments, by Low and Medium voltage customers as well as High voltage customers. Despite the fact that a large number of the Parent Company's customers have concluded favorable settlements for the payment of their overdue electricity bills and the granting of a uniform discount of 15% to all Low and Medium Voltage residential and business consumers, provided they timely pay their current bills and observe any settlement concluded or to be concluded, the Parent Company cannot estimate the number of customers that will observe the terms of their settlement in effect. Already a significant percentage of settlements is canceled through an automated procedure by PPC's IT systems due to customers' non-compliance to the respective terms.
- A sizeable number of enterprises, especially small and medium sized which cease their operations due to the economic conjecture and leave behind unpaid bills.
- The prospective increase of the Social Solidarity Tariff (SRT) beneficiaries along with the increased difficulty that these customers face in paying their electricity bills.
- The lack of the ability (following RAE's Decision) to transfer debts of the same customer between its various electricity bills for household use, which accounts for the majority of customers (70% of the customers).
- Incidents where customers (both household and commercial) with debts due to electricity consumption or electricity theft, attempt to change their electricity supplier under a different name (or a different Tax Identification Number) in order to avoid restrictions that the Electricity Code imposes.
- The fact that some customers under the pretext of the current economic downturn are not fulfilling their obligations or delay their payments, despite the fact that they afford to do so.
- Customers not accepting charges that are not directly related to electricity consumption, but constitute a significant portion of the electricity bill (e.g. PSOs and Renewables levy)

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

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

Additionally, the Parent Company's collection enforcement mechanisms may be affected by legislation or other administrative acts (for example by restricting disconnections for non-payment of electricity bills for certain categories of customers or in areas that are declared to be in an emergency state, where customers benefiting from such decisions stop paying their bills).

In December 2017, Qualco S.A. was engaged (through a relevant tender process) to : a) develop a debt management strategy for the Parent Company, b) define the framework and systematic actions for managing customer overdue debts and c) take over the management of a selected customer segment with overdue debts. However, there can be no assurance that these actions will contribute towards the reduction of the Parent Company's overdue receivables. Customers' inability to pay their bills on a timely basis combined with the Parent Company's difficulty in collecting the overdue payments may have a material adverse impact on its financial position, results of operations and cash flows.

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

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

- The increased delays in the payment or even non-payment of electricity bills.
- The obligation to pay Renewables levy (ETMEAR), Special Consumption Tax on electricity as well as VAT when due, irrespective of whether relevant amounts have been collected from the Group's and the Parent Company's customers.
- The burden associated with the collection of taxes and levies that are not related to the sale of electricity, such as municipal taxes and levies that are currently collected through electricity bills and the inability to pay for the electricity consumption amounts without paying in the same time amounts due to third parties;
- The continuous increase in the number of disadvantaged citizens included in the register of vulnerable customers that based on decisions of the State enjoy special privileges regarding (a) a longer period for paying their bills (40 days from the date of issue). b) the settlement of their debts in many installments and free of interest; c) limited penalties in the case of non-payment of bills and installments, since the supply of electricity cannot be disconnected due to debt, in their residence, almost throughout the year.
- Regulatory measures on the operation of the wholesale market, which burden the cost of purchasing electricity for PPC as a Supplier (new charges for the RES Account).
- The potential increase of commercial losses (non-technical losses), due to the non-suppression of incidents of electricity theft and arbitrary reconnection of electricity supply in cases of electricity disconnection due to debt.

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

Risk from exposure to the Banking Sector.
The Group and the Parent Company may be exposed to risks arising for the Greek banking sector (for example limitations effected by the Single Supervising Mechanism (SSM) of the ECB on loans for Public Entities).
It should be noted that as of June 30th 2018 the Group's and the Parent Company's debt obligations towards the Greek banking sector amounted to 36% of their total loan obligations.

Interest rate risk and foreign currency risk.
The Group's and the Parent Company's debt obligations consist of bank loans, bonds and overdrafts. It is the Group's and the Parent Company's policy to have a balanced distribution of the loan portfolio between fixed and variable interest rates depending on the prevailing conditions and to hedge on a case by case basis through derivatives, solely to mitigate risk, against the fluctuation of floating interest rates and/or foreign currency exchange rates affecting their debt portfolio.
As of June 30th 2018 no derivative transactions exist for loans or debt hedging

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

Credit Rating Risk.

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

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

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

Commodity price risk and risk from the Electricity Market.

The Parent Company is exposed to the risk of an increase in prices of oil, natural gas, electricity purchased from the System and the Network, CO_2 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. At the moment no derivative transactions exist for hedging price volatility of oil, natural gas and electricity. Also, tthe Parent Company has not established a hedging policy against the risk arising from the volatility of natural gas prices.

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

In terms of the risk arising from increased electricity purchase prices, it is hedged less and less by the Parent Company's vertical integration (internal hedge), since PPC's average share in the wholesale market (the Interconnected System) as of June 30^{th} 2018 amounted to 50.8%, while at the same period, PPC Supply's average share in the retail market amounted to 80.4%. It should be noted that this risk is proportional to PPC's market share gap in the electricity wholesale and retail markets.

Under these circumstances, due to the prevailing regulatory framework in the greek electricity market, that prohibit any form of bilateral contract or agreement between producers and suppliers of electricity, the Parent Company is not able to hedge portions of its purchase and sale commitments, and as such, it is unable to effectively hedge against wholesale market price volatility risk.

In addition, despite PPC's obligation to reduce both its electricity supply and its generation market share to below 50% by the end of 2019, the Group and the Parent Company cannot provide any assurance that the reduction of both market shares to the mandated levels within the prescribed timeframe will be achieved.

Finally, prices of the main materials (metals, etc.), except fuel, used by the Group and the Parent Company for their operation and development are determined on the international commodity markets, resulting to the Group's and the Parent Company's exposure to the risk of fluctuation of the relevant prices as well as to foreign currency risk, since there is no established hedging policy for this risk.

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

Since 2013, PPC is no longer allocated free CO2 emission rights (with the exception of small quantities corresponding to thermal power generation for district heating) and as its thermal power plants currently emit 30 Mt of CO2 approximately on an annual basis (of which approximately 6 Mt of CO2 corresponds to PPC's lignite generation capacity divestment according to Law 4533/2018), increased prices of CO2 emission rights will affect its operating costs. As PPC must acquire sufficient amounts of CO2 emission rights per year, there can be no assurance on the price level that such CO2 emission rights will be obtained in any future year. For the period from 2013 to 2020, the Parent Company expects to acquire the required CO2 emission rights from both the European and international markets, either through exchange transactions or through bilateral agreements. Although the Parent Company attempts to manage the risk arising from potentially increasing CO2 emission rights prices by monitoring markets and developments in Europe, as well as changes in the relevant regulatory framework, it is not possible to guarantee that this risk will be completely offset.

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

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

CO2 prices may be further affected by the potential rise in 2030 EU emission targets, which forms part of the EU commitments under the Paris Agreement, the ongoing dialogue about the EU climate targets for 2050 and the proposed upgrade of the EU renewables and energy efficiency targets for 2030 that was agreed by the European Council in October 2014.

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

Law 4559/2018 established and implemented the transitional Flexibility Compensation Mechanism, ie the availability of a Flexibility Service to the Hellenic Electricity Transmission System (HETS), for which the HETS Administrator pays compensation to the selected distributed generation units (selected Flexibility Service Providers) that have the capability of rapidly increasing or decreasing their power to meet the demand of HETS, following Distribution Instructions of the Administrator of the HETS. The duration of the Transitional Flexibility Mechanism expires, at a maximum, on December 31st 2019 or, if earlier, until the implementation of the Long-Term Adequecy Compensation Mechanism and is divided into two periods, where at least a tender procedure is carried out in each period. The first period expires on March 31st 2019 and the duration of the second period is from April 1st 2019 (the date that the new electricity markets are scheduled to commence their operations) until December 31st 2019. The first tender process will be held no later than September 30th 2018.

With the Ministerial Decision No ΥΠΕΝ/ΥΠΡΓ/53028/7626, the calculation methodology for the Distributed Hydroelectric Units Flexibility Power was established, ie the generation power level at which the Flexible Service Provider, being a Distributed Hydroelectric Unit, can be registered in the Flexible Provider Register after a request to the Administrator of the HETS. By RAE's Decision 780/2018, the provisions of the Greek Electricity Transmission System Management Code regarding the Transitional Flexibility Compensation Mechanism were amended accordingly. IPTO published the Initial Available Capacity of Eligible Electricity Generation Units for their participation in the Transitional Flexibility Compensation Mechanism, setting a deadline of fifteen (15) calendar days for the submission of an objection by an electricity generator in relation to its Units. PPC filed an objection against the publication of this table and, in particular, for the determination of the Initial Available Capacity on the one hand of the Megalopolis V Unit and on the other hand of all the Hydroelectric Units. Following the objection's rejection by IPTO, PPC submitted registration applications in the Registry of Flexible Units maintaining its reservations.

PPC has the position that, on the one hand, that no shortage of flexibility exists in the Electricity System (and therefore, there is no need for specific compensation of the service) and on the other hand that flexibility is mainly contributed both by the hydroelectric units and the lignite units, while at the same time the Greek system especially in the medium to short term, is more likely to face the risk of a lack of sufficient power than of the flexibility to provide power. Consequently, a permanent mechanism should be effected as soon as possible, which should compensate the availability of electricity in a fair manner, without discriminating between technologies and unit fuels, being as well a purchasing mechanism so that the compensation of the units to be freely derived from supply and demand. Also, suppliers of electricity should be able to participate in this mechanism from the side of electricity demand, in order to be taken into account in calculating the needs for adequate system power and the potential for border interconnections

Tariff risk for the competitive activities.
Following the liberalization of High and Medium Voltage tariffs, Low Voltage tariffs are fully liberalized from July 1st .2013 for end customers, excluding vulnerable ones.

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

Furthermore, the Parent Company may face difficulties incorporating a potentially increased commodity cost, as well as costs related to electricity and CO_2 emission rights to electricity bills, through increased tariffs.

Furthermore, despite the liberalization of tariffs, recent litigation and administrative action against the Parent Company, by certain HV customers, regarding the structure, the amounts and the payment of applied tariffs, indicate that PPC's ability to establish its own tariffs may continue to be restricted. If these ongoing legal disputes are not resolved in favor of PPC, the Parent Company's inability to establish its tariffs without further legal complaints could negatively influence its business, financial condition and results of operations.

Concerning the HV customers:

There were several tariff disputes, between ALOUMINION of Greece (ALOUMINION) and PPC since the termination of the initial (dating back to 1960) electricity supply contract of the said customer. The dispute about electricity price between the two parties was submitted before the Arbitration Court at RAE, which issued its decision on October 31st, 2013, setting the sale price of the energy component of the electricity at € 36.6/MWh for the time period from July 1st 2010 to December 31st 2013. PPC has filed an appeal for the annulment of the Arbitration Decision and a complaint to the European Commission (Commission) for state aid due to the price set by the arbitration court. Regarding PPC's complaint to the European Commission, the Commission, by a letter / decision of June 12th 2014, informed PPC that it did not intend to further examine its complaint. The Commission subsequently issued on March 25th 2015 a decision which found that PPC's complaint required no further investigation because no state aid existed. PPC appealed (on June 29th 2015) before the General Court against this decision (as well as against the above mentioned first letter / decision). Subsequently, on August 23th 2017, the Commission notified PPC of its new Decision (number (2017) 5622 final), which, according to the text of this new Decision, revokes both the 2014 letter and its confirmatory decision of 2015, replacing them with the new Decision. With this new Decision, the Commission has accepted that the measure in question does not constitute state aid for the same reasons as it set out in its 2015 Decision, which was repealed. PPC has lawfully appealed against this Decision and the hearing of the case is expected.

Regarding PPC's petition for annulment, the Athens Court of Appeal issued on February 18th 2016 a decision, which did not accept PPC's petition. PPC has not appealed to the Supreme Court against the Court of Appeal's decision.
Despite the discount approved on HV tariffs by the Extraordinary General Meeting of PPC's Shareholders of February 28th 2014, ALOUMINION only paid part of the electricity bills amounts.

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

After the discussion of the case, PPC submitted the relevant commitments Note undertaking that : a) within ten (10) days of the notification of the CC's decision, PPC would proceed in recalling the order for the deactivation of ALOUMINION's load meters which has been sent by PPC to ALOUMINION and IPTO SA. and b) that It will continue to supply electricity to ALOUMINION under the current terms and conditions, until the issue of ALOUMINION's electricity tariffs, will be resolved through either direct negotiation between the parties or by any other means. The above mentioned PPC's commitments were accepted by the CC, which issued the relevant decision (621 / 2015). Abiding by its commitments, PPC recalled the order for the deactivation of ALOUMINION's load meters. Negotiations between the two parties to reach an agreement on tariff policy for ALUMINION for the period from January 1st 2014 onwards had not yet been resolved when the Extraordinary General Meeting of PPC's Shareholders approved on October 5th 2016 ALOUMINION's pricing terms for the period July 1st 2016 – December 31st 2020, as well as the pricing terms for the period January 1st 2014 – June 30th 2016. In accordance with the EGM's decisions, a Supply Agreement was signed on October 20th 2016 between ALOUMINION and PPC. Under the signed agreement, ALOUMINION (currently "MYTILINEOS S.A – GROUP OF COMPANIES") proceeded to a prepayment of Euro 100 mil for future electricity bills for the first contractual period July 1st 2016 to June 30th 2017, as well as to a prepayment of Euro 29.1 mil for the second contractual period of July 1st 2017 to June 30th 2018.

Furthermore, LARCO, the Parent Company's largest outstanding debtor, is liable for sums due and payable to PPC related to the consumption of electricity and was systematically paying only a small part of its electricity consumption bills. Given that LARCO has challenged electricity tariffs for the period from July 1st 2010 to December 31st 2013, both parties had resorted to arbitration to determine the price of electricity for the said period, as well as the settlement of LARCO's debts to PPC. The Arbitration Court with its Decision No 13/15.02.2017 the supply electricity price for LARCO to €43.41 / MWh plus the CO2 emission rights charges, the regulated charges as well as other taxes and fees.

The terms of pricing as well as the settlement of LARCO's debts were approved by the General Meetings of the Shareholders of the two companies and were set out in the electricity supply and pledged receivables Contract of June 21st 2017 which provided for the securing PPC's contracted amounts. Due to LARCO's non-compliance with its contractual obligations mentioned above, PPC has already proceeded with actions provided for under the said contracts. In this context, an extrajudicial notice was served to LARCO (also notified to each Member of LARCO's Board of Directors), demanding LARCO to fulfil its contractual obligations under the supply agreement and consequently to pay €50 million until May 16th 2018.. As a result, a total amount of €15 million was credited against the debts concerned in May 2018.

As of June 30th 2018, LARCO's unpaid overdue debts amounted to €285 million, for which the Parent Company has established an equal provision for bad debts.

Given that LARCO continues to fail to fulfil its contractual obligations, PPC will proceed with further actions, taking into account the provisions of the Customer Electricity Supply Code and the contractual terms of the Supply Agreement signed between PPC and LARCO.

Similarly, other industrial MV and HV customers do not fully pay their electricity consumption bills alleging either lack of liquidity due to the adverse economic environment or non – acceptance of the competitive charges of the relevant tariffs. Although LARCO's Management has implemented measures and actions (with the support of greek government) in order to prepare a new business plan, aiming to improve its economic situation, there is no assurance that LARCO or such other industrial customers will discharge their debts for the amounts billed in relation to their electricity consumption. Any such events as described above may have a material adverse effect on the Parent Company's business, results of operations and financial condition.

Risk from regulated rates of return on Network activities.

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

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

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

Since according to the above mentioned Law the activities of PPC Group fall within its provisions, the "Regulation on Works, Supplies and Services acquired by PPC (Board Decision 206 / 30.09.2008)" are included in the repealed provisions of the said Law, some provisions of it need to be further clarified via ministerial decrees and new procedures concerning publications and implementation are coming into force (indicatively a new Body judges and issues awards on disputes arising during the bidding procedures, and following that , in case that a party questions the correctness of the above award, the administrative courts are competent to issue award on the dispute), there is a possibility that delays will occur concerning Procurement and Contract execution, resulting to an adverse impact on the Group's and the Parent Company's smooth running of their business activities.

Regulatory Risk.

The laws, regulations and policies of the Hellenic Republic and the EU affect the Group's and the Parent Company's business, financial condition and results of operations. Regulation of the Greek electricity market has changed significantly following the implementation of regulatory and legal reforms designed to liberalize and create more competition in the Greek electricity market. The European Commission monitors the Hellenic Republic to ensure that the Greek regulatory regime and electricity market comply with the applicable electricity directives and other EU laws and regulations. The European Commission and other EU institutions together with national courts and tribunals, also enforce European competition, environmental and other rules. The European Commission may adopt supplementary regulations at any time, and Greek law and regulations may change in the future pursuant to decisions of the EU institutions with respect to relevant directives, laws and regulations. Moreover, future changes in the EU or Greek government policy, including, for example, a determination that there is insufficient liberalization or competition in the electricity market, may influence future regulation. Potential amendments to the regulatory and legislative framework governing the greek electricity market, such as the implementation of EU legislation, as well as RAE's decisions concerning the regulation and functioning of the Greek electricity market in general, and any restructuring or other changes to the Group's and the Parent Company's business driven by the regulatory framework, may have a materially adverse effect on their business, financial condition and results of operations.

In particular, the Group's and the Parent Company's operations, contractual commitments and financial results may be impacted by the following main pieces of national and EU legislation:

- 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).
- Law 4389/2016 (Urgent Provisions for the implementation of the Financial Targets and Structural Reforms Agreement and other provisions).
- Law 4414/2016 (New operating aid scheme for RES).
- Decision No. 57/19.5.2017 of the Government's Economic Policy Council (Structural measures for the access of PPC SA to lignite).
- The amendments and/or supplements to Law 4512/2018 (Regulations for the implementation of the structural reforms of the Economic Adjustment Programme and other provisions) on issues relating to the establishment and operation of the Energy Exchange Market in the context of the reorganization of the Greek wholesale electricity market with a view to achieving the single European electricity market.
- Law 4533/2018 (Structural Measures for Lignite Access and Further Opening of the Wholesale Market) which stipulates the divestment of the lignite units of Meliti, Megalopolis III and Megalopolis IV and their associated mines.
- Law 4549/2018 (Provisions for the Integration of the Agreement concerning the Fiscal Targets for the period 2019-2022) and
- Decision No 85/2018 of the Government's Economic Policy Council by which amendments are introduced in connection with the handling of the balance of the Renewables Special Account and the quantities of the forward products to be auctioned.

Similarly, the package of Directives, regulatory decisions and guidelines announced by the European Commission on November 30th 2016 under the general title "Clean Energy Package" for the period 2021-2030, as well as Directive 2018/410/EC amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments may have a materially adverse effect on the Group's and the Parent Company's business, financial condition, results of operations and cash flows.

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

Risk from providing Public Service Obligations (PSOs).
The PSOs for which the Parent Company is entitled to compensation relate to :

- the supply of electricity to the Non-Interconnected Islands (NII) at the same tariffs as those in the Interconnected System.
- the supply of electricity at special rates to families with more than three children.
- the supply of electricity to the beneficiaries of the Social Residential Tariff (“SRT”) which is currently provided to persons of low income, families with three or more children, long-term unemployed, people with special needs and people on life support and
- 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 RAE’s Decision 14/2014.

Law 4067/2012 provided for the unit charges per customer category for the purposes of recovery of PSO compensation by electricity suppliers. These unit charges remained stable until recently.

RAE’s Decision 356/2014 set out the PSO compensation for 2012 and 2013, while RAE’s Decision 457/2015 set out the compensation for the SRT for 2014. After RAE’s Decision 356/2014 was issued, PPC submitted its objections to RAE regarding the correctness of applying the methodology for calculating the PSO compensation for the NII (RAE’s Decision 14/2014), since such application resulted in a decreased compensation for PPC (€52 million for the years 2012 and 2013). In view of this, PPC has filed petition no. 3875/2014 for the annulment of RAE’s Decision 356/2014 before the State Counsel.

Moreover, RAE’s Decision 688/2017 provided for a temporary PSO compensation for the NII for 2014, 2015 and 2016, while with RAE’s Decision 640/2017 the PSO compensation for the SRT for 2015 and 2016 was determined. Following the issuance of RAE’s Decision 688/2017 and since PPC had expressed its objections on the correctness of applying the methodology for calculating the PSO compensation for the NII for the years 2014-2016 (having proceeded to similar actions as those against RAE’s Decision 356/2014), PPC requested RAE to revise this Decision, since the PSO compensation for the years in question was lower by €44 million.. PPC’s objections were rejected by RAE (Decision 1038/2017) and the Parent Company filed petition No 3172/2017 for the annulment of RAE’s Decision 688/2017 before the State Council, as well as appeal NO PR386/12.02.2018 before the Athens Administrative Court of Appeals.
The above mentioned appeals were jointly heard on May 25th 2018 and a decision is pending.

At the same time with the issuance of RAE’s Decisions 688/2017 and 640/2017, RAE’s opinion 10/2017 was forwarded to the Minister of Environment and Energy, by which the Authority in principle considers that with Law 4067/2012 there has been a change in the recovery period of the PSO compensation from the deferred refund system in force until then, according to which the annual compensation due for the provision of PSOs was recovered in the following calendar year, to a simultaneous recovery system according to which the annual compensation due is recovered in the same calendar year.

Based on the above mentioned opinion, RAE proceeded to the clearing of the PSO Account for the years 2012 – 2016, advising (inter alia) the Minister of Energy of the cumulative deficit of the period, which according to RAE stood at €359.97 million.

In addition, taking into account the above RAE’s view and its opinion 10/2017, PPC faces the risk of losing the PSO compensation amount for the year 2011 standing at € 681.7 million (according to RAE’s Decision 1526/2011 which is still in force), which in accordance with the system of deferred refund system in force at that time, should normally have been recovered by PPC in 2012.

In view of the aforementioned regulatory developments, PPC, with its letter Δ/2950/27.9.2017, addressed in due time the Ministry of Energy and RAE, its objections to the above-mentioned RAE's view on the "simultaneity" of the recovery of the due PSO compensation during the same year, and requested that the State ensure the recovery of the above-mentioned compensation for the year 2011, due in full to the Company.

With a subsequent letter to the Ministry of Energy (ΓρΔ/3369/31.10.2017), PPC reverted to the matter, proposing the establishment of a legislative arbitration procedure for resolving the dispute in relation to the amount of the cumulative deficit actually incurred for the years 2012-2016 instead of the one determined through RAE’s Opinion 10/2017.
After the amendment of Law 4067/2012 by Law 4501/2017, the possibility to cover (in whole or in part) the cost of providing PSO’s from the state budget was established, provided that a Ministerial Decision from the part of the Minister of Finance was issued.

For the implementation of the above mentioned provision and after a Minister's of Finance Decisionan amount of € 476 mil. was paid from the state budget to the PSO special management account held by IPTO SA in order to be subsequently reimbursed to the recipients of the PSO compensation. From the above mentioned amount PPC received € 359.7 mil. in the first quarter of 2018, while the relevant Administrator has not yet proceeded to the final clearing of the PSO Special Account for the years 2012 – 2016.

Taking into consideration the above mentioned RAE's opinion 10/2017 and legislative changes, PPC is deprived of the PSO compensation for the year 2011 amounting to Euro 681.7 mil. which would have been normally recovered in 2012 with the deferral system which was applicable then (RAE's Decision 1526/2011)

Subsequently, by Law 4508 / 2017 which once again amended Law 4067/2012, new PSO unit costs were determined for the recovery of the PSO compensation, together with a procedure for revising them in the context of the monitoring of the PSO Special Account. Also, the provisions of N4001 / 2011 were amended, according to which HEDNO was designated as the exclusive Administrator of the PSO Special Account as of January 1st 2018.

Law 4512/2018 further amended Law 4067/2012 and implemented the process of the annual adjustment of PSO unit charges following a decision by RAE to avoid accumulation of future deficits or surpluses in the PSO Special Account, taking also into consideration the possibility of covering future PSO compensation from the state budget.

PPC with a letter on April 30th 2018 (notifying it to the Ministry of Energy and the Hellenic Corporation of Assets and Participations), reiterated to RAE the pending financial issues related to the temporary PSO compensation for the NII of the aforementioned RAE's Decision 688/2017, the pending recovery of 2011 PSO compensation, but also an overall valuation of PSO compensation due to PPC fom the initial institutionalization of PSO's in 2007 until 2016.

With Law 4549/2018, Law 4067/2012 was further amended and provision was made for the possibility of covering the cost of providing PSO's for the year 2019 from the state budget up to € 59 mil. and for the year 2020 up to the amount of € 68 mil. Also, as part of the monitoring of the PSO Special Account, the adjustment of the PSO unit costs in June and December of each year was established. in such a way as to zero the expected deficit for the current and next year, including any deficit from the previous year.

Taking into consideration the above mentioned regulatory developments, PPC for the time being is deprived From the PSO compensation for the year 2011 amounting to €681. 7 mil., wWhilw potential changes in compensation rights for the existing PSOs that PPC provides, or changes in the calculation methodology of such PSO compensation, which do not allow the full recovery of PPC's costs, or partial recovery of PSO compensation for previous years, or a potential introduction of new PSOs for which PPC may not be entitled to full compensation may have an adverse effect on the Group's and the Parent Company's costs, financial position, results of operations and cash flows.

Other regulatory risks – uncertainties.

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

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

Although some of these measures were transitional – like the transitional CAM (the "Transitional Flexibility Assurance Mechanism" according to L. 4389/2016) which expired on April 16th 2016, there can be no assurance that replacement regulatory measures which may create new distortions or market effects that are unfavourable to PPC will not be introduced. To the extent that such measures remain, or similar new measures are implemented, the Group's results of operations and profitability may be negatively affected.

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

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

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

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

Because the above measures have not led to the achievement of a zero deficit, according to the provisions of Article 23 of Law 4414/2016 (New operating aid scheme for RES) a new charge was imposed on Load Representatives (electricity suppliers), in order for the deficit of HEMO's RES Account to be reduced to zero by the end of 2017.

In particular, Load Representatives are required to pay a charge on the total energy absorbed by them from the wholesale market for their customers (excluding exports) multiplied by the difference between the System Marginal Price (SMP) in the wholesale market and the SMP that would have existed if the RES did not enter to the system. Specifically, the Load Representatives will be charged gradually as follows: for the fourth quarter of 2016 the charge amounts to 50% of the charge resulting from the application of the above methodology and for 2017 and onwards the charge amounts to 100%. This charge has a material adverse impact on the Group's and the Parent Company's financial results and cash flows.

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

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

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

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

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

PPC, following the State Council's interim decision, has recognized in its books since 2014 a provision of 50% of the amount of Euro 96.6 mil. due to the uncertainty of the recoverability of this amount in the future. In September 2016, PPC's application for annulment of RAE's Decision 285/2013 was rejected by the State Council (Section D', decision 1761/2016). As a consequence, PPC recognized the remaining 50% of the above amount in the results for the six month period ended on June 30th 2016.

