INDEPENDENT POWER TRANSMISSION OPERATOR (IPTO) S.A.

Annual Financial Report
1 January - 31 December 2016

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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INDEPENDENT POWER TRANSMISSION OPERATOR (IPTO) S.A.
ANNUAL FINANCIAL REPORT

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ANNUAL REPORT OF BOARD OF DIRECTORS

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INDEPENDENT POWER TRANSMISSION OPERATOR (IPTO) S.A.
Report of the Board of Directors
For period 1/1 – 31/12/2016

Dear Shareholders,

Following the end of fiscal year, from 1.1.2016 to 31.12.2016, of the Independent Power Transmission Operator SA (IPTO SA or the company) as a Societé Anonyme, we have the honor to submit for approval, according to the Company's statutes, the financial statements for the year and our comments on the respective statements.

Based on article 1, L.4308/2014, as currently in force, IPTO SA prepared the financial Statements in accordance with the International Financial Reporting Standards (IFRS), as endorsed by the European Union.

Amendment of the Institutional framework of the electricity market

Amendment of the Institutional framework of the electricity market

The changes and other regulations in the intracommunity and institutional framework of electricity affect significantly the Company's activities.

1. Under RAE's decision No. 3/2016 (GG B 697/16.03.2016)

The System Management Code has been amended to introduce and implement the Interrupted Load Service according to the Minister's for the Environment and Energy decision No. ΑΠΕΗΛ/Γ/Φ1/οικ. 184898 «Interrupted Load Service, type and content of Interruptible Load Contracts, in accordance with the provisions of the article 17 of L. 4203/2013» (GG B΄ 2861/28.12.2015). Concerning the Interrupted Load Service, it is expected that IPTO will conduct auctions for the provision of the service by consumers connected to the High and Medium Voltage. Consumers selected to undertake the obligation to reduce their consumption after the issuance of a relevant Power Limitation Order by the responsible relevant Administrator, receive in return a fee for their availability to provide the above service. The Provisions for the Interrupted Load Service are in force from January 2016 until October 2017. Specifically, details were set regarding the following:

- Issuance of Power Limitation Orders
- Issuance of statistics for the Interrupted Load Service
- Calculation of the charge, means and time of collection of the Transitional Supply Security Fee
- Calculation of Non-Compliance Charges for Suppliers in the Event of a Load Limitation Instruction

2. Under RAE's decision No. 134/2016 (GG B 2762/02.09.2016)

The System Management Code has been amended regarding the timetable of clearance. More specifically:

- Until the 24th day of the month following the month to which the Clearance relates, the Transmission System Operator shall notify each Participant of the Status of the Final Deviations Clearance which concern them for all Allocation Days of the same month. The relevant invoices shall be issued by the 27th day of the month following the month to which the Clearance relates. Payments to the Transmission System Operator shall be made within five (5) days and payments to the Participants within seven (7) days of the issuance of the invoice, with the exception of the charges mentioned in paragraph 10 of Article 293.

- Payments made by the Load Representatives to the Transmission System Operator for the amounts of charges corresponding to their Customers or their own consumption and relating to the Special Duty of Greenhouse Gas Emissions Reduction (ETMEAR), Services of Public Utilities (SPU) and System's Usage Charges shall be made by the 15th day of the following month from the month of the issuance of the invoice. The relevant amounts collected by the Transmission System Operator shall be reimbursed monthly to the respective beneficiaries up to the 17th day of each month.

- The Clearance Manual has been amended regarding the calculation of regulated charges (System's Usage Charges, Services of Public Utilities, Special Duty of Greenhouse Gas Emissions Reduction) for the customers of the network.

3. Under RAE's decision No. 207/2016 (GG B 2769/02.09.2016)

The System Management Code has been amended regarding the submission of a Weekly Mandatory Water Management Declaration.

4. Under RAE's decision No. 239/2016 (GG B 2634/25.08.2016).

Following RAE's decision No.3/2016, the Market Clearance Manual was amended to introduce provisions regarding the Interrupted Load Service. In particular, provisions have been introduced regarding the following:

- Payment of Financial Compensation to Discontinued Consumers
- Penalty Clause to Consumer for non-compliance with the Power Limitation Order

5. Under RAE's decision No. 284/2016 (GG B 2519/16.08.2016)

The System Management Code was amended to introduce and implement the Transitional Flexibility Compensation Mechanism for the period from May 2016 to April 2017. Based on the above mechanism, Natural Gas Fired Combined Cycle Distributed Units and Hydroelectric Distributed Units are entitled to receive a fee for their availability to provide flexibility services to the System. Flexibility Service is defined as the rapid increase or decrease in the unit's allocated capacity to meet the demand, following the Allocation Instructions of the Transmission System Operator. In particular, provisions have been introduced regarding the following:

- Registry of Flexible Units
- Calculation of Available Power
- Calculation of Compensation for Flexible Production Units
- Calculation of Load Representative Charges
- Calculation of Sanctions

Competences and composition of the Supervisory Board

IPTO SA has a Supervisory Board responsible to take decisions that could significantly affect the value of fixed assets and more specifically the decisions regarding the approval of the annual financing plan, the borrowing level of IPTO SA and the dividends to be distributed to the shareholders. The Supervisory Board is not responsible for the daily operations of IPTO SA, in particular the ones related to the maintenance and operation of the Hellenic Electricity Transmission System and activities related to the elaboration of the 10-year Development Program of the Hellenic Electricity Transmission System.

The Supervisory Board consists of seven members that are appointed by the General Shareholders‘ Meeting of IPTO SA as follows: (a) four members are proposed by IPTO SA shareholders; (b) two members are proposed by the Greek State; (c) one member is proposed by the permanent personnel of IPTO SA.

The General Assembly of the Company, during its meeting as of 11.01.2016 and following documents from the Greek State and the ultimate shareholder of IPTO, PPC S.A., appointed the six members of the Supervisory Board proposed by the Greek State and the Company's Shareholder.

Furthermore, the General Assembly of the Company, during its meeting as of 02.06.2016 and following a document from the most representative union of employees, has renewed the term of service of the member of the Supervisory Board from the permanent personnel of IPTO S.A., for three years from the above decision, due to the expiry of its previous term of service.

Compliance plan and compliance officer

IPTO SA, in the framework of its competences as the Hellenic Electricity Transmission System Operator, elaborates and executes a compliance plan with all the measures taken to prevent discriminatory conduct and ensure the appropriate monitoring of the compliance to the said plan. The compliance plan sets out the specific duties of IPTO SA employees to achieve the said targets. This plan is subject to the approval of RAE. Without prejudice to RAE‘s competences, compliance with the plan is subject to the independent control of the Compliance Officer.

The Compliance Officer is appointed by the Supervisory Board, subject to RAE‘s approval, and could be an individual or a legal entity. RAE can decline to approve the Compliance Officer only for reasons of lack of independence or professional adequacy. Paragraphs 2-9 of Article 105 of L.4001/2011 are also applied for the Compliance Officer.

The Compliance Officer is competent for (a) monitoring the execution of the compliance plan; (b) the preparation of an annual report determining the measures taken for the execution of the compliance plan and its submission to RAE; (c) the submission of a report to the Supervisory Board and the issuance of recommendations related to the compliance plan and its execution; (d) the notification of any material violation of the execution of the compliance plan to RAE; and (e) the submission of a report to RAE for all commercial and financial relations between PPC and ADMIE SA.

The Compliance Officer was appointed with the decision of the supervisory board, No. 38/25.02.2016. The afore mentioned supervisory board was set out to RAE through a document from IPTO SA on March 7th, 2016 according to Article 107 of L.4001/2011. Under decision No. 45/09.02.2017 of the supervisory board, the duration of the Compliance Officer's service was extended for one more year, expiring on 28.02.2018. The aforementioned decision of the supervisory board will be shared to RAE according to Article 107 of L.4001/2011.

Development of the Hellenic Electricity Transmission System and power to take decisions

IPTO SA submits every year on March 31 a ten-year Development Program of the Hellenic Electricity Transmission System to RAE, following a prior consultation with all stakeholders, related to the period starting on January 1st of the immediately next year and based on the existing and expected supply and demand. The Program includes exclusive measures to secure the System's adequacy and supply security.

More specifically, the ten-year Development Program of the Hellenic Electricity Transmission System (a) sets out the main transmission infrastructures that should be built or upgraded in the next ten (10) years, including the necessary infrastructures for the RES penetration; (b) includes all investments contained in previous development programs and defines the new investments whose implementation is expected to start in the next three years; (c) provides technical/financial feasibility analysis for the important transmission projects of b above, especially the ones related to international interconnections and interconnections of islands with the Transmission System, including implementation schedules, estimated cash flows for the financing needs of the investment plans of the said works.

If RAE, in the framework of its competence, sees that IPTO SA does not secure the implementation of the investments included in the ten-year Development Program of the System to be executed in the next three years, unless this delay is due to reasons outside the control of IPTO SA, then it takes at least one of the following measures: (a) orders IPTO SA to implement the said investments; (b) holds a tender for the said investments; and (c) obliges IPTO SA to capital increase in order to finance the necessary investments, allowing independent investors to participate in the corporate capital. If RAE makes use of its powers by virtue of b above, it can oblige IPTO SA to accept one or more: (a) financing of the investment by any third party; (b) financing and construction of the investment by any third party; (c) undertake the contracting work for the construction of the fixed assets of the investment; or (d) undertake the operation and management of the fixed assets of the investment.
Following the BoD decision No. 9/16.02.2017 and according to L.4001/2011 and Article 229 του of ESMIE's System Operation Code, IPTO SA launched the Preliminary Draft of the Ten Year Network Development Plan (TYNDP) for period 2018 – 2027 for public consultation, until Thursday, March 16th, 2017.
After the end of the public consultation, IPTO will submit the official Ten Year Growth Plan 2018-2027 for RAE's approval, according to Article 108 of L.4001/2011.

<u>Evolution of Key Figures and Accounting Rations of year 2016</u>

In million €:	2016 Report	2015 Report
Total Sales	249	265
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	152	155
Total Assets	2.854	2.749
Non current Assets	1.617	1.598
Regulated Asset Base (RAB)	1.516	1.372
Total Debt	498	490
Current Ratio	0,90	0,91
Quick Ratio	0,87	0,88

Cash Ratio	0,22	0,15
Operating cash flow ratio	0,15	0,18
Financing cost coverage ratio	2,38	2,71
Net debt/ equity	0,23	0,30
Net debt/ Earnings before Interest, Taxes, Depreciation and Amortization	1,34	1,95
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) Margin	61,14 %	58,49%
Earnings before Interest, Taxes Margin	35,71 %	35,16%
Net Income Margin	(1,08) %	13,43 %
Net Operating Inflows/ Sales	0,92	0,92
Return on Equity (ROE)	6,02 %	6,10%
Return on Assets (ROA)	3,11 %	3,40%
Return on Capital Employed (ROCE)	6,36 %	6,2%

Economic Review of year 2016

Operating Profit for 2016

The total income of the company decreased by 6 % in 2016 in Euro 249 mil. compared to Euro 265 mil. in the previous year, mainly due to:

- decrease of the required revenue since RAE's decision for 2016 by Euro 5 mil. approximately compared to 2015
- decrease of the required revenue of 2016 by Euro 5 mil. approximately due to income over-retrieval of prior years
- less retrieval of income of the current fiscal year as well as other charges.

Furthermore, under decision No. 453/2015, RAE approved the Company's compensation for the coverage of the constructing cost of the Special project of Polypotamos of Euro 30 mil. through the Hellenic Electricity Transmission System. This amount refers solely to 2016 and is presented as deductible from the cost in the income statement, the remaining amount of approximately Euro 47 mil. will be covered within the following years.

The operating costs (excluding the depreciations and contracting cost) decreased by 16% in Euro 87 mil. compared to Euro 103 mil. in the previous fiscal year, due to the deduction of the burden caused by reduced risk provisions in Euro 7,2 mil. compared to the relevant provision of Euro 25 mil. in the previous fiscal year.

The above changes led to a slight decrease by 2% in the Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) which came up to Euro 152 mil. compared to Euro 155 mil., with the EBITDA margin coming up to 61,14% compared to 58,49%. The Earnings before Interest, Taxes, Depreciation and Amortization continue to cover the company's borrowing to a very satisfactory degree as shown by the Net Borrowing/EBITDA ratio to 1,34 compared to 1,95 in 2015. The net profit margin, presented a negative sign (1,08%) in 2016, compared to 13,43% in 2015, due to the tax liability which came up from the capitalization of prior years' profits. The return on equity (ROE) remained at the same level, 6,02% in 2016 compared to 6,10% in 2015, while the Return on Capital Employed (ROCE) presented a slight increase, 6,36% in 2016, compared to 6,20% in 2015.