However, after the issuance of such final decision of the State Council, EMO implementing the provisions of Article 61 of the Electricity Trade Code, allocated the whole deficit amounting to Euro 129.3 mil to Electricity Suppliers (Load Representatives) taking into account their share in the electricity supply market at the time the deficit arose. The allocated to PPC deficit amounted to Euro 126.4 mil. PPC reserving all its legal rights, approved the payment of the remaining deficit of Euro 71.8 mil. in 12 equal interest free installments starting in January 2017.

Furthermore in order to ensure it's legal and financial rights PPC filled with the Athens Multi-Member Court of First Instance a counterclaim against HEMO (LAGIE SA) claiming a compensation amount equal to the above-mentioned allocated deficit.

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

Risk relating to Forward Electricity Products Auctions.

Under the provisions of Law 4336/2015, PPC's market share both in the wholesale electricity market as well as in the retail electricity market should be immediately reduced by 25%, while from January 1st 2020 no entity will be allowed to either generate or import - directly or indirectly- energy quantities greater than 50% of the total energy quantity either generated or imported, annually in the country. The Competition Commission will assess the possibility of achieving the above mentioned objective by January 1st 2019 and in case of failure to achieve it, will propose appropriate measures. In case of the companies' non-compliance, fines amounting to 5% up to 10% on the annual turnover of the previous year will be imposed. Laws 4389/2016 and 4472/2017 as well as Decisions 35/2016, 38/2016, 58/2017, 68/2017 and 77/2018 of the Government's Council for the Economic Policy determine PPC's share market levels in the retail market for the period 2016 – 2019 (87.24% for 2016, 75.24% for 2017, 62.24% for 2018 and 49.25% for 2019) as well as other key features for Regulated Forward Electricity Products Auctions, including cost elements that should be taken into account for the calculation of the Auctions' starting price. It should be pointed out that in the context of the changes in the Greek energy market and the transition from the current Mandatory Pool model to the Target Model it is contemplated by the aforementioned decisions of the Government's Council for the Economic Policy that the Special Purpose Regulatory Mechanism (NOME) has been designed in a way as to be applicable irrespective of the underlying regulatory framework.

Beneficiaries of forward products are licensed suppliers (which would be registered in a special register solely for forward electricity products purposes) with the exception of PPC and other industrial electricity consumers. More specifically, industrial electricity consumers may not buy forward products unless they maintain or develop a separate electricity supply activity. With the Joint Ministerial Decision FIN.182348 (OG B' 2848/07.09.16) the methodology for the determination of the starting forward products auction's prices was established as well as the therefrom resulting price for the first period of implementation of the mechanism, which amounted to €37.37 / MWh. The abovementioned price was set considering the total lignite and hydroelectric production for 2015 as well as PPC's variable costs as further defined in this Joint Ministerial Decision. The abovementioned starting price was applicable for the first three (3) forward products auctions. On July 2017, the above mentioned minimum price was updated using the same calculation methodology on the actual data for the year 2016 resulting in a new starting price of €32.05 / MWh. This price was used for the fourth, the fifth and the sixth auction and was applicable as well for all auctions until the end of June 2018.

The quantities, the price and the other characteristics of regulated forward electricity products auctions may have a significant impact on the financial position, operating results, liquidity and prospects of the Parent Company. Especially in terms of quantities - and despite the fact that Law 4389/2016 provided for the quantities of forward electricity products to be auctioned each year to be a percentage of the annual demand of 8% for 2016, 12% for 2017, 13% for 2018 and 13% for 2019, Law 4472/2017 eventually establishes increased annual quantities of forward electricity products to be auctioned: 16% of the annual demand for 2017, 19% for 2018 and 22% for 2019. These increased quantities are valid provided that the annual target of PPC's market share decrease as provided by Law 4389/2016 is met, while if PPC's market share exceeds the annual target by more than two (2) percentage points, then the annual quantities to be auctioned will increase accordingly, which may have a particularly adverse effect on the liquidity, the financial results and the prospects of the Parent Company.

On top of the above mentioned quantities additional quantities were auctioned each year as an adjustment mechanism because PPC's retail share failed to drop to the target share. In June 2018, additional NOME quantities were reduced by 50% further to the launch of the international tender process in connection with the divestment of approximately 40% of PPC's lignite generation capacity due to the adjustment mechanism on the assessment of the interim targets of June 2018. Once the preferred bidders (investors) are selected through the international tender procees and the Share Purchases Agreements (SPA's) are signed, the NOME quantities adjustment mechanism will be removed.

The Parent Company is already facing strong competition in the retail electricity market, after the liberization of tariffs for Low Voltage customers due to the operation of third party electricity suppliers, in the a situation of very low prices in the wholesale electricity market. Competition in the retail market is expected to intensify as a result of the implementation of forward electricity products auctions, as well as due to the other provisions of Laws 4336/2015, 4389/2016 and 4472/2017

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

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

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

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

Similarly the Group and the Parent Company will be adversely affected if the price of forward products, as will be set within the relevant auctions, does not cover the full cost of electricity generation but only part of these costs. This risk appears particularly high, since the already set starting auction price for auctions is based only on variable cost of lignite and hydroelectric production, and specifically only on the variable costs of lignite mines, so it is uncertain whether the remaining fixed costs can be recovered through auctions (capital costs, salaries, depreciation, etc. of the production units and lignite mines).

Finally, if the sale price of forward products, as this will be set within the relevant actions, is lower than the System Marginal Price (as the latter is being set from the Day Ahead Schedule), the participating PPC's power plants in forward products (lignite and hydro power units) will undergo significant revenue losses, and as a result the Group's and the Parent Company's business, financial condition, operating results and prospects will be adversely impacted.

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

Indicatively, the final weighted average settlement prices of auctions already performed, were significantly lower than both the System Marginal Price and PPC's production costs.

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

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

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

In this context, in January 2018, the Hellenic Republic proposed to the European Commission's Directorate-General for Competition as a binding structural measure the disinvestment of three (3) existing lignite units of PPC, namely Meliti 1 (330 MW installed capacity), Megalopolis 3 300 MW) and Megalopolis 4 (300 MW), as well as the production license for a new lignite unit (Meliti 2, 450 MW), together with the exploration and exploitation rights of the respective lignite mines (Megalopolis mine for the units Megalopoli 3 and 4 and the mines Kleidi, Meliti hills and Vevi for Meliti).

The Directorate-General for Competition conducted a market test for the aforementioned commitment of the Hellenic Republic. In addition, following the above, the Greek Parliament on April 25th 2018 passed the legislative provisions entitled "Structural measures for access to lignite and the further opening of the wholesale electricity market and other provisions", which establishes the process of the spin-off and the contribution of two (2) lignite sectors of PPC SA in two (2) new companies (one in Meliti and one in Megalopolis), the framework of the international tender procedure for the sale of the shares that PPC SA will acquire, the responsibility of PPC SA for the two (2) new companies and, the employment relations of the employees in the two (2) new companies. The international tender was announced on May 31st 2018, while the two (100%) subsidiaries of PPc (Meliti Lignitiki S.A. and Megalopoli Lignitiki S.A.) were established on June 30th 2018. The legal establishment of each company was made by registration of the spin-off contract at the Companies Registry.

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

Finally, there can be no assurance that the Parent Company will not be required to proceed to further lignite (or other) production divestment in the future, in order to comply with its obligation to reduce its market share in the electricity production and supply markets. In addition, the Parent Company is not in a position to influence the price at which these assets will be sold.

Other risks relating to Law 4336/14.08.2015.

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

- RAE's jurisdiction on monitoring the account of entities operating in the energy and the natural gas sectors as well as the account of the Transmission System and Distribution Network's Operators, ensuring that there will be no cross subsidies between generation, transmission, distribution and supply of electricity and
- The obligation of the Authorities to enact regulations concerning the offsetting of debts between PPC and the market operator. They will implement discontinuation contracts as adopted by the European Commission (intermittent load auctions have already been implemented following Ministerial Decision OG B' / 2861 / 28-12-2015). The obligation of the Authorities to introduce a new plan for the upgrade of electricity networks, in order to improve performance, enhance interoperability and reduce costs for consumers.
- The Authorities' obligation, by October 2015, to review energy's taxation as well as to reinforce RAE's financial and operational independence.
- The Authorities' obligation, by December 2015, to approve a new framework for the support of the Renewable Energy Sources, preserving their economic viability; establish a new scheme for the upgrading of the energy Networks and to initiate the implementation of the roadmap for the harmonization of the energy market with the European Target Model by December 2017. By Law 4414/2016 the new framework for the support of RES was enacted in line with the above mentioned provision of Law 4336/2015.

In Addition, by Law 4336/14.08.2015 the Greek State had committed to proceed with the ongoing privatization program. The Hellenic Republic Asset Development Fund's (HRADF) BoD has already approved the Asset Development Plan (ADP) which provides for the privatization of assets already held by HRADF by December 31st 2014. With Decision 33/2016 of the Government Counsil for Economic Policy, the Business Plan of HRADF was approved.
Currently , it is not possible to accurately assess the potential impact on the Greek economy and on the activities, the operating results, the financial condition and cash flows of the Group and the Parent Company from the application of the provisions of Law. 4336/2015.

Risk from the absence of Fixed Asset insurance.
Currently, the Group and the Parent Company do not maintain insurance against the usual risks associated with their power plants, 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 compared 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 against third party liabilities with respect to distribution networks. During construction, major assets (except for networks) are insured by EPC contractors for their construction period. Cash in offices and agencies or in transfer is insured against theft, as well as transports of liquid fuels.

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

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

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

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

Increased production costs, increased stripping ratios, changes in the regulatory regime governing the Parent Company's mining operations, the adoption of political decisions both by the EU and Greece, contributing to the reduction of the country's carbon footprint and the reduction of the exploitation of fossil fuels to generate electricity, the significant decline in oil prices and consequently natural gas prices and the increase in the price of CO_2 emission rights burdening lignite fired electricity plants costs may result from time to time in a revision of reserve data or may render exploitable reserves uneconomical to exploit or unexploitable in the future.

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

Risk relating to the dependency from the electricity transmission system
The transmission of electricity from the Group's power plants to its distribution networks is dependent upon the infrastructure of the transmission system in Greece. The Group and the Parent Comany have no control over the operation of the transmission system and they must rely on IPTO, their former subsidiary, which operates the transmission system in Greece. Any failure of the transmission system, including as a result of natural disasters, insufficient maintenance or inadequate development, could prevent the distribution of electricity from their power plants to end-consumers, which in turn could have a material adverse effect on their business, results of operations and financial condition.

Risk relating to the operation and the generation capacity of the Non-Interconnected Islands (NII) network.
Electricity needs of Non-Interconnected Islands are served by autonomous oil-fired power plants, though some of the islands' demand is also covered by Renewables facilities. In order to cover electricity demand in the Non-Interconnected Islands, especially during the summer months, when electricity consumption increases due to tourists, the Group and the Parent Company may rent or transfer generation capacity, from one island to another, as needed. The same procedure, of renting or transferring generating capacity, is also followed when demand in an island cannot be covered due to an unexpected major failure, and only for the time needed to repair the failure. The Group and the Parent Company cannot guarantee that failures in the Non-Interconnected Islands Network will not occur in the future or that they will be able to cover demand in the event of such failures. Any such failures in the Non-Interconnected Islands Network may have an adverse effect on the Group's and the Parent Company's business, financial condition and results of operations, as well as on their reputation.

EPC related risks.
The Group and the Parent Company face risks relating to the construction of electricity generation units, 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 an adverse impact on the Group's and the Parent Company's ability to purchase liquid fuels, spare parts and materials, as well as finding sufficiently competitive conditions in the domestic market and have engineering, procurement and construction ("EPC") contracts completed in a timely manner and may increase the Group's and the Parent Company's operating and maintenance costs as well as planning times.

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

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

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

Simultaneously, the Group is one of the largest industrial groups in Greece, with complex activities and operations across the country. In the ordinary course of its business, from time to time, competitors, suppliers, customers, owners of property adjacent to the Group's properties, the media, activists, and ordinary citizens, raise complaints (even to public prosecutors) about the Group's operations and activities, to the extent they feel that such activities and operations cause or are likely to cause economic damage to their views and/or interests, businesses or properties and, in the context of advancing those complaints, they often file criminal complaints against the Group. In this context, reports involving complaints and accusations for allegedly unlawful acts of executives against the Group usually involve their further investigation by the Prosecuting Authorities in the so-called preliminary proceedings, which usually ends up in the closing of the investigated case due to lack of conclusive evidence.

These practices have intensified during the recent economic crisis, as public prosecutors and the general public have generally become more sensitive to similar allegations, especially against companies in which the Hellenic Republic is a major shareholder and are viewed as operating in the public interest.

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

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

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

Since 2012, the Parent Company has been subject to a special levy for lignite generated electricity equal to €2.00 / MWh and a special tax on natural gas which was abolished from June 1st 2016.

Currently, the Group does not pay any royalty, concession fee or other fee for lignite extraction or for water used on its hydropower plants. The application of any new royalty regime may require the abolishment of the current regime and the Group cannot guarantee that any form of royalties, concession fees or other fees on its lignite or hydropower production will not be introduced by the Greek Government in the future.

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

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

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

It should be noted that the Group did not have for several years (till today) the ability to recruit experienced personnel in the range of its business activities while, today's average personnel age is approximately 49 years. The Group's inability to recruit specialized personnel negatively affects the ability of the new PPC Group to elaborate and implement its strategy in the new competitive and financial environment, as well as to adequately staff basic supportive operations at the level of new subsidiaries. Finally, there is a risk of losing managers and experienced personnel to the competition mainly because of restrictions on remuneration policies. The viability and development of PPC Group in the new business environment notably depend on the ability to attract and maintain skilled and specialized personnel and executives. According to L. 3833/2010 and L. 4057/2012 , concerning the recruiting of permanent staff an approval of the Interministerial Committee is necessary (AIC 33/2006), as well as an allocative act of the Minister of the Interiors and Administrative reorganization according to the 1:4 ratio (a recruitment for every four employees leaving) for the year 2017 and 1:3 for the year 2018 concerning all public sector entities .By the above mentioned and introduced by law hiring procedure, the Parent Company's recruitment needs are significantly hindered, creating critical lack of personnel and managers and may have a negative impact on the implementation of the Groups' activity.

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 their employees and the subcontractors 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, although compliance cost for health and safety rules is relatively low.

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. The Group is also involved in court cases raised from victims of serious work-related accidents or from the families of deceased persons. 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 environmental 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.

Moreover, regarding the risk of cyber-attacks, the Group and the Parent Company take all appropriate measures to counter this risk, for which reason no such incidents have occurred. However, no assurance can be given that such an event will occur in the future, in which case there will be an adverse effect in the Group's and the Parent Company's operations.

Risk from the non-compliance to the European Union's General Data Protection Regulation ("GDPR")
The new GDPR entered into force on May 25th 2018. The GDPR implements more stringent operational requirements for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities. Although the Group and the Parent Company have taken all action required in order to be compliant with the above mentioned guidelines, they operate in an industry in which they process a considerable amount of personal data and therefore are inevitably more exposed to the risk of being penalized for failing to comply with the regulations imposed. If the Group and the Parent Company fail to maintain compliance with applicable data collection and privacy laws or other applicable data security standards, they could be exposed to fines, penalties, restrictions and litigation. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability for the Group and the Parent Company, damage their reputation, and adversely affect 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 the Group's activity expansion and the acquisition of new subsidiaries.
The Group and the Parent Company continue to evaluate investment opportunities in the future and may expand their operations both domestically and in other countries or in new markets. They may face many risks inherent in expanding operations and doing business on an international level, such as unexpected changes in regulatory requirements, default by their joint venture partners, trade barriers, including import and export controls, tariffs, customs and duties, difficulties in staffing and managing foreign operations, problems in collecting amounts receivable, political instability, expropriation, nationalization, war and other political risks, fluctuations in currency exchange rates, foreign exchange controls which restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions, and potentially adverse tax consequences. Any failure to manage the risks associated with the Group's expansion of operations could have a material adverse effect on the Group's and the Parent Company's business, results of operations and financial condition.

While the Group and the Parent Company intend to undertake due diligence reviews in relation to acquisitions, such reviews may not reveal all existing or potential risks and liabilities and they cannot give any assurance that their acquisitions are not or will not become subject to liabilities of which they are unaware. While the Group and the Parent Company always ask to be provided with warranties and indemnities where practical and appropriate, they cannot give any assurance that they would be able to enforce their contractual or other rights against the relevant sellers or that any warranties and indemnities would be adequate to cover potential liabilities. The acquisition of business or assets with risks or liabilities of which the Group and the Parent Company were or may be unaware, or did not correctly assess or assume, or against which they did not obtain full legal protection, could have a material adverse effect on their business, results of operations and financial condition.
The Group and the Parent Company cannot give any assurance that they will be able to identify, consummate and integrate future acquisitions. Failure to integrate future acquisitions and to manage any of the risks and costs associated with such integration could have a material adverse effect on their business, results of operations and financial condition.

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

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

2H 2018 OUTLOOK

For the second half of 2018, the Company expects that its market shares will further decrease and consequently its revenues from the sale of electricity will decrease as well, but without a significant variation compared to the first half of 2018. On the other hand there will be a slight compensation to revenues from the increase of PPC's other sales due firstly to the increase in the amount of PSO's collected by PPC from the responsible Operator, as the overall market share held by other suppliers across the country will increase and secondly, the increase in PPC's revenues from the sale of electricity to other suppliers in the Non-Interconnected Islands, which will further expand their activities in this market.

In relation to expenses, the steep rise of CO2 emissions prices and the consequent higher System Marginal Prices in the wholesale market will have a significant adverse impact on the Group's and the Parent Company's results. On the other hand, the completion of the first phase of the interconnection of the Cyclades (with the island of Mykonos already connected in May 2018 with the Interconnected System) will lead to a decrease in liquid fuel consumption and therefore a marginal decrease is expected in relation to last year's expense on liquid fuels in the second half of 2018, despite the rise in oil prices.

Provision for bad debts is expected to further decrease in the second half of 2018, as the Company's actions and measures to recover past due debts are successful.

The Company has begun the implementation of the Business Plan, which was finalized with the assistance of a specialized consultant and was recently approved by the Board of Directors. Although the impact of most of the envisaged decisions and measures will strengthen the results in 2019, it is expected that there will likely be a positive impact - to a lesser extent - on the results of the second half of 2018.

BALANCES AND TRANSACTIONS WITH RELATED PARTIES

PPC balances with its subsidiaries as of June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018 Amounts in '000€		December 31, 2017 Amounts in '000€	
	Receivable	(Payable)	Receivable	(Payable)
Subsidiaries				
- PPC Renewables S.A.	3,048	-	1,416	-
- HEDNO S.A.	496,235	(785,444)	694,473	(520,059)
- PPC Finance PLC	-	(3,246)	-	(4,648)
- PPC ELEKTRIK	-	(153)	-	(164)
- PPC Bulgaria JSCO	-	(1,854)	-	(1,016)
	499,283	**(790,697)**	**695,889**	**(525,887)**

The above balances of receivables and payables with the subsidiary PPC Finance Plc relate to its management costs which are ultimately born by the Parent Company.

PPC's transactions with its subsidiaries for the period ended June 30th, 2018 and June 30th, 2017, are as follows:

	01.01-30.06.2018 Amounts in '000€		01.01-30.06.2017 Amounts in '000€	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
Subsidiaries				
- PPC Renewables S,A,	1,385	-	1,585	-
- HEDNO S,A,	720,050	(924,914)	611,904	(889,285)
- PPC Finance Plc	-	(12,928)	-	(16,916)
- PPC ELEKTRIK	1	(1,339)	12	(1,868)
- PPC Bulgaria JSCO	-	(19,365)	-	(9,297)
- PPC Albania	-	(140)	-	-
	721,436	**(958,686)**	**613,501**	**(917,366)**

The above amounts of invoices with the subsidiary PPC Finance Plc relate to its management costs, ultimately borne by the Parent Company.

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

As of June 30th 2018, the Parent Company has guaranteed for a total credit line of an amount up to Euro 8 mil., through overdraft facilities. As of June 30th 2018 PPC Renewables S.A. has used an amount of Euro 1,748 th., relating to letters of guarantee.

Guarantee in favor of the subsidiary Energy Delivery Solutions DOO (EDS)

As of June 30th 2018, the Parent Company has guaranteed for a total credit line of an amount of up to Euro 22 mil., for EDS Group's short term loans. As of June 30th 2018 the total drawdown amount, relating to loans amounted to Euro 14 mil.

Guarantee in favor of electricity suppliers of the subsidiary Energy Delivery Solutions DOO (EDS)

As of June 30th 2018, the Parent Company has guaranteed for EDS's credit lines with its electricity suppliers (Grand Energy Distribution EOOD and Petrol D.D.) up to an amount of Euro 3,9 mil.

Significant Transactions and balances with other entities in which the Greek State participates or whose activity the Greek State significantly affects.

The following table presents transactions 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 In addition , purchases and balances with DAPEEP (ex EMO), the Hellenic Energy Exchange, IPTO S.A. and LARCO S.A. are presented.

	Purchases Amounts in €000		Balance Amounts in €000	
	01.01-30.06.2018	01.01-30.06.2017	30.06.2018	30.06.2017
ELPE, purchases of liquid fuel	79,422	126,692	32,513	45,426
DEPA, purchases of natural gas	133,362	211,594	34,675	86,835
	212,784	**338,286**	**67,188**	**132,261**

	June 30, 2018 Amounts in €000		December 31, 2017 Amounts in €000	
	Receivables	(Payables)	Receivables	(Payables)
DAPEEP S.A.(ex EMO)	73,958	(31,538)	172,532	(124,905)

	01.01-30.06.2018 Amounts in €000		01.01-30.06.2017 Amounts in €000	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
DAPEEP S.A.(ex EMO)	716,384	(1,123,459)	864,436	(1,392,699)

	June 30, 2018 Amounts in €000		December 31, 2017 Amounts in €000	
	Receivables	(Payables)	Receivables	(Payables)
HELLENIC ENERGY EXCHANGE	25,406	(42,957)	-	-

	01.01-30.06.2018 Amounts in €000		01.01-30.06.2017 Amounts in €000	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
HELLENIC ENERGY EXCHANGE	46,794	(76,743)	-	-

	June 30, 2018 Amounts in €000		December 31, 2017 Amounts in €000	
	Receivables	(Payables)	Receivables	(Payables)
IPTO S.A.	54,412	(564,710)	117,463	(1,212,179)

	01.01-30.06.2018 Amounts in €000		01.01-30.06.2017 Amounts in €000	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
IPTO S.A.	46.244	(476,729)	79,493	(283,014)

	June 30, 2018 Amounts in €000		December 31, 2017 Amounts in €000	
	Receivables	(Payables)	Receivables	(Payables)
LARCO S.A.	290,465	-	280,372	-

	01.01-30.06.2018 Amounts in €000		01.01-30.06.2017 Amounts in €000	
	Invoiced to	Invoiced from	Invoiced to	Invoiced from
LARCO S.A.	9,800	(1,347)	(28,742)	(3,882)

Within 2017 a credit invoice of Euro 61,850 thousand was issued regarding the revision of electricity bills for the period 1/7/2010-31/12/2013 under the Decision No. 13/2017 of the Arbitration Decision. It should be noted that all LARCO's overdue debts are fully provided for.
Further to the above, PPC enters into transactions with many government owned or- nonprofit entities within its normal course of business (sale of electricity, services received, etc.). All transactions with government owned entities are performed at arm's length terms.

On July 2nd 2018 PPC received from the State Treasury the amount of Euro 538,300 thousand. The amount is refunded gradually after the payment of the electricity bills by the General Government entities and will be completed April 30th of the following year.

Management compensation
Fees concerning management members (Board of Directors and General Managers) for the six month period ended June 30th , 2018 and 2017 are as follows:

	GROUP		COMPANY	
	Amounts in '000€		Amounts in '000€	
	30.06.2018	**30.06.2017**	**30.06.2018**	**30.06.2017**
Compensation of members of the Board of Directors				
- Executive members of the Board of Directors	129	123	29	29
- Non-executive members of the Board of Directors	51	28	-	-
- Compensation / Extra fees	-	22	-	-
- Contribution to defined contribution plans	56	13	19	9
- Other Benefits	57	70	57	70
	293	**256**	**105**	**108**
Compensation of Deputy Managing Directors and General Managers				
- Regular compensation	324	351	241	268
- Contribution to defined contribution plans	90	104	67	80
- Compensation / Extra fees	4	13	4	13
	418	**468**	**312**	**361**
Total	**711**	**724**	**417**	**469**

Compensation to members of the Board of Directors does not include regular 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 tariff to the Board of Director members, the Deputy Managing Directors and the General Managers.

APENDIX

Definitions and reconciliations of Alternative Performance Measures ("APMs")

ALTERNATIVE PERFORMANCE MEASURES ("APMs")

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

Alternative Performance Measures ("APMs")

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

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

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

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

Adjusted EBITDA serves to better analyze the Group's operating income, excluding the impact of one-off effects. For the six-month period of 2018 one-off effects that impacted EBITDA are the following : 1) An amount of €166,130 th. for the Group and €103,403 th. for the Parent Company, being an one-off effect on the 2nd quarter's results, due to the recognition by the Group and the Parent Company of the actuarial liability relating to the abolishment of the offsetting of employees' severance payment with the one-off allowance to which employees are entitled by the relevant insurance organization when they retire according to the provisions of Law 4533/2018 (see Note 15) and .2) An amount of €240,600 th. relating to the impairment of the book value of Assets Held for Sale, as they are presented to the lower of their book value and their fair value less expenses for their sale, according to the provision of IFRS 5 (see Note 6). For the six-month period of 2017 there were no one-off effects that impacted EBITDA. Adjusted EBITDA margin (%) is calculated by dividing adjusted EBITDA by total adjusted turnover. Calculation of adjusted EBITDA and adjusted EBITDA margin is presented in table B.

EBIT (Operating Income before net financial expenses and taxes)

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

Net amount of Depreciation, Financial Expense and Profit from Subsidiaries and Associates.

This Index is calculated as the net amount of depreciation expense, net financial expenses and profits / (losses) from the Group's subsidiaries and associates. The detailed calculation is presented in Table D.

Adjusted Profit / Loss before tax without one off effects

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

Adjusted Net Profit / Loss without one off effects

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

TABLE A - EBITDA (Operating Income before depreciation and amortization, net financial expenses and taxes)

	Total Group 01.01-30.06.2018 Amounts in '000€	Group Continuing operations 01.01-30.06.2018 Amounts in '000€	Total Group 01.01-30.06.2017 Amounts in '000€ (Restated)	Group Continuing operations 01.01-30.06.2017 Amounts in '000€ (Restated	Company Total 01.01-30.06.2018 Amounts in '000€	Company Continuing operations 01.01-30.06.2018 Amounts in '000€	Company Total 01.01-30.06.2017 Amounts in '000€ (Restated	Company Continuing operations01.01-30.06.2017 Amounts in '000€ (Restated
Total Turnover (1)	**2,200,296**	**2,200,195**	**2,383,564**	**2,359,847**	**2,130,496**	**2,130,395**	**2,315,351**	**2,315,144**
less :								
Operating expenses before depreciation and impairment (2)	**2,360,082**	**2,067,229**	**2,220,875**	**2,269,851**	**2,251,496**	**1,958,475**	**2,270,784**	**2,260,763**
Payroll cost	556,875	503,984	433,341	368,093	370,482	317,591	276,389	237,996
Fuel	438,751	417,948	533,088	503,675	438,751	417,948	533,088	503,675
Energy purchases	696,368	761,019	782,434	881,971	693,264	757,915	790,410	887,811
Transmission system usage	81,715	81,715	6,747	91,093	81,715	81,715	91,093	91,093
Distribution system usage	-	-	-	-	159,437	159,437	185,490	185,490
CO2 emmission rights	129,120	107,246	77,492	60,870	129,120	107,246	77,492	60,870
Provisions	(9,228)	(9,395)	135,807	135,709	(12,744)	(12,911)	136,150	135,596
Other (income) / expense, net	225,881	204,544	251,966	228,440	150,871	129,534	180,672	158,232
Impairement of Assets Held for Sale	240,600	-	-	-	240,600	-	-	-
EBITDA (A) = [(1) - (2)]	**(159,786)**	**133,134**	**162,689**	**89,996**	**(121,000)**	**171,920**	**44,567**	**54,381**
EBITDA MARGIN [(A) / (1)]	**-7.26%**	**6.05%**	**6.83%**	**3.81%**	**-5.68%**	**8.07%**	**1.92%**	**2.35%**

TABLE B- Adjusted EBITDA (Operating Income before depreciation and amortization, net financial expenses and taxes).

	Total Group 01.01-30.06.2018 Amounts in '000€	Group Continuing operations 01.01-30.06.2018 Amounts in '000€	Total Group 01.01-30.06.2017 Amounts in '000€ (Restated)	Group Continuing operations 01.01-30.06.2017 Amounts in '000€ (Restated	Company Total 01.01-30.06.2018 Amounts in '000€	Company Continuing operations 01.01-30.06.2018 Amounts in '000€	Company Total 01.01-30.06.2017 Amounts in '000€ (Restated	Company Continuing operations01.01-30.06.2017 Amounts in '000€ (Restated	Notes
EBITDA (1)	**(159,786)**	**133,134**	**162,689**	**89,996**	**(121,000)**	**171,920**	**44,567**	**54,381**	
Plus one-of effects (2):	**406,730**	**151,165**	**-**	**-**	**344,003**	**88,439**	**-**	**-**	
Actuarial Expense for severance payment due to retirement	166,130	151,165	-	-	103,403	88,439	-	-	See Note 15
Impairment of Assets Held for Sale	240,600	-	-	-	240,600	-	-	-	See Note 6
Adjusted EBITDA (3) = [(1)+(2)]	**246,944**	**284,299**	**162,689**	**89,996**	**223,003**	**260,359**	**44,567**	**54,381**	
Total turnover (4)	**2,200,296**	**2,200,195**	**2,383,564**	**2,359,847**	**2,130,496**	**2,130,395**	**2,315,351**	**2,315,144**	
Adjusted EBITDA margin (%) [(3)/(4)	**11.22%**	**12.92%**	**6.83%**	**3.81%**	**10.47%**	**12.22%**	**1.92%**	**2.35%**	

TABLE C - EBIT (Operating Income before net financial expenses and taxes)

	Total Group 01.01-30.06.2018 Amounts in '000€	Group Continuing operations 01.01-30.06.2018 Amounts in '000€	Total Group 01.01-30.06.2017 Amounts in '000€ (Restated)	Group Continuing operations 01.01-30.06.2017 Amounts in '000€ (Restated	Company Total 01.01-30.06.2018 Amounts in '000€	Company Continuing operations 01.01-30.06.2018 Amounts in '000€	Company Total 01.01-30.06.2017 Amounts in '000€ (Restated	Company Continuing operations01.01-30.06.2017 Amounts in '000€ (Restated
EBITDA	**(1589,786)**	**133,134**	**162,689**	**89,996**	**(121,000)**	**171,920**	**44,567**	**54,381**
<u>less :</u>								
Depreciation (4)	307,329	278,263	350,370	290,558	301,019	271,953	315,020	284,426
EBIT (A)	**(467,115)**	**(145,129)**	**(187,681)**	**(200,562)**	**(422,019)**	**(100,033)**	**(270,453)**	**(230,045)**
Total Turnover (1)	**2,200,296**	**2,200,195**	**2,383,564**	**2,359,847**	**2,130,496**	**2,130,395**	**2,315,351**	**2,315,144**
EBIT Margin [(A) / (1)]	**-21.23%**	**-6.60%**	**-7.87%**	**-8.50%**	**-19.81%**	**-4.70%**	**-11.68%**	**-9.94%**

TABLE D - Net amount of Depreciation, Financial Expense and Profit from Subsidiaries and Associates.

	Total Group 01.01-30.06.2018 Amounts in '000€	Group Continuing operations 01.01-30.06.2018 Amounts in '000€	Total Group 01.01-30.06.2017 Amounts in '000€ (Restated)	Group Continuing operations 01.01-30.06.2017 Amounts in '000€ (Restated	Company Total 01.01-30.06.2018 Amounts in '000€	Company Continuing operations 01.01-30.06.2018 Amounts in '000€	Company Total 01.01-30.06.2017 Amounts in '000€ (Restated	Company Continuing operations01.01-30.06.2017 Amounts in '000€ (Restated
Depreciation, Financial Expense and Profit from Subsidiaries and Associates	**340,338**	**311,280**	**414,527**	**339,509**	**337,703**	**308,645**	**358,248**	**328,094**
Depreciation	307,329	278,263	350,370	290,558	301,019	271,953	315,020	284,426
Financial expenses	94,789	94,775	118,286	107,773	94,248	94,234	102,690	103,075
Financial income	(58,458)	(58,458)	(51,480)	(56,228)	(56,524)	(56,524)	(57,644)	(57,644)
Net (profit)/loss from associates and joint ventures	(2,245)	(2,245)	(805)	(805)	-	-	-	-
Net loss/(profit) from FX differences	(1,077)	(1,055)	(1,844)	(1,789)	(1,040)	(1,018)	(1,818)	(1,763)

TABLE E - Adjusted Profit / Loss before tax without one off effects

	Total Group 01.01-30.06.2018 Amounts in '000€	Group Continuing operations 01.01-30.06.2018 Amounts in '000€	Total Group 01.01-30.06.2017 Amounts in '000€ (Restated)	Group Continuing operations 01.01-30.06.2017 Amounts in '000€ (Restated	Company Total 01.01-30.06.2018 Amounts in '000€	Company Continuing operations 01.01-30.06.2018 Amounts in '000€	Company Total 01.01-30.06.2017 Amounts in '000€ (Restated	Company Continuing operations01.01-30.06.2017 Amounts in '000€ (Restated
PROFIT/(LOSS) BEFORE TAX	**(500,124)**	**(178,146)**	**(79,602)**	**(249,513)**	**(458,703)**	**(136,725)**	**(115,079)**	**(75,111)**
plus: One-off effects:	406,730	151,165	-	-	344,003	88,439	-	-
ADJUSTED PROFIT/(LOSS) BEFORE TAX WITHOUT ONE-OFF EFFECTS	**(93,394)**	**(26,981)**	**(79,602)**	**(249,513)**	**(114,700)**	**(48,286)**	**(115,079)**	**(75,111)**

TABLE F - Adjusted Net Profit / Loss without one off effects

	Total Group 01.01-30.06.2018 Amounts in '000€	Group Continuing operations 01.01-30.06.2018 Amounts in '000€	Total Group 01.01-30.06.2017 Amounts in '000€ (Restated)	Group Continuing operations 01.01-30.06.2017 Amounts in '000€ (Restated	Company Total 01.01-30.06.2018 Amounts in '000€	Company Continuing operations 01.01-30.06.2018 Amounts in '000€	Company Total 01.01-30.06.2017 Amounts in '000€ (Restated	Company Continuing operations01.01-30.06.2017 Amounts in '000€ (Restated
NET PROFIT/(LOSS	**(516,050)**	**(183,833)**	**(13,189)**	**(41,394)**	**(486,207)**	**(144,910)**	**(45,267)**	**(29,560)**
Plus : Tax Adjusted one-off effects):	288,778	107,327	-	-	244,242	62,791	-	-
ADJUSTED NET PROFIT/(LOSS) WITHOUT ONE-OFF EFFECTS	**(227,272)**	**(76,506)**	**(13,189)**	**(41,394)**	**(241,965)**	**(82,119)**	**(45,267)**	**(29,560)**

Net Debt

Net debt is an APM that Management uses to evaluate the capital structure of the Group and the Parent Company as well as leverage. Net debt is calculated by adding long-term loans, the current portion of long term loans and short term loans and subtracting from the total, available cash, blocked deposits and financial assets at fair value through comprehensive income (until December 31st 2017 the investments available for sale) and adding the unamortized portion of borrowing costs (see Note. 11 of the six - month Financial Statements). Calculation of Net Debt is presented in the following table :

	GROUP Amounts in '000€		**COMPANY Amounts in '000€**	
	30.06.2018	**31.12.2017**	**30.06.2018**	**31.12.2017**
Long-term borrowing	1,989,037	3,738,854	1,989,047	3,738,864
Current portion of long term borrowing	2,021,539	500,378	2,021,539	500,378
Short term borrowing	43,984	30,000	30,000	30,000
Cash and cash equivalents	(337,873)	(251,596)	(170,534)	(163,136)
Restricted cash	(84,387)	(94,084)	(84,387)	(94,084)
Financial Assets at fair value through comprenhensive income	(860)	-	(643)	-
Available for sale financial assets	-	(1,531)	-	(1,044)
Unamortized portion of borrowing costs	52,100	35,243	52,100	35,243
TOTAL	**3,683,540**	**3,957,264**	**3,837,122**	**4,046,221**

Athens, September 25th 2018

For the Board of Directors
The President and CEO

Emmanuel M. Panagiotakis

III. Certified Auditors’ Accountants’ Review Report

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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 condensed separate and consolidated statement of financial position of Public Power Corporation S.A. (the "Company") and its subsidiaries ("the Group") as at 30 June 2018, and the related condensed separate and consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, as well as the selected explanatory notes that comprise the interim financial information, which is an integral part of the six-month financial report of Law 3556/2007. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Financial Reporting Standards as adopted by the European Union and applied to interim financial reporting (International Accounting Standard "IAS 34"). Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

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

Conclusion

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

Other Matter

The accompanying separate and consolidated financial statements of Public Power Corporation S.A. for the year ended 31 December 2017 had been audited by another Certified Auditor Accountant, who expressed on 27 April 2018 an unmodified audit opinion with emphasis of matter, with respect to the restatements of prior years on the financial statements of December 31, 2017, in accordance with IAS 8.

ERNST & YOUNG (HELLAS)
Certified Auditors – Accountants S.A.
11th Km National Road Athens-Lamia
144 51 Athens, Greece

Tel: +30 210 2886 000
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Report on other legal 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.

Athens, September 25, 2018

THE CERTIFIED AUDITOR ACCOUNTANT

VASSILIOS KAMINARIS
S.O.E.L. R.No. 20411

ERNST & YOUNG (HELLAS)
CERTIFIED AUDITORS ACCOUNTANTS S.A.
11TH KLM NT RD ATHENS – LAMIA,
144 51 METAMORPHOSI
COMPANY S.O.E.L. R.N. 107

IV. Interim Condensed Financial Statements

PUBLIC POWER CORPORATION S.A.

Interim Condensed Consolidated and Separate Financial Statements for the six month period ended June 30th , 2018

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

The attached interim condensed separate and consolidated financial statements have been approved by the Board of Directors of Public Power Corporation S.A. on September 25th, 2018 and they are available on the web site of Public Power Corporation S.A. at www.dei.gr.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER	VICE CHAIRMAN	CHIEF FINANCIAL OFFICER	ACCOUNTING DEPARTMENT DIRECTOR
EMMANUEL M. PANAGIOTAKIS	GEORGE A. ANDRIOTIS	ALEXANDRA L. KONIDA	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 STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30th, 2018
(All amounts in thousands of Euro – except share and per share data)

	Note	GROUP					
		01.01.2018 – 30.06.2018	01.01.2018- 30.06.2018	01.01.2018- 30.06.2018	*01.01.2017- 30.06.2017(restated)	*01.01.2017- 30.06.2017(restated)	*01.01.2017- 30.06.2017(restated)
		Total Group	Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations
REVENUES :							
Revenue from energy sales		2,025,843	2,025,843	-	2,231,222	2,231,222	-
Other sales		174,453	174,352	101	152,342	128,625	23,717
		2,200,296	**2,200,195**	**101**	**2,383,564**	**2,359,847**	**23,717**
EXPENSES :							
Payroll cost		556,875	503,984	52,891	433,341	368,093	65,248
Fuel		438,751	417,948	20,803	533,088	503,675	29,413
Depreciation and amortization		307,329	278,263	29,066	350,370	290,558	59,812
Energy purchases		696,368	761,019	(64,651)	782,434	881,971	(99,537)
Transmission system usage		81,715	81,715	-	6,747	91,093	(84,346)
Emission allowances		129,120	107,246	21,874	77,492	60,870	16,622
Provision	3,15	(9,228)	(9,395)	167	135,807	135,709	98
Financial expenses		94,789	94,775	14	118,286	107,773	10,513
Financial income		(58,458)	(58,458)	-	(51,480)	(56,228)	4,748
Profit from the sale of IPTO S.A.	6	-	-	-	(172,236)	-	(172,236)
Impairment of Assets Held for Sale	6	240,600	-	240,600	-	-	-
Other (income) / expenses, net		225,881	204,544	21,337	251,966	228,440	23,526
Share of Loss / (gain) of associates and joint ventures, net		(2,245)	(2,245)	-	(805)	(805)	-
Foreign currency loss / (gain)		(1,077)	(1,055)	(22)	(1,844)	(1,789)	(55)
		2,700,420	**2,378,341**	**322,079**	**2,463,166**	**2,609,360**	**(146,194)**
PROFIT / (LOSS) BEFORE TAX		**(500,124)**	**(178,146)**	**(321,978)**	**(79,602)**	**(249,513)**	**169,911**
Income tax expense	5,7	(15,926)	(5,687)	(10,239)	66,413	208,119	(141,706)
NET PROFIT / (LOSS)		**(516,050)**	**(183,833)**	**(332,217)**	**(13,189)**	**(41,394)**	**28,205**
Attributable to :							
Owners of the Parent		**(516,057)**	**(183,840)**	**(332,217)**	**(13,194)**	**(41,399)**	**28,205**
Non – controlling interests		7	7	-	5	5	-
Earnings per share, basic and diluted		(2.22)	(0.79)	(1.43)	(0.06)	(0.18)	0.12
Weighted average number of shares		232,000,000	232,000,000	232,000,000	232,000,000	232,000,000	232,000,000

-*Some amounts are restated and differ from those published on the financial statements of June 30, 2017 and represent adjustments, as described in Note 5 of these financial statements
-The Group and the Parent Company have adopted IFRS 9 and IFRS 15 from 01.01.2018 using the cumulative effect method. According to this method comparative information for previous periods is not restated (See Note 3)
-For an analysis for the Group's amounts from discontinued operations see Note 6
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 COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30 2018
(All amounts in thousands of Euro)

GROUP

	Note	01.01.2018-30.06.2018 Total Group	01.01.2018-30.06.2018 Continuing Operations	01.01.2018-30.06.2018 Discontinued Operations	*01.01.2017-30.06.2017(restated) Total Group	*01.01.2017-30.06.2017(restated) Continuing Operations	*01.01.2017-30.06.2017(restated) Discontinued Operations
Net (Loss) / Profit for the period		(516,050)	(183,833)	(332,217)	(13,189)	(41,394)	28,205
Other Comprehensive (loss) / income for the period)							
Items of Other Comprehensive income to be reclassified to profit or loss in subsequent periods.							
Profit/(Loss) from financial assets at fair value through comprehensive income		(602)	(217)	-	1,806	1,806	-
Foreign currency translation		(121)	(156)	-	(77)	(77)	-
Net Other Comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods.		(723)	(373)	-	1,729	1,729	-
Other Comprehensive (loss) / income for the period after tax		**(723)**	**(373)**	**-**	**1,729**	**1,729**	**-**
Total Comprehensive (loss) / income after tax		**(516,773)**	**(184,206)**	**(332,217)**	**(11,460)**	**(39,665)**	**28,205**
Attributable to:							
Owners of the Parent		**(516,780)**	**(184,213)**	**(332,217)**	**(11,484)**	**(39,689)**	**28,205**
Non-controlling interests		**7**	**7**	**-**	**24**	**24**	**-**

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-The Group and the Parent Company have adopted IFRS 9 and IFRS 15 from 01.01.2018 using the cumulative effect method. According to this method comparative information for previous periods is not restated (See Note 3)
The accompanying notes are an integral part of these interim, condensed, consolidated and separate financial statements.

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED SEPARATE STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30 2018

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

	Note	COMPANY					
		01.01.2018 – 30.06.2018	01.01.2018- 30.06.2018	01.01.2018- 30.06.2018	*01.01.2017- 30.06.2017(restated)	*01.01.2017- 30.06.2017(restated)	*01.01.2017- 30.06.2017(restated)
		Total Company	Continuing Operations	Discontinued Operations	Total Company	Continuing Operations	Discontinued Operations
REVENUES :							
Revenue from energy sales		2,011,712	2,011,712	-	2,226,379	2,226,379	-
Other sales		118,784	118,683	101	88,972	88,765	207
		2,130,496	**2,130,395**	**101**	**2,315,351**	**2,315,144**	**207**
EXPENSES :							
Payroll cost		370,482	317,591	52,891	276,389	237,996	38,393
Fuel		438,751	417,948	20,803	533,088	503,675	29,413
Depreciation and amortization		301,019	271,953	29,066	315,020	284,426	30,594
Energy purchases		693,264	757,915	(64,651)	790,410	887,811	(97,401)
Transmission system usage		81,715	81,715	-	91,093	91,093	-
Distribution system usage		159,437	159,437	-	185,490	185,490	-
Emission allowances		129,120	107,246	21,874	77,492	60,870	16,622
Provision	3,14	(12,744)	(12,911)	167	136,150	135,596	554
Financial expenses		94,248	94,234	14	102,690	103,075	(385)
Financial income		(56,524)	(56,524)	-	(57,644)	(57,644)	-
Profit from the sale of IPTO S.A.	6	-	-	-	(198,602)	(198,602)	-
Impairment of Assets Held for Sale	6	240,600	-	240,600	-	-	-
Other (income) / expenses, net		150,871	129,534	21,337	180,672	158,232	22,440
Foreign currency loss / (gain)		(1,040)	(1,018)	(22)	(1,818)	(1,763)	(55)
		2,589,199	**2,267,120**	**322,079**	**2,430,430**	**2,390,255**	**40,175**
PROFIT / (LOSS) BEFORE TAX		**(458,703)**	**(136,725)**	**(321,978)**	**(115,079)**	**(75,111)**	**(39,968)**
Income tax expense	5,7	(27,504)	(8,185)	(19,319)	69,812	45,551	24,261
NET (LOSS)		**(486,207)**	**(144,910)**	**(341,297)**	**(45,267)**	**(29,560)**	**(15,707)**

-*Some amounts are restated and differ from those published on the financial statements of June 30, 2017 and represent adjustments, as described in Note 5 of these financial statements
-The Parent Company has adopted IFRS 9 and IFRS 15 from 01.01.2018 using the cumulative effect method. According to this method comparative information for previous periods is not restated (See Note 3)
-For an analysis for the Group's amounts from discontinued operations see Note 6
The accompanying notes are an integral part of these interim, condensed, consolidated and separate financial statements.

PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30 2018
(All amounts in thousands of Euro)

COMPANY

	Note	01.01.2018-30.06.2018	01.01.2018-30.06.2018	01.01.2018-30.06.2018	*01.01.2017-30.06.2017(restated)	*01.01.2017-30.06.2017(restated)	*01.01.2017-30.06.2017(restated)
		Total Company	**Continuing Operations**	**Discontinued Operations**	**Total Company**	**Continuing Operations**	**Discontinued Operations**
Net (Loss) / Profit for the period		**(486,207)**	**(144,910)**	**(341,297)**	**(45,267)**	**(29,560)**	**(15,707)**
Other Comprehensive (loss) / income for the period							
Items of Other Comprehensive income to be reclassified to profit or loss in subsequent periods,							
Profit/(Loss) from financial assets at fair value through comprehensive income		(409)	(409)	-	1,806	1,806	-
		(409)	**(409)**	**-**	**1,806**	**1,806**	**-**
Net Other Comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods,							
Other Comprehensive (loss) / income for the period after tax		**(409)**	**(409)**	**-**	**1,806**	**1,806**	**-**
Total Comprehensive (loss) / income after tax		**(486,616)**	**(145,319)**	**(341,297)**	**(43,461)**	**(27,754)**	**(15,707)**

-*Some amounts are restated and differ from those published on the financial statements of June 30, 2017 and represent adjustments, as described in Note 5 of these financial statements
-The Group and the Parent Company have adopted IFRS 9 and IFRS 15 from 01.01.2018 using the cumulative effect method. According to this method comparative information for previous periods is not restated (See Note 3)
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 2018
(All amounts in thousands of Euro)

		GROUP		COMPANY	
	Note	**30.06.2018**	**31.12.2017**	**30.06.2018**	**31.12.2017**
ASSETS					
Non - Current Assets:					
Property, plant and equipment, net		10,736,583	11,560,928	10,507,694	11,351,536
Intangible assets, net		111,178	76,625	99,929	71,424
Available for sale financial assets		860	1,531	643	1,044
Other non – current assets	8,9	92,882	116,161	292,414	310,389
Total non – current assets		**10,941,503**	**11,755,245**	**10,900,680**	**11,734,393**
Current Assets:					
Materials, spare parts and supplies, net		705,736	731,395	581,163	610,281
Trade and other receivables and other current assets		1,665,523	2,519,316	1,524,721	2,138,995
Income tax receivable		13,619	6,605	-	-
Restricted cash		84,387	94,084	84,387	94,084
Cash and cash equivalents		337,873	251,596	170,534	163,136
Total Assets from Discontinued Operations	6	471,974	-	227,603	-
Total current assets		**3,279,112**	**3,602,996**	**2,588,408**	**3,006,496**
Total Assets		**14,220,615**	**15,358,241**	**13,489,088**	**14,740,889**
EQUITY AND LIABILITIES					
Equity:					
Share capital	11	575,360	575,360	575,360	575,360
Share premium		106,679	106,679	106,679	106,679
Fixed assets' statutory revaluation		(947,342)	(947,342)	(947,342)	(947,342)
Revaluation surplus		3,856,138	4,046,717	3,765,687	3,956,266
Reserves		93,255	93,978	149,309	149,719
Retained earnings		1,218,460	1,735,039	1,150,980	1,637,172
		4,902,550	**5,610,431**	**4,800,673**	**5,477,854**
Non – controlling interests		**124**	**108**	**-**	**-**
Total equity		**4,902,674**	**5,610,539**	**4,800,673**	**5,477,854**
Non – Current Liabilities:					
Long - term borrowings	12	1,989,037	3,738,854	1,989,047	3,738,864
Provisions		799,095	630,549	546,884	441,536
Other non – current liabilities		1,773,314	1,999,773	1,838,596	2,052,420
Total non – current liabilities		**4,561,446**	**6,369,176**	**4,374,527**	**6,232,820**
Current Liabilities:					
Trade and other payables and other current liabilities		2,198,287	2,626,962	2,040,789	2,291,835
Dividends payable		17	17	17	17
Income tax payable	7	248,297	221,169	221,543	207,985
Short – term borrowings	12	43,984	30,000	30,000	30,000
Current portion of long - term borrowings	12	2,021,539	500,378	2,021,539	500,378
Total Liabilities from Discontinued Operations	6	244,371	-	-	-
Total current liabilities		**4,756,495**	**3,378,526**	**4,313,888**	**3,030,215**
Total Equity and Liabilities		**14,220,615**	**15,358,241**	**13,489,088**	**14,740,889**

-The Group and the Parent Company have adopted IFRS 9 and IFRS 15 from 01.01.2018 using the cumulative effect method. According to this method comparative information for previous periods is not restated (See Note 3).
-Amounts from Discontinued operations refair to the divestment of the lignite Segments
-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 2018
(All amounts in thousands of Euro)

							Other Reserves						
	Note	Share Capital	Share Premium	Legal Reserve	Revaluation Surplus	Fixed Assets Statutory Revaluation Surplus	Fair Value of financial assets through compr. income	Foreign exchange, tax-free and other reserves	Other reserves total	Retained Earnings	Total	Non-Controlling Interests	Total Equity
Balance, January 1, 2017 (restated*)		**1,067,200**	**106,679**	**117,524**	**4,748,192**	**(947,342)**	**-**	**(84,273)**	**(84,273)**	**851,600**	**5,859,580**	**95**	**5,859,675**
- Net profit for the period		-	-	-	-	-	-	-	-	(13,213)	(13,213)	24	(13,189)
- Other comprehensive income / (loss) for the period after tax		-	-	-	-	-	1,806	(77)	1,729	-	1,729	-	1,729
Total Comprehensive income / (loss) for the period, after tax		**-**	**-**	**-**	**-**	**-**	**1,806**	**(77)**	**1,729**	**(13,213)**	**(11,484)**	**24**	**(11,460)**
- Sale of IPTO S.A.		(491,840)	-	-	(639,712)	-	-	17,779	17,779	595,567	(518,206)	-	(518,206)
- Transfers from retirements of fixed assets		-	-	-	(20,828)	-	-	-	-	20,828	-	-	-
- Other movements		-	-	-	-	-	-	-	-	267	267	-	267
Balance, June 30, 2017		**575,360**	**106,679**	**117,524**	**4,087,652**	**(947,342)**	**1,806**	**(66,571)**	**(64,765)**	**1,455,049**	**5,330,157**	**119**	**5,330,276**
Balance, January 1, 2018		**575,360**	**106,679**	**128,317**	**4,046,717**	**(947,342)**	**157**	**(34,496)**	**(34,339)**	**1,735,039**	**5,610,431**	**108**	**5,610,539**
- Net profit for the period		-	-	-	-	-	-	-	-	(516,057)	(516,057))	7	(516,050)
- Other comprehensive income / (loss) for the period after tax		-	-	-	-	-	(602)	(121)	(723)	-	(723)	-	(723)
Total Comprehensive income / (loss) for the period, after tax		**-**	**-**	**-**	**-**	**-**	**(602)**	**(121)**	**(723)**	**(516,057)**	**(516,780)**	**7**	**(516,773)**
-–Impairment of assets Held for Sale.	6				(190,579)						(190,579)		(190,579)
- Other movements		-	-	-	-	-	-	-	-	(522)	(522)	9	(513)
Balance, June 30, 2018		**575,360**	**106,679**	**128,317**	**3,856,138**	**(947,342)**	**(445)**	**(34,617)**	**(35,062)**	**1,218,460**	**4,902,550**	**124**	**4,902,674**

-*Some amounts are restated and differ from those published on the financial statements of June 30, 2017 and represent adjustments, as described in Note 5 of these financial statements

-The Group and the Parent Company have adopted IFRS 9 and IFRS 15 from 01.01.2018 using the cumulative effect method. According to this method comparative information for previous periods is not restated (See Note 3)

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PUBLIC POWER CORPORATION S.A.
INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30 2018
(All amounts in thousands of Euro)

	Note	Share Capital	Share Premium	Legal Reserve	Revaluation Surplus	Fixed Assets Statutory Revaluation Surplus	Other Reserves: Fair Value of financial assets through compr. income	Other Reserves: Foreign exchange, tax-free and other reserves	Other Reserves: Other reserves total	Retained Earnings	Total Equity
Balance, January 1, 2017		**1,067,200**	**106,679**	**117,524**	**4,016,613**	**(947,342)**	**-**	**5,650**	**5,650**	**1,371,473**	**5,737,797**
							-				
- Net loss for the period		-	-	-	-	-	-	-	-	(45,267)	(45,267)
- Other comprehensive income / (loss) for the period, after tax		-	-	-	-	-	1,806	-	1,806	-	1,806
Total Comprehensive income / (loss) for the period, after tax		**-**	**-**	**-**	**-**	**-**	**1,806**	**-**	**1,806**	**(45,267)**	**(43,461)**
- Transfers from retirements of fixed assets		-	-	-	(20,828)	-	-	-	-	20,828	-
- Share capital decrease from the sale of IPTO	11	(491,840)	-	-	-	-	-	-	-	-	(491,840)
- Other movements		-	-	-	-	-	-	-	-	267	267
Balance, June 30, 2017		**575,360**	**106,679**	**117,524**	**3,995,785**	**(947,342)**	**1,806**	**5,650**	**7,456**	**1,347,301**	**5,202,763**
Balance, January 1, 2018		**575,360**	**106,679**	**128,317**	**3,956,266**	**(947,342)**	**155**	**21,247**	**21,402**	**1,637,172**	**5,477,854**
- Net loss for the period		-	-	-	-	-	-	-	-	(486,207)	(486,207)
- Other comprehensive income / (loss) for the period, after tax		-	-	-	-	-	(409)	-	(409)	-	(409)
Total Comprehensive income / (loss) for the period, after tax		**-**	**-**	**-**	**-**	**-**	**(409)**	**-**	**(409)**	**(486,207)**	**(486,616)**
-–Impairment of assets Held for Sale.	6				(190,579)						(190,579)
- Other movements		-	-	-	-	-	-	-	(1)	15	14
Balance, June 30, 2018		**575,360**	**106,679**	**128,317**	**3,765,687**	**(947,342)**	**(254)**	**21,247**	**20,992**	**1,150,980**	**4,800,673**

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PUBLIC POWER CORPORATION S.A.

INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30 2018

(All amounts in thousands of Euro)

	GROUP		COMPANY	
	01.01.2018-30.06.2018	01.01.2017-30.06.2017 (restated)*	01.01.2018-30.06.2018	01.01.2017-30.06.2017 (restated)*
Cash Flows from Operating Activities				
Loss before tax from continued operations	(178,146)	(249,513)	(136,725)	(75.111)
Profit/(Loss) before tax from discontinued operations	(321,978)	169,911	(321,978)	(39.968)
Loss before tax	**(500,124)**	**(79,602)**	**(458,703)**	**(115.079)**
Adjustments :				
Depreciation and amortization	343,276	357,402	336,868	351.172
Impairement of assets Held for Sale	240,600	-	240,600	-
Amortization of customers' contributions and subsidies	(35,947)	(36,250)	(35,849)	(36.152)
Interest expense	86,362	92,892	86,325	92.892
Capital gain from the sale of IPTO S,A,	-	-	-	(198.602)
Other adjustments	173,596	201,218	113,497	202.484
Changes in assets	875,730	(288,634)	666,379	(178.832)
Changes in liabilities	(416,324)	(10,307),	(266,059)	(94.647)
Discontinued operations	(69,820)	(158,391)	(69,820)	-
Net Cash from Operating Activities	**697,349**	**78,328**	**613,238**	**23,236**
Cash Flows from Investing Activities				
Interest and dividends received	58,458	149,172	56,524	150.588
Capital expenditure of fixed assets and software	(371,146)	(197,931)	(345,919)	(190.087)
Proceeds from customers' contributions and subsidies	(7,234)	517	(7,234)	517
Investments	789	(299)	(3,830)	(150)
Proceeds from the sale of IPTO S,A,	-	623,208	-	623.208
Discontinued operations	-	6,044	-	-
Net Cash used in Investing Activities	**(319,133)**	**580,711**	**(300,459)**	**584,076**
Cash Flows from Financing Activities				
Net change in short term borrowings	13,984	-	-	-
Proceeds from interest bearing loans and borrowings	146,460	246,225	146,460	246.225
Principal payments of interest bearing loans and borrowings	(358,258)	(469,167)	(358,258)	(469.167)
Interest paid and loans' issuance fees	(94,125)	(95,939)	(93,583)	(98.091)
Dividends paid	-	-	-	(46)
Discontinued operations	-	(109,650)	-	-
Net cash used in Financing Activities	**(291,939)**	**(428,531)**	**(305,381)**	**(321,079)**
Net increase/ (decrease) in cash and cash equivalents	86,277	230,508	7,398	286,233
Cash and cash equivalents at the beginning of the period (including IPTO S.A. for 01.01.2017)	251,596	501,118	163,136	149,414
Cash and cash equivalents from discontinued operations	-	(219,829)	-	-
Cash and cash equivalents at the end of the period	**337,873**	**511,797**	**170,534**	**435,647**

-*Some amounts are restated and differ from those published on the financial statements of June 30, 2017 and represent adjustments, as described in Note 5 of these financial statements

-The Group and the Parent Company have adopted IFRS 9 and IFRS 15 from 01.01.2018 using the cumulative effect method. According to this method comparative information for previous periods is not restated (See Note 3)

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

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 Stock Exchange.

Since November 29th 2017 at the request of the Parent Company, the deletion of the Company's Global Depository Receipts (GDRs) and the cessation of their trading on the London Stock Exchange took place.
On June 15th 2017 the Parent Company lost control of the subsidiary IPTO SA while on June 20th 2017 the full ownership unbundling of IPTO SA was completed as provided for in articles 142 et seq. of Law 4389/2016.

Pursuant to Law 4533/2018, on 30.06.2018 the Parent Company completed the spin-off of the two lignite power generation branches of Melitis and Megalopolis and their contribution to two new 100% subsidiary companies under the name "LIGNITIKI MELITIS S.A." and "LIGNITIKI MEGALOPOLIS S.A.", respectively.

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

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

At June 30th , 2018, the number of staff employed by the Group was 17,354 (2017: 17,663). At June 30th 2018, 88 employees of the Group (2017: 90), have been transferred to several State agencies (ministries, organizations, etc.), out of which, 85 were compensated by PPC (2017: 86). The total payroll cost of such employees, for the six month period ended June 30th, 2018 amounted to Euro 1,718 (2017: Euro 1,717). Additionally, PPC's transferred employees in EFKA (Greek Single Social Security Institution) amounted to 238 on June 30th, 2018, for which payroll amounted to Euro 1,114.

PPC Group generates electricity from 61 main power generating stations and from the additional stations (small hydropower stations, P/V etc) which belong to its wholly owned subsidiary PPC Renewables and distributes electricity to consumers through distribution lines for Medium and Low voltage of 238,661 kilometres and for High Voltage of 989 kilometres which are managed by its wholly owned subsidiary "Hellenic Distribution Network Operator (HEDNO S.A.)".
PPC Group has also developed an urban fibre optics network with a length of 164 kilometres.

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

2. LEGAL FRAMEWORK

CHANGES IN THE LEGAL FRAMEWORK OF THE ELECTRICITY MARKET FOR THE 1ST HALF OF 2018

GENERAL PROVISIONS FOR THE DOMESTIC ELECTRICITY MARKET

- According to the Decision 33 of the Government's Council for Economic Policy (OG B' 1472/25.05.2016) the HRADF's Asset Development Plan (ADP) was approved. Specifically, for PPC, the potential sale of 17% of its shares is included in the Asset Development Plan (ADP).
  According to Law 4425/2016, the transfer of 34% of PPC's shares which the Greek State owns, to the Public Holding Company under establishment is provided.

2. LEGAL FRAMEWORK (CONTINUED)

Pursuant to Article 380 of Law 4512/2018 (O.G. A' 5 / 17.01.2018), amendments were made to Law 4389/2016 concerning the Hellenic Corporation of Assets and Participations S.A. (HCAP S.A.) and the retroactive from January 1st 2018 automatic transfer of shares, among others PPC's is provided, together with the obligation of the Management of HCAP S.A. to proceed with any action for the registration of the relevant share transfer in the Dematerialized Securities System of the Athens Stock Exchange (Article 197 par.1 & 2 of Law 4389 / 2016).

- With Decision No. 77 of the Government's Council for Economic Policy (O.G. B58 / 18.01.2018) the NOME Auction Implementation Scheme was approved, concerning:

  1. Agreement with the provisions of Law 4512/2018 on:
  - The introduction of new Eligibility Criteria for the participation of Eligible electricity suppliers in auctions, namely to maintain or develop a retail supply activity, submitting a business plan for their growth and development in the retail market upon registration in the Eligible Suppliers Register and with a new control mechanism during the month of conducting the auction based on load declarations or the business plan submitted for new Eligible Suppliers.
  - The Modification of the procedure for the adjustment of the annual quantity to be auctioned due to the deviation of PPC's share in the retail market of the interconnected system, with an increase / decrease in the next two auctions following the relevant RAE Decision.

  2. Adjustment of the deadline regarding the transition period of the Greek energy market model from the current mandatory pool model to the Target Model, setting August 2018 (instead of December 2017) as the date of implementation.

  3. Change in the time limit for resale of sub-products by Alternative Suppliers, from two (2) to three (3) business days prior to the Monthly sub-product Declaration Process, within the secondary market.

  4. The additional Semi-annual Impact Report from February 2018 and thereafter every semester, jointly undertaken by the Greek Authorities and the Institutions, which takes into account, among others :
  "…(a) the introduction of the Target Model in the Electricity Market and the Forward Energy Market,
  (b) the timely adaptation of the NOME mechanism in order to compensate for the lignite structural measures. This adaptation will include the gradual decrease of the quantities to be auctioned along with the implementation of the lignite structural measures, the decrease ultimately being proportionate to the lignite potential that will be divested upon completion of the divestment from PPC's part, and
  (c) the possible need to adopt additional structural measures in line with the characteristics of PPC's productive portfolio. "

- In accordance with RAE's Decision 850/2017, and with respect to the Code of Transactions for the Sale of Forward Electricity Products, the following are now applicable:

  - For the year 2017, the Administratively set Minimum Use Rate of Distributed Quantities for Forward Electricity Products is set at 30%.
  - For the first half of 2018 and for gradual adjustment purposes, the Administratively set Minimum Use Rate of Distributed Quantities of Forward Electricity Products is set at 50%.
  - For the second half of 2018 and up to the submission of the proposed Impact Report by the Market Operator, the Administratively set Minimum Use Rate of Distributed Quantities of Forward Electricity Products is set at 70%.
  - Specifically for new Eligible Suppliers which have not yet submitted load declarations within the DAS, the Administratively set Minimum Use Rate of Distributed Quantities of Forward Electricity Products is set at 30% for 2018 and will be revised according to the recommendation of the Market Operator (EMO).

The Market Operator's (EMO's) recommendation for setting the Administratively set Minimum Use Rate of Distributed Quantities of Forward Electricity Products will be submitted to RAE in December each year.
Additionally, the possibility of submitting purchase orders under the condition of satisfying the quantity requested as a whole by the participants, is restored and it is stipulated that in the case of the zero provisionally allocated quantity of a current valid purchase order, the submitted new purchase order is considered valid in the following cases:
(i) It increases the price and the numerical value of the quantity requested is greater than zero.
(ii) It maintains the price level and increases the numerical value of the quantity requested.

2. LEGAL FRAMEWORK (CONTINUED)

According to Law 4549/2018 (Government Gazette A 105 / 14.06.2018) entitled "Provisions for the Completion of the Agreement on Budgetary Targets and Structural Reforms - Medium Term Financial Framework 2019-2022 and other provisions", in article 42 "Adjusted quantities of electricity to be auctioned by means of auctions of forward electricity products with physical delivery", it is provided that:

• In accordance with Law 4533/2018 regarding the structural measures for access to lignite and in relation to their timely implementation, the quantities of electricity that may be auctioned, by a RAE decision based on the reduction of PPC's share according to article 135 of Law 4389/2016 (adjustment of the quantities to be auctioned), are reduced by 50%.

• With the signing of the share purchase agreements, the mechanism for adjusting the quantities to be auctioned pursuant to article 135 of Law 4389/2016 is abolished.

• The annual quantity of electricity to be auctioned for 2019 (as set by Law 4472/2017 by amendment of Law 4389/2016) is reduced from 22% to 13% of the total quantity of electricity of the interconnected system for the previous year, after the pre-requisite operations for each party (new investors) have been implemented.

Within January 2019, the Hellenic Energy Exchange (HEnEx SA) will submit to RAE a proposal for the amendment of the Code of Transactions for Future Products (CBC) for the compatibility of the mechanism with the launch of the New Electricity Market (according to Law 4425/2016 for the reorganization of the Greek Electricity Market in implementation of the legislation for the completion of the single European electricity market), in particular regarding the declarations of the use of forward products quantities, the system declaration of programs of HEnEx S.A. and the obligations of physical delivery and the balancing of the parties.

- Decision 57/2017 (O.G. 72/A/19.5.2017) of the Government's Council for Economic Policy, concerning the structural measures for PPC's access to lignite was published, which Greece will propose to the Commission's Directorate General for Competition (DG Comp.) until November 2017 and will be implemented by June 2018 in compliance with Decisions C (2008) 824 and C (2009) 6244 of the European Commission on PPC's access to lignite, which became irreversible after the (2016) 733 and (2016) 748 decisions of the General Court of the European Union. The binding remedial structural remedies will be designed in accordance with the following principles :
  - a) The measures would include PPC's disinvestment of lignite power generating units to existing or new alternative suppliers and other investors.
  - b) PPC would have no involvement or connection with any element of disinvestment, including preferential electricity supply. In line with the Commission's communication on structural measures acceptable under Regulation 139/2004 and Regulation 802/2004, the purchaser (s) a) would be independent of and will not have any association with PPC and its affiliated companies; b) should possess the financial resources, proven know-how and incentive to maintain and develop the disinvested portfolio of power generating units as a viable and active competitive power in relation to PPC and other competitors, and c) on the basis of the information available, they would not cause or threaten to cause prima facie competition concerns and they would not create a risk of delay in the implementation of the structural measures.
  - c) Disinvestment will account for about 40% of PPC's lignite power generating capacity. The exact percentage would be determined during technical discussions with the European Commission in accordance with the abovementioned decisions. The disinvestment would include the associated lignite reserves, in accordance with paragraph 248.1 of the Commission's Decision C (2008) 824, which states that "the Hellenic Republic could reallocate some of the rights currently enjoyed by PPC in this case and given that the lignite reserves are connected to the nearby electricity generating units, access to the lignite reserves should be combined with the transfer of the ownership or the franchise of the respective unit

  In this context, in January 2018, the Hellenic Republic proposed to the European Commission's Directorate-General for Competition as a binding structural measure the disinvestment of three (3) existing PPC's lignite units, namely Meliti 1 (330 MW installed capacity), Megalopolis 3 (300 MW) and Megalopolis 4 (300 MW), as well as the production license for a new lignite unit (Meliti 2, 450 MW), together with the exploration and exploitation rights of the lignite mines (Megalopolis mine for the units Megalopolis 3 and 4 and Kleidi mine, Meliti hills and Vevi for Meliti). The Directorate-General for Competition conducted a market test for the abovementioned commitment by the Hellenic Republic.

2. LEGAL FRAMEWORK (CONTINUED)

- In order to fulfill the Hellenic Republic's commitment to the European Commission's Directorate-General for Competition to take structural measures regarding PPC's access to lignite, the Greek Parliament passed Law 4533/2018 (Government Gazette A 75 / 27.4.2018) entitled " Structural measures for access to lignite and the further opening of the wholesale electricity market and other provisions ". According to the provisions of the above mentioned Law, PPC undertakes the obligation to proceed to the disinvestment of three (3) existing PPC lignite units, namely Megalopolis 3 (300 MW of installed capacity), Megalopolis 4 (300 MW of installed capacity), Meliti 1 (330 MW installed capacity), the production license for a new lignite unit (Meliti 2, 450 MW of installed capacity), together with the exploration and exploitation rights of the related lignite mines (Megalopolis mine for the units Megalopolis 3 and 4 and Kleidi mine, Meliti hills and Vevi for Meliti), as well as the related mining equipment. The disinvestment will take place through the spin-off and contribution of two (2) lignite branches of PPC S.A. in two (2) new companies (one in Meliti and one in Megalopolis). Furthermore the Law provides for disinvestment procedure, the framework of the international tender procedure for the sale of the shares that PPC SA will acquire from the two (2) new companies, the labor relations of employees in two (2) spin-off branches, PPC’s responsibilities and the responsibility of the two (2) new companies.
  According to the above, the Law refers to the creation of two (2) new sociétés anonymes from the persepective of assets, liabilities and human resources, with the sole shareholder being PPC.
  In particular, it is provided that, in the first company to be set up, PPC contributes as a branch the assets, rights and obligations related to its lignite power generation activity in the area of Meliti Florina and in the wider region where public lignite deposits are located and in the second company to be also set up, PPC contributes as a branch the assets, rights and obligations related to its lignite power generation activity in the area of Megalopolis Arcadia.
- PPC will transfer all the obtained shares that the new companies will issue, to legal entities interested in acquiring them, which will become preferred investors in an open, international bidding tender. The tender will be carried out with PPC’s care and expenses, in accordance with the Greek State’s commitments to the European Commission referring to structural measures in the lignite-fired power generation sector.
  The tender will be launched through an open, international, public invitation by PPC until May 31st, 2018 and will be completed by signing the share purchase agreement and other contracts within six (6) months from the date of entry into force of the European Commission's decision.
  The tender procedure will take place in two stages : At first, PPC will issue an Invitations to submit an Expression of Interest (“EoI) until May 31st 2018, which will lead to the pre-selection of investors who meet the technical, financial and legal criteria set. At a second stage, pre-selected investors will be invited to sign a Confidentiality Agreement relating to the tender process and become "Eligible Participants" and will then receive the Invitation to submit a Binding Offer, in order to participate in the 2nd Phase of the Process, where they will gain access to the Virtual Data Room (VDR), that will be set up and will conduct a due diligence in order to submit binding offers.
  In this tender procedure, interested parties may submit bids either for the acquisition of all the shares of the two new companies or for the acquisition of all the shares of one of them.
  In order to ensure the fair valuation of the market value of the sectors contributed, PPC will, subject to the prior approval of the European Commission, appoint a sufficiently qualified and appropriately accredited international independent valuator to determine the fair value range of the commercial value of each sector. This assessment will remain confidential until the financial offers of the participants in the tender are opened and then it will be handed over to PPC’s Board of Directors and to the European Commission's Monitoring Agent.
  In the event that financial bids fall short of this assessment, PPC may request the submission of improved final financial bids to safeguard both its legitimate financial interests as well as those of its shareholders.
  In the context of the tender timetable and within a reasonable time from the submission of the final financial bids, which will be specified in the relevant tender notice by PPC and in any case before taking a final decision on the selection of the preferred bidder(s), PPC’s BoD may obtain a “fairness opinion” from another international independent valuator, such as an international investment bank, on the submitted bid.
  Furthermore, PPC is required to hire a Monitoring Trustee to act on behalf of the European Commission, in order to ensure the economic viability and competitiveness of the branches, until the completion of their disinvestment from PPC’s part and to monitor the procedures of the tender according to the provisions of EU laws regarding compliance with competition law.

2. LEGAL FRAMEWORK (CONTINUED)

For the safe and orderly technical, commercial and administrative operation of both new companies and PPC as well, both before and after the completion of the proposed disinvestment, the possibility of entering into any service level agreement and / or leasing contract of real estate which is necessary is provided, on the basis of cost effectiveness and with transparent and ordinary for such contracts other commercial, technical, financial and legal terms and conditions.

Special fee for lignite exploration and exploitation rights

On December 31st 2018 the "Fee for the development of industrial areas where electricity is produced from lignite fired plants" referred to Article 20 of Law 2446/1996 (A '276), as amended and in force, is repealed and it is replaced from January 1st 2019 by the "Special Fee for lignite exploration and exploitation rights" in favor of the Western Macedonia and Peloponnese regions and at the expense of electricity producers by means of lignite fired plants, which own or have been granted in any way lignite exploration and exploitations rights on lignite areas within the Greek Territory.
The above mentioned special fee of €1.40 per megawatt (€ / MWh) of electricity produced from lignite will not be included in the variable cost of lignite power plants and will be recovered by the lignite units through a relevant charge added to the surcharge charges of the wholesale electricity market.
The funds resulting from the imposition of the above special fee will be used to fund infrastructure, development and environmental protection projects, as well as relocation projects for the settlements of the Arcadia, Kozani and Florina Regional Units.
By a decision of the Minister of Environment and Energy, the manner, the instruments, the criteria and the procedure for the collection, distribution and payment of the fee in the above Regions, the procedure for its adjustment, as well as any other relevant issue will be determined. The same decision will determine the fines imposed in the event of non-payment of the fee or non-compliance with the other obligations provided for therein.

- Law 4512/2018 (O.G. A5/17.01.2018) entitled "Regulations for the implementation of the structural reforms of the Economic Adjustment Program and other provisions" and in particular Articles 73-99 regulates issues related to the Establishment and Operation of the Energy Exchange through amendments to various Laws and in particular:
  - Law 4425/2016 (O.G. A185/30.09.2016), which includes provisions regarding the reorganization of the Greek electricity market in accordance with the legislation for the completion of the single European electricity market (establishment of Electricity Markets - Purchase of Future Electricity Products, Next Day Market, Intraday Market and Balancing Market - and their characteristics, the jurisdiction and the responsibilities of Market Operators, as well as issues relating to Market Codes as well as to Clearing / Transactions within these).
  - Law 4001/2011 (O.G A179/22.08.2011) entitled "Operation of Electricity and Natural Gas Markets, for Hydrocarbon Research, Production and Networks and other regulations".
- Law 4559/2018 established and implemented the Transitional Flexibility Compensation Mechanism, namely the availability of the Flexibility Service to the HELLENIC ELECTRICITY TRANSMISSION SYSTEM (HETS) for the provision of which the HETS Operator pays compensation to the eligible allocated generation units (eligible Flexibility Providers) which are capable of rapidly increasing or decreasing their capacity, in order to meet the demand of HETS, following the Allocation Orders of the HETS Operator. The duration of the Transitional Flexibility Compensation Mechanism, was set at a maximum by December 31st, 2019 or, if this occurs earlier, until the application of the Long-Term Flexibility Compensation Mechanism and is divided into two periods, in which at least one Tender Procedure is conducted. The first period starts from the entry into force of this Law and expires on March 31st, 2019 and the second one from April 1st, 2019, scheduled date of commencement of the electricity market's operation, until December 31st, 2019. The first auction under the Transitional Flexibility Compensation Mechanism will be held by September 30th, 2018 at the latest.

2. LEGAL FRAMEWORK (CONTINUED)

By Ministerial Decision No. ΥΠΕΝ/ΥΠΡΓ/53028/7626, the methodology for calculating the Flexible Capacity of the allocated Hydroelectric Units, namely the capacity at which the Flexibility Provider, allocated Hydroelectric Unit, can be registered upon request to the HETS Operator in the Flexible Providers Register. By RAE's Decision 780/2018, the provisions of the Greek Grid Control Code For Electricity regarding the Transitional Flexibility Compensation Mechanism were amended accordingly. IPTO published the Table for the Initial Available Capacity of the Eligible Generation Units for their participation in the Transitional Flexibility Compensation Mechanism- setting a deadline of fifteen calendar days for filing an objection by any production license holder in relation to its Units. PPC filed an objection against the publication of the said table and, in particular, on the one hand, against the determination of the Initial Available Capacity of the Unit Megalopolis V and on the other hand, against of the total of hydroelectric units, which was rejected by IPTO. PPC submitted applications for registration in the Flexible Providers Register maintaining reservations.

HELLENIC ELECTRICITY TRANSMISSION SYSTEM (HETS)

- RAE, with its Decision 1023/2017 (Use of Congestion Income, from the country's international interconnections access rights, for the year 2018), approved the use of Euro 35.6 mil., from the Reserve Account (Interconnections Transfer Capacity Allocation according to article 178 of the Greek Grid Control Code For Electricity) that IPTO keeps, for the reduction of the Annual Cost for the use of the Transmission System, for the year 2018.
- According to the Decision of the Minister of Environment & Energy ΗΛ/ΒΦ8/2954 οικ. 184578 (O.G. B 4450/18.12.2017), the total project of the Interconnection of Crete, Phase I and Phase II, which has been included in the Ten Year Development plan of the Electricity Transmission System (2017 – 2026), has been classified as a project of high importance to the country's economy, since it aims at securing electricity supply of the islands, reducing the cost of producing electricity in the islands, the decrease of the charges that consumers pay (PSOs) and therefore every effort should be made for the timely licensing and implementation of both Phases I and II of the Interconnection project.

HELLENIC ELECTRICITY DISTRIBUTION NETWORK (HEDN)

- HEDNO published the announcement for the market opening in Rhodes island on January 2nd 2017, following the adoption of all the necessary methodologies for the market operation in the NII (RAE's Decisions 46/2016, 47/2016 and 238/2016) and pursuant to L.4414/2016, according to which Rhodes island is no more integrated in the derogation regime for the supply of electricity from January 1st 2017. It should be noted that the derogation (Decision 2015/536/EU) has been granted till the full installation of the necessary infrastructure in the NII and, in any case, it expires on February 17th 2019.
- By RAE Decision 908/2017 (O.G. B4461 / 19-12-2017), it was decided to disengage all Non-Interconnected Islands (NII) from the derogation regime of the European Commission's Decision 2014/536 and to open the Market from January 1, 2018, concerning the supply of electricity, while the infrastructure will be the one provided for the transitional period of applying the NII Code, in the same way as it is already done in the systems of Crete and Rhodes.
- With the Decision of RAE 1022/2017, the new numerical values of the network loss coefficients, which correspond to the MV and LV consumption increase factors due to losses, were approved with effect from January 1st 2018, so that the quantities of electricity consumed per voltage category to be bound to the boundary between the System and the Network.
- In Law 4495/2017 entitled "Control and Protection of the Structured Environment and Other Provisions", (O.G. A 167/03.11.2017), article 135 brings about an amendment of article 125, par. 4, entitled "Personnel of the HEDNO S.A." of Law 4001/2011, as amended by paragraph 10 of article 15 of Law 4425/2016 (A 185), on the ability of PPC to support the operation of the HEDNO by providing services, at a reasonable price covering the costs involved, until the end of the year 2019 in order to facilitate the full development of HEDNO's Services. Specifically, for NIIs till the end of the year 2019, in order to facilitate the full development and support of the operation of the local power management infrastructures of the NII electrical systems, PPC may provide to HEDNO (a) supportive services relating to the operation and management of such systems, without this entailing responsibility or jurisdiction for such management; and (b) services for contingencies.