Debt evolution

The net debt (Loans minus Cash) is further improving due to high level of cash (Euro 294,1 mil. in 2016, compared to Euro 188,4 mil. in 2015) and is kept to Euro 204 mil. in 2016 compared to Euro 302 mil. in the previous year, while the Company continues to settle regularly its debt obligations. The leverage ratio came up to 23% compared to 30% in 2015. In March 2017, the Company proceeded with refunding of the existing debt liabilities of total amount Euro 337,1 mil. approximately, through the issuance of an equal Syndicated Bond loan. The joint venture consists of the existing loan-providing banks. The loan has a floating interest rate, expiring in 2021 with gradual repayments. Consequently, during the next periods, the working capital (liquidity ratios) is expected to be radically improved due to the reclassification of the relevant short-term liabilities into long-term ones.

Cash Flows

The net cash flows were adequate in order to pay off loans of Euro 27 mil., interests of Euro 33 mil. and the dividends payment of Euro 17,7 mil.

Dividend Policy

The Company's Board of Directors approved the financial statements of 2016 on April 5th, 2017 and due to the net fiscal losses, does not propose the distribution of dividends to the Supervisory Board and the General Meeting of the Shareholders.

Evolution of activities and Investment Program

The total investments of IPTO SA came up to Euro 142 mil. (Department of New Transmission Projects Euro 134 mi.) including projects of third parties.

Major projects completed in 2016
Completed projects TM.

- TM 400KV HVC Lagkadas - HVC Philippi
- TM 400KV HVC PATRA-SYSTEM (HVC DISTOMO-HVC ACHELOOS) – (aerial department)
- TM 150KV MEGALOPOLI I - KALAMATA I (UPGRADE) aerial department except for the pipeline OPGW
- TM 150KV ΤΑΠ AMFILOCHIA - AKTIO – AERIAL DEPARTMENT
- TM 150KV ALEXANDROUPOLI - DIDYMOTOIXO (UPGRADE) – aerial department, except for the pipeline OPGW
- TM 150KV SUBSTATION GENNADIO - ΘΗΣ SOUTH RHODES – Project for HEDNO (Contract with PPC)
- Variations TM. due to IONIA ROAD & Motorway E65

Completed projects Substation - HVC

- HVC Nea Santa (final stage of delivery
- HVC KARDIA (Lev. No 5)
- HVC LARISA (Lev 5 -TRO)
- HVC AMYNTAIO (New gate AM/Σ and new AM/Σ)
- SUBSTATION MOUDANIA (Lev. No 8)
  - SUBSTATION ANDROS (Lev. 1 - Upgrade. 1 gate TM 150KV in simple Libra) (One self-propelled installation is pending)
- SUBSTATION LITIS (Lev. 4)
- SUBSTATION LIVADI (Lev. 3)
- SUBSTATION KARYSTOS (Lev. 4)
- SUBSTATION KRANIDI (Lev.9 - STUDIES, LEV.M, H/M) – Project constructed for HEDNO (Contract with PPC)
- SUBSTATION EYLIGIA RETHUMNO (NEW - STUDIES, LEV.M, H/M) – Project constructed for HEDNO (Contract with PPC)
- DEVELOPMENT, CONTROL & PROGRESS DIGITAL CAPACITOR SYSTEM 20KV FOR YEARS 2014 TO 2016 (in 19 SUBSTATION there was an upgrade of the automatic control of the compensation capacitors offset M.T.) Project constructed for HEDNO (Contract with PPC)
- RECONSTRUCTION OF EXISTING SINGLE-NUMBER 12MVAr 20kv IN MULTIPLE NUMBERS (2016-2018) – (in 15 SUBSTATION out of 31 there was a reconstruction of the offset capacitors from single number to multiple numbers) Project constructed for HEDNO (Contract with PPC)
- SUBSTATION Mine of Kardia (Lev. 1 - 1 T/Z 150kV) – Project for PPC
- SUBSTATION TRACTION OSE 1 (ACHARNON), (customer – user as per L. 4001/11)
- SUBSTATION TRACTION OSE 4 (KIFISSOS) (customer – user as per L. 4001/11)

Many of the above projects are in the final stage of delivery from the responsible authorities.
The major projects in progress are the following:

- Interconnection of Cyclades
  - HVC GIS Lavrio (addition of 2 new gates GIS cabling TM 400kV)
  - HVC GIS Lavrio (new Coupling SUBSTATION 150/400kV)
  - New SUBSTATION GIS Syros 150kV/MT
  - Reactive Power System (SVC) in the new SUBSTATION GIS of Syros
  - New SUBSTATIONGIS of Paros 150kV/MT
  - New SUBSTATIONGIS of Mykonos 150kV/MT
  - Submarine Cable Interconnection 150kV SUBSTATION Lavrio – SUBSTATION Syros (A΄ Phase, Team A')
  - Submarine Cable Interconnection 150kV SUBSTATION Syros – SUBSTATION Paros (A΄ Phase, Team B')

- Submarine Cable Interconnection 150kV SUBSTATION Syros – SUBSTATION Tinos (A΄ Phase, Team B’)
- Submarine Cable Interconnection 150kV SUBSTATION Syros – SUBSTATION Mykonos (A΄ Phase, Team B’)

- TM 400KV HVC of PATRA - HVC MEGALOPOLI
- UNDERGROUNDING OF TM. 150KV MEGALOPOLI - KALAMATA
- DIDYMOTOIXO - ORESTIADA (Upgrade)
- TM 150KV KORINTHOS-PATRA - UPGRADE OF DEPARTMENT AIGIO-TITAN (ΚΠ264Ν ΕΩΣ ΚΠ328)
- TM 150KV MEGALOPOLI I - SPARTI I (upgrade)
- TM 150KV ΥΗΣ SYKIA - HVC ARAXTHOS
- TM 150KV SPARTI I - MOLAOI (27km)
- TM 150KV COUPLING POINT OF SYKEA TERMINAL SOUTH-EAST PELOPONESE
- TM 150KV IASMOS - ORESTIADA (ENTRANCE-EXIT IN HVC OF NEA SANTA)
- TM 150KV MEGALOPOLI I - KALAMATA I (UPGRADE)
- TM 400KV HVC NEA SANTA (GREECE) - HVC EAST MARITSA (BULGARIA)
- TM 150KV AGRA-KAVALA – UNDERGROUNDING OF DEPARTMENT BETWEEN HVC THESSALONIKI-SUBSTATION OF DOXA
- Replacement of pylon in TZ4 in TM. 150 kV (LAVRIO)
- TM 150KV THESSALONIKI - BABDOS - STAGEIRA
- TM 150KV HVC THESSALONIKI –SUBSTATION EYOSMOS - COMMISSION & CABLE INSTALLATION
- INTERCONNECTION OF CRETE (Y/B CABLE)
- Interconnection of Crete E.P. 30 MW - Cabling TM.
- UNDERGROUNDING OF DEPARTMENT TM 150KV AKRIO – KASTRAKI TM. 400 kV Patra - HVC Megalopoli (Aerial)
- IERAPETRA - MOIRES
- HVC Amyntaio
- HVC Thessaloniki
- Karystos
- HVC Lagkada
- ΑΗΣ Megalopoli I
- HVC Distomo
- Sindos I (ΒΙΠΕ Thessaloniki I)
- HVC Lavrio
- HVC Philippi
- Aigio (Undergr. TM 150kV Aigio - Patra III)

Major risks - Uncertainties.

The company‘s activities are subject to various risks. More specifically:

Interest rate risk: The major risk from the management of debt obligations focuses on the operating income and cash flows as a consequence of interest rate fluctuations, which is handled by the high cash levels and the continuous control of the Board of Directors.

***Commodity price risk**:* The prices of the main raw materials used by the company both for the System operation and its development are determined by the international commodity markets and, as a result, expose the company to the fluctuation risk of the relevant prices.

Credit risk: Regarding the trade receivables arising from the purchase of Electricity Power, the company serves as an intermediate as it was confirmed from the recent legislation, and consequently it is not exposed to a significant credit risk. However, the Company is exposed to a significant credit risk, in case it does not execute the duties it has been assigned as an intermediate, i.e. if it does not manage to receive the liabilities of the participants in the purchase of Electricity Power. At the same time, the general financial circumstances negatively affect the liquidity due to the difficulties customers face in repayments. Under these conditions, the Company applies a policy to ensure the revenues through advance payments or guarantees.

Liquidity risk: The liquidity risk is related to the need for adequate financing for the company‘s operation and growth. The company manages the liquidity risk by monitoring and planning its cash flows and acts appropriately via securing adequate credit limits and cash flows, as much as possible, aiming at the same time to achieve extension of the average life of its debt and the diversification of its funding sources.

Risk from the absence of fixed asset insurance: The Company does not currently maintain insurance for its fixed assets in operation and as a result a possible severe damage to its assets could affect its profit-making, given the fact that it is self-insured. Furthermore, the inventory of materials and spare parts are not insured as well as civil liability risks. The company is currently examining the possibility of holding a tender to choose an insurance company for the coverage of its assets and liabilities against third parties.

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

Regulatory risk: Possible amendments or/and completions of the regulatory framework governing the electricity market, both in application of provisions of EU legislation as well as the Memorandum of Economic and Financial Policy signed between the Greek State, IMF and the European Central Bank may have a materially adverse effect the company's operations and financial results.

Litigations risk: The Company is defendant in several legal proceedings, the negative outcome of which may affect significantly its financial results. For a more thorough analysis, please revert to notes 23 and 29 of the Financial Statements.

Risk from tax and other regulations: Possible amendment of tax and other regulations may affect the company's operating results.
Risk from regulated returns of the activity: The regulated returns of the System's investments can negatively affect the company's profitability if they do not cover the reasonable return on the relevant invested capitals.

The company is subject to certain laws and regulations generally applicable to companies of the broader public sector: As long as the Hellenic Republic, as the major shareholder, holds 51% of the share capital of PPC and its subsidiaries, IPTO SA shall continue, in some sectors, 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 companies in Greece, affecting thus specific procedures, including but not limited to personnel salaries, maximum level of salaries, recruitments and redundancy of employees, as well as procurement policies. The said laws and regulations, particularly within the framework of the current financial conjecture and the relevant decisions of the Central Administration may limit its operational flexibility and may also have significant negative impact on its financial results, particularly the application of provisions of L.3833/2010 and L. 4024/2011, and may have significant negative impact on the company's operation. It should be noted that the company does not have the possibility to recruit or keep experienced personnel while the loss of specialized personnel may negatively affect its ability to elaborate and implement its strategy.

Additional information concerning the financial risk management are included in note 30 of the Financial Statements.

Significant transactions with related parties

The balances (receivables and payables) with related parties (PPC Group) as of December 31st , 2016 and 2015 are as follows:

	December 31st, 2016		**December 31st, 2015**	
	Receivables	**(Payables)**	**Receivables**	**(Payables)**
PPC SA	862.468	(144.265)	878.551	(72.440)
HEDNO SA	15.943	(15.635)	5.120	(32)
PPC Renewables SA	170	(247)	37	(267)
	878.581	**(160.147)**	**883.708**	**(72.739)**

The transactions with related parties (PPC Group) as of December 31st, 2016 and 2015 are as follows:

	2016		**2015**	
	Income	**Expenses**	**Income**	**Expenses**
PPC SA	1.217.149	(196.360)	1.367.567	(129.193)
HEDNO SA	12.135	(15.764)	12.930	(245)
PPC Renewables SA	721	-	33	-
	1.230.005	**(212.124)**	**1.380.530**	**(129.438)**

In addition, there are significant transactions with companies which the Greek State participates in, like LAGHE, ELPE and ELPEDISON, which are mentioned in Note 13 of the financial statements.

Management Compensations

The gross compensations for the Board of Directors for the year ended December 31, 2016 came up to €220 thousands compared to €142 thousands of fiscal year 2015, which means there was a 55% increase approximately. This increase is due to the fact that the Board of Directors of 2016 had two executive members, while in 2015 there was only one. This amount includes employers' contributions but it does not include power supply based on PPC personnel tariff. The compensations of the supervisory board members, for 2016 came up to €49 thousands compared to € 79 thousands in 2015, decreased by 38% approximately. This reduction is due to the reduction of the compensated members from 6 in 2015, to four in 2016. The afore mentioned amounts include also the compensations of the employees' representatives. Moreover, by the end of 2016, the payment of additional compensations took place to former members of the Board of Directors (to the President and the CEO) of total amount Euro 500 thousands approximately. However, the Company decided the retrieval of the amount which was paid to the aforementioned members, forming a relevant receivable in the financial statements. The Company has recognized receivables of Euro 247 thousands approximately plus Euro 112 thousands against those paid non-due additional compensations. One of the members has already returned the amounts paid to him.

Applied Key Accounting Principles

For the Statement of the Financial Position of the year ended and the Statement of Income and Other Comprehensive Income, Changes in Equity and Cash Flow, the accounting principles, analytically presented in the financial statements, were applied as well as the financial figures and the operation of the company in the previous period.