2. LEGAL FRAMEWORK (CONTINUED)

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

- By RAE's Decision 1101/2017, (O.G. B 4670/29.12.2017), entitled "Numerical values of the coefficients for the allocation of the Special Fee of article 143 par. 3 of Law 4001/2011, as in force , for the calendar year 2018", the unit charges of the Special Fee for the reduction of CO_2 EMISSIONS (ETMEAP) as of 01.01.2018 are determined by customer category.
  According to article 12 of Law 4533/2018 "Structural measures for access to lignite and the further opening of the wholesale electricity market and other provisions", (OG A 75 / 27.04.2018), article 143 of Law 4001 / 2011, as replaced by Article 80 of Law 4427/2016, which deals with the charging of load representatives as income of the Electricity Market Sub-Account of the RES and CHP of the Interconnected System and Network (Load Representatives Uplift Charge for RES Special Account) for the added value of the energy from RES-CHP stations as determined by the substitution of corresponding conventional production is amended. According to the amendment, the Uplift Charge is calculated for the first quarter of 2018 at 100% of the charge resulting from the application of the methodology whereas from April 1st 2018 it is reduced to sixty five percent (65%). In particular, for 2018, RAE reduced the above percentage, considering the projected surplus of the Special Account for RES and CHP of the Interconnected System and Network, following the formation of a special reserve for extraordinary expenses amounting to Euro seventy million (€70,000,000).
- According to Law 4549/2018 (OG A 105 / 14.06.2018) entitled "Provisions for the Completion of the Agreement on the Financial Objectives and Structural Reforms - Medium-Term Framework of the Financial Strategy 2019-2022 and other provisions", the following are provided in Article 40 "Regulation of issues concerning the Special Account for RES and CHP ":

1. An amendment of article 143 of Law 4001/2011 (as amended by Laws 4427/2016 and 4533/2018):
   • Load Representatives Uplift Charge for RES Special Account is reduced from January 1st 2019 to 50% and from January 1st 2020 to 30% of the charge resulting from the application of the relevant methodology (it is reminded that for the first quarter of 2018 it was 100% and from April 1st 2018 it declined to 65% of the charge).
   • The expected surplus of the Special Account for the years 2018, 2019 and 2020 is going to be returned to the Load Representatives through EMO, in addition to the formation of the special reserve for extraordinary expenses amounting to seventy million (70,000,000) Euro, according to the clearing of funds for December of each year. The procedure for the surplus return and any other specific detail will be incorporated in the Power Exchange Code for Electricity.
   • ETMEAR unit costs for the years 2018, 2019 and 2020 will be adjusted through RAE's Decisions, taking into account the amounts of the surplus returned to the Load Representatives (over and above the special reserve).
2. Through the amendment of Article 25 of Law 3468/2006 (as amended by Law 4369/2016), the percentage of revenues from auctions of unallocated CO_2 emission rights, which is a revenue of the Special Account, is increased for the years 2019 and 2020 to at least 65% from 60% which was until today.

PUBLIC SERVICE OBLIGATIONS (PSOs)

- According to Law 4508/2017 entitled "Licensing of space activities Registration in the National Register of Space Objects - Establishment of Hellenic Space Organization and other provisions" (O.G. A 200/22.12.2017) the following are provided regarding PSOs:
  - In Article 55 the provisions of Law 4067/2012 (A'79) (Article 36) are amended on:
    (a) The calculation of the PSO compensation as of 01.01.2018. New unit charges are introduced and a provision is introduced to the effect that if the four-month electricity consumption exceeds the consumption thresholds of a certain scale in the LV household categories, only the excess consumption is charged according to the unit charge of the next scale.
    (b) the persons responsible for the payment of the PSO compensation, the determination of the consumption of each consumer, the payment of the PSO compensation to the special PSO account, the case of an annual deficit or surplus of the PSO special account and the full or partial state budget subsidy of the cost for providing PSOs.

2. LEGAL FRAMEWORK (CONTINUED)

- Article 56 amends the provisions of Law 4001/2011 (A179) regarding assignment to HEDNO of the function of the sole Administrator of the PSO special account in the Greek territory from January 1st 2018.
- Article 57 regulates the substitution of the management of the PSO special account by HEDNO from January 1st 2018.

- In accordance with Article 400 of Law 4512/2018 (O.G. A 5/17.01.2018), issues concerning the annual financial result of the Public Service Obligations (PSO) Special Account and the treatment of a possible deficit / surplus are regulated through amending Law 4067/2012 (O.G. A 79/09.04.2012), which regulates the provision of PSOs in the electricity sector, and provides, in particular, that in the event of a deficit or surplus of the annual economic outturn of the PSO special account, unit charges for PSOs are readjusted in December each year as part of the special account monitoring, following RAE's recommendation. The adjustment will eliminate the projected deficit for the current year, in which any deficit for the previous year will be incorporated.
- Pursuant to paragraph 7 of article 55 of Law 4001/2011, the limit of the annual charge of electricity customers for covering the costs of providing Public Service Obligations (PSO's) is adjusted in the first quarter of each year by a RAE's Decision. With its Decision 243/2018 RAE decided to adjust the upper limit for the maximum annual customer charge per consumption point to cover PSO's costs in 2018 to € 782,307.
- Article 41 "Amendment of Article 36 of Law 4067/2012", of Law 4549/2018 (OG A' 105/14.06.2018), entitled "Provisions for the Completion of the Agreement on Financial Objectives and Structural Reforms - Medium Term Framework Financial Framework 2019-2022 and other provisions ", amends article 36 of Law 4067/2012 (as amended by Law 4508/2017 and Law 4512/2018) and the financing by the State Budget of part of the cost of providing PSO's, with a corresponding inflow to the Special Account for PSOs, is set up to an amount of €59,000,000 for the year 2019 and up to an amount of Euro 68,000,000. for the year 2020.
- Article 124 "Amendment of Article 36 of Law 4067/2012" of Law 4549/2018, (OG A' 105 / 14.06.2018) entitled "Provisions for the Completion of the Agreement on Financial Targets and Structural Reforms - Medium Term Financial Framework 2019-2022 and other provisions', amends paragraph 2 of article 36 of Law 4067/2012, as amended by article 400 of Law 4512/2018, where, according to this amendment, the unit charges for PSO compensation is adjusted in June and December each year (and not in December as previously applicable) in the event of a deficit or surplus of the annual economic outturn of the PSO Special Account in the context of its monitoring, following RAE's recommendation to the Minister of Environment and Energy in May and November, and taking into account the recommendation of the competent Market Administrator in March and September respectively. The adjustment will eliminate the expected deficit for the current and the following year, incorporating in the following year any deficit of the previous year.

OTHER ISSUES

- RAE, after its Decision 573/2017, by which it issued a call for expression of interest and after the amendment of the relevant terms and of the procedure applied for the selection of the Last Resort Electricity Supplier for the period of three (3) years starting from March 23rd 2018 and its Decision 1089/2017 announcing that there was no expression of interest for the particular tender, decided by its Decision 240/2018 (O.G. B 1148/29.03.2018) the appointment of PPC as the Last Resort Electricity Supplier from March 23rd 2018 to March 22nd 2019.
- According to this Decision, PPC is required to publish the tariffs applicable by customer category or the methodology for calculating the charge applied if there is no published tariff for a particular customer category for the provision of the Last Resort Electricity Supplier service. RAE also approved the following uplift rates on PPC's tariffs (competitive charges), as the Last Resort Electricity Supplier: a) five per cent (5%) for the HV customers on the wholesale market cost and b) ten per cent (10%) for MV and LV customers on the current PPC's customer tariffs (competitive charges).

2. LEGAL FRAMEWORK (CONTINUED)

RAE, after its Decision 574/2017, by which it issued a call for expression of interest and after the amendment of the relevant terms and of the procedure applied for the selection of the Universal Service Electricity Supplier for the period of three (3) years starting from March 23rd 2018 and its Decision 1090/2017 announcing that there was no expression of interest for the particular tender, decided by its Decision 241/2018 (O.G. B 1148/29.03.2018) the appointment of PPC as the Universal Service Electricity Supplier from March 23rd 2018 to March 22nd 2019. According to this Decision, PPC is required to publish the tariffs that will be applied for the particular LV customers (residential customers, as well as small businesses with power not greater than 25kVA) for the provision of the Universal Service Electricity Supplier service. RAE also approved the uplift rate of twelve per cent (12%) on PPC's tariffs (competitive charges), for the particular LV customers (residential customers, as well as small businesses with power not greater than 25kVA) for the provision of the service.

- According to Article 352 of Law 4512/2018 (O.G. A 5/17.01.2018) entitled "Regulations for the implementation of the structural reforms of the Economic Adjustment Program and other provisions" by a decision of the Minister of Finance the Greek State may grant cash advances to electricity suppliers in relation to the total annual obligations of each year for the payment of electricity bills of General Government entities and up to the amount of the corresponding total expense (cost) for the previous year. These advances are reimbursed after the obligations have been repaid by the entities, through a deposit in a special account.
- Law 4541/2018 (OG A’ 93 / 31.05.2018) entitled "Amendment of Law 3190/1955 on Limited Liability Companies and other provisions" includes Article 19, which sets the provisions regarding the payment of overdue debts of General Government entities to electricity suppliers, which had become overdue until April 30th 2018 and which can be paid from the State budget and in particular from the budget of the Ministry of Finance.
- The Decision 2/42245/ΔΛΓΚ was issued by the Ministry of Finance and determines the procedure, the terms, the conditions and other issues related to the provision of cash advances to electricity suppliers against the total annual obligations for the payment of electricity bills of General Government entities. In implementation of this decision a five-year Memorandum of Understanding between the Ministry of Finance and PPC was signed. Subsequently, the Decision 2/47779/ΔΛΓΚ was issued by the Ministry of Finance and determines the procedure, the terms, the conditions and other issues related to the provision of cash advances to Public Power Corporation (PPC S.A.) against the total annual obligations for the payment of electricity bills of General Government entities. In implementation of this decision an amount of Euro 538,300,000 was paid by the State Treasury to PPC SA. on 02.07.2018. This amount will be reimbursed gradually after the payment of the electricity bills by the General Government entities and will be completed on April 30th of next year.
- With Law 4513/2018 (O.G. A 9/21.01.2018) the Energy Communities are established. The Energy Community is a fully-fledged urban cooperative society with the aim of promoting the social and solidarity economy, innovation in the energy sector, the fight against energy poverty and the promotion of energy sustainability, production, storage, own consumption, distribution and supply of energy, strengthening energy self-sufficiency and security in island municipalities, as well as improving energy efficiency end-use at local and regional level, through its activities in the fields of Renewable Energy Sources (RES), High Efficiency Combined Heat and Electricity, rational use of energy, energy efficiency, sustainable transport , management of demand and production, distribution and supply of energy. The members of the Energy Community, the purpose, the object of activity, the financial incentives, the supporting measures and other elements of its operation are defined by this Law. Laws 3468/2006, 4001/2011, 4067/2012, 4178/2013, 4203/2013, 4414/2016 and 4447/2016 are also amended by the provisions of this Law.
- The Social Residential Tariff (SRT) was established for the protection of vulnerable consumer groups and is provided according to the Decision of the Ministry of Environment, Energy and Climate Change, Δ5-ΗΛ/Β/Φ29/16027/06.08.2010 (OG B’ 1403 / 06.09.2010), as amended and in force. With a newer Decision of the Ministry of Environment, Energy and Climate Change ΥΠΕΝ/ΥΠΡΓ/892/152, as published in the Official Gazette (OG B’ 242 / 01.02.2018), Decision No Δ5-ΗΛ/Β/Φ29/16027/06.08.2010 entitled "Application of Social Residential Tariff" is amended. This Decision amends the categories of beneficiaries of the SRT, the eligibility criteria and the rebate granted to beneficiaries and the decision of the Committee on Prices and Incomes (no. 2153 / 3.4.96), which established the special tariff for multimember families is abolished.

2. LEGAL FRAMEWORK (CONTINUED)

SRT applications are now submitted to the website of IDIKA SA (Electronic Management of Social Security S.A.) and not to the one of HEDNO.

- In Law 4513/2018 entitled "Energy Communities and other provisions", article 26 provides for the granting of State Budget aid to household consumers in the Region of Western Macedonia and the Municipality of Megalopolis due to the burden of lignite activity which cannot be exceeded forty two (42) euro per megawatt (MWh) of the invoiced electricity consumption and is credited to the Beneficiary's accounts as a deduction from the Suppliers of Electricity. Following the above mentioned Law was adopted the Joint Ministerial Decision ΥΠΕΝ/ΥΠΡΓ/26359/4101, (Government Gazette B 1936 / 30.05.2018) entitled "Implementation of the Environmental Household Electricity Invoice for the consumers of the Region of Western Macedonia and the Municipality of Megalopolis of the Regional Unity Arcadia ", which determines:

    - Establishment of a special environmental aid bill with EMO Operator, to which the amount is transferred from the State Budget.
    - Beneficiaries of the aid: Domestic consumers within the administrative boundaries of the Region of Western Macedonia and Megalopolis Municipality of Arcadia Regional Unity with a quarterly consumption of electricity up to 2400 kWh (In the case of a 4-month consumption exceeding the limit of 2400 kWh, the aid is granted up to this limit). Excludes: the beneficiaries of the Social Household Invoice , the beneficiaries of the Special Household Income for Large Families, beneficiaries of a special tariff for electricity consumption according to Employee Code of PPC SA and those defined in the CA 127/1990, the integrated self-producers in an energy netting or virtual energy netting program and those benefiting from a virtual energy netting program in accordance with paragraph 10 of Article 11 of Law 4513/2018, as in force.
    - Methodology for calculating the aid: the aid is calculated for each beneficiary on the basis of the measured energy consumption data as the product of the measured electricity consumption on the amount of the unit aid. The deduction is granted to the first account issued for each beneficiary of the aid after the sending of measurement data by HEDNO to the Power Supplier representing it.

- RAE published its Decision 1127/2017, (OG B' 497 / 16-2-2018), on the determination of the values the regulatory parameters and the Methodology for the Calculation of Variable Costs of Hydroelectric Units for the year 2018, according to which (from January 1st 2018 and for a three month period, i.e. until March 31st 2018) the regulatory parameters according to the provisions of paragraph 6 of the Methodology for the Calculation of Variable Costs of Hydroelectric Units (RAE 207/2016, OG B ' 2763 / 2.09.2016) are determined, in accordance with the provisions of Article 44 (par. 5) of the Power Exchange Code for Electricity, at the same level as in 2017, and in particular as follows:
  (a) TOLup, i = TOLdn, i = 5% for all reservoirs
  (b) VCmax = 150 € / MWh
  (c) k1 = k2 = 3 for all reservoirs

Furthermore, the prices (effective from January 1st 2018 and for a three month period, i.e. until March 31st 2018) of the Highest Reserve Safety Level (Rsec) according to the provisions of paragraph 6 of the Methodology for the Calculation of Variable Costs of Hydroelectric Units and Article 262 of the relevant Code, are set at the same level as in 2017 and in particular according to the table attached to that Decision for each Hydroelectric Unit.

Natural Gas

The Decision of the Ministry of Environment and Energy No. 174842, was published (OG B' 1969 / 01.06.2018), regarding the issuance of the Natural Gas Supply Code to Customers, which defines and regulates the rights and obligations of Suppliers and Customers, both at the stage of negotiations and the conclusion of the contract between them, as well as during the fulfillment of their contractual obligations.

2. LEGAL FRAMEWORK (CONTINUED)

In summary: As a Customer is defined the natural gas final customer, i.e. the natural or legal person which purchases Natural Gas exclusively for its own use. Based on the purpose of the end-use of Natural Gas that is procured, Final Customers are classified as Residential Customers and Non-Residential which are further classified as Commercial, Industrial and Electricity Producers. Subcategories of the main categories include, in particular, Customers which purchase Natural Gas for Cogeneration and Air Conditioning as well as Customers outside the Transmission System and Distribution Network.
The following Natural Gas sales do not fall into the provisions of the above mentioned Code :

(a) sales of Natural Gas delivered to the Virtual Statement of Evidence or the Virtual Transaction Point where there is no Natural Gas Meter;
(b) Natural Gas Sales to Natural Gas Supply License Holders ,
(c) sales of Natural Gas to NNGS and Distribution Networks Managers.

Law 4549/2018 (OG A' 105 / 14.06.2018) entitled "Provisions for the Completion of the Agreement on Budgetary Targets and Structural Reforms - Medium-Term Framework of the Financial Strategy 2019-2022 and other provisions", Article 125 "Electronic Auction Programmes of natural gas quantities", provides that Suppliers with a high market share (covering 40% or more of the total annual quantity of Natural Gas supplied to Greece the Eligible Customers) are obliged to implement an electricity auctioning of gas quantities per year until December 31st 2020. The quantities to be auctioned are determined a RAE's Decision, following cooperation with the Competition Commission, in proportion to the market share of each Supplier with a high market share and at a maximum of 20% of the amount allocated by the Supplier in the previous calendar year to Eligible Customers.

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 for the six month period ended June 30th 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting" which determines the form and the content of the interim financial statements. The accompanying financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the latest annual financial statements as at December 31st,, 2017 made publicly available.
The accompanying financial statements have been prepared under the historical cost convention (except for tangible assets, financial assets at fair value through other comprehensive income 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.

During the six-month period ended June 30th 2018, the Group and the Company recorded losses and, at the same time, on June 30th 2018, total short-term liabilities of both the Group and the Parent Company exceeded the total of short-term assets by approximately Euro 1.335 million. and Euro 1.583 million, respectively.

The above constitute a risk to the ability of the Group and the Parent Company to continue their operations smoothly and for this reason they have undertaken the following actions:

- On August 2nd 2018, the Group's and Parent Company's Management agreed and signed the key terms for two bond loans totaling Euro 1,260 million (Euro 1,085 million maturing until 2023 and Euro 175 million maturity until 2021) with a consortium of Greek Banks. The final contract is expected to be signed next month at the latest.

- In the context above, the Group and the Parent Company also agreed for a new line of Euro 200 million, which can be used for the partial repayment of a bond maturing on May 1st 2019. ,The contract for this new credit line is expected to be signed within the next month .

- In the signed term-sheet of the two bond loans there is a provision that 70% of the proceeds from the sale of the two lignite subsidiaries created under the provisions of L.4533 / 2018 will be directed to the repayment of the aforementioned loan obligations.

3.1 BASIS OF PREPARATION (CONTINUED)

- On June 30th 2018 the Group and the Parent Company were in full compliance with the terms of all their loan agreements.

- The negative profitability picture for the first half of 2018 is mainly due to one-off effects (non-recurring expenses amounting to Euro 166 million as well as an impairment of assets amounting to Euro 240.6 million), while according to the approved (on July 2018) Business Plan drawn up for the next five years together with next year's financial forecasts it is expected that improved operating cash flows for 2019 as well as for subsequent years will occur. Also, according to the above mentioned Business Plan and financial projections, recurring Operating Income before depreciation, amortization net financial expenses and taxes (EBITDA) shows an upward trend. These estimates are based on assumptions made by the Group's and the Parent Company's Management relating to the recoverability improvement of the Parent Company's overdue receivables from its customers (the Parent Company has already outsourced the management of a significant portfolio of overdue receivables from its customers and already, after the first months of the project there is a significant increase in the recoverability of these overdue receivables), as well as in actions to improve its costs.

Following the above, the Group's and the Parent Company's Management considers that there is no significant uncertainty regarding the continuation of their activity.

Approval of Financial Statements
The Parent Company's Board of Directors approved the accompanying financial statements on September 25th 2018.

3.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies applied to the separate and consolidated financial statements are the same as those applied to the annual separate and consolidated financial statements for the year ended December 31st, 2017 with the exception of the following revised standards and interpretations, that are effective for annual periods beginning on or after January 1st 2018.

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

The final version of IFRS 9 - Financial Instruments 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 Management of the Group has adopted the Standard on January 1st 2018 and its assessment is shown in Note 3.3.

- **IFRS 15 Revenue from Contracts with Customers**
  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 Management of the Group has adopted the Standard on January 1st 2018 and its assessment is shown in Note 3.3..

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**
  The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly: a) the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, b) of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and c) of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The Group's Management assessment is indicated in Note 3.3

3.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**
  The Amendments provide requirements on the accounting for a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, b) for share-based payment transactions with a net settlement feature for withholding tax obligations and c) for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Group's Management has assessed that no impact exists for the financial statements of the Group or / and the Parent Company's from these amendments.

- **IAS 40: Transfers to Investment Property (Amendments)**
  The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Group's Management has assessed that no impact exists for the financial statements of the Group or / and the Parent Company's from these amendments.

- **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration**
  The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group's Management has assessed that no impact exists for the financial statements of the Group or / and the Parent Company's.

- The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRS's. The Group's Management has assessed that no impact exists for the financial statements of the Group or / and the Parent Company's from these amendments.

  - ***IFRS 1 First-time Adoption of International Financial Reporting Standards:*** This improvement abolishes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
  - ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Standards issued but not yet effective and not early adopted by the Parent Company (or / and the Group)

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

- **IFRS 9: Prepayment features with negative compensation (Amendment)**
  The Amendment is effective for annual reporting periods beginning on or after January 1st 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The Amendment is not expected to have a substantial effect on the Group's and the Parent Company's financial statements.

3.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- **IFRS 16: Leases**
  The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Standard will mainly affect the accounting treatment of the Group's and Parents Company's operating leases.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The 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. In December 2015 the IASB postponed the effective date of this amendment indefinitely, pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of applying the amendments to its financial statements.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**
  The Amendments are effective for annual reporting periods beginning on or after January 1st 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of applying the amendments to its financial statements.

- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**
  The Interpretation is effective for annual periods beginning on or after January 1st 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. The Group is in the process of assessing the impact of applying the amendments to its financial statements.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**
  The Amendments are effective for annual periods beginning on or after January 1st 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. This Interpretation has not yet been endorsed by the EU. The Group is in the process of assessing the impact of applying the amendments to its financial statements.

- **Conceptual Framework in IFRS standards**
  The IASB issued the revised Conceptual Framework for Financial Reporting on March 29th 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. It's objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

3.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. The following amendments are not expected to have a material impact on the Company's (and / or the Group's) financial statements unless otherwise stated.

  - ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*****:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.

  - ***IAS 12 Income Taxes*****:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

  - ***IAS 23 Borrowing Costs*****:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

3.3 FIRST TIME APPLICATION OF IFRS 15 AND IFRS 9

The Group applied for the first time, IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments". The Group adopted these new standards using the cumulative effect method (i.e. modified retrospective approach), with the effect of initially applying these standards to be recognized at the date of initial application (i.e. January 1st 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11, IAS 39 and related interpretations.

As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue" and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The purpose of the standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability between entities of the same industry, across industries, and across capital markets. It encompasses the principles that an entity should apply to determine the measurement of revenue and the timing of its recognition. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services, by applying a five step process.

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

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services, determining the timing of the transfer of control (at a point in time or over time).

The Group is active in lignite mining and the sale of the product in its own lignite-fired power plants (internal customers) or to third parties, in producing electricity in its own power plants and the sale of the electricity in the wholesale market, in the supply of electricity to customers of high, medium and low voltage, as well as in the provision of electricity distribution services to the suppliers of electricity which are active in the Greek electricity supply market.

Revenues are recognized as follows :

3.3 FIRST TIME APPLICATION OF IFRS 15 AND IFRS 9 (CONTINUED)

Revenues from the sale of lignite

Revenues from the sale of lignite are recognized on delivery of the product by the Mining sector either to the electricity Generation sector (based on an internally agreed price between the sectors), in which case they are presented in the Unbundled Income Statement, or to third parties, in which case they are presented in the Separate and Consolidated Income Statement for the Period.

Revenues from the sale of electricity in the wholesale market

The revenues of the electricity Generation sector from the sale of electricity to the wholesale market are recognized on the delivery of electricity and are reflected in both the Unbundled Income Statement concerning the Parent Company's and the subsidiaries' sales, as well as in the Consolidated Income Statement, concerning the sales of the subsidiaries.

Revenues from the supply of electricity to customers

The revenues of the Supply sector from the sale of electricity to high, medium and low voltage customers are recognized at the issuance date of the respective electricity bills and are presented in both the Unbundled Income Statement and the Separate and Consolidated Income Statement for the Period.
In addition, at each period end, revenues from electricity consumed by customers but not invoiced are recognized for as revenue receivable.
The Group uses the portfolio approach to group contracts for the purposes of revenue recognition, rather than to account for each contract separately.

Revenues from electricity distribution services

Revenues from the provision of electricity distribution services from the subsidiary company HEDNO, is recognized upon the provision of the service and is reflected in both the Unbundled Income Statement for the Period, in the Consolidated Income Statement for the Period, as well as in HEDNOS's Income Statement for the Period.

Under IFRS 15, the Group concluded that revenues from the sale of lignite, from the sale of electricity in wholesale electricity market, from the sale of electricity to customers and from the provision of electricity distribution services, will continue to be recognized over time, in a way similar to the one used for previous periods according to IAS 18, using the same previous accounting policy, due to the fact that its customers simultaneously receive and consume the benefits of the services that the Group provides.

Liabilities from contracts with customers

If customers pay a consideration, or the entity has a right to an amount of consideration that is unconditional, before the entity transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

For the Group, contract liabilities are primarily the result of:

- Deferred customers' contributions.
- Customers' advances against electricity consumption, upon signing electricity supply contract

The above categories were accounted for and included in line "Other non - current liabilities".

Customer contributions are settled over a period longer than twelve (12) months, while advances against electricity consumption are refunded to customers upon termination of the supply contract. The Group has concluded that the most prudent approach is to present these contractual obligations as:

- Long-term, since it is expected that they will be settled in a period longer than twelve(12) months.

<u>IFRS 9 – "Financial Instruments"</u>

IFRS 9 includes the classification and measurement of financial assets and financial liabilities, as well as a model of expected credit losses, which replaces the model of realized credit losses. IFRS 9 also establishes a new approach to hedge accounting based on principles and addresses inconsistencies and weaknesses in the model of IAS 39.