Other significant events in 2016

- Based on the decision of the General Meeting of PPC on 24.11.2016 the transfer of 24% of the Company's shares to China State Grid International Development LTD was approved and the relevant SPA was signed on 16.12.2016. Until the date of approval of the Financial Statements, the transfer has not been completed.
- The Company, based on the recent Law 4389/2016 regulating the ownership separation of IPTO SA By PPC SA and in compliance with Articles 143 par. 1a) and 147 proceeded with the decision of the Extraordinary General Meeting of Shareholders No. 37 to increase of its share capital through the capitalization of reserves from the profits of previous years and subsequently, pursuant to article 143, paragraph 1 (a) (bb), to a reduction of its share capital by an amount equal to the amount arising from that increase. The total proceeds of the reduction, amounting to Euro 92,944 thousand, Lev. Was to be requested to the sole shareholder of the Company, PPC. The total proceeds of the reduction, amounting to Euro 92,944 thousands, was supposed to be returned to the sole shareholder of the Company, PPC.
- As part of the corrective clearances for ETMEAR of the years 2014-2015, the Company sent to the parties involved clearing notes, according to which LAGIE SA issued credit notes to the Company amounting to Euro 54 million and Euro 47 million. Respectively, the Company has issued equal credit notes to PPC SA. All invoices were cleared through offsets, with other debits ones. However, LAGIE S.A. questioned the correctness of the paid credit invoices it had issued, alleging that the expected procedure had not been applied and issued newer debit invoices to cancel the above credit ones. The Company did not accept the said charges and has filed a complaint to RAE for the resolution of this issue. The Company estimates that there will be no burden from the outcome of the case.

Prospects for 2017

Given the nature of the Company's activities and its healthy financial position for 2017, the fiscal year is expected to be profitable in the framework of a general profitable route. This will be also achieved by the Management's willing to streamline the expenses and reinforce the activities which produce income. The Company's investment program will also continue in view of the Ten Year Growth Plan (TYGP).

Other events

The company does not have any foreign exchange currency.

There are no encumbrances on the Company's real estate property. The ownership of the Company's real estate is mentioned in Note 29 of the Financial Statements.
The latest valuation of the current real estate value was processed for the year ended on December 31st, 2014. There are no objective indications for their impairment during the current fiscal year.
Following the above we would like to ask you to:

1. Approve the Financial Position Statement, the Statement of Total Income the Statement of Equity Changes, the Cash Flow Statement, the summary of significant accounting principles and methods and the other explanatory information for 2016 (accounting period 01/01/2016 - 31/12/2016),
2. Relieve the BoD members and the auditors from any responsibility for fiscal year 2016 (accounting period 01/01/2016 - 31/12/2016),
3. Appoint one (1) regular and one (1) substitute auditor for fiscal year 2017.

Athens, April 5th 2017

For the Board of Directors

The Chairman

Athanasios Koronidis

Independent Auditor's Report
(Translated from the original in Greek)

To the Shareholders of
Independent Power Transmission Operator (IPTO) S.A.

Auditor's Report on the Financial Statements

We have audited the accompanying Financial Statements of Independent Power Transmission Operator (IPTO) S.A (the "Company") which comprise the Statement of Financial Position as of 31 December 2016, the Statements of Income and Other Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing that have been adopted by Greek Legislation. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of Independent Power Transmission Operator (IPTO) S.A. as of 31 December 2016 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 29.3 to the Financial Statements, where reference is made to important litigation cases involving the Company as a Transmission System Operator regarding the clearance of special levies and other energy charges. The Company, as stated in Note 29.3 of the Financial Statements, following the existing legislation and the decisions of the Energy Regulatory Authority, has intermediary role for the clearance of the relevant energy charges between the parties that have the obligation for the payment of these amounts and the beneficiaries, and therefore, no impact in the Company's financial position is expected and thus no provision has been made for that purpose.

Report on Other Legal and Regulatory Requirements

Taking into consideration that Management is responsible for the preparation of the Directors' Report, pursuant to the provisions of paragraph 5 of Article 2 (part B) of Law 4336/2015, we note that:

a) In our opinion, the Directors' Report has been prepared in accordance with the applicable legal requirements of Article 43a of C. L. 2190/1920 and its contents correspond with the accompanying Financial Statements for the year ended 31 December 2016.

b) Based on the knowledge acquired during our audit, relating to the Independent Power Transmission Operator (IPTO) S.A.and its environment, we have not identified any material misstatements in the Directors' Report.

Athens, 7 April 2017

KPMG Certified Auditors A.E.
AM SOEL 114

Harry Sirounis, Certified Auditor Accountant
AM SOEL19071

INDEPENDENT POWER TRANSMISSION OPERATOR (IPTO) S.A.

Financial Statements

December 31st, 2016

In accordance with the

International Financial Reporting Standards

As adopted by the European Union

The attached financial statements have been approved by the Board of Directors of the Independent Power Transmission Operator (IPTO) S.A. on April 5th, 2017 and they have been posted on the web site www.admie.gr

CHAIRMAN OF BOARD OF DIRECTORS & CEO	CEO	CHIEF FINANCIAL & ACCOUNTING OFFICER	FOR PRICEWATERHOUSECOOPERS ACCOUNTING AE DEPARTMENT HEAD
A. KORONIDIS	I. KAMPOURIS	I. KOKKALIS	G. KAMPOUROGLOU
ID Card No. K00014786	ID Card No. AI 036584	ID Card No. M 166459	ID Card No. AM 028304
			1ST Class License No. 0008253

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INDEPENDENT POWER TRANSMISSION OPERATOR (IPTO) S.A.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(In thousands of Euros)

	Note	2016		2015	
NET SALES :					
Revenue from Transmission System Rent			225.492		239.706
Operator's Sales	4	1.179.695		1.206.974	
Operator's Purchases	4	(1.179.695)		(1.206.974)	
Other Sales	4		23.121		24.895
Total Sales			**248.613**		**264.601**
EXPENSES/(INCOME):					
Personnel compensations	5		63.715		62.720
Depreciation and Amortization	6		63.206		61.739
Contracting cost	28		9.182		6.153
Materials and consumables			1.668		1.537
Third party benefits			6.756		5.543
Third party fees			3.906		6.883
Taxes – duties			2.516		2.643
Provision for risks and expenses	8		7.266		25.051
Other income	9.2		(4.957)		(5.148)
Other expenses	9.1		6.565		4.457
Profits before taxes and financial results			**88.790**		**93.023**
Financial expenses	7.1		(37.300)		(34.292)
Financial income	7.2		2.617		3.200
PROFITS BEFORE TAXES			**54.108**		**61.931**
Income Tax	10,18		(56.781)		(26.385)
NET PROFITS/(LOSSES) OF FISCAL YEAR			**(2.673)**		**35.546**

(*) In the current fiscal year there have been reclassifications which concern the balance of the previous fiscal year (Note 34)

The accompanying notes in pages 23 - 66 are an integral part of the financial statements.

INDEPENDENT POWER TRANSMISSION OPERATOR (IPTO) S.A.
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

(In thousands of Euros)

	2016	**2015**
NET (LOSSES) PROFITS OF FISCAL YEAR	**(2.673)**	**35.546**
Other comprehensive income (non-recyclable in the results)		
- Actuarial profits/ (losses) based on IAS 19	(2.498)	(816)
- Tax impact on the readjustment reserve (note 10)	-	(13.767)
Other comprehensive (losses) after taxes	(2.498)	(14.583)
Total losses after taxes	**(5.171)**	**20.963**

The accompanying notes in pages 23 - 66 are an integral part of the financial statements.

INDEPENDENT POWER TRANSMISSION OPERATOR (IPTO) S.A.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(In thousands of Euros)

ASSETS	**Note**	**2016**	**2015**
Non Current Assets:			
Tangible assets	11	1.583.880	1.597.698
Intangible assets	12	36	128
Other asset elements	11	33.449	-
Total non current assets		**1.617.365**	**1.597.826**
Current assets:			
Inventory	14	41.635	39.981
Trade receivables	15	*829.280	*876.228
Other receivables	16	72.134	46.945
Cash and cash equivalents	17	294.085	188.433
Total current assets		**1.237.134**	**1.151.588**
Total assets		**2.854.499**	**2.749.414**
EQUITY AND LIABILITIES			
Equity:			
Share capital	18	38.444	38.444
Legal reserve	19	12.815	12.815
Other reserves	20	(17.779)	(15.281)
Fixed assets' statutory revaluation	20	639.712	639.712
Accumulated Profits		224.878	338.267
Total equity		**898.070**	**1.013.957**
Non current liabilities:			
Long-term borrowings	21	145.000	126.000
Personnel benefits	22	29.928	27.654
Other Provisions	23,29	54.937	43.561
Deferred tax liabilities	10	143.497	137.969
Consumers' contributions and subsidies	24	209.379	134.924
Other non current liabilities		6.082	6.606
Total Non Current Liabilities		**588.823**	**476.714**
Current liabilities:			
Trade and other payables	25	*696.134	*743.197
Short-term borrowings	21	47.015	47.015
Current portion of long-term borrowings	21	306.112	317.135
Dividends payable	18	92.944	-
Income Tax payable		45.727	5.152
Accrued and other liabilities	26	67.288	23.651
Deferred Income and other reserves	27	112.386	122.593
Total current liabilities		**1.367.606**	**1.258.743**
Total Liabilities and Equity		**2.854.499**	**2.749.414**

*Trade Receivables and Liabilities include also receivables and liabilities of the Company as the Operator of the Electricity Power Market.
The accompanying notes in pages 23 - 66 are an integral part of the financial statements.

INDEPENDENT POWER TRANSMISSION OPERATOR (IPTO) S.A.

STATEMENTS OF CHANGES IN EQUITY

DECEMBER 31ST, 2016

(In thousands of Euros)	Share Capital	Legal Reserve	Fixed Assets Revaluation	Other reserves	Results carried forward	Total equity
Balance 01/01/2015	**38.444**	**12.815**	**653.480**	**174.667**	**148.576**	**1.027.982**
- Transfer of dividend				(189.132)	189.132	-
- Net profits for the year	-	-	-	-	35.546	35.546
- Other comprehensive income/ (losses) for the year after tax	-	-	(13.767)	(816)	-	(14.584)
- Total comprehensive income for year 2015 after taxes	**-**	**-**	**(13.767)**	**(189.948)**	**224.678**	**20.963**
- Dividend distribution	-	-	-	-	(34.987)	(34.987)
Balance 31/12/2015	**38.444**	**12.815**	**639.713**	**(15.281)**	**338.267**	**1.013.957**
- Capitalization of accumulated profits of previous fiscal years*	92.944				(92.944)	-
- Net losses of fiscal year	-	-	-	-	(2.673)	(2.673)
- Share Capital to shareholders *	(92.944)	-	-	-	-	(92.944)
- Other comprehensive income/ (losses) for the year after tax				(2.498)		(2.498)
- Total comprehensive income/ (losses) for year 2015 after taxes	**-**	**-**	**-**	**(17.779)**	**242.650**	**915.843**
- Dividend distribution	-	-	-	-	(17.773)	(17.773)
Balance 31/12/2016	**38.444**	**12.815**	**639.713**	**(17.779)**	**224.877**	**898.070**

*

The Company, based on the recent Law 4389/2016 regulating the ownership separation of IPTO SA by PPC SA and in compliance with article 143 par. 1a) and 147 proceeded to increase its share capital through the capitalization of reserves from the profits of previous years and subsequently, pursuant to articles 143 par. 1a) and 147, proceeded to a reduction of its share capital by an amount equal to the amount arising from the above increase (Note 18 of the Financial Statements).

The accompanying notes in pages 23 - 66 are an integral part of the financial statements.

INDEPENDENT POWER TRANSMISSION OPERATOR (IPTO) S.A.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In thousands of Euros)

	Note	2016	2015
Cash flows from operating activities			
Profits before tax		54.108	61.931
Adjustments for:			
Depreciation of fixed and intangible assets	6	69.361	69.458
Amortization contributions and subsidies	6	(6.155)	(7.719)
Credit interests	7.2	(2.617)	(3.200)
Other provisions	8	7.266	25.052
Contracting Cost and write-offs	28	9.182	8.669
Amortization of loan issuance expenses	7.1	-	186
Guarantee Commission of Loans PPC	7.1	9.425	9.425
Debit and other interests	7.1	23.229	24.681
Operating profit before working capital change		**163.799**	**188.483**
(Increase)/decrease in:			
Trade and other receivables		51.656	2.284
Other receivables		14.461	9.267
Inventory		(1.859)	(1.417)
Increase/(decrease) in:			
Trade obligations		(47.063)	(8.700)
Other liabilities and accrued expenses		36.512	31.217
Tax payments		(9.992)	-
Net cash flows/ (used) from operating activities		**207.514**	**221.134**
Cash flows from investing activities			
Interest received	7.2	2.617	3.200
Subsidies received		80.611	17.806
Purchase of tangible and intangible assets	11	(142.122)	(138.557)
Net cash used in Investing Activities		**(58.894)**	**(117.551)**
Cash flows from financing activities			
Principal payments of loans and borrowings	21	(27.023)	(29.107)
Dividends payable		(17.773)	(34.987)
Loan received from ECB		35.000	65.000
Interest and other bank charges paid	21	(33.172)	(34.360)
Net cash used in financing activities		**(42.968)**	**(33.454)**
Net increase in cash and cash equivalents		105.652	70.129
Cash and cash equivalents at the beginning of the year..		188.433	118.304
Cash and cash equivalents at the end of the year		**294.085**	**188.433**

The accompanying notes in pages 23 - 66 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in thousands of Euros unless otherwise stated)

1. ESTABLISHMENT, ORGANISATION AND OPERATION OF THE COMPANY

The Independent Power Transmission Operator SA (IPTO SA or ADMIE SA or the Company) is a continuation of PPC TELECOMMUNICATIONS SOCIETE ANONYME, established in 2000 in Greece following a change in its trade name, according to the decision published in GG 10787/11.10.2011, and its operation is governed by the Greek Law.

The aim of the Company is to undertake the activities and duties of the Owner and Operator of the Hellenic Electricity Transmission System (ESMIE in Greek), as stipulated in L. 4001/2011. More specifically, the aim of the Company is the operation, exploitation, maintenance and development of the Hellenic Electricity Transmission System so as to ensure the supply of electricity in Greece is conducted in an adequate, safe, efficient and reliable manner. In the framework of the above purpose, the Company undertakes its duties and operates under the provisions of articles of chapters A to C, of the Fourth Part of L.4001/2011, and the delegated acts issued, and mainly of the Operation Code of ESMIE and the operation license of ESMIE.

The headquarters of the Company are located at 89, Dyrrachiou and Kifissou Streets, Athens 104-43, Greece, and its duration has been set up to December 31, 2100. On December 31st , 2016, the Company had 1,396 employees, 5 of whom were seconded to Public Sector services and 4 were paid by the Company. Their total payroll cost was € 144 thousands approximately and is included in the Income Statement.

On December 31st , 2016, 100% of the Company‘s shares belonged to the Public Power Corporation SA (PPC or Parent Company). The Financial Statements of the Company are incorporated in the consolidated Financial Statements of the Parent company. According to the decision of PPC's General Meeting, on 24.11.2016 the transfer of 24% of the Company's shared to China State Grid International Development LTD was approved, and the relevant SPA was signed on 16.12.2016. Until the approval date of the Financial Statements, the transfer has not yet been completed.

The continuation of the operation of the IPTO as Transmission Operator after the completion of the process of full ownership separation of IPTO by PPC, is subject to its re-certification with a decision of RAE. The administration assumes that this certification will take place within 2017 as anticipated and no problems are expected.

2. AMENDMENTS OF THE INSTITUTIONAL FRAMEWORK

Amendment of the Institutional framework of the electricity market

The changes and other regulations in the intracommunity and institutional framework of electricity affect significantly the Company's activities.

1. Under RAE's decision No. 3/2016 (GG B 697/16.03.2016)

   The System Management Code has been amended to introduce and implement the Interrupted Load Service according to the Minister's for the Environment and Energy decision No. ΑΠΕΗΛ/Γ/Φ1/οικ. 184898 «Interrupted Load Service, type and content of Interruptible Load Contracts, in accordance with the provisions of the article 17 of L. 4203/2013» (GG B΄ 2861/28.12.2015). Concerning the Interrupted Load Service, it is expected that IPTO will conduct auctions for the provision of the service by consumers connected to the High and Medium Voltage. Consumers selected to undertake the obligation to reduce their consumption after the issuance of a relevant Power Limitation Order by the responsible relevant Administrator, receive in return a fee for their availability to provide the above service. The Provisions for the Interrupted Load Service are in force from January 2016 until October 2017. Specifically, details were set regarding the following:

- Issuance of Power Limitation Orders
- Issuance of statistics for the Interrupted Load Service
- Calculation of the charge, means and time of collection of the Transitional Supply Security Fee
- Calculation of Non-Compliance Charges for Suppliers in the Event of a Load Limitation Instruction

2. Under RAE's decision No. 134/2016 (GG B 2762/02.09.2016)

The System Management Code has been amended regarding the timetable of clearance. More specifically:

Until the 24th day of the month following the month to which the Clearance relates, the Transmission System Operator shall notify each Participant of the Status of the Final Deviations Clearance which concern them for all Allocation Days of the same month. The relevant invoices shall be issued by the 27th day of the month following the month to which the Clearance relates. Payments to the Transmission System Operator shall be made within five (5) days and payments to the Participants within seven (7) days of the issuance of the invoice, with the exception of the charges mentioned in paragraph 10 of Article 293.

Payments made by the Load Representatives to the Transmission System Operator for the amounts of charges corresponding to their Customers or their own consumption and relating to the Special Duty of Greenhouse Gas Emissions Reduction (ETMEAR), Services of Public Utilities (SPU) and System's Usage Charges shall be made by the 15th day of the following month from the month of the issuance of the invoice. The relevant amounts collected by the Transmission System Operator shall be reimbursed monthly to the respective beneficiaries up to the 17th day of each month.

The Clearance Manual has been amended regarding the calculation of regulated charges (System's Usage Charges, Services of Public Utilities, Special Duty of Greenhouse Gas Emissions Reduction) for the customers of the network.

3. Under RAE's decision No. 207/2016 (GG B 2769/02.09.2016)

   The System Management Code has been amended regarding the submission of a Weekly Mandatory Water Management Declaration.

4. Under RAE's decision No. 239/2016 (GG B 2634/25.08.2016).

   Following RAE's decision No.3/2016, the Market Clearance Manual was amended to introduce provisions regarding the Interrupted Load Service. In particular, provisions have been introduced regarding the following:

   - Payment of Financial Compensation to Discontinued Consumers
   - Penalty Clause to Consumer for non-compliance with the Power Limitation Order

5. Under RAE's decision No. 284/2016 (GG B 2519/16.08.2016)

   The System Management Code was amended to introduce and implement the Transitional Flexibility Compensation Mechanism for the period from May 2016 to April 2017. Based on the above mechanism, Natural Gas Fired Combined Cycle Distributed Units and Hydroelectric Distributed Units are entitled to receive a fee for their availability to provide flexibility services to the System. Flexibility Service is defined as the rapid increase or decrease in the unit's allocated capacity to meet the demand, following the Allocation Instructions of the Transmission System Operator. In particular, provisions have been introduced regarding the following:

   - Registry of Flexible Units
   - Calculation of Available Power
   - Calculation of Compensation for Flexible Production Units
   - Calculation of Load Representative Charges
   - Calculation of Sanctions

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND BASIC ACCOUNTING PRONCIPLES

3.1. BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Council (IASC) and their relevant Interpretations, as issued by the International Accounting Standards Interpretation Committee and adopted by the European Union (EU) and are compulsorily applied for years starting as of January 1st, 2016.

3.1.1. APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors of the company approved the financial statements of year 2016 on April 5th, 2017. The financial statements are subject to approval by the company's General Meeting of Shareholders.

(All amounts in thousands of Euros unless otherwise stated)

3.1.2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared under the historical cost convention (except for fixed assets measured regularly at fair value) and the going concern principle. The financial statements are presented in thousands of Euros and all values are rounded to the nearest thou-sand except if otherwise stated. Any differences that may be noticed in the tables are due to round ups.

3.1.3. GOING CONCERN PRINCIPLE

3.1.3.1. RISK OF THE MACROECONOMIC CORPORATE ENVIRONMENT IN GREECE

During the year 2015, the developments and the discussions on a national and international level, regarding the reexamination of Greece's funding program terms in 2016 until today, keep the country's macroeconomic and financial environment volatile.

More specifically, during the first semester and as a result of the uncertainty in the internal economic environment mainly as regards the outcome of the negotiations between the Greek State, the European Commission, the European Central Bank and the International Monetary Fund, there were significant deposit outflows from the banking system, which led to the enforcement of capital controls and bank holiday which were announced on 28.6.2015 and lasted until 19.7.2015.

The capital control restrictions, continue to exist until the date of the Financial Statements approval, while the implementation layout are being modified in accordance with the issuance of Legislative Content Acts.

The negotiations of the Hellenic Republic for the coverage of the financial needs of the Greek economy were finalized and the relevant agreement with the European Support, signed on 19.8.2015 provides for:

- The coverage of the financial needs of the Hellenic Republic for the medium-term time period under the condition of adopting financial reforms which are expected to contribute in the financial stability and sustainable development of the Greek economy.
- Offer of Euro 10 to 25 billion for coverage of potential recapitalization needs and/or sanitation of credit institutions.

Although the closure of the first evaluation of the third Fiscal Adjustment Program was delayed, and led to recessional fiscal measures, burdening the households and companies with additional direct and indirect taxes, the basic financial figures of the Greek economy for 2016 showed stable trends. The delay in the second evaluation creates uncertainty about the achievement of the 2017 targets, the delay in the agreement on public debt and the incorporation in the ECB's quantitative easing program.

According to the above, it is expected that the financial environment that the Company operates into, will gradually stabilize. There is still a lot of uncertainty since the evaluation of the Greek program has not been finalized yet and there is a possibility that the enforcement of new measures may lead to a bigger recession. The same risk lies in case the evaluation does not take place at all.

Taking into consideration the nature of the Company's and Group's activities, as well as the healthy financial situation of both the Company and the Group and also the Company's approved Ten Year Growth Plan any negative developments in the Greek Economy are not expected to affect significantly the Company's smooth operation. Nonetheless, the Management constantly estimates the situation and its potential effects, in order to ensure that all the necessary measures and actions are being taken proactively for the minimization of any effects in the Company's and the Group's activities in Greece.

3.1.3.2. RISKS FOR THE ADEQUACY OF THE WORKING CAPITAL

On December 31st, 2016 the Company's total short-term liabilities exceeds the total current assets by the amount of Euro 130 million, so there is uncertainty that the company might not be able to immediately pay off the conventional short-term liabilities part. The full coverage of the working capital depends on the borrowings renewal given that the prompt refunding of the loan liabilities and their transfer to a long term period will not go through.

As mentioned in Note 21 in 2016, the Company proceeded to an extension of the duration of loans total amount of Euro 325 million with a new expiration date in 2017.

However, in March 2017, the company completed the negotiation process with the lending banks in order to refinance its existing loan liabilities of Euro 337.1 million through the issuance of a syndicated bond loan.

If the refinancing was made on 31.12.2016, the working capital would be increased and the short-term liabilities decreased by 337.1 million.

Following the aforementioned, and considering the organizational profitability, the large amount of cash and the positive operational flows of the Company, the working capital for 2017 and thereafter is expected to be positive, therefore the accompanying Financial Statements have been prepared on the basis of the ability of a smooth continuance of the Company's business.

3.2. SIGNIFICANT ACCOUNTING ESTIMATESAND MANAGEMENT JUDGEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of payables and receivables at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management's estimates and judgments are reviewed annually. Actual results may ultimately differ from those estimates.

The principle judgments and estimates referring to events the development of which could significantly affect the items of the financial statements during the forthcoming period are as follows:

Personnel benefits

The employees of the PPC Group and pensioners are entitled to supply of energy at reduced tariffs. Such reduced tariffs to pensioners are considered to be obligation of IPTO towards the parent company and are calculated as the current value of the future retirement benefits deemed to have accrued throughout their working period and are calculated based on financial and actuarial assumptions. The annual net expense is included in the personnel fees in the Income Statement and refers to the current value of benefits which are recognized during the year reduced by the amount of benefits provided.

The above liability is not funded.

Further details according to the basic assumptions and estimates are included in note 22, which significantly affect the obligation amount and include estimates by PPC's management of the amount and changes of future invoices and the related profit margin. The numerical details of the pensioners are provided by PPC SA’s services.

Fair value and useful lives of tangible fixed assets

The company carries the tangible fixed assets at revalued amounts (estimated fair values) as determined by an independent firm of appraisers. Revaluations are performed periodically (every three to five years). Independent estimates are carried out periodically (every 3-5 years).The determination of the fair values of tangible fixed assets requires from management to make assumptions, estimates and judgements with respect to the owner-ship, the value in use and the existence of any economic, functional and physical obsolescence of the tangible fixed assets. Furthermore, the Management has to make certain estimates with respect to the total and the remaining useful lives of depreciable assets, which are subject to a periodic review. The total useful lives, as appraised, are included in Note 3.3.

Provisions for risks

The Group is establishing provisions concerning claims by third parties against it and which might lead to an outflow of resources for their settlement. Provisions are established based on the claim and the possible outcome of the trial. Estimates are made in alliance with the Company's legal advisors. The risks are described in note 24 along with the amount of the relevant risks.

Provision for potential claims has not been created.

Impairment of inventories and receivable accounts

The company assesses at each reporting date whether there is an indication that inventories may have been impaired in spare parts of assets. The determination of whether such indications exist, require the Company to procced with assumptions and judgments.