3.3 FIRST TIME APPLICATION OF IFRS 15 AND IFRS 9 (CONTINUED)

The new provisions on the accounting of impairment losses lead to expected losses having to be expensed earlier in some cases.

1) Classification and measurement of the Group's and the Parent Company's financial assets and financial liabilities

IFRS 9 largely retains the requirements of IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available-for-sale.

The adoption of IFRS 9 had no effect on the Group's accounting policies related to financial liabilities.

With the exception of trade receivables that are initially measured at the transaction price, the Group primarily measures a financial asset at fair value plus transaction costs except for financial assets at fair value through profit or loss.

Under IFRS 9, financial instruments are subsequently measured at amortized cost, at fair value through profit or loss, or at fair value through other comprehensive income based on the entity's business model for the management of financial assets and their contractual cash flows.

The new classification and measurement of the Group's and the Parent Company's financial assets are, as follows as of January 1st 2018:

- **Financial assets measured at amortized cost.**

  In this category are classified financial assets held under the business model for the purpose of holding and collecting contractual cash flows. Included in this category are all the Group's and the Parent Company's financial assets, with the exception of investments in equity instruments.

- **Financial assets measured at fair value through other comprehensive income.**

  Under IAS 39, the Group's investments in equity securities were classified as available-for-sale financial assets. On the date of first application of IFRS 9 (January 1st 2018), the Group has made use of the option provided in paragraphs 4.1.4 & 5.7.5 of IFRS 9 and equity investments have been reclassified from "available-for-sale financial assets" to "financial assets measured at fair value through other comprehensive income". The total amounts of the reclassifications on January 1st 2018 for the Group and the Parent Company amounted to Euro 1,531 and Euro 1,044 respectively.

2) Impairment

The Group's and the Parent Company's categories of financial assets subject to the new model of expected credit losses under IFRS 9 are as follows:

- Trade receivables
- Other financial assets measured at amortized cost.

Although cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss has been recognized.

Under IFRS 9, the Group and Parent Company adopted the model of expected credit losses for each of the above asset categories.

Trade receivables

The Group and the Parent Company apply the simplified approach of IFRS 9 for the calculation of expected credit losses, according to which the provision for impairment is always measured at the amount of expected credit losses over the life of trade receivables.

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

3.3 FIRST TIME APPLICATION OF IFRS 15 AND IFRS 9 (CONTINUED)

To measure the expected credit loss in relation to trade receivables, the Group and the Parent Company have established a provision matrix relying on aging analysis, which is based on the Group's and the Parent Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other financial assets measured at amortized cost

For the Group's and the Parent Company's other financial assets measured at amortized cost, the general approach is used. These financial assets are considered to have low credit risk and any provision for impairment is limited to the expected credit losses for the next 12 months.

4. SEASONALITY OF OPERATIONS

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

5. AMENDMENTS

As mentioned in the published Financial Statements for the fiscal year 2017, the Group and the Parent Company proceeded to the restatement of certain figures concerning the financial statements of previous periods (see Note 36 Annual Financial Report 2017).
These restatements concerned: a) the recognition of a deferred tax asset on the obligation for the supply of electricity at reduced tariffs to the Group's employees after retirement for the fiscal year 2016 and the first half of 2017 and b) the application of the appropriate estimation method for calculating the amount of unbilled revenue to low voltage customers for the fiscal years 2015 and 2016 and the first half of 2017.
On 31.12.2017, the Group's and the Parent Company's management rated the above as "mistake" in accordance with the provisions of IAS 8, and proceeded to the necessary new calculations and restatements of certain figures concerning the financial statements. These restatements did not have a cash flow effect.

The effect of the above restatements on the Group's and Parent Company's Income Statements for the six-month period ended June 30th, 2017 is presented in the following tables:

a) Deferred tax assets on the obligation for the supply of electricity at reduced tariffs

Effect on Income Statement for the six month period ended June 30th, 2017

	GROUP (Continuing Operations)			COMPANY		
	30.06.2017 Published	Restatement Effect	30.06.2017 Restated	30.06.2017 Published	Restatement Effect	30.06.2017 Restated
Profit/(loss) before tax	31,075	-	31,075	6,877	-	6,877
Income tax	(24,701)	59,018	34,317	(6,373)	40,818	34,445
Net profit/(loss)	6,374	59,018	65,392	504	40,818	41,322

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

5. AMENDMENDS (CONTINUED)

b) Revenues from Low Voltage Customers

Effect on Income Statement for the six month period ended June 30th, 2017

	GROUP (Continuing Operations)			COMPANY		
	30.06.2017 Published	Restatement Effect	30.06.2017 Restated	30.06.2017 Published	Restatement Effect	30.06.2017 Restated
Revenue from energy sales	2,331,966	(100,744)	2,231,222	2,327,123	(100,744)	2,226,379
Allowance for doubtful balances	(103,426)	(21,212)	(124,638)	(103,426)	(21,212)	(124,638)
Profit/(loss) before tax	31,075	(121,956)	(90,881)	6,877	(121,956)	(115,079)
Income Tax	(24,701)	35,367	10,666	(6,373)	35,367	28,994
Net profit/(loss)	6,374	(86,589)	(80,215)	504	(86,589)	(86,085)

The effect of the above restatements on the Group's earnings per share, basic and dilluted is presented in the following tables:

	Published	Restatement Effect	Restated
30.06.2017	0.03	(0.12)	(0.09)

It is noted that, for the fiscal year 2017 the Company did not distribute dividends to its Shareholders.

Finally, it is noted that for comparison purposes between the figures of the first half of 2018 and the first half of 2017 the profit from the sale of Subsidiary IPTO S.A. (amounting to Euro 172,236 for the Group and 198,602 for the Parent Company) was reclassified from Continued Operations to Discontinued Operations regarding the figures of the first half of 2017.

6. DISCONTINUED OPERATIONS

6.1. IPTO'S OWNERSHIP UNBUDLING

As described in Note 2, of the Annual Financial Report 2017, on December 31st 2016 the process of the ownership unbudling of the subsidiary IPTO S.A. was in progress according to the provisions of Law. 4389/2016 (Articles 142-149 and 152).

The Group's and Parent Company's Management considered that as of December 31st 2016 the criteria of IFRS 5 "Non-current assets held for sale and discontinued operations" are met and as a consequence, investment in IPTO S.A. was classified as held for sale and distribution accordingly (Discontinued Operations).

In this context, on 15.6.2017 (ex-rights date) the Group lost 51% of the voting rights on the share capital of the subsidiary IPTO SA, owned by its 100% subsidiary ADMIE (IPTO) HOLDING SA, through the transfer to the existing shareholders of PPC SA of the shares of the ADMIE (IPTO) HOLDING SA it held, while the full ownership unbundling was completed on 20.6.2017 with the transfer of 25% and 24% of the share capital of IPTO SA. to P.H.C. ADMIE (IPTO) S.A. and the Strategic Investor (State Grid Europe Limited) respectively, resulting in the transfer of all assets and liabilities that were classified as discontinued operations. The consideration for the transfer of 49% of the share capital of IPTO SA amounted to € 623,208, while taking into consideration the contribution in kind by PPC of 51% of the share capital of IPTO SA valued at € 491,770 in ADMIE (IPTO) HOLDING SA, the total consideration for the full ownership unbundling of IPTO SA amounted to € 1,114,978.

Profit in the Parent Company's Income Statement for the fiscal year 2017 due to the ownership unbundling of IPTO SA amounted to €198,602 and resulted from the following transactions :

- PPC's contribution at 31.03.2017 of the ADMIE (IPTO) HOLDING SA's residual equity amounting to €491,770, of a book value of €467,352 and of a fair value of €491,770, composed of PPC's 51% holding of IPTO SA;s share capital. From this corporate action, a profit of €24,418 was recognized.

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

6. DISCONTINUED OPERATIONS (CONTINUED)

- PPC's sale at 20.06.2017 of IPTO SA's 25% share capital to "IPTO Public Holding Company" (IPTO PHC), of a book value of €229,094 for €295,608 consideration. A profit of €66,514 was recognized from this sale.
- PPC's sale at 20.06.2017 of IPTO SA's 24% share capital to the STATE GRID EUROPE LIMITED (SGEL), of a book value of €219,930 for a consideration of €320,000. At the same date STATE GRID EUROPE LIMITED (SGEL) paid €7,600 being interest between the date of the share purchase agreement and the date of the conclusion of the transaction. A profit of €107,670 was recognized from this sale.

On June 15th 2017 (the ex-rights date) when PPC lost control of its subsidiary IPTO SA, in order to calculate the profit on a Group level (consolidated) of IPTO SA full ownership unbundling, the net assets of the subsidiary were calculated as presented in the following table:

Non – Current Assets	
Property, plant and equipment and intangible assets	1,580,204
Other non – current assets	26,266
	1,606,470
Current Assets	
Materials, spare parts and supplies	46,815
Trade receivables and other current assets	1,120,864
Cash and cash equivalents	219,829
	1,387,508
Total Assets from discontinued operations	**2,993,978**
Non – Current Liabilities	
Long – term borrowing	473,972
Other non – current liabilities	448,324
	922,296
Current Liabilities	
Trade and other payables	1,124,319
Short – term borrowings	20,952
	1,145,271
Total Liabilities from discontinued operations	**2,067,567**
IPTO's net assets of June 15, 2017	**926,411**
Plus: Equity adjustments	**16,331**
Total IPTO's net assets	**942,742**

In the above amount of IPTO's net assets (the items being taken from its separate financial statements), a fixed assets revaluation surplus of an amount of Euro 639,712 as well as IPTO's recognized actuarial liability towards its personnel amounting to Euro 17,779 were included.

In the consolidated income statement for the fiscal year 2017 the profit from the full ownership unbundling of IPTO SA amounted to Euro 172,236 and its calculation is presented in the following table:

Consideration received	1,114,978
Less:	
Total net assets of IPTO SA	942,742
Profit from the full ownership unbundling	**172,236**

It is noted that in the separate PPC's statement of income for the year 2016 a revenue amounting to Euro 92.9 mil was recognized concerning a cash upstream from IPTO S.A. to PPC S.A., which was decided by the General Shareholders' Meeting of IPTO S.A in 2016 and was realized in 2017.

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

6. DISCONTINUED OPERATIONS (CONTINUED)

An analysis of the amount from discontinued operations included in the cash flow statement is presented in the following table:

Changes from discontinued operations	**378.585**
Subsidiary's sale consideration	1,114,978
Subsidiary's cash and cash equivalents	(219,829)
Subsidiary's net assets exluding cash and cash equivalents	(722,913)
Profit from the subsidiary's sale	172,236
Discontinued operations	**550,821**

6.2. Spin-off lignite power generation branches

In continuation to what was mentioned in Note 2, pursuant to Law 4533/2018, on May 23th, 2018, the Parent Company's Board of Directors decided the spin-off the two PPC's lignite power generation branches and their related assets, liabilities and human resources and their contribution to two new companies. It also approved, inter alia, the Expression of Interest ("Eol'') for launching an open, international, tender procedure for the transfer of the shares of the two new companies.
Moreover, the Board of Directors' proposal to the Extraordinary General Meeting of PPC's shareholders, which was convened on June 26th, 2018, inter alia, for this purpose and approved the above, as well as any other relevant issue with the spin-off the two PPC's lignite power generation branches, was approved.
It is noted that the above tender was launched on May 31st, 2018.

On June 21st, 2018, PPC SA announced the expression of interest for the acquisition of 100% of the share capital of the Divestment Lignite Power Generation Branches by the following six (6) Interested Parties:

1. BEIJING GUOHUA POWER COMPANY LIMITED AND DAMCO ENERGY S.A. (CONSORTIUM)
2. GEK TERNA SA.
3. ELVALHALCOR HELLENIC COPPER AND ALUMINIUM INDUSTRY S.A.
4. ENERGETICKÝ A PRŮMYSLOVÝ HOLDING, A.S. ("EPH")
5. INDOVERSE (CZECH) COAL INVESTMENTS LIMITED
6. MYTILINEOS S.A. – GROUP OF COMPANIES

On 30.06.2018 the spin-off and contribution process of two lignite branches of PPC SA to two new companies with the sole shareholder PPC SA and with the main purpose of lignite extraction and the production of electricity using lignite, according to the provisions of the above mentioned Law was completed.

PPC's Board of Directors by its decision on 06.07.2018 approved that all (6) Candidate Interested Parties are eligible in the next phase of the tender procedure. The tender procedure is in full progress (conduction of Due Diligence, Site Visits, Management Presentations, consultation on Share Purchase Agreement etc.) and is expected to be completed according to the timetable of Law 4533/2018.

On June 30th 2018, the Group's and Parent Company's Management classified the value of the participation in the two subsidiaries, which were created on the basis of the provisions of Law 4533/2018, as assets held for sale (Discontinued Operations).

In the Consolidated Income Statement for the period 01.01 - 30.06.2018 the results of discontinued operations include the results of the branches that were contributed on June 30th, 2018 to the two new 100% PPC's subsidiaries while for the period 01.01 - 30.06.2017 the results of discontinued operations include the results of the two branches contributed for the period concerned as well as the results of the subsidiary IPTO S.A., the control of which the Group lost on June 15th 2017. Respectively, in the Separate Income Statement for the period 01.01 - 30.06.2018 the results of discontinued operations include the results of the branches that were contributed on June 30th, 2018 to the two new 100% PPC's subsidiaries while for the period 01.01 - 30.06.2017 the results of discontinued operations include the results of the two branches contributed for the period concerned.

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

6. DISCONTINUED OPERATIONS (CONTINUED)

The following table presents the analysis of the Group's Results from Discontinued Operations for the period ended June 30th, 2018 and June 30th, 2017 respectively:

	Lignite Branches 01.01.-30.06.2018	Lignite Branches 01.01-30.06.2017	IPTO 01.01.-30.06.2017	Total 01.01.-30.06.2017
REVENUES				
Revenue from energy sales	101	207	23,510	23,717
Other sales				
	101	**207**	**23,510**	**23,717**
EXPENSES				
Payroll cost	52,891	38,393	26,855	65,248
Fuel	20,803	29,413	-	29,413
Depreciation and Amortization	29,066	30,594	29,218	59,812
Energy Purchases	(64,651)	(97,401)	(2,136)	(99,537)
CO_2 emission rights purchases	21,874	16,622	-	16,622
Transmission system usage	-	-	(84,346)	(84,346)
Provisions	167	554	(456)	98
Financial expenses	14	(385)	10,898	10,513
Financial income	-	-	4,748	4,748
Profit from sale of the IPTO subsidiary	-	-	(172,236)	(172,236)
Impairment of the assets held for sale	240,600	-	-	-
Other Losses / (Gains), Net	21,337	22,440	1,086	23,526
Foreign currency (gain)/loss, net	(22)	(55)	-	(55)
	322,079	**40,175**	**(186,369)**	**(146,194)**
PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS	**(321,978)**	**(39,968)**	**209,879**	**169,911**
Income Tax	(10,239)	33,333	(175,039)	(141,706)
NET PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS	**(332,217)**	**(6,635)**	**34,840**	**28,205**

The following table presents the analysis of the Group's Assets and Liabilities from Discontinued Operations as of June 30th, 2018:

	LIGNITIKI MELITIS S.A. 30.06.2018	LIGNITIKI MEGALOPOLIS S.A. 30.06.2018	Total 30.06.2018
ASSETS			
Non – Current Assets			
Tangible assets	252,684	140,075	392,759
Intangible assets	4	306	310
Other non – current assets	-	-	-
	252,688	**140,381**	**393,069**
Current Assets			
Materials, spare parts & supplies net	20,110	46,924	67,034
Trade receivables	6,152	4,986	11,138
Cash and cash equivalents	1	3	4
Other receivables	194	535	729
	26,457	**52,448**	**78,905**
Total Assets	**279,145**	**192,829**	**471,974**
Non – Current Liabilities			
Provisions	4,231	22,786	27,017
Other non – current liabilities	96,431	86,683	183,114
	100,662	**109,469**	**210,131**
Current Liabilities			
Trade and other payables	11,283	22,957	34,240
Total Liabilities	**111,945**	**132,426**	**244,371**
Net Assets	**167,200**	**60,403**	**227,603**

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

6. DISCONTINUED OPERATIONS (CONTINUED)

The cash flows of assets held for sale are presented in the following table:

	01.01.2018-30.06.2018
Cash flows from operating activities	(69,820)
Cash Flows from Investing Activities	-
Cash Flows from Financing Activities	-
Total	**(69,820)**

On the basis of the provisions of IFRS 5, the Group and the Parent Company proceeded on June 30th, 2018 to the valuation of their participation in the two (2) new Subsidiaries, which were created on the basis of the provisions of Law 4533/2018, so that the net value of the assets held for sale to be stated at the lower one between their carrying amount and fair value after deducting the costs of their sale. The valuation was carried out by an independent valuator using the discounted cash flow method. The above valuation resulted in a total impairment amounting to Euro 240.6 mil., which affected the results of the first half of 2018. The cash flows used in the valuation do not include revenue from the Capacity Availability Certificates as currently there is no relevant cost recovery mechanism. If such a mechanism existed with effect from mid-2019 and taking into account a price of € 39,000 / MW (fair value based on historical prices of the Capacity Availability Certificates for the period 2010-2014 which was at € 45.000 / MW, as well as the price ceiling of Flexibility Compensation which is at € 39.000 / MW, taking into account the shortage that will occur in the coming years in the Power Generation System with the retirement of some old lignite units and the interconnection of islands) for the entire life of the two subsidiaries' power plants then their value would be higher by the amount of Euro 142,6 mil.

7. INCOME TAXES (CURRENT AND DEFERRED)

	Group		Company	
	30.06.2018	**30.06.2017**	**30.06.2018**	**30.06.2017**
Current income taxes	17,453	317,753	13,396	298,971
Deferred income tax	(11,766)	(525,872)	(5,211)	(344,522)
Total Continuing Operations	**5,687**	**(208,119)**	**8,185**	**(45,551)**
Discontinued Operations	10,239	141,706	19,319	(24,261)
Total income tax	**15,926**	**(66,413)**	**27,504**	**(69,812)**

According to tax legislation, the income tax rate for legal entities residing in Greece, is 29%, while at the same time tax prepayment stands to 100%.

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

Based on the applicable Income Tax Code, since the fiscal year 2011, the certified auditors issue an “Annual Tax Compliance Report” after conducting a tax audit at the same time with the financial audit. The tax audit is conducted on particular tax areas, specified by an audit program, according to the provisions of the tax law. Audit matters which are not covered by the above mentioned decision are dealt in accordance to the ISAE 3000 “Assurance Engagements other than Audits or Reviews of Historical Financial Information”. The tax audit of the Parent Company for the fiscal year 2017 was completed by its certified auditors and we expect the issuance of the tax certificate by the end of October 2018.

On December 29th 2017 the tax audit by the Centre for Auditing Big Companies of the Parent Company's fiscal years 2009, 2010 and 2011 was completed and the final assessment for the fiscal year 2011 was issued imposing taxes and fines of an amount of Euro 10.5 mil.. Fiscal years 2009 and 2010 were time-barred. The Parent Company paid the amount of taxes and fines imposed and appealed to the Dispute

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

7. INCOME TAXES (CURRENT AND DEFERRED (CONTINUED)

Settlement Division by lodging an Administrative Appeal, which was rejected and subsequently the Company resorted to the Administrative Courts.

Tax unaudited years for the Parent Company and the subsidiaries of the Group are presented in the following table:

Company	Country	Unaudited years since
PPC S.A. (Parent Company)	Greece	2012
PPC Renewables S.A.	Greece	2012
HEDNO S.A.	Greece	2012
Arkadikos Ilios Ena S.A.	Greece	2007
Arkadikos Ilios Dio S.A.	Greece	2007
Iliako Velos Ena S.A.	Greece	2007
Amalthia Energiaki S.A.	Greece	2007
SOLARLAB S.A.	Greece	2007
Iliaka Parka Ditikis Makedonias Ena S.A.	Greece	2007
Iliaka Parka Ditikis Makedonias Dio S.A.	Greece	2007
PPC FINANCE PLC	United Kingdom	2009
PPC BULGARIA JSCo	Bulgaria	2014
PPC Elektrik Tedarik ve Ticaret A.S.	Turkey	2014
PHOIBE ENERGIAKH PHOTOVOLTAICS S.A.	Greece	2007
Geothermikos Stochos S.A.	Greece	2017
WINDARROW MOUZAKI ENERGY S.A.	Greece	2018
EDS DOO Skopje	FYROM	2012
EDS DOO Belgrade	Serbia	2016
EDS International SK SRO	Slovakia	2013
EDS International KS LLC	Kosovo	2016
LIGNITIKI MELITIS S.A.	Greece	-
LIGNITIKI MEGALOPOLIS S.A.	Greece	-

8. INVESTMENTS IN SUBSIDIARIES

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

	Company	
	30.06.2018	**31.12.2017**
HEDNO S.A.	56,982	56,982
PPC Renewables S.A.	155,438	155,438
PPC FINANCE PLC	59	59
PPC BULGARIA JSCo	522	522
PPC ELEKTRIK TEDARIK VE TICARET AS	1,350	1,350
PPC ALBANIA	150	150
EDS DOO Skopje	4,800	-
LIGNITIKI MELITIS S.A.	167,200	-
LIGNITIKI MEGALOPOLIS S.A.	60,403	-
	446,904	**214,501**

PPC's BoD following the completion of all required financial and legal actions, approved at its meeting on 13/4/2018 the acquisition of the *Energy Delivery Solutions DOO (EDS)*, a power supply company based in the Former Yugoslav Republic of Macedonia. The cost of the acquisition amounts to Euro 4.8 mil. The Share Purchase Agreement was signed on 25/04/2018 in Skopje while the Share Transfer Agreement was signed on 13/06/2018.
This acquisition is part of the internationalization strategy of PPC's business activities, particularly in the Balkan region, where it seeks to become a leading force in view of the forthcoming integration of the energy markets promoted by the European Union.

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

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Carrying amounts and fair values of Assets and Liabilities acquired on the acquisition date of EDS are presented in the following table:

	Carrying Amounts	Fair Values
Assets		
Tangible assets	55	55
Intangible assets, net	253	6,882
Other non – current assets	2	2
Cash and cash equivalents	1,620	1,620
Trade receivables	12,159	12,159
Other current receivables	432	432
Total Assets	**14,521**	**21,150**
Liabilities		
Short-term borrowing	15,584	15,584
Other current liabilities	261	261
Total Liabilities	**15,845**	**15,845**
Value of net assets acquired		**5,305**
Amount of the cost of acquisition paid up to 30.06.2018		**(3,830)**
Amount of the cost of acquisition to be paid after 30.06.2018		**(970)**
Net profit from acquisition		**505**

The above tables present that the cost of the acquisition is less than the value of the company's net assets acquired. The net profit from the acquisition of EDS amounting to Euro 505 affected positively the Group's results in the first half of 2018.

The consolidated financial statements include the financial statements of PPC and its subsidiaries (full consolidation):

Subsidiaries	Ownership Interest 30.06.2018	Ownership Interest 31.12.2017	Country and Year of Incorporation	Principal Activities
PPC Renewables S.A.	100%	100%	Greece, 1998	RES
HEDNO S.A.	100%	100%	Greece, 1999	HEDN
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
Amalthia Energiaki [1]	100%	100%	Greece, 2007	RES
SOLARLAB A.E.	100%	100%	Greece, 2007	RES
Iliaka Parka Ditikis Makedonias Ena S.A.	100%	100%	Greece, 2007	RES
Iliaka Parka Ditikis Makedonias Dio S.A.	100%	100%	Greece, 2007	RES
PPC FINANCE PLC	100%	100%	UK, 2009	Financing Services
PPC Bulgaria JSCo	85%	85%	Bulgaria, 2014	Supply of power
PPC Elektrik Tedarik Ve Ticaret A.S.	100%	100%	Turkey, 2014	Supply of power
PHOIBE ENERGIAKI PHOTOVOLTAICS S.A	100%	100%	Greece, 2007	RES
PPC ALBANIA	100%	100%	Albania, 2017	Supply of power
Geothermikos Stochos S.A. [2]	100%	100%	Greece, 2017	RES
WINDARROW MOUZAKI ENERGY S.A. [3]	100%	-	Greece, 2018	RES
EDS DOO Skopje [4]	100%	-	FYROM, 2012	Supply of power
EDS DOO Belgrade [5]	100%	-	Serbia, 2016	Supply of power
EDS International SK SRO [5]	100%	-	Slovakia, 2012	Supply of power
EDS International KS LLC [5]	100%	-	Kosovo, 2016	Supply of power
LIGNITIKI MELITIS S.A. [6]	100%	-	Greece, 2018	Generation of power
LIGNITIKI MEGALOPOLIS S.A. [6]	100%	-	Greece, 2018	Generation of power

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

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

1. On August 1st 2017 Iliako Velos Dio S.A. was renamed to Amalthia Energiaki S.A.
2. This 100% subsidiary of PPC Renewables S.A. was established on November 9th 2017
3. This 100% subsidiary of PPC Renewables S.A. was established on January 18th 2018
4. EDS DOO Skopje was acquired on June 13th 2018
5. They are subsidiaries of the EDS DOO Group which was acquired on June 13th 2018
6. These 100% subsidiaries of the Parent Company were established on June 30th 2018 on the basis of Law 4533/2018

9. INVESTMENTS IN ASSOCIATES

The Group's and the Parent Company's associates as of June 30th, 2018 and December 31st, 2017 are as follows (equity method):

	Group		Company	
	30.06.2018	**31.12.2017**	**30.06.2018**	**31.12.2017**
PPC Renewables ROKAS S.A.	2,237	2,327	-	-
PPC Renewables TERNA Energiaki S.A.	3,045	2,919	-	-
PPC Renewables NANKO Energy – MYHE Gitani S.A.	2,315	1,981	-	-
PPC Renewables MEK Energiaki S.A.	643	1,133	-	-
PPC Renewables ELTEV AIFOROS S.A.	2,842	2,616	-	-
PPC Renewables EDF EN GREECE S.A.	7,787	8,626	-	-
Aioliko Parko LOYKO S.A.	17	18	-	-
Aioliko Parko MBAMBO VIGLIES S.A.	20	21	-	-
Aioliko Parko KILIZA S.A.	24	25	-	-
Aioliko Parko LEFKIVARI S.A.	22	23	-	-
Aioliko Parko AGIOS ONOUFRIOS S.A.	24	26	-	-
Renewable Energy Applications LTD	27	27	-	-
OROS ENERGIAKI S.A.	188	193	-	-
ATTIKA GREENESCO ENERGIAKI S.A.	14	55	-	-
WASTE SYCLO S.A.	-	2	221	221
PPC Solar Solutions S.A.	965	967	980	980
	20,170	**20,959**	**1,201**	**1,201**

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

Associates	Note	Ownership Interest 30.06.2018	Ownership Interest 31.12.2017	Country and year of Incorporation	Principal Activities
PPC Renewables ROKAS S.A.		49.00%	49.00%	Greece, 2000	RES
PPC Renewables TERNA Energiaki S.A.		49.00%	49.00%	Greece, 2000	RES
PPC Renewables NANKO Energy – MYHE Gitani S.A.		49.00%	49.00%	Greece, 2000	RES
PPC Renewables MEK Energiaki S.A.		49.00%	49.00%	Greece, 2001	RES
PPC Renewables ELTEV AIFOROS S.A.		49.00%	49.00%	Greece, 2004	RES
PPC Renewables EDF EN GREECE S.A.		49.00%	49.00%	Greece, 2007	RES
EEN VOIOTIA S.A.	1	46.60%	46.60%	Greece, 2007	RES
Aioliko Parko LOYKO S.A.		49.00%	49.00%	Greece, 2008	RES
Aioliko Parko BAMBO VIGLIES S.A.		49.00%	49.00%	Greece, 2008	RES
Aioliko Parko KILIZA S.A.		49.00%	49.00%	Greece, 2008	RES
Aioliko Parko LEFKIVARI S.A.		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
OROS ENERGIAKI S.A.	2	49.00%	49.00%	Greece, 2017	RES
ATTIKA GREENESCO ENERGIAKI S.A.	3	49.00%	49.00%	Greece, 2017	En. Serv.