(All amounts in thousands of Euros unless otherwise stated)

Impairment of fixed assets

The company assesses at each reporting date whether there is an indication that a long-term asset may have been impaired. The determination of whether such indications exist, require assumptions and judgments with respect to external and internal factors that may affect the recoverability of its assets, as well as assumption on the determination of its cash generating units. Further details related to the basic judgments and estimates are included in note 11.

Income tax and deferred tax liabilities

Current income tax liabilities for the current and prior years are measured at the amounts expected to be paid to the tax authorities, using the tax rates that have been enacted by the balance sheet date. The income tax includes the current income tax for each fiscal year arising from the income tax return and the deferred income tax. Deferred tax liabilities are recognized on carried forward tax losses to the extent that it is probable that future taxable profits will occur to offset carried forward tax losses. Deferred tax receivables that are recognized require Management to make assessments as to the time and level of realization of future taxable profits.

3.3. PRINCIPAL ACCOUNTING POLICIES

Foreign Currency Conversion

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

Intangible Assets

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

Tangible Assets

Tangible assets are initially recognized at their acquisition cost which includes all direct attributable expenses for their acquisition or construction until they are ready to use as foreseen by the management. Subsequent of their initial recognition, tangible assets are valued at their fair values minus accumulated depreciation and eliminations. Estimations of fair values are performed periodically by independent appraisers (every three to five years) using Level 3 assumptions of the hierarchy stipulated in the IFRS 13 and mainly the residual replacement cost method in order to ensure that fair value does not differ significantly from the undepreciated balance.

The last evaluation was completed on December 31, 2014. Any valuation increase is credited as reserve to the other total income/ losses, net of deferred income taxes. At the date of revaluation, accumulated depreciation is offset against pre depreciation accounting values and net amounts are restated according to restated amounts. Any decrease is first offset against an earlier valuation increase in respect of the same fixed asset and thereafter charged to the income statement. Upon disposal of revalued tangible asset, the relevant portion of the revaluation surplus is released from the surplus directly to retained earnings. Repairs and maintenance are charged to expenses as incurred. Subsequent future expenditures are capitalized when they increase the asset's useful life, improve its productivity or decrease its operational cost. Expenditures that are capitalized mainly concern the construction of new projects and include the payroll costs of the Department for New Transit Projects as well as other direct costs of third parties. For all assets retired or sold, their acquisition cost and related depreciation are removed from the accounts at the time of sale or retirement. Any gain or loss is included in the statement of income.

Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that needs a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the relevant assets. All the remaining borrowing costs are recognized as expenses in the period in which they are incurred.

Depreciations

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

General use buildings	50
Transmission lines	35
Transmission substations	35
Other equipment	35
Transportation means	15
Furniture and other equipment	5-25

The useful life of the assets is equal to the one used by the independent appraiser during the appraisal of 2014, regarding the calculation of the remaining useful life of IPTO's assets which are based on the evidence and the information he received from constructors – representatives of similar assets as well as the details which he keeps in his data base either from past projects of PPC SA or similar appraisals carried out abroad.

Impairment of Nonfinancial Assets

IPTO SA assesses at each reporting date whether there is an indication that an asset may be impaired. These indications relate mainly to loss of the asset's value in excess of the expected amount, changes in the market, technology, legal status, physical condition of the asset and change in use. If any such indication exists, IPTO SA makes an estimate of the asset's recoverable amount. The recoverable amount of an asset is determined as the higher value between the fair value of the sale of the asset or cash-generating unit (net of disposal costs) and the value in use.

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

Contracts for projects under construction

A construction contract is a contract concluded especially for the construction of an asset or a combination of assets which are closely interconnected or interdependent regarding their design, technology and operation or their final purpose or use.

The expenses related to construction contracts are recognized when realized.

When the result of construction contract cannot be reliably assessed as revenue from the contract, only the expenses realized and expected to be collected are recognized.

When the result of a construction contract can be reliably assessed, the contract revenue and expenses are recognized during the term of the contract as revenue and expenses respectively.

(All amounts in thousands of Euros unless otherwise stated)

The company uses the percentage-of-completion method based on IFRS 11 to determine the appropriate amount of revenue and expenses recognized for a specific period. The completion stage is measured based on the expenses carried out up to the balance sheet date compared to the total estimated expenses for each contract. When the total contract cost is possible to exceed the total revenue, then the expected loss is directly recognized in the profit and loss as expenditure.

In order to determine the cost incurred up to the end of the fiscal year, possible expenses related to future works of the contract are exempted and presented as project in progress. The total cost realized and the total profit/ loss realized for each contract is compared to the progressive pricings up to the end of the period.

Investments and Other Financial Assets

Financial assets in the scope of IAS 39 are classified based on their nature and their characteristics in financial assets at fair value through profit and loss, loans and receivables, held to maturity investments, and available for sale financial assets. The said financial assets are recognized initially, are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. The Company classifies the above financial assets after initial recognition and, where permitted / reviewed, reviews this classification. All ordinary sales and purchases of financial assets are recognized at the date of the transaction (the date on which the Company commits to the purchase of the financial asset). Ordinary purchases or sales involve purchases or sales of financial assets that require physical receipt of the items within the period and are governed by a law or a purchase agreement.

Loans and receivables

Loans and receivables refer to financial assets with determinable flows that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the relevant figures are written-off or impaired, as well as through the amortization process.

Impairment of Financial Assets

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

Financial Assets carried at amortized cost

If there is objective evidence of impairment of receivables and loans measured at amortized cost (e.g. financial condition of the debtor, court decisions, etc.), the amount of the impairment loss is calculated as the difference between the asset balance and the present value of the estimated future cash flows (Excluding any credit losses that have not been incurred). Cash flows are prepaid using the original effective interest rate of the financial asset (the effective interest rate calculated on the initial recognition of the asset). The remainder of this asset can be impaired either by deletion or by accrual recognition. The current value of the financial asset is reduced by using a provision and the impairment loss is recognized in the income statement. The Company initially examines whether there is objective evidence of impairment at the level of personalized data considered significant, while data not considered to be significantly are aggregated and examined as a whole. If it is concluded that there is no objective evidence of impairment for a particular asset, irrespective of its significance, this asset is included in the impairment test for groups of assets with similar credit risk. Personalized financial assets that are tested for impairment and for which impairment losses continue to be recognized are not included in a consolidated data review. If, in a subsequent period, the amount of the impairment is reduced and that decrease can be related to an event that occurred subsequently to the recognition of the impairment loss, the amount of the loss previously recognized is reversed. Subsequent reversals of impairment losses are recognized in the income statement to the extent that the balance of the asset does not exceed its undepreciated cost at the date of reversal.

Financial receivables

Financial receivables (or, where applicable a part of a financial receivable or part of a group of similar financial receivables) are derecognized when: (1) the rights to receive cash flows from the asset have expired; (2) The company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ―pass-through‖ arrangement; and (3) the company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company‘s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay. Where continuing involvement takes the form of a written and/or purchase option (including a cash-settled option) on the transferred asset, the extent of the company‘s continuing involvement is the amount of the transferred asset that the company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the company‘s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Inventory

Inventories include consumables, materials and spare parts of fixed assets which are stated at the lower of cost or net realizable value, the cost being determined using the weighted average method. These materials are recorded in inventory when purchased and then are expensed or capitalized to plant, as appropriate, when used. A provision exists for their value impairment based on the recoverable amount from the use of said materials. The provision for impairment is calculated systemically in relation to years of inactivity of the materials and is based on policies of the PPC Group.

Cash and Cash Equivalents

Time deposits and other highly liquid investments with original maturity of three months or less are considered to be cash equivalents.

Offsetting of Financial receivables and Liabilities

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

Interest bearing Loans and Borrowings

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

Financial Liabilities

Financial liabilities are presented in the unamortized cost and are derecognized when the obligation under the liability is discharged or cancelled or expires. In case an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Provisions for Risks and Expenses, Contingent Liabilities and Contingent Claims

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

(All amounts in thousands of Euros unless otherwise stated)

Subsidies for Fixed Assets Investments

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

Contributions in the construction of Fixed Assets and Contributions of Fixed Assets

Customers and producers, who are connected with the transmission and distribution network, are required to participate in the initial network connection cost or other type of infrastructure, through the deposit of institutionally defined amounts or through fixed assets contribution.

Until December 31, 2008, due to the lack of detailed accounting guidance under current IFRS, PPC has elected to record upon collection of contribution from customers and producers, for the construction of assets needed for their connection with the network, and were reflected in the Balance Sheet as deferred income. Their amortization was accounted for in accordance with the remaining useful life of the related financed assets and was included in the depreciation and amortization of the income statement (implemented, that is, the accounting policy used for subsidies). From January 1, 2009, PPC and then IPTO implementing earlier the Interpretation 18 ―Transfers of Assets from Customers‖ recognize the cash and the assets received from customers and producers needed for their connection with the network, in fair values in the Income Statement. For cash received until December 31, 2008, the accounting policy valid until then due to the non-retrospective application of Interpretation 18 applies.

Post-retirement Benefits

The employees of the PPC Group and pensioners are entitled to supply of energy at reduced tariffs. Such reduced tariffs to pensioners are considered to be obligation of IPTO towards the parent company and are calculated as the current value of the future retirement benefits deemed to have accrued throughout their working period and are calculated based on financial and actuarial assumptions. Net costs for the period are included in the payroll cost in the accompanying statements of income decreased by the amount of benefits offered to the pensioners. The obligation for post-retirement benefits is not funded. The evaluation is carried out by an independent certified actuarialist. The actuarial profits or losses arising from changes in basic principles are booked directly to the equity.

The Company is not obliged to provide benefits in cash following the employees' retirement (i.e. L.2112/1920).

Income Tax (Current and Deferred)

Current income tax

Current tax expense includes income tax resulting from the Company's earnings as reformed in the tax returns and provisions for additional taxes and surcharges for unaudited tax years and is calculated in accordance with the statutory or substantively enacted tax rates at the date of preparation of the Financial Position.

Deferred income tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax base and the book value of assets and liabilities. Deferred income tax liabilities are recognized for all taxable temporary differences, except when the deferred income tax liability arises from initial recognition of capital gain or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognized for all deductible temporary differences, carried forward of unused tax credits and unused tax losses, to the extent that it is possible that taxable profit will be available against the deductible temporary differences and the carried forward of unused tax credits and unused tax losses can be utilized. A deferred tax receivable is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and the transaction does not affect either the accounting or the taxable profit or loss. Deferred tax receivables are valued at each financial position date and are reduced to the extent that it is not probable that there will be sufficient taxable profits against which part or all of the deferred income tax assets may be used. Deferred tax receivables and liabilities are calculated based on the tax rates that are expected to be in force for the period in which the asset is recovered or the liability will be settled and are based on the tax rates (and tax laws) that are in force or have been enacted at the date of preparation of the Financial Position. Income tax relating to items that are recognized directly in other comprehensive income is recognized directly in other comprehensive income rather than in the Income Statement.

Defined Contribution Plan

The Company recognizes as an expense the contribution for the employees' services payable to TAYTEKO/IKA (former OAP–PPC) (defined contribution plans) and as a liability the amount that has not been paid yet.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue from the rent of the Transmission System is accounted in the fiscal year they are related to according to RAE's relevant decisions. However, there may be slight discrepancies between budget and real figures which are cleared at a later stage following RAE's control and approval. Revenue from rendering of services is recognized based on the stage of completion of the service rendered and to the extent that the related receivable will be collected. Revenue from interest is recognized within the period incurred. The company also operates as an assignee for the payment charges related to energy management. The charges to the beneficiaries do not increase the company's revenues and expenses and are shown in the In-come Statement for informative purposes of the parties involved. The company also operates as an intermediate for the settlement of those charges.

Leases

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

The company as a lessee

Cases of leases of assets from third parties where the Company does not assume all the risks and rewards of ownership of the asset are treated as operating and the lease is recognized as an expense in the income statement on a constant basis over the lease term.

The company as a lessor

Cases of lease of assets to third parties where the Company does not transfer all the risks and rewards of ownership of an asset are treated as operating and leases are recognized as income in the income statement on a straight-line basis over the lease term.

3.4. NEW ACCOUNTING POLICIES

New accounting policies and notifications

The accounting policies adopted by the Company for the preparation of the annual Financial Statements, have been consistently applied in the years 2015 and 2016, taking into account the following amendments of standards which were issued by the International Accounting Standards Board (IASB), adopted by the European Union And applied from 1.1.2016:

- **Amendments to the IAS 10 "Consolidated Financial Statements", IAS 12 "Investments Disclosures" and IAS 28 "Investments in Associates and Joint Ventures"**: Applying the exemption of preparing Consolidated Financial Statements (Regulation 2016/1703 / 22.9.2016)**.**

  On 18.12.2014 the International Accounting Standards Board issued an amendment to the above standards clarifying that the exemption provided in IFRS 10 and IAS 28 for the preparation of Consolidated Financial Statements and the application of the equity method, Also applies to companies that are subsidiaries of an investment company that evaluates its subsidiaries at fair value through profit or loss in accordance with IFRS 10. Also, the above amendment clarifies that the disclosure requirements of IFRS 12 apply to investment companies that measure all their subsidiaries at fair value through profit or loss.

The adoption of the above amendment by the Company did not apply to the financial statements.

- **Amendment to the International Financial Reporting Standard 11 "Shared Controls":** Accounting treatment for the acquisition of holdings in joint ventures (Regulation 2015/2173 / 24.11.2015)

On 6.5.2014, the International Accounting Standards Board published an amendment to IFRS 11 clarifying that the acquirer of a holding to a joint venture which constitutes an enterprise (in accordance with IFRS 3) should apply all the relevant principles for the accounting treatment of IFRS 3 combinations and other standards apart from those that contradict with IFRS 11. Furthermore, the holding acquirer will make the required disclosures in accordance with IFRS 3 and other relevant standards. This applies both to the acquisition of the initial holding and to any additional participation in joint ventures that constitute a business.

The adoption of the above amendment by the Company did not apply to its financial statements.

- **Amendment to International Accounting Standard 1 "Presentation of Financial Statements"**: Disclosure Initiative (Regulation 2015/2406 / 18.12.2015)

On 18.12.2014, the IASB published an amendment to IAS 1 as part of the work it has undertaken to analyze the possibilities for improving disclosures in the Financial Statements prepared under the International Financial Reporting Standards (Disclosure initiative). The main amendments are summarized in the following:

• The restriction of the summarized presentation of the accounting principles is abolished

• It is clarified that even if some standards require specific disclosures as a minimum to comply with IFRS, an entity is entitled not to mention them if they are considered insignificant. Additionally, if the information required by individual standards is not sufficient enough to understand the effects of transactions, then the entity may need to add more disclosures

• It is clarified that the lines which define that the IFRS must be included in the balance sheet and the income statement are not restrictive and that for these funds the Company may present further analysis in lines, titles and sub-groups

• It is clarified that in the statement of comprehensive income, the ratio of a company to other results which are booked directly in equity of associates and joint ventures that are consolidated by the equity method should be distinguished in:

- Amounts which are not reclassified in the income statement and

- Amounts which are reclassified in the income statement

• It is clarified that there is no specific order of the standard's notes and that each company must establish a systematic way of presentation given the comprehension and comparability of the Financial Statements.

The adoption of the above amendment by the Company did not have any effect on its financial statements.

- **Amendment to International Accounting Standard 16 "Tangible Assets" and International Accounting Standard 38 "Intangible Assets"**: Clarification of the Acceptable Amortization Methods (Regulation 2015/2231 / 2.12.2015)

On 12.5.2014, the IASB published an amendment to IAS 16 and IAS 38 that explicitly prohibits the use of revenue as the basis for the amortization method for tangible and intangible fixed assets. An exception is granted only for intangible assets when the following conditions are met:

(a) When the intangible asset is expressed as the amount of the revenue, meaning when the right to exploit the intangible asset is expressed in terms of the revenue to be produced in such a way that the realization of a certain amount of revenue determines the expiry of the right, or

(b) When it can be proven that revenue and consumption of economic benefits are inextricably linked concepts.

The adoption of the above amendment by the Company did not have any effect on the financial statements.

- **Amendment to IAS 16 "Tangible Assets" and IAS 41 "Agriculture": Plants bearing fruits (Regulation 2015/2113 / 23.11.2015)**

On 30.06.2014 the International Accounting Standards Board issued an amendment to IAS 16 and 41 which clarifies that plants bearing fruits, which are defined as those which:

a) are used in the production or supply of agricultural products,

b) are expected to produce products for more than one period and

c) are not very likely to be sold as agricultural products, except for the possibility of being sold as scrap,

should be accountified under IAS 16 and not IAS 41.

The above amendment does not apply to the Company's activities.

- **Amendment to IAS 27 "Special Financial Statements":** The method of equity to the special Financial Statements (Regulation 2015/2441 / 18.12.2015)

On 12.08.2014 the International Accounting Standards Board issued an amendment to IAS 27 which allows the application of the equity method for the valuation of investments in subsidiaries, associates and joint ventures in the special financial statements. Additionally, with this amendment, it is clarified that the Financial Statements of an investor that does not have investments in subsidiaries but has investments in associated companies and joint ventures, which, under IAS 28, are valuated via the equity method, do not constitute special financial Statements.

The above amendment does not apply to the Company's activities

- **Improvements of International Accounting Standards - cycle 2012-2014** (Regulation 2015/2343/15.12.2015)

In terms of the annual IAS improvements program, IASB published the 25.9.2014, not urgent but necessary amendments to individual standards.

The adoption of the above amendments by the Company did not have any effect on the financial statements.

In addition to the standards mentioned above, the European Union has adopted the following new standards, the application of which is mandatory for fiscal years beginning after 1.1.2016 and has not been early implemented by the Company.

- **International Financial Reporting Standard 9: "Financial Means"** (Regulation 2016/2067/22.11.2016)

Applicable for fiscal periods beginning on 1.1.2018

On 24.07.2014, the issuance of the final version of IFRS 9 Financial Means was completed by the International Accounting Standards Board which replaces the existing IAS 39. The new standard provides for significant modifications in the classification and valuation of the financial means and hedge accounting. Indicative examples follow below:

Classification and Valuation

During their initial recognition, the financial assets must be classified into only two categories, one in which the valuation is made on the amortized cost and the one where the valuation is made on the fair value. The criteria which should be taken into account in order to for the initial classification of financial assets to be decided, are as follows:

i. The business model, used by the company for the management of these means

ii. The characteristics of the conventional cash flows of those means

Additionally, IFRS 9 allows, during the initial recognition, the investments in participatory deeds to be classified in Valuation category at fair value through other results which are booked directly in equity. In order to do this, this investment should not be held for commercial purposes. Also, in terms of incorporated derivatives where the main contract falls within the scope of IFRS 9, the incorporated derivative should not be separated, and the accounting treatment of the hybrid contract should be based on what was mentioned above for the classification of the financial means.

Regarding the financial liabilities, the most important differentiation is associated with those obligations a company chooses during the initial recognition to valuate at fair value through profit and loss. In this case, the change in fair value should be booked in the results, except for the amount of change due to credit risk of the issuer, which should be booked directly in equity.

Απομείωση

Unlike the existing IAS 39, based on which a company recognizes losses due to credit risk only when these losses have occurred, the new standard requires the recognition of the expected losses due to credit risk for the entire life of the financial means in those cases where the issuers' creditworthiness has significantly deteriorated since the initial recognition. On the other hand, for those requirements that the issuers' creditworthiness has not been significantly deteriorated since the initial recognition, the provision for the expected losses due to credit risk is recognized for the expected losses of 12 months.

Hedge Accounting

The new requirements for hedge accounting are more aligned with the risk management of the financial entity while the main changes compared to the current provisions of IAS 39 are summarized in the following:

(All amounts in thousands of Euros unless otherwise stated)

• the number of elements that may be involved in a hedge relationship either as hedging means or as hedged items is expanding,

• the range 80% -125%, which according to the existing provisions should be met so that the hedge to be considered effective, is abolished. The hedge effectiveness test is now done only gradually, while under specific conditions only the qualitative assessment becomes sufficient,

• in case the hedging relationship ceases to be effective, but the objective of the Company's risk management regarding the hedging relationship remains the same, the Company will have to make a balance (rebalancing) of the hedging relationship in order to meet the effectiveness criteria.

It is noted that the new requirements do not include those relating to hedge open portfolios (macro hedging) which have not yet been formed.

In addition to the above changes, the issuance of IFRS 9 has brought changes to other standards and mainly of IFRS 7 where new disclosures have been added.

The Company is accessing the impact the adoption of IFRS 9 will have by the European Union on the financial statements.

- **International Financial Reporting Standard 15: "Revenue from contracts with customers"** (Regulation 2016/1905/22.9.2016)

Applicable for fiscal periods beginning on 1.1.2018

On 28.05.2014 the International Accounting Standards Board issued IFRS 15 "Revenue from contracts with customers." The new standard is the result of mutual efforts of the IASB and the American Council of Financial Accounting Standards Board (FASB) to develop common demands regarding the revenue recognition principles.

The new standard is applicable to all contracts with customers apart from those who belong in the implementation frame of other standards, such as leases, insurance contracts and financial means.

Under the new standard, the Company recognizes revenue to depict the transfer of promised goods or services to customers for an amount representing the fee that the Company expects in exchange for those goods or services. The concept of a new income recognition model is being introduced based on five key steps, which are briefly listed as follows:

- Step 1: Determination of the contract / contracts with a customer
- Step 2: Identification of performance obligations in the contract
- Step 3: Determination of the transaction price
- Step 4: Allocation of the transaction price to performance obligations in the contract
- Step 5: Recognition of revenue when (or as) the Company satisfies a performance obligation

The concept of performance obligation is new and in fact represents any promise to transfer to the customer: a) a product or service (or a set of goods or services) that are distinct or b) a series of distinct goods or services which are actually the same and have the same customer transfer model.

The adoption of IFRS 15 results in the deletion of the following standards and interpretations:

- IAS 11 "Construction Contracts"
- IAS 18 «Revenue»
- Interpretation 13 "Customer Loyalty Programs"
- Interpretation 15 "Agreements for Real Estate Construction"
- Interpretation 18 "Transfers of assets from customers" and
- Interpretation 31 "Revenue - Exchange transactions which include advertising services"

The Company examines the effect of the adoption of IFRS 15 on the Financial Statements.

The International Accounting Standards Board has also issued the following standards and amendments to standards and Interpretation 22, but which have not yet been adopted by the European Union and have not been implemented prematurely by the Company.

- **Amendment to the International Financial Reporting Standard 2 "Share-based benefits": Classification and measurement of share-based benefits**

Applicable for fiscal periods beginning on 1.1.2018

On 20.6.2016 the International Accounting Standards Board issued an amendment to IFRS 2 which clarified the following:

- When evaluating the fair value of a share-based benefit that is settled in cash, the treatment of impacts from vesting conditions and conditions not related to the fulfillment of specific non-vesting conditions follows the concept that applies to share-based benefits and settled by holding titles
- Where tax legislation requires the company to withhold a tax amount (which is a tax liability of the employee) relating to share-related remuneration and which should be attributed to the tax authorities, the transaction as a whole should be treated as a share-based benefit that is settled by holding titles if as such it would be characterized if there was no question of offsetting the tax liability
- In the event that the conditions governing share-based benefits are changed so as to be reclassified from benefits settled in cash to benefits paid in the form of holding titles, the transaction should be registered as a benefit that is settled with holding titles from the date of the change.

The Company examines the effect of the adoption of the above amendment in the Financial Statements.

- **Amendment to International Financial Reporting Standard 4 "Insurance contracts":** Applying IFRS 9 Financial Means to IFRS 4 Insurance Contracts

Applicable for fiscal periods beginning on 1.1.2018

On 12.9.2016 the International Accounting Standards Board issued an amendment to IFRS 4 which states that:

- Insurance companies whose main activity is linked to insurance have the possibility to be temporarily exempted from the application of IFRS 9 and
- All companies that issue insurance contracts and adopt IFRS 9, have the ability to present changes in the fair value of eligible financial assets to other income recognized directly in equity rather than to profit or loss.

The Company examines the effect of the adoption of the above amendment in the Financial Statements.

- **Amendment of International Financial Reporting Standard 10 "Consolidated Financial Statements" and IAS 28 "Investments in associated companies and joint ventures** ": Trade sale or contribution between the investor and the associate or joint venture

Date of mandatory application: Not yet determined

On 11.09.2014, the International Accounting Standards Board issued amendments to IFRS 10 and IAS 28 in order to clarify the accounting treatment of a sales transaction or a contribution of assets elements of the parent company to an associate or joint venture and vice versa. In particular, IFRS 10 was amended so as to make clear that, if as a result of a transaction with an associate of a joint venture, a company loses control over the subsidiary, which is not a "business" under IFRS 3 will recognize the results of only that portion of the profit or loss relating to the participation rate of third parties in the associate or joint venture. The remaining part of the profit of the transaction will be deleted with the accounting balance of the participation in the associate or joint venture. In addition, if the investor maintains a participation rate in the former subsidiary, so that it is considered an associate or joint venture, the profit or loss from the new valuation of participation is recognized in the results only at the portion which relates to the participation rate of other investors. The remaining amount of profit is eliminated with the accounting balance amount of participation in the former subsidiary.

Accordingly, in IAS 28 there were additions to make clear that the partial recognition of profit or loss in the investor's income statement will take place only if the items sold in the associate or joint venture do not meet the "business" definition. Otherwise, the cumulative profit or loss will be recognized in the investor's results.