1. It is consolidated from the associate company PPC Renewables EDF EN GREECE S.A. as it participates by 95% in its share capital.
2. PPC Renewables S.A. on October 3rd 2017 purchased 49% of this entity
3. Amalthia Energiaki S.A., PPC Renewable's subsidiary, purchased 49% of this entity.

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

10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

PPC balances with its subsidiaries as of June 30th, 2018 and December 31st, 2017 are as follows:

	June 30, 2018		December 31, 2017	
	Receivables	**(Payables)**	**Receivables**	**(Payables)**
Subsidiaries				
PPC Renewables S.A.	3,048	-	1,416	-
HEDNO S.A.	496,235	(785,444)	694,473	(520,059)
PPC Finance Plc.	-	(3,246)	-	(4,648)
PPC Elektrik	-	(153)	-	(164)
PPC Bulgaria JSCO	-	(1,854)	-	(1,016)
	499,283	**(790,697)**	**695,889**	**(525,887)**

The above mentioned balances of receivables and payables with the subsidiary PPC Finance Plc relate to its management costs which eventually burden the Parent Company.

PPC's transactions with its subsidiaries and its associates for the period ended June 30th, 2018 and June 30th, 2017, respectively, are as follows:

	June 30, 2018		June 30, 2017	
	Invoiced to	**Invoiced from**	**Invoiced to**	**Invoiced from**
Subsidiaries				
PPC Renewables S.A.	1,385	-	1,585	-
HEDNO S.A.	720,050	(924,914)	611,904	(889,285)
PPC Finance Plc	-	(12,928)	-	(16,916)
PPC Elektrik	1	(1,339)	12	(1,868)
PPC Bulgaria JSCO	-	(19,365)	-	(9,297)
PPC Albania	-	(140)	-	-
	721,436	**(958,686)**	**613,501**	**(917,366)**

The above mentioned amounts of invoices with the subsidiary PPC Finance Plc relate to its management costs which eventually burden the Parent Company.

Guarantee in favor of the subsidiary PPC Renewables S.A.
As of June 30th, 2018, the Parent Company has guaranteed for a total credit line of up to Euro 8 mil., through overdraft facilities. As of June 30th, 2018 PPC Renewables S.A. has used from the above mentioned credit line an amount of Euro 1.748, concerning letters of guarantee.

Guarantee in favor of the subsidiary Energy Delivery Solutions EDS Doo (EDS)
As of June 30th, 2018 the Parent Company has guaranteed, for a total credit line for EDS Group's loans up to the amount of Euro 22 mil. concerning working capital. As of June 30th, 2018 EDS has used from the above mentioned credit line an amount of Euro 14 mil., concerning disbursed loan amounts.

Guarantee in favor of the subsidiary Energy Delivery Solutions EDS Doo (EDS), to Electricity Suppliers
The Parent Company has guaranteed for EDS's credit lines with the Electricity Suppliers, Grand Energy Distribution EOOD and Petrol D.D. up to Euro 3.9 mil.

10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions and balances with other companies into which the Greek State participates
The following table presents transactions and balances with entities Hellenic Petroleum ("ELPE") and National Gas Company ("DEPA"), which are PPC's liquid fuel and natural gas suppliers, respectively and into which the Hellenic Republic participates. Additionally, purchases and balances with DAPEEP S.A. (former EMO S.A.), HEnEx S.A., IPTO S.A. and LARCO S.A. are presented.

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

10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	Purchases		Balance	
	1.1.2018- 30.06.2018	**1.1.2017-30.06.2017**	**30.06.2018**	**31.12.2017**
ELPE, purchases of liquid fuel	79,422	126,692	32,513	45,426
DEPA, purchases of natural gas	133,362	211,594	34,675	86,835
	212,784	**338,286**	**67,188**	**132,261**

	30.06.2018		31.12.2017	
	Receivables	**(Payables)**	**Receivables**	**(Payables)**
DAPEEP S.A. (former EMO S.A.)	73,958	(31,538)	172,532	(124,905)

	1.1.2018- 30.06.2018		1.1.2017-30.06.2017	
	Invoiced to	**Invoiced from**	**Invoiced to**	**Invoiced from**
DAPEEP S.A. (former EMO S.A.)	716,384	(1,123,459)	864,436	(1,392,699)

	30.06.2018		31.12.2017	
	Receivables	**(Payables)**	**Receivables**	**(Payables)**
HEnEx S.A.	25,406	(42,957)	-	-

	1.1.2018- 30.06.2018		1.1.2017-30.06.2017	
	Invoiced to	**Invoiced from**	**Invoiced to**	**Invoiced from**
HEnEx S.A.	46,794	(76,743)	-	-

	30.06.2018		31.12.2017	
	Receivables	**(Payables)**	**Receivables**	**(Payables)**
IPTO S.A.	54,412	(564,710)	117,463	(1,212,179)

	1.1.2018-30.06.2018		1.1.2017-30.06.2017	
	Invoiced to	**Invoiced from**	**Invoiced to**	**Invoiced from**
IPTO S.A.	46,244	(476,729)	79,493	(283,014)

	30.06.2018		31.12.2017	
	Receivables	**(Payables)**	**Receivables**	**(Payables)**
LARCO S.A.	290,465	-	280,372	-

	1.1.2018-30.06.2018		1.1.2017-30.06.2017	
	Invoiced to	**Invoiced from**	**Invoiced to**	**Invoiced from**
LARCO S.A.	9,800	(1,347)	(28,742)	(3,882)

Within 2017 a credit invoice of Euro 61,850 was issued to LARCO regarding the revision of electricity bills for the period 1/7/2010-31/12/2013 under the Arbitration Decision No. 13/2017. It is also noted that PPC's total receivables from LARCO S.A. which concern electricity bills are entirely covered by a provision.

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

On 02.07.2018 an amount of Euro 538,300 was paid by the State Treasury to PPC SA. This amount will be reimbursed gradually after the payment of the electricity bills by the General Government entities and will be completed on April 30th of next year.

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

10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Management compensation

Management Members compensation (Board of Directors and General Managers) for the six month period ended on June 30th, 2018 and June 30th, 2017 is as follows:

	GROUP		COMPANY	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Remuneration of the Board of Directors' members				
- Remuneration of executive members	129	123	29	29
- Remuneration of non-executive members	51	28	-	-
- Compensation / Extraordinary fees	-	22	-	-
- Employer's Social Contributions	56	13	19	9
- Other Benefits	57	70	57	70
	293	**256**	**105**	**108**
Remuneration of the Deputy Managing Directors and General Managers				
- Regular remuneration	324	351	241	268
- Employer's Social Contributions	90	104	67	80
-Compensation / Extraordinary fees	4	13	4	13
	418	**468**	**312**	**361**
Total	**711**	**724**	**417**	**469**

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

11. SHARE CAPITAL

Under Law 2773/1999 and P.D. 333/2000 PPC was transformed, into a société anonyme.
By the Legislative Act of 07.09.2012, which was ratified by art. 2 of L. 4092/2012, the obligatory participation of the Greek State with at least 51% of the company's share capital was abolished. The Extraordinary General Shareholders' Meeting with its decision on 30.11.2012 abolished the article of incorporation which provided for the participation of the Greek State by at least 51% to the company's share capital. This amendment of the Articles of Incorporation on one hand harmonizes the articles with the legislation in effect, and on the other hand renders possible the reduction of the current participation percentage of the Greek State to the company's share capital.
At December 31, 2016, PPC's share capital (fully authorised and issued) amounted to Euro 1,067,200 divided into 232,000,000 common shares of Euro four and sixty cents (Euro 4.60) per value each.

The Extraordinary General Shareholders' Meeting with its decision on 17.01.2017 and in the context of the distribution to the existing PPC's shareholders of the shares held by PPC in the "Holding Company ENERGIAKI S.A."(ENERGIAKI HOLDING S.A., and then ADMIE HOLDING) according to Law 4389/2016 (carve out), approved (a) the decrease of PPC's share capital by Euro 491,840 "with the purpose of the distribution in Kind to its shareholders" and (b) as a consequence of the above mentioned distribution in Kind, the transfer to its existing shareholders of the shares held by PPC in the "ENERGIAKI HOLDING S.A." in proportion to their participation in PPC's share capital. This decrease achieved by means of decreasing the nominal value of the PPC's shares from Euro four and sixty cents (Euro 4.60) per value each to Euro two and forty-eight cents (Euro 2.48).
After this decrease, on 31.12.2017 PPC's share capital amounts to Euro 575,360 divided into 232,000,000 common shares of Euro two and forty-eight cents (Euro 2.48) per value each.

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

11. SHARE CAPITAL (CONTINUED)

On March 20th, 2018, the automatic and free of charge transfer of 79,165,114 PPC's shares (34,123%) to Hellenic Corporation of Assets and Participations S.A. (HCAP) was completed, in implementing the provisions of par. 20 of Article 380 of L.4512 / 2018, as amended the paragraph 1 of Article 197 of Law 4389/2016.
It is noted that, following the above change, HCAP S.A. holds directly the 34.123% of PPC's shares and indirectly 17% through HRADF. The total percentage of voting rights of HCAP S.A. is 51.123%.
The total percentages of the Greek State, remains indirectly as above 51.123%.

12. LOANS AND BORROWINGS

During the period January 1st, 2018 – June 30th, 2018, the Group proceeded to debt repayment amounting to Euro 358.3 mil..

The above amounts include the partial redemption of Bonds of Euro 150 mil. from the International Bond issued on 2014, with a total issue amount of Euro 500 mil. with a coupon of 5.5% and maturity in 2019 as the Company exercised its right at the price of 101.375%.

From 01/01/2018 till 30/06/2018, the Parent Company, drew an amount of Euro 146.5 mil. from a Bond Loan of an amount of Euro 739 mil., for financing part of the construction cost of the new Lignite Unit Ptolemaida V with a consortium of foreign banks supported by the German Export Credit Insurance Organization ''Euler Hermes''.

A loan of Euro 15 mil. in the form of a Revolving Credit Facility (RCF), maturing 2/2018, was extended by one year, namely 2/2019.

In June 2018, the Parent Company signed a second loan agreement of Euro 45 mil. with the European Investment Bank (EIB) under a total funding of Euro 85 mil. The EIB will finance 50% of the investments for strengthening and modernization of the Mainland's and Islands' Distribution Network in Greece and for the best provision of renewable energy by the national network.

The Parent Company agreed with Hellenic Banks to refinance two existing syndicated loans of an outstanding balance of Euro 1.2 bil. and Euro 175 mil. as well as to provide a new financing line of Euro 200 mil. that can be used to repay the international bond maturing 2019, if necessary.

	GROUP		COMPANY	
	30.06.2018	**31.12.2017**	**30.06.2018**	**31.12.2017**
Bank Loans	1,906,303	1,989,864	1,906,303	1,989,864
Bonds Payable	2,156,373	2,284,611	2,156,383	2,284,621
Unamortized portion of loan issuance fees	(52,100)	(35,243)	(52,100)	(35,243)
Total long term borrowings	**4,010,576**	**4,239,232**	**4,010,586**	**4,239,242**
Less current portion:				
- Bank Loans	212,045	190,682	212,045	190,682
- Bonds Payable	1,822,969	322,106	1,822,969	322,106
Unamortized portion of loan issuance fees	(13,475)	(12,410)	(13,475)	(12,410)
Total current portion of borrowings	**2,021,539**	**500,378**	**2,021,539**	**500,378**
Non-current portion of borrowings	**1,989,037**	**3,738,854**	**1,989,047**	**3,738,864**
Short term borrowings	43,984	30,000	30,000	30,000
Total loans and borrowings	**4,054,560**	**4,269,232**	**4,040,586**	**4,269,242**

Credit rating of PPC from rating agencies
On June 30th 2018, PPC's credit rating from S&P and ICAP credit houses is set "CCC" with negative outlook and "F" respectively.

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

13. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

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

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

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

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

	Carrying amount		Fair value	
Group	**30.06.2018**	**31.12.2017**	**30.06.2018**	**31.12.2017**
Non – financial assets				
Fixed Assets	10,736,583	11,560,928	10,736,583	11,560,928
Financial Assets				
Trade receivables	1,237,998	1,325,746	1,237,998	1,325,746
Restricted cash	84,387	94,084	84,387	94,084
Cash and cash equivalents	337,873	251,596	337,873	251,596
Financial Liabilities				
Long-term borrowings	4,010,576	4,239,232	4,009,856	4,224,347
Trade payables	1,594,119	2,191,734	1,594,119	2,191,734
Short term borrowings	43,984	30,000	43,984	30,000

	Carrying amount		Fair value	
Parent Company	**30.06.2018**	**31.12.2017**	**30.06.2018**	**31.12.2017**
Non – financial assets				
Fixed Assets	10,507,694	11,351,536	10,507,694	11,351,536
Financial Assets				
Trade receivables	1,157,912	1,300,090	1,157,912	1,300,090
Restricted cash	84,387	94,084	84,387	94,084
Cash and cash equivalents	170,534	163,136	170,534	163,136
Financial Liabilities				
Long-term borrowings	4,010,586	4,239,242	4,009,866	4,224,357
Trade payables	1,499,307	1,910,528	1,499,307	1,910,528
Short term borrowings	30,000	30,000	30,000	30,000

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

The fair value of trade receivables and trade accounts payable approximates their carrying amounts.

The fair value of the remaining financial assets and financial liabilities is based on future cash flows discounted using either direct or indirect observable inputs and are within the Level 2 of the fair value hierarchy.

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

13. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

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

As of June 30th 2018, the Group and the Parent Company held the following financial instruments measured at fair value:

	Fair value		Fair value Hierarchy
Financial Assets	**30.06.2018**	**31.12.2017**	
Group			
Financial Assets at fair value through Other comprehensive income	860	1,531	Level 1
Company			
Financial Assets at fair value through Other comprehensive income	643	1,044	Level 1

Macroeconomic conditions in Greece
The Group's and the Parent Company's business, results of operations, financial condition and prospects depend highly on the macroeconomic and political conditions in Greece, as almost all of their assets and activities are in Greece. As the Group and the Parent Company are active almost exclusively in Greece, any change and development in the macroeconomic environment of the country can directly and materially affect their operating results, financial condition and cash flows.

The Group and the Parent Company are still affected by certain risks related to:
- residential and business demand for electricity
- changes in tax legislation
- deterioration in their Customers' finances and their ability to timely pay electricity bills
- Controls / restrictions on capital movements
- European economic and political developments

which may significantly affect the Group's and the Parent Company's activities, operating results, financial condition and cash flows.

14. COMMITMENTS, CONTINGENCIES AND LITIGATION

14.1 OWNERSHIP OF PROPERTY

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

1. The Parent Company has completed the registration of its property. 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, must be transferred to the State at no charge, following a decision of the Parent Company's Board of Directors and a related approval by the Ministry of Development, if such land is no longer needed by the Parent Company for the fulfilment of its purposes according to article 9, of Law 2941/01.

The property, plant and equipment of the Group are located all over Greece. Currently, the Group does not carry any form of insurance coverage on its fixed assets in operation (except for its information technology equipment), resulting to the fact that if a sizable damage is incurred to its property, it might affect its profitability. Materials, spare parts as well as liabilities against third parties are not insured.

14.2 LITIGATIONS

The Group is a defendant in several legal proceedings arising from its operations. The total amount claimed as at June 30th, 2018, amounts to Euro 1,508 mil. as further detailed below:

14. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

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 470 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 49 mil..

3. ***Claims by employees:*** Employees are claiming the amount of Euro 199 mil., for allowances and other benefits that according to the employees should have been paid by PPC.

4. ***Litigation with PPC Personnel Insurance Organization :***
Until June 30th, 2018, PPC Personnel Insurance Organization (former "PPC PIO", EFKA at present) had filed, before the courts, seven (7) lawsuits against PPC, claiming an amount in total of Euro 87.7 mil., of which three (3) are pending for a total amount of Euro 7 mil.

5. ***General Federation of PPC Personnel (GENOP DEI/KHE) and PanHellenic Federation of Retirees' (POS DEI) lawsuit against PPC***
GENOP DEI/KHE and POS DEI filed a lawsuit against PPC. By the above mentioned lawsuit they pursue that PPC will be obliged to pay to the insurance funds of IKA – ETAM and TAYTEKO (EFKA at present) the amount of Euro 634.8 mil. plus interest, for the coverage of the resource, which according to the lawsuit, the State did not pay to the above mentioned insurance funds for the years 2010 and 2011.
For the above mentioned lawsuit, the decision of the Multimember Court of First Instance in Athens (Nr. 164/2018) was issued in 2018 and rejects the lawsuit. The Company considers that the possibilities of a positive outcome for the lawsuit in question at a later stage are minimal.

6. **PPC's lawsuit against ETAA (former TSMEDE)**
ETAA (former TSMEDE) by its Decision 7/2012 has imposed on PPC the amount of Euro 27.4 mil. in application of article 4 of L. 3518/2006, as employer contributions due to the Main pension Branch for the period 01.01.2007 – 30.04.2012 and pertaining to the engineers insured before 01.01.1993 to the above mentioned Insurance Fund, that have been employed by PPC for the above mentioned period.
Against the above mentioned 7/2012 decision of the Insurance Fund in question, PPC has filed legally and timely the 05.09.2012 appeal to the Athens Administrative Court of First Instance. The discussion of the appeal took place on 03.11.2014. The preliminary ruling 11872/2016 was issued, which obliges TSMEDE to produce to the Court the documents referred to the judgment and then the case will be discussed again in order to issue a final decision. Since its employees – who are engineers- are insured mandatorily to PPC's Insurance Fund based on L. 4491/1966, thus resulting to PPC paying on their behalf to the above mentioned Insurance Fund the corresponding employer contributions while insurance for the above mentioned engineers in ETAA is optional and is done by choice, with them paying the corresponding insurance contributions provided for engineers that are independently employed, the Parent Company considers that the possibilities of a negative outcome of its appeal are minimal and therefore has not established a provision.

7. ***Lawsuits of IPTO against PPC.***
In February 2015, IPTO filed against PPC, two lawsuits for a total amount of Euro 540 mil. for amounts due – according to IPTO- to the Parent Company's participation in the wholesale electricity market. In particular:
   - By its first lawsuit IPTO is asking for an amount of Euro 242.7 mil. (with interest) for amounts due which the Parent Company collects from supply bills and conveys to IPTO, that in turn conveys them to EMO. The interest for the above mentioned sums amounts to Euro 22 mil.

   - By its second lawsuit, IPTO is asking for the payment of Euro 232.6 mil. (with interest) for amounts due which the Parent Company collects from supply bills and conveys to IPTO. The interest for the above mentioned sums amounts to Euro 40 mil.

   The hearing of these lawsuits has been scheduled for 28.2.2019 before the Multimember Court of First Instance in Athens

14. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

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

In December 2016, IPTO filed against PPC a new lawsuit by which IPTO asks the Parent Company to be obliged to pay an amount of Euro 406.4 mil. (with interest) for overdue receivables arising from the Company's participation in the wholesale electricity market and refer to specific non-competitive charges of IPTO´s invoices. Moreover, IPTO asks the Parent Company to be obliged to pay an amount of Euro 59 mil. corresponding to interest litigation plus the relevant stamp duty. In this lawsuit, the Company submitted proposals within the given time limit and a decision is pending.

The above capital sums of the lawsuits have been paid and in any case are recorded in the Company's liabilities, so there is no reason to establish a provision.

The Parent Company considers that there is a chance of paying interest on the above mentioned overdue receivables and has established a provision.

8. *Lawsuit of former EMO against PPC and counter-claims.*
In December 2017, EMO sent to PPC two new "Information Notes on the allocation of the monthly deficits of the Day Ahead Schedule (DAS)", amounting to Euro 831,865.31 and Euro 1,537.28 respectively, totaling Euro 833,372.89. With the attached letters, EMO claimed that its two new claims arose from the second settlement of the Deficit in 2011 and 2012. PPC sent the two invoices to EMO, expressly contesting the legality and methodology of calculating those retroactive charges and EMO returned them by attaching them to its letter of Nr. 301/16-1-2018. Following this, on 05.03.2018, PPC filed before Multimember Court of First Instance in Athens its lawsuit against EMO, requesting a declaration that does not owe the above-mentioned amount of Euro 833,372.89 and EMO to be condemned to pay an amount of Euro 50,000.00 as compensation due to PPC's moral damage. On 03.05.2018 EMO filed its counterclaim, asking PPC to be condemned to pay the above total amount of Euro 833,372.89, plus interest from 23-1-2018. The two lawsuits will be heard together before Multimember Court of First Instance in Athens and the hearing of the two lawsuits has not yet been scheduled. The Parent Company has formed an adequate provision.

For the above amounts, the Group and the Parent Company have established provision which as of June 30th, 2018 amounted to Euro 227 mil. and Euro 187 mil., respectively (2017: Group including IPTO S.A.: Euro 208 mil. and Parent Company: Euro 121 mil.), which is considered adequate for the expected losses arising from the final judgment.

Alleged claims of former EMO (LAGIE), against PPC S.A.
Implementation of methodology for the payments allocation due to deficits of the Day Ahead Schedule (DAS)

Due to the deficits created by the suppliers ENERGA POWER TRADING S.A. and HELLAS POWER S.A. during 2011 and 2012, RAE's Decision 285/2013 was issued and according to this (and to Power Exchange Code for Electricity) EMO sent a letter to PPC, according to which an amount of Euro 96,646,339.30 is allocated to PPC after a temporary settlement, based on the methodology by RAE regarding the fair allocation of deficits in the Day Ahead Schedule (DAS) between electricity suppliers participating in DAS.

Following the above State Council's rejected decision 1761/2016, to which PPC had filed, EMO in November 2016 sent an "Information Note on the allocation of the monthly deficits of the Day Ahead Schedule (DAS)", which allocated to PPC, after a final settlement according to Article 61 of the Power Exchange Code for Electricity, a total amount of Euro 126,385,001.02. Subtracting the already paid amount of Euro 48,323,169.65, PPC's final debt amounts to Euro 78,061,831.37.

Following the above mentioned EMO's Information Notes, PPC's BoD with its decision 146/21.12.2016, approved the repayment of the debt as follows: an one-off payment of Euro 6,295,151.55 and the payment of the residual amount of Euro 71,766,679.78, in twelve (12) equal monthly interest-free installments starting from January 1st 2017. The abovementioned BoD's decision was fully implemented and within 2017 the debt was repaid.

14. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

Although EMO explicitly accepted the proposed debt settlement, on December 23th 2016 filed a lawsuit against PPC asking approximately the amount of Euro 78,061,831.37, plus interest, which is the residual amount that PPC owes as a registered Load Representative from the DAS settlement and from the State Council's decision 1761/2016, including also the amounts of Euro 746,034.98 and Euro 16,687.29 that PPC owes to EMO as Last Resort Supplier and as Universal Service Supplier respectively.

PPC filed on February 20th 2017 a counter lawsuit claiming EMO to be ordered to pay the amount of Euro 126,385,001.02 as compensation for PPC's equivalent material damage and also to pay an amount of Euro 100,000.00 as compensation for PPC's moral damage. The two above mentioned lawsuits were discussed before the Multimember Court of First Instance in Athens on November 9th 2017 and a decision is pending.

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 plus Imbalance 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 August 14th 2013, when RAE's Decision 366/2013 was published in the OG, amending the relevant articles of the Power Exchange Code and specifying the methodology of calculations, with which the provision of the law was implemented. In October 2013, IPTO sent to PPC S.A. corrective clearing statements for May, June, July and part of August of 2013, totaling to an amount of Euro 48.2 mil., which was derived from the retrospective application of the relevant methodology. PPC's lawsuit against IPTO for the invoices in question was accepted by the Multimember Court of First Instance in Athens (Decision 2260/2016) and is considered that PPC does not have to pay the invoices issued totaling Euro 54.4 mil., which incorporate claims for the weighted average variable cost of the conventional thermal power plants for months May to August 2013. IPTO has filed an appeal but has not been formally served on PPC.

Lawsuit of former EMO against HEDNO
On June 19th 2017, HEDNO S.A. served a notice to PPC on EMO's lawsuit against HEDNO S.A. With this notice HEDNO S.A. asks PPC S.A. to intervene in favor of HEDNO S.A. in the trial in which EMO claims from HEDNO S.A. debts from invoices. In particular, EMO S.A. with its lawsuit claims amounts with interest from partially paid and unpaid invoices which incorporate receivables from the RES Special Account in the Non-Interconnected Islands (mainly debts from ETMEAR, PVs on rooftops, RES Generation in the Non-Interconnected Islands and balancing of the Special Account in the Non-Interconnected Islands). The claim from EMO's part amounts to approximately Euro 140 mil. while interest due for late payment amounts to Euro 3.6 mil. On 11.09.2017, PPC participated in this trial by submitting proposals and by adding a rebuttal to the set dates. A decision is pending.

Old Bank of Crete
The dispute with the old "Bank of Crete" is dating back to 1989, when the bank was under liquidation. More precisely, by a mandatory action of the then trustee of the Bank, PPC's deposits were mandatorily converted to stake-holding in the share capital of the Bank and to obligatory credit to the Bank. PPC by its July 22, 1991 lawsuit against the bank asked to be compensated for GRD 2.2 billion approximately, (Euro 6.5 mil.) for the reason that the above mentioned Act of the trustee of the Bank was held invalid.
Moreover, PPC had outstanding loan balances, received under six (6) loan agreements for which it was agreed upon to be repaid gradually through installments. On June 10, 1991, although PPC has paid the overdue installments, the Bank has terminated all of the above mentioned loan agreements and thus on that date the claim against PPC became overdue for the whole amount of the loans. For that reason, against PPC's above mentioned lawsuit, the Bank has proposed an offset of its claim resulting by the above mentioned loans, amounting to GRD 4 bil. approximately, and furthermore has asked the payment of this amount by PPC by its lawsuit dated 28.12.1995.
The Court of First Instance postponed the hearing of the Bank's lawsuit against PPC until the final outcome of the hearing, which started with PPC's lawsuit against the Bank.