On 17.12.2015 the International Accounting Standards Board abolished the date of mandatory implementation of the above amendment which was originally specified. The new date of mandatory implementation will be determined at a later date by the IASB taking into account the results of the project prepared for the accounting of the equity method.

The Company examines the effect of the adoption of the above amendment in the Financial Statements.

- **International Financial Reporting Standard 14: "Deferred Accounts regulatory under regulatory regime"**

Applicable for fiscal periods beginning on 1.1.2016

On 30.01.2014, the International Accounting Standards Board issued IFRS 14. The new standard includes the accounting treatment and disclosures required for deferred accounts under regulatory regime, whose abidance and recognition of which is provided by local legislations when a company provides products or services whose price is regulated by a regulatory authority. This standard is effective on the first adoption of IFRS and only for the entities conducting activities regulated by an entity and which according to the previous accounting standards recognized these accounts in their financial statements. IFRS 14 provides, exceptionally, the ability for these entities to capitalize instead of posting the relevant funds as an expense.
The above standard has not been approved by the European Union and is not considered applicable to the Company's financial statements because it refers to companies that apply IFRS after 2014

- **International Financial Reporting Standard 15: "Revenue from contracts with customers"**: Clarifications in IAS 15 Revenue from contracts with customers

Applicable for fiscal periods beginning on 1.1.2018

On 12.4.2016, the International Accounting Standards Board issued an amendment to IFRS 15 specifying in particular the following:

- When a promised good or service is distinct from other promises in a contract which is taken into account when assessing whether the promised good or service is a performance obligation,
- How can it practically assessed whether the nature of the promise of the company is a benefit of the promised goods or services (the company is the assignor) or arrangement for a third party to provide these goods and services (the company is the assignee),
- Which factor determines whether the company recognizes revenue over time or at a specific time in the case of intellectual property licenses.

Finally, the amendment introduced two practical solutions for the transition to IFRS 15 in respect of integrated contracts with full retroactive application and with regard to changes in transition contracts.

The Company examines the effect of the adoption of the above amendment in the Financial Statements.

- **International Financial Reporting Standard 16 "Leases"**

Applicable for fiscal periods beginning on 1.1.2019

On 13.1.2016 IASB published IFRS 16 «Leases» which replaces:

- IAS 17 «Leases»,
- Interpretation 4 «Determining whether an arrangement contains a lease»,
- Interpretation 15 «Operational leases – Motives» and
- Interpretation 27 «Evaluating the substance of transactions including the legal form of a lease».

The new standard significantly differentiates the accounting of leases for lessees while essentially maintaining the existing requirements of IAS 17 for lessors. Specifically, under the new requirements, the distinction of the leases to operating and financing is abolished for the lessees. They should now, for every lease agreement exceeding 12 months, recognize in their balance sheet the right to use the leased asset and the corresponding obligation to settle the lease payments. The above treatment is not required when the value of the item is classified as very low.

The Company is evaluating the impact that the adoption of IFRS 16 will bring on its Financial Statements.

- **Amendment to IAS 7 "Cash Flow Statement"** Disclosures Initiative

Applicable for fiscal periods beginning on 1.1.2017

On 29.01.2016 the International Accounting Standards Board issued an amendment to IAS 7 under which a company is asked to provide disclosures that help users of financial statements to evaluate changes in those

(All amounts in thousands of Euros unless otherwise stated)

liabilities whose cash flows are allocated to financing activities in the cash flow statement. The changes which will be disclosed, and which do not need to be cash related, include:

- Changes from cash flow financing activities,
- Changes arising from obtaining or losing control of subsidiaries or other companies,
- Changes from exchange differences,
- Changes in the fair value and
- Other changes.

The Company is evaluating the impact of the adoption of the above amendment to the Financial Statements.

- **Amendment to IAS 12 "Income Taxes":** Recognition of deferred tax receivables for unrealized losses

Applicable for fiscal periods beginning on 01.01.2017

On 19.01.2016 the International Accounting Standards Board issued an amendment to IAS 12 which clarified the following:

- Unrealized losses of debit means, which are valued for accounting purposes at fair value and for tax purposes at cost, may result in deductible temporary differences regardless if their holder is about to recover the value of the data through their sale or use
- The recoverability of a deferred tax asset is examined in relation to other deferred tax assets. In case, however, that the tax law sets a limit to offsetting specific taxable losses with certain specific income categories, the related deductible temporary differences should be considered only in relation to other deductible temporary differences of the same category.
- When checking the recoverability of deferred tax assets, the deductible tax differences are compared with future taxable profits without taking into account the tax deductibility arising from the reversal of deferred tax assets.
- Estimates of future taxable profits may include the recovery of some assets at a higher value than their accounting one, provided it can be proven that such a scenario is possible to be achieved.

The Company is evaluating the impact of the adoption of the above amendment to the Financial Statements

- **Amendment to International Accounting Standard 40 "Investment property":** Reclassifications from or to the category of investment property

Applicable for fiscal periods beginning on 1.1.2018

On 8.12.2016 the International Accounting Standards Board issued an amendment to IAS 40 stating that an entity will reclassify an asset in or from the investment property category only when the change can be proven in its use. Change in the use exists when the asset has the criteria or ceases to have criteria that define what is an investment property. A change in the management's intention to use the asset, by itself, is not sufficient to demonstrate a change in use. Also, examples in the list of cases demonstrating change in use have been extended to include assets under construction and not just completed real estate.

The Company is evaluating the impact of the adoption of the above amendment to the Financial Statements.

- **Improvements of International Accounting Standards - cycle 2014-2016**

Effective for fiscal periods beginning on 1.1.2017 and 1.1.2018

In terms of the annual IAS improvements program, IASB published on 8.12.2016, not urgent but necessary amendments to individual standards.

The Company is evaluating the impact of the adoption of these amendments to the Financial Statements.

- **Interpretation 22** «Transactions in foreign currency and advance payments»

Effective for fiscal periods beginning on 1.1.2018

On 8.12.2016 the International Accounting Standards Board issued Interpretation 22. The Interpretation deals with foreign currency transactions when a company recognizes a non-monetary asset or liabilities that arise from the receipt or payment of an advance payment before the company recognizes the related asset, expense or income. The Interpretation clarified as the transaction date, in order to determine the exchange rate to be used in identifying the asset, income or expense, the date of initial recognition of the non-monetary asset or liabilities (i.e.

(All amounts in thousands of Euros unless otherwise stated)

the advance payment). Also, where there are multiple advances, a distinct transaction date should be set for each payment or collection.

The Company is evaluating the impact of the adoption of the above Interpretation to the Financial Statements.

4. SALES

	2016	2015
Revenue from Transmission System Rent	**225.492**	**239.706**
Other sales:		
- Revenues from contracts (Note 28)	5.066	6.368
- Revenues of HEDNO Fixed Assets Support	11.139	12.462
- Received customers‘ participations	4.093	1.977
- Rent of optical fibers (Operations Leases)	1.921	1.921
- Revenues from the recovery of Administrative Costs	807	683
- Other Sales	94	1.484
Total Other Sales	**23.121**	**24.895**
Grand Total	**248.613**	**264.601**

The outcome of the operator's clearance are listed below:

	2016	2015
Operator's Sales		
- Periodical Network Settlement	2.990	732
- Capacity assurance	112.568	-
- Special Lignite Duty	29.798	38.835
- Renewable Energy Sources	752.154	894.281
- Charge based on average-weighted cost (RES)	35.611	29.773
- Public Service Obligations	55.185	26.331
- Deviations	29.670	39.787
- Ancillary Services	55.265	57.465
- Settlement Balance	27.081	33.147
- Variable Cost Coverage	33.393	-
- Special Consumption Tax	45.982	86.624
Total Operator's Sales	**1.179.695**	**1.206.974**
Operator's purchases		
- Periodical Network Settlement	2.990	732
- Capacity assurance	112.568	-
- Special Lignite Duty	29.798	38.835
- Special duty of article 40, L.2773/1999	752.154	894.281
- Public Service Obligations	55.185	26.331
- Charge based on average-weighted cost (RES)	35.611	29.773
- Deviations	56.751	72.934
- Ancillary Services	55.265	57.465
- Variable Cost Coverage	33.393	-
- Special Consumption Tax	45.982	86.624
Total Operator's purchases	**(1.179.695)**	**(1.206.974)**

(All amounts in thousands of Euros unless otherwise stated)

Annual Regulatory Exchange Transmission for 2016

Under decision No. 404/2016, RAE approved the Required and Permitted Revenue for 2017 at Euro 203 million, Euro 261 million, respectively in accordance with its previous decision No. 572/204 with which it had approved the Permitted Revenue for the Regulatory Period 2015-2017, Euro 254.7 million for 2015, Euro 250.2 million for 2016 and Euro 261 million. For 2017.

Under decision No. 456/2016 (GG 3857, 30/11/2016) RAE approved the Fiscal Unitary Charges of ESMIE in force as of 01.01.2017. From the above clearances, the charge for Public Utilities from 30.09.2016 onwards is to be attributed to energy producers other than PPC, which up to that time performs this clearance related to the charging activity of Public Utilities. Please refer to Note 29.3.2.

5. PAYROLL FEES

	2016	2015
Payroll cost	56.133	55.113
Employer‘s social security contributions	16.962	16.593
Other benefits to personnel	628	571
Other expenses and allowance for off-base work	6.075	5.064
Cost for reduced tariff to employees and pensioners (Note 22)	1.651	1.797
Payroll fee included in tangible fixed assets (Note 11)	(17.734)	(16.418)
Total	**63.715**	**62.720**

6. DEPRECIATION AND AMORTIZATION

	2016	2015
Depreciation/ amortization		
- Fixed assets (Note 11)	69.266	69.279
- Software (Note 12)	95	178
- Subsidies and consumers‘ contributions (Note 24)	(6.155)	(7.719)
Total	**63.206**	**61.739**

7. FINANCIAL EXPENSES-INCOME

7.1 Financial Expenses

	2016	2015
Interest expenses	22.748	23.362
Amortization of loans‘ issuance costs	-	186
Prepayment cost of long-term receivables (Note 11)	4.647	-
Commissions on letters of guarantee	95	937
Commissions on PPC guarantee (Note 21)	9.425	9.425
Other bank charges	385	382
Total	**37.300**	**34.292**

The capitalization of interest for the construction period of 2016 amounted to Euro 4.297.

7.2 Financial Income

	2016	2015
Interest on bank deposits (Note 17)	2.189	2.479
Other interests	428	721
Total	**2.617**	**3.200**

Other interests relate mainly to interest on penalties imposed on contractors on the basis of contracts due to delays in the completion of the agreed works.

(All amounts in thousands of Euros unless otherwise stated)

8. PROVISIONS

	2016	2015
Provisions for pending court cases (Note 23)	11.768	27.548
Provision (release) of inventory value impairment (σημ. 14)	205	(412)
Provision of receivables impairment (Note. 15)	(4.707)	(2.085)
Total	**7.266**	**25.051**

9. OTHER EXPENSES-INCOME

9.1. OTHER EXPENSES

	2016	2015
Losses from dismantling and withdrawal of fixed assets	1.606	2.554
Transportation and travel expenses	932	1.017
Other	4.027	885
Total	**6.565**	**4.457**

"Other", include an amount of € 2,108 for the correction of ITC Infrastructure-Losses of previous periods

9.2. OTHER INCOME

	2016	2015
Other revenue from generators‘ connections	3.997	4.540
Other	960	608
Total	**4.957**	**5.148**

10. INCOME TAX (CURRENT AND DEFERRED)

	2016	2015
Current income tax	51.252	5.152
Deferred Income tax	5.528	21.233
Total income tax	**56.780**	**26.385**

The company's nominal tax rate is 29% for the current fiscal year. The Corporate Income Tax return is filed annually but the profits or losses declared for tax purposes remain provisional until such time, as the tax authorities examine the returns and the records of the company and a final assessment is issued. Tax losses, to the extent they are admitted by tax authorities, can net future profits for five years after the year they incurred. There is a statutory tax audit in progress by the tax authorities for the years 2009 to 2010, while the tax authorities are in the process of carrying out a partial audit of the fiscal year 2014 as part of the tax refund application, which is expected to be completed soon with a tax refund amounting to Euro 18 Approx. The Company received a clear tax certificate from its certified auditors, regarding the tax liabilities for fiscal years from 2011 to 2015. For the closing year 2016, the tax audit is still in progress. From the pending tax audits, and the unaudited fiscal years, the Company's Management does not expect any significant tax liabilities other than those recorded and disclosed in the Financial Statements.