PPC's lawsuit against the Bank was rejected by the Court of First Instance and PPC appealed against the said Decision of the Court which was also rejected by the 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 ordered 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.

14. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

The official expert report was completed at the end of May 2012. The hearing of the case would have taken place on October 25, 2012, but it was postponed for September 26, 2013, due to the strike of both judges and lawyers. The case was heard on the latter date.

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

On June 19th 2017, PPC appealed against the above mentioned decision (Decision 3680/2014 of the Court of Appeals in Athens), the hearing date of which has been scheduled for 18.03.2019. 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 remains suspended. In case that the Supreme Court accepts PPC's appeal for annulment, then it will judge the case anew and the decision which will issue will be irrevocable.

14.3 CONTINGENCIES AND COMMITMENTS

Pricing terms of "MYTILINEOS S.A. GROUP OF COMPANIES".
By the October 5th, 2016 Decision of the EGM of PPC's Shareholders the customer's (ALOUMINION) pricing terms for the period 1.7.2016 - 31.12.2020 were approved, as well as pricing for the period 1.1.2014 - 30.6.2016. Based on the Decision of the EGM, a Supply Agreement was signed on October 20th 2016 between ALOUMINION and PPC. Under the signed agreement, ALOUMINION proceeded to a prepayment of Euro 100 mil. for electricity bills for the first contractual period July 1st 2016 to June 30th 2017, as well as to a prepayment of Euro 29.1 mil. for the second contractual period of July 1st 2017 to June 30th 2018.

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

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

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

14.4 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)**
   During 2017, the Joint Ministerial Decision regarding the Environmental Terms for HPP Messochora has been issued under which PPC is obliged to perform protection projects for the preservation part of the Messochora Village (Section D). Along with the procedure for the initial expropriation of the remaining areas flooded by the Reservoir and Sectors A, B, and C of Messochora Village and the fulfillment of the obligations introduced by the new Joint Ministerial Decision, the preparation of Tender Documents for the remaining projects, is planned, with an estimated operation of the Project in 2020.

14. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

On 30.06.2018 the aggregate expenditure amount for HPP Messochora amounted to Euro 281 mil., while an additional amount of Euro 67 mil. is estimated to be required in order to complete the project.

2. In December 2010, the new Directive (2010/75/ EU) was issued for industrial emissions (Industrial Emissions Directive – IED), revising Directives IPPC and 2001/80/ EC, which is effective from January 6th 2011. Following the provisions of Article 32 of Directive 2010/75/EU, a Transitional National Emissions Reduction Plan (TNERP) for the period 2016-2020 was elaborated and officially submitted by Greece to the EU at the end of 2012. The TNERP was approved by the EU on November 26, 2013. On December 2013, PPC submitted to the Ministry of Environment and Energy an application for limited changes to the TNERP, along with its declaration to use the limited life-time derogation (Article 33) for certain Power Plants. After the approval from the Ministry of Environment and Energy the revised TNERP was resubmitted on March 18th , 2014 by the Greek authorities and was approved by the EU on July 7th , 2014. The Joint Ministerial Decision for TNERP was issued in August 2015 (Nr. 34062/957/E103/2015). Finally, according to the above, SES Agios Dimitrios, Meliti and Megalopolis A' and B' are included in the TNERP, while SES Amyntaion and Kardia will use the limited life-time derogation.

3. In 2011 began the process of revising the Reference Document on Best Available Techniques Manual for Large Combustion Plants within the framework of Directive 2010/75/EU, and is coordinated by the EIPPCB (European IPPC Bureau). With the European Commission's decision 2017/1442 on 31.07.2017, the Conclusions on Best Available Techniques for Large Combustion Plants – BREF LCP were determined under Directive 2010/75/EU. The Decision was published in the Official Journal of the European Union on August 17th 2017. Following the adoption, of the legally binding, conclusions of the revised Manual, additional investments in PPC's major thermal stations may be required.

4. On November 28th 2015 Directive 2015/2193 of the European Parliament and the Council's of November 25th 2015 was published in the Official Journal of the European Union, on the limitation of emissions of certain pollutants into the air from Medium Combustion Units, regardless of the type of fuel used. As Medium Combustion Units, are defined units with a rated thermal input equal to or greater than 1 MWth and less than 50 MWth. Pollutants in question are sulfur dioxide (SO2), Nitrogen oxides (NOx) and dust, while rules for the monitoring of emissions of carbon monoxide (CO) are defined. Production units of such a size, operate mainly in the islands (engines and turbines). Also, in many of PPC's SES, there are many G/S and auxiliary boilers, but with limited operating time.
The provisions of the new Directive should be thoroughly examined by the competent departments of PPC, so as together with the competent Greek authorities to timely promote the appropriate strategies for the electrification of the islands with technically and economically viable solutions which should also be promptly implemented, and in any case before the expiry of the deadline laid down by the Directive. Indicatively, major projects such as the islands' interconnection, should be planned and implemented in such a way as to fully cover the needs of all islands in electricity, while any remaining production units will be used as a backup solution and will be operating only in an emergency, not exceeding 500 hours of operation per year.

5. The extent of land contamination has to be assessed for many of PPC's installations, following the provisions of art. 22 of Directive 2010/75/EU. At present, there appears to be no requirement for remediation projects at PPC's sites for the foreseeable future, and it is unlikely that this will be required at the mining areas or at the lignite-fired power stations. Remediation, however, may be required, at some of the company's oil-fired power stations in the future. In the context of the decommissioning of the Unit Agios Georgios in Keratsini, a remediation study for the land and the underground water in the Unit was submitted in November 2016 and was approved by the Competent Authorities on July 2017. The remediation cost is estimated at Euro 213.

6. PPC has performed limited studies on the presence of asbestos-containing materials, at its premises. Upon submission by PPC of a full environmental impact assessment study, the Ministry of Environment issued in May 2004 the environmental permit for the construction and operation by PPC, in its premises in Ptolemaida

14. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

area of an environmentally – controlled Industrial Waste Management Area for the management and final disposal of asbestos containing construction materials, from the plants of the Northern System. With the real estate transfer contract no. 37244 / 05.06.2015, which is legally transcribed, PPC transferred full ownership of the Industrial Waste Management Area, located at the Kardia Mine of the Western Macedonia Lignite Center, in DIADYMA S.A. From the date of signing the contract, DIADYMA S.A. is responsible for the Area's management.

7. In April 2018 the Environmental Terms for Klidi and Megalopolis Mines were issued.
   In the context of the divestment of the assets of PPC SA, Klidi Mine and Megalopolis Mine were included in the assets contributed by PPC S.A. to the two new companies LIGNITIKI MELITIS S.A. and LIGNITIKI MEGALOPOLIS S.A.. (See Notes 2 & 6)

8. The Environmental Terms for Amyntaio Mine are expected to be issued.

9. During March and May 2013, CO2 emission licenses have been issued for all 31 PPC installations, for the 3rd implementation phase of the European Union Emissions Trading System (EU ETS phase III, from January 1st 2013 to December 31st 2020). On November 2015 the license of the Lignite Centre of Western Macedonia thermal station was revoked due to its decommissioning. On May 2017 the licenses of Ptolemaida and Agios Georgios thermal stations were revoked due to their decommissioning, and as a result PPC's bound installations amount to twenty-eight (28). On 31.03.2018, the verification of the annual emissions reports of 28 bound plants of PPC for 2017 by accredited third party verifiers was completed and the reports were promptly submitted to the Competent Authority, according to the current legislation. The total verified emissions for 2017 amounted to 31.74 Mt CO2. According to the current European and National legislation, during the 3rd implementation phase of the EU ETS (period 2013-2020), PPC is not entitled to free allocation of emission allowances for its bound stations, with the exception of allowances allocated for emissions corresponding to the generation of thermal power for district heating.
   In accordance with its verified CO2 emissions for 2017, the emission allowances that PPC delivered for the period January 1st 2017 to December 31st 2017 amounted to 31.74 Mt. During 2017, PPC has been allocated with about 62.77 thousand emission allowances for district heating emissions.
   Based on provisional ex-post data, the CO2 emissions of the Parent Company's bound plants for the period 01.01.2018 – 30.06.2018 amount to 13.33 Mt. Moreover, according to updated forecasted data, the total CO2 emissions from 01.07.2018 up to 31.12.2018 are estimated at about 17.67 Mt. It should be noted that the emissions of 2018 will be considered final by the end of March 2019, when the verification of the annual emissions reports (for the year 2018) by accredited third party verifiers will be completed. Consequently, the total CO2 emissions that PPC will have to deliver for the period 01.01.2018 – 31.12.2018 are estimated at 31.00 Mt.

14.5 INVESTMENTS

A new Steam Electric unit 660 MW in Ptolemaida
The construction of the new Steam Electric unit 660 MW in Ptolemaida is in progress. PPC has already paid the two advance payments of Euro 197.88 mil. each against relevant Letters of Guarantee of Advance Payment amounting to Euro 226.77 mil. each. On 05.04.2017, following the relevant decision of the Board of Directors of the Company, the Supplement No 1 of the Contract 11 09 5052 of Thermal Projects Engineering – Construction Department was issued. With this Supplement, the Conventional Table of Materials and Prices was replaced with a new Table of Materials and Prices which includes a further analysis of the prices in accordance with a relevant conventional term.
On June 30th 2018 the total expenditure for the Project amounts to Euro 849 mil.

A new diesel engine Power Plant 115,4MW in South Rhodos burning of heavy fuel oil with low sulphur content
The construction of the new diesel engine Power Plant 115,4MW in South Rhodos burning of heavy fuel oil with low sulphur content is in progress and all Units have been put into Commercial Operation.
On June 30th 2018 the total expenditure for the project amounts to Euro 188 mil.

A new combined cycle unit at Megalopolis 811MW
The Unit was put into commercial operation in January 2016. Performance tests of the Unit have already been executed and the evaluation report for the said tests was submitted. Moreover, the compliance tests of

14. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

the Unit with the Management Code of the Greek Transmission System were completed. The Temporary Acceptance Procedure of the Unit is in progress.
On June 30th 2018 the total expenditure for the Project amounted to Euro 514 mil.

Hybrid Project in Ikaria:
The Hybrid Project in Ikaria of 6.85 MW total capacity combines the utilization of two renewable energy sources, Wind and Hydroelectric. The project started in 2009 and was completed to a percentage over 85%. The completion of the project delayed due to contractual dissents with the contractor. In 2018, at the request of the contractor the two parties proceeded to a “friendly settlement procedure”, the outcome of which was accepted by both parties. Subsequently, the Supplement No 4 of the Contract was signed, with which the new project completion timetable was agreed.
Under the new timetable, in September 2018, the Wind Park is expected to be connected to the Network and put into trial operation. The entire project is expected to be completed, connected to HEDNO’s electricity network and operate “manually” in early 2019.
The automated operation of the Project is expected to be completed in June 2019.

Research, Development and Exploitation of Geothermal potential:
PPC Renewables has leased from the Greek State the geothermal potential Research and Management rights of four (4) public mining sites: a) Milos-Kimolos-Polyagos, b) Nisyros, c) Lesvos and d) Methana.
While maintaining the exclusive Research and Management rights, the subsidiary PPC Renewables S.A. sought a Strategic Partner to co-exploit the geothermal potential of the above areas through a tender which is in progress and is expected to be completed soon.

Biomass project in Amyntaio, Florina:
The tender for the selection of a Strategic Partner for the project "Installation and Operation of a Biomass Combustion Plant for the production of electricity and thermal energy" in Amyntaio, Florina is in progress.

Repowering of SHPP Louros:
The works for the repowering of the SHPP Louros are in progress. The new renovated Station will be put into Semi-Commercial Operation in the last Quarter of year 2018.

Repowering of Wind Parks in Aegean Sea and the island of Crete:
In December 2017, the execution of a Contract concerning the Study, Supply, Transportation, Installation and Operation of Ten (10) Wind Parks in Aegean Sea of 19.80 MW total capacity with a total budget of Euro 28.1 mil., was awarded (Sigri of Lesvos, Ag. Ioannis of Karpathos, Vigla of Lemnos, Potamia of Chios, Prophet Elias of Psarra, Melanio of Chios, Pythagorio of Samos, Perdiki of Ikaria, Marmari of Evia and Tigani of Mykonos).

In February 2018, the Contract for the Study and Construction of Infrastructure Projects of Wind Parks , with a total budget of Euro 5.9 mil. was signed. The implementation of the above mentioned contracts is in progress.

Repowering of Wind Park in Monis Toplou Sitia Crete:
In June 2018, the contract for the Infrastructure Projects of the above Wind Park was signed with the contractor " Domiki Kritis S.A.". Furthermore, in July 2018, the contract for the Study, Supply, Transportation, Installation and Operation of One (1) Wind Park of 7.50 MW total capacity in Palaiopyrgos - Perdikes Monis Toplou Sitia Crete, was signed.

Tenders for new Wind Parks

Wind Park in Aera Karditsa:
During 2018, a tender procedure for the Study, Supply, Transportation, Installation and Operation of One (1) Wind Park of 30 MW total capacity at the locations of "Aera" of the Municipality of Mouzaki and "Afentiko" of the Municipality of Argithea and One (1) High Voltage Center 400 / 20 Kv, Power 100 Mva of Gis type, at the location "Diaselo-Pr. Elias" of the Municipality of Mouzaki, Karditsa, was launched. The tender was completed and the construction of the project is expected to begin.

14. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

Wind Park in Xerakia, Kefalonia:
In July 2018, a tender procedure for the Study, Supply, Transportation, Installation and Operation of One (1) Wind Park of 10 MW total capacity at the locations of Xerakia Dilinata of the Municipality of Kefalonia, region of Ionian Islands was launched. The tender is in progress.

Wind Park in Mamados Tinos:
Within the fourth Quarter of 2018, the tender for the Wind Park in Mamados Tinos will be launched again, as the tender which was launched in August 2017 was declared barren.

Construction of SHPP Smokovo II:
In September 2018, the tender for the construction of SHPP Smokovo II of 3.2 MW capacity and a budget of Euro 4.55 mil. is expected to be launched.

14.6 BUSINESS COLLABORATION

Memorandum of Cooperation between PPC and DEPA
On September 8th 2016, PPC and DEPA signed a memorandum of cooperation according to which they will jointly explore the possibility of cooperation in the supply of power generation units in the Non-Interconnected system with liquefied natural gas, together with the development of natural gas distribution systems in neighboring and / or remote areas that are not supplied by DEPA network, as well as in providing combined energy products in a regional level. Possible cooperation was examined for Crete, Rhodes, Patra, Lesvos and Samos, while it may expand to other areas. The two companies set up Working Groups and recruited a specialized Consultant for the preparation of a Relevant Feasibility Study for the purpose of implementing the Memorandum of Cooperation. The Feasibility Study, in the context of Memorandum was completed in July 2017.

Strategic Cooperation Agreement between PPC and CMEC
On October 24th 2016 PPC and China Machinery Engineering Corporation (CMEC) signed a Strategic Cooperation Agreement of five years duration, under which the two companies will examine their cooperation for investing in Greece and other countries of interest.

Memorandum of Cooperation between PPC and China Development Bank (CDB).
During the 82nd Thessaloniki International Fair and the Conference organized by PPC on "Investment Opportunities in Southeastern Europe - Trends and Challenges in the Energy Sector", a Memorandum of Cooperation between PPC and the China Development Bank (CDB) was signed on September 9th 2017.
The Memorandum provides for the development of a strategic partnership between PPC and CDB to finance projects in the energy sector in Greece and the wider region, including the Balkans, Eastern Europe, Turkey and the Middle East.
CDB is a development bank under the direct supervision of the Council of the State of China and is one of the largest financial institutions in the world.

Memorandum of Cooperation between PPC and the Chinese company SHENHUA
During the 82nd Thessaloniki International Fair, a Memorandum of Cooperation between PPC and Shenhua Group Corporation Limited of China was signed on September 10th 2017.
The Memorandum of Cooperation provides for the cooperation between PPC and SHENHUA in various mutually beneficial sectors, including electricity generation and RES projects, research and development, energy efficiency, gas infrastructure, etc., both in Greece and in the wider region including the Balkans, Eastern Europe, Turkey and the Middle East.
SHENHUA is one of the largest and most technologically advanced power companies in China with activities ranging from coal and energy, to railways, ports and shipping.

Memorandum of Cooperation PPC - Archirodon Group NV
In October 2017, PPC SA and Archirodon Group N.V. signed a five-year Memorandum of Cooperation with a view to exploring their ability to cooperate in the construction of Energy Projects in Africa, the Middle East and furthermore in any other areas the parties will agree to. In this context, a six-member Steering Committee was set up, in which several candidate projects are examined for collaboration. Already, by decision of PPC's BoD on 06.02.2018 the Company's participation as Head of Consortium with Archirodon Construction Overseas United for the project *"Hatta Dam Pumped Storage Plant"* in Dubai (UAE) was approved.

14. COMMITMENTS, CONTINGENCIES AND LITIGATION (CONTINUED)

Following the submission of the relevant file by the consortium, the above mentioned consortium was pre-selected to submit a binding offer and is already working in this direction.

Memorandum of Cooperation PPC - Hellenic Aviation Industry
In October 2017, PPC SA and the Hellenic Aviation Industry signed a Memorandum of Cooperation with a view to jointly consider the possibility and sustainability of developing activities in the field of specialized gas turbine maintenance and general maintenance of power plant equipment as well as high-tech diesel engine assistive equipment.
Already, the two parties work together to draft a relevant business plan.

Memorandum of Cooperation between PPC and the Polish company Solaris Bus & Coach S.A.
In November 2017, PPC SA and Solaris Bus & Coach S.A. signed a three-year Memorandum of Cooperation with the aim of exploring the possibility of co-operating in the provision of integrated transport solutions in the field of electric transports in Greece and further in other areas agreed by the parties.
Solaris Bus & Coach S.A. is a well-established European manufacturer of eco-friendly city buses, trolleys and trams that has adopted the most advanced propulsion technologies on electric transportation.

Project for PPC's Penetration in Natural Gas
In December 2017, PPC hired a technical-economic consultant concerning the preparation of a feasibility study and business plan for the penetration of PPC S.A. in the natural gas market in Greece. The project was completed within the first Quarter of 2018 and the Company is planning its commercial procedures to become active in the natural gas market.

Memorandum of Cooperation between PPC and General Electric
On 14.12.2017, PPC S.A and GE Power (through GE Power Services Business, based in Baden, Switzerland) signed a Cooperation Agreement to explore cooperation between them to provide services of operation, maintenance, rental, training, fault diagnosis and repair of gas turbine, steam generators, generators, boilers and other equipment used in power stations or for industrial use, to companies in Greece and Europe, with the option of extending this cooperation to other areas.

15. SIGNIFICANT EVENTS

LARCO Tariffs
On 21.06.2017, the Electricity Supply Contracts and Pledged Receivables between PPC S.A. and LARCO S.A. were signed. Due to non-compliance with contractual obligations of the above-mentioned Contracts on the part of LARCO, PPC, in order to defend its interests, has already proceeded with the actions provided for by the contracts. In this context, an extrajudicial letter was also sent to LARCO and the Members of its Board of Directors for the payment of an amount of Euro 50 mil. up to 16.5.2018, in accordance with the provisions of the Supply Agreement. In May 2018, Euro 15 mil. was credited against the debts concerned.
On 30.06.2018, LARCO's debts to PPC amounted to Euro 285 mil. and a provision has been formed for all debts.

Commercial policy and Management of overdue debts
In 2018, PPC, in order to manage the problem of overdue debts, proceeded to the following:

- Revision of the Debt Settlements Regulation as of 01.05.2018, and provides personalized settlements, depending on customer's behavior and the number of outstanding bills, so as to limit the creation of new doubtful receivables.
- PPC, since December 2017, has been cooperating with a specialized support service company in terms of more efficient management of PPC's customer base, with emphasis on overdue debts. The company proposes strategies for the management of overdue debts and has designed the framework for their implementation. As of March 2018 the management of a selected customer segment with overdue debts from debtor information companies and law firms began and since June 2018 the actions have been systemized.
- Also, the actions in PPC's Sales Stores for the collection of debts (telephone notifications to debtors, sending letters of formal notice through the PPC's Legal Department etc.) have been intensified.
- Moreover, PPC continues to provide a 15% discount to residential and business customers. Specifically, all customers who pay full their bills until payment due date, they receive a refund (credit) on their next bill, 15% of the value of the electricity consumption in previous bill which has been paid on time.

15. SIGNIFICANT EVENTS (CONTINUED)

Abolition of offsetting the severance payment with the one-off allowance.

According to the provision of Article 25 of Law 4491 / 66 "Regarding the Insurance of PPC's staff" an one-off allowance is paid to the beneficiaries of pension (who are insured employees leaving PPC) in proportion to the years of actual service to PPC. This one-off allowance, according to the special provision of par. 3 of the same article , is being offsetted after any compensation paid due to termination of the employment contract, or due to the occupation of the insured persons from the age limit or due to some other reason for leaving, according to the provisions of the law.

The provisions of PPC's Staff Regulations (SR/ PPC) which have been ratified by Article 2 of legislative decree 210/1974 and has the force of law, and specifically in Articles 34, 35, 36 and 37, it is defined that the Company's permanent staff, who for whatever reason its contract is terminated (automatically or through termination of an employment contract), no compensation is payable if entitled to an one-off allowance from the relevant insurance organization. If the one-off allowance is less than the compensation, then only the difference between the compensation and the one-off allowance is paid.

In any case, and when an employer is, in accordance with Article 2 § 1 of Law 173/1967, "public or government owned entities or Businesses and Utilities (PPC, OTE etc.)" the owed compensation due to dismissal of Law 2112/1920 that would be paid, if not the above, in any way of employees leaving from the company and because of this, shall be subject to the limitations imposed by the abovementioned provisions in respect of its upper limit, which according to article 33 of Law 1876/1990, as amended by the provisions of article 21 § 13 of Law 3144/2003, is currently set at fifteen thousand Euro (15,000).

With Law 4533/2018 (OG A ' 7527/4/2018), the provision of Article 25 (par.3) of Law 4491/1966 (OG A ' 1) as well as any other general or specific provision of the law or the Labor Regulation which provides for the offsetting of employees' severance payment with the one-off allowance to which employees are entitled by the relevant insurance organization, were abolished.

Based on the above, PPC S.A. and its subsidiaries will hereafter pay a severance payment, which should not exceed Euro 15 (fifteen thousand Euro) to the insured employees who leave due to termination of the employment contract, or because they completed the age limit , or due to other reason that the law defines.

The above is a defined benefit plan in accordance with the provisions of IAS 19. The present value of the obligation undertaken by PPC S.A. and its subsidiaries upon the entry into force of this law (through which the obligation to pay compensation is activated), calculated using actuarial methods by independent valuators is a past service cost for services provided in previous periods and amounts to Euro 103 mil. (Parent Company) and Euro 166 mil. (Group) and it entirely burdened the results of the second quarter of 2018.

16. SUBSEQUENT EVENTS

In addition to those presented in other notes, the following events occurred from June 30th 2018 until the date of approval of the Financial Statements:

Repayment of loans and new loans
Within the period 01.07.2018 - 25.09.2018, the Parent Company proceeded to debt repayments of loan installments amounting to Euro 125.45 mil. while it drew an amount of Euro 63.55 mil. from a Bond Loan of an amount of Euro 739 mil., for financing part of the construction cost of the new Lignite Unit Ptolemaida V with a consortium of foreign banks supported by the German Export Credit Insurance Organization ''Euler Hermes''.

In July 2018, the Parent Company drew an amount of Euro 20 mil. from the European Investment Bank (EIB) for the project "PPC High Voltage Substations & Smart Metering" of a total financing line of Euro 85 mil., bearing the Greek Republic's guarantee.

Also, in July 2018, in the context of cash management, the Parent Company repurchased Bonds amounting to Euro 125 mil. in order to resold them, from the Syndicated Secured Common Bond Loan with Greek Banks amounting to Euro 175 mil.

In September 2018, the Parent Company resold the above mentioned bonds, amounting to Euro 125 mil.

VAT refund
By submitting the VAT declaration 06/2018, a request for VAT refund of Euro 100 mil. was submitted, from the credit balance of the tax period 01/12/2016 to 28/02/2018. In order to receive the refund, a tax audit will be conducted by the tax authorities.

17. SEGMENT INFORMATION

Sales and inter segment results are as follows:

SUMMARY FINANCIAL RESULTS OF THE GROUP

JUNE 2018

AMOUNTS IN THOUSANDS OF EURO

	Sales		Profit (Loss) Before Tax	
	01.01.2018 - 30.06.2018	**01.01.2017 - 30.06.2017**	**01.01.2018 - 30.06.2018**	**01.01.2017 - 30.06.2017**
Company	2,130,496	2,315,351	(458,703)	(115,079)
HEDNO S.A.	1,134,089	1,221,027	(44,438)	25,586
Group other Companies	78,451	59,754	3,192	3,115
Eliminations (Group)	(1,142,740)	(1,212,568)	(175)	6,776
Grand total (Group)	**2,200,296**	**2,383,564**	**(500,124)**	**(79,602)**

SUMMARY FINANCIAL RESULTS OF THE PARENT COMPANY

JUNE 2018

AMOUNTS IN THOUSANDS OF EURO

	Sales to Third Parties		Internal Sales		Profit (Loss) Before Tax	
	01.01.2018 - 30.06.2018	**01.01.2017 - 30.06.2017**	**01.01.2018 - 30.06.2018**	**01.01.2017 - 30.06.2017**	**01.01.2018 - 30.06.2018**	**01.01.2017 - 30.06.2017**
Interconnected system						
Mines	7,008	9,476	236,178	285,870	(140,990)	(4,203)
Generation	653,030	802,070	-	-	(467,192)	(103,049)
Distribution Network	153,639	158,232	-	-	79,037	118,761
Supply	2,099,352	2,358,593	35,355	39,817	15,322	(256,996)
	2,913,029	**3,328,371**	**271,533**	**325,687**	**(513,823)**	**(245,487)**
Creta Network						
Generation	126,128	209,570	-	-	(69,810)	36,401
Distribution Network	11,050	10,902	-	-	2,860	8,505
Supply	267,745	159,795	581	143,931	90,151	16,599
	404,923	**380,267**	**581**	**143,931**	**23,201**	**61,505**
Non-Interconnected Islands System						
Generation	113,866	201,174	-	-	(75,963)	20,616
Distribution Network	12,667	12,194	-	-	4,185	8,599
Supply	272,883	159,723	163	153,496	102,753	33,427
	399,416	**373,091**	**163**	**153,496**	**30,975**	**62,642**
Eliminations	(1,586,872)	(1,766,378)	(272,277)	(623,114)	944	6,261
Company	**2,130,496**	**2,315,351**	**-**	**-**	**(458,703)**	**(115,079)**