Below, there is an analysis and reconciliation between the tax expense and the accounting profit multiplied by the nominal rate:

	2016	2015
Profits before taxes	**54.108**	**61.931**
Nominal tax rate	29%	29%
Tax calculated at nominal tax rate	**15.691**	**17.960**
Impact of tax rate change	-	9.765
Non deductible expenses	2.845	9.038
Tax losses carried forward	-	(10.495)
Tax on dividends (Note. 18)	37.963	
Other differences	282	117
Income tax	**56.781**	**26.385**
Real Tax Rate	**104,9%**	**42,6%**

(All amounts in thousands of Euros unless otherwise stated)

Oι Deferred tax receivables and liabilities are further analyzed as follows:

	2016	2015
Deferred tax receivables		
- Impairment of trade and other receivables	4.188	6.023
- Inventory impairment	6.100	6.041
- Other provisions for risks and expenses	19.231	14.169
- Subsidies and consumers‘ contributions	12.880	9.633
- Other	-	29
Total deferred tax receivables	**42.399**	**35.895**
Deferred tax liabilities		
- Adjustment of fixed assets & difference of depreciation of tangible & intangible assets	(182.596)	(169.995)
- Income from constructing contracts	(3.299)	(3.858)
- Other	-	(10)
Total deferred tax liabilities	**(185.896)**	**(173.863)**
Net deferred tax liabilities	**(143.497)**	**(137.968)**

The net deferred tax movement is listed below: :

	2016	2015
Beginning balance	**137.968**	**102.968**
Debit in results	5.528	21.233
Impact on equity	-	13.767
	143.496	**137.968**

Deferred income tax charged / (credited) in the statement of income is analysed as follows:

	2016	2015
Adjustment & depreciations of tangible & intangible assets	12.601	24.095
Impairment of trade & other receivables	1.835	(81)
Inventory impairment	(60)	(518)
Subsidiaries and consumers contributions	(3.247)	(4.130)
Loan issuance expenses	-	(49)
Other provisions for risks and expenses	(5.062)	(8.570)
Tax losses	-	9.409
Income from constructing agreements	(558)	496
Other	19	581
Total	**5.528**	**21.233**

Deferred income tax charged / (credited) in the statement of equity is analyzed as follows:

	2016	2015
Impact of tax rate change on the appreciation revaluation	-	13.767
Deferred tax liability on the appreciation revaluation	-	-
Total	**-**	**13.767**

The Company does not recognize a deferred tax receivable for provisions totally amounted approximately Euro 30 million, in cases where there is no clear tax legislation on the relevant cost for consistency reasons.

(All amounts in thousands of Euros unless otherwise stated)

11. TANGIBLE ASSETS

	Land	Buildings - Technical Works	Machinery & equipment	Transportation	Fixtures and Furniture	Construction in Progress	Σύνολο
31 December 2014	**189.589**	**91.932**	**1.011.192**	**5.168**	**9.612**	**229.951**	**1.537.444**
- Additions	-	-	-	-	-	138.706	**138.706**
- Depreciation	-	(5.064)	(61.707)	(653)	(1.856)	-	**(69.279)**
- Disposals	-	-	-	(11)	(8)	-	**(19)**
- Transfers from constructions in progress	250	1.685	6.491	39	445	(8.918)	**(8)**
- Transfers to contracting cost	-	-	-	-	-	(6.153)	**(6.153)**
- Other movements	(7)	(712)	10	(1)	(341)	(1.941)	**(2.992)**
31 December 2015	**189.832**	**87.841**	**955.985**	**4.542**	**7.853**	**351.645**	**1.597.698**
31 December 2015	**189.832**	**87.841**	**955.985**	**4.542**	**7.853**	**351.645**	**1.597.698**
- Additions	-	-	-	-	-	142.122	**142.122**
- Depreciation	-	(5.031)	(61.907)	(590)	(1.738)	-	**(69.266)**
- Disposals/write-offs (Note 28)	-	-	(2.276)	-	(13)	(1.907)	**(4.196)**
- Transfers from constructions in progress	629	480	13.662	65	1.209	(15.950)	**95**
- Transfers to contract cost (Note 28)	-	-	-	-	-	(4.826)	**(4.826)**
- Transfers to Other receivables – Polypotamos project *	-	-	-	-	-	(77.746)	**(77.746)**
- Other movements	-	(981)	981	-	(2)	-	**(2)**
31 December 2016	**190.461**	**82.309**	**906.446**	**4.017**	**7.309**	**393.338**	**1.583.880**

* The transfer to Other Receivables of the construction cost of the project "Polypotamos" concerns the cost under execution of the project "Connection of N. Makri Polypotamos”. To date, Association Agreements have been signed with 8 out of a total of 41 Project Users holding a Production License. Due to the non-coverage by the Users of the Project of an amount of Euro 77,746 from its cost and due to the fact that the covered power of the Wind Stations with an Association Agreement was less than its capacity, RAE, under decision No. 453/2015 and before the closing date for the signing of Association Agreements, approved, in the light of an effective regulatory policy, to avoid significant fluctuations from year to year in the tariffs of users of the national network, to include in the required revenue of the

(All amounts in thousands of Euros unless otherwise stated)

	Land	Buildings - Technical Works	Machinery & equipment	Transportation	Fixtures and Furniture	Constructions in Progress	Total
31 December 2015							
Acquisition value	189.832	93.041	1.018.003	5.191	9.712	351.645	**1.667.424**
Accumulated depreciation	-	(5.200)	(62.018)	(650)	(1.859)	-	**(69.727)**
Non-depreciated balance	**189.832**	**87.841**	**955.985**	**4.542**	**7.853**	**351.645**	**1.597.698**
31 December 2016							
Acquisition value	190.461	92.442	1.030.142	5.256	10.904	393.338	**1.722.544**
Accumulated depreciation	-	(10.133)	(123.696)	(1.240)	(3.595)	-	**(138.664)**
Non-depreciated balance	**190.461**	**82.309**	**906.446**	**4.017**	**7.309**	**393.338**	**1.583.880**

Company (in the term K of the ratio of the required Income Calculation) amount of Euro 30 million for 2016, when it was covered by the Usage Fees. Furthermore, according to RAE's decision No. 404/2016, the remaining cost of

the Project that has not been covered by the Users will be equally distributed over six years starting in 2017 (Euro 7,6 million per year). Based on the above and taking into account the charges collected by the network users, the Company proceeded to a total equivalent income and expense recognition, and prepaying the receivable in present values, entered part of the remaining receivable amounting to € 6,640 on the balance sheet "Other receivables" while the balance of the long-term receivable that is expected to be collected by the end of 2022 amounting to € 33,449 in the balance sheet "Other Assets ".

The additions to the assets under construction include the capitalization of the payroll costs of Euro 14.165 (2015: Euro 13.612), as well as other expenses and consumables of Euro 15.335 (2015: Euro 13.219) incurred for the construction of new projects .

The remaining Fixed Assets under construction mainly concern the Interconnection of the Cyclades with the Interconnected Transport System amounting to Euro 224.4 million, TM. 400 kV Patra - HVC Megalopolis (Gas) of Euro 17 million, and TM. 400 kV HVC Lagkada - HVC Phillippi of Euro 31.3 mil.

The Fixed Assets under construction include realized costs of Euro 11.6 million, part of which has been constructed for the distribution network and their construction started before the spin-off from PPC, because until now the signing of a relevant contract with PPC for their concession is still pending.

(All amounts in thousands of Euros unless otherwise stated)

Ownership of Assets: The Company as the ultimate successor of PPC's Transmission Directorate owns all the relevant property of PPC's Transmission Directorate. However, the transfer to the relevant land registry has not yet been completed. The company is in the process of recording its real estate in detail and creating a real estate registry for all its property in the competent land registries to take ownership titles and encumbrance certificates.

Insurance Coverage: Tangible fixed assets are dispersed all over Greece and, thus, the risk of serious loss is reduced. IPTO SA (as all PPC Group companies) does not have an insurance coverage of the tangible fixed assets.

Encumbrances on tangible assets: Tangible assets are held free from encumbrances.

Revaluation of Tangible Fixed Assets: The Management of the Company estimates that there are no objective indications regarding the revaluation of tangible fixed assets.

12. INTANGIBLE ASSETS

The Intangible assets include software.
Software value is analyzed as follows:

31 December 2015	
Acquisition value	6.327
Accumulated amortization	(6.199)
Net value	**128**
31 December 2016	
Acquisition value	6.330
Accumulated amortization	(6.294)
Net value	**36**

The amortizations of the fiscal year 2016 came up to Euro 95 (2014 : Euro 178) additions Euro 3 (2015: Euro 7) and deductions Euro 0 (2015 : Euro 3).

13. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Balances (receivables and payables) with related parties (PPC Group) as of December 31, 2016 and 2015 are as follows:

	December 31st, 2016		December 31st, 2015	
	Receivable	**(Payable)**	**Receivable**	**(Payable)**
PPC S.A.	862.468	(144.265)	878.551	(72.440)
HEDNO SA	15.943	(15.635)	5.120	(32)
PPC Renewables SA	170	(247)	37	(267)
	878.580	**(160.147)**	**883.708**	**(72.739)**

The transactions (invoicing to and invoicing from) of related companies (PPC Group) for the year ended on December 31st, 2016 and 2015 are as follows:

	2016		2015	
	Income	**Expenses**	**Income**	**Expenses**
PPC S.A.	1.217.149	(196.360)	1.367.567	(129.193)
HEDNO SA	12.135	(15.764)	12.930	(245)
PPC Renewables SA	721	-	33	-
	1.230.005	**(212.124)**	**1.380.530**	**(129.438)**

The company, in the context of usual business activities, has transactions with associates. Apart from the BoD members, the companies of PPC Group are also considered as associates

The Company is controlled by PPC which owns 100% of the paid up share capital and is the Parent Company, in which the Greek State, as the major shareholder, holds 51% of the share capital. As a result, the Company is indirectly controlled by the Greek State and the Associated parties include other companies in the broader public sector to which the Company has transactions within the usual activity of which according to IAS 24 par.26 the full disclosure of transactions with other organizations controlled by the State is not required. The Company enters into transactions and has balances (assets or liabilities) in addition to the above, primarily with the following related parties:

(All amounts in thousands of Euros unless otherwise stated)

- Electricity Market Operator SA (LAGIE SA) (electricity services transactions and invoicing of available staff), receivables Euro 22.918 thousand (2015: Euro 542 thousand), liabilities Euro 587.417 thousand (2015: Euro 635.961 thousand), income Euro 34.547 thousand,(2015: Euro 12.624 thousand), expenses Euro 829.855 thousand (2015: Euro 978.544 thousand).

- ELPEDISON SA (electricity services transactions and substations maintenance services) receivables Euro 28.137 thousand (2015: Euro 14.172 thousand), liabilities Euro 36.778 thousand (2015: 35.404 thousand), income Euro 47.323 thousand (2015: Euro 12.950 χιλ.), expenses Euro 50.725 thousand(2015 : Euro 40.947 thousand)

- HELLENIC PETROLEUM SA. (electricity services transactions and substations maintenance services), receivables Euro 5.060 thousand (2015: Euro 4.913 thousand), liabilities Euro 0, (2015: Euro 0), income Euro 145 thousand (2015: Euro 302 thousand), expenses Euro 28 thousand (2015: Euro 0).

There are no material transactions that have not been processed under normal market conditions.

Management compensations

The gross compensations for the Board of Directors for the year ended December 31, 2016 came up to €220 thousands compared to €142 thousands of fiscal year 2015, which means there was a 55% increase approximately. This increase is due to the fact that the Board of Directors of 2016 had two executive members, while in 2015 there was only one. This amount includes employers‘ contributions but it does not include power supply based on PPC personnel tariff. The compensations of the supervisory board members, for 2016 came up to €49 thousands compared to € 79 thousands in 2015, decreased by 38% approximately. This reduction is due to the reduction of the compensated members from 6 in 2015, to four in 2016. The afore mentioned amounts include also the compensations of the employees' representatives. Moreover, by the end of 2016, the payment of additional compensations took place to former members of the Board of Directors (to the President and the CEO) of total amount Euro 500 thousands approximately. However, the Company decided the retrieval of the amount which was paid to the aforementioned members, forming a relevant receivable in the financial statements. The Company has recognized receivables of Euro 247 thousands approximately plus Euro 112 thousands against those paid non-due additional compensations. One of the members has already returned the amounts paid to him.

14. INVENTORY

	2016	2015
Materials, spare parts and consumables	60.201	60.406
Advance payment for stock purchases	2.469	405
Provision for impairment of materials and spare parts to recoverable amount	(21.035)	(20.830)
Total	**41.635**	**39.981**

The movement of the provision for the impairment of materials and spare parts is as follows:

	2016	2015
Beginning balance	**20.830**	**21.241**
Additional provision	205	-
Provision release	-	(411)
Ending balance	**21.035**	**20.830**

Company‘s stock is held free of encumbrances.

(All amounts in thousands of Euros unless otherwise stated)

15. TRADE RECEIVABLES

	2016	2015
Receivables from Electricity Market transactions	632.617	828.644
Receivables from PPC contracting works	11.023	1.734
Market Revenue Receivable	158.618	23.510
Advance payments	164	193
Total receivables from customers without delay and value impairment	**802.422**	**854.081**
Total receivables from customers with delay and value impairment	41.297	41.294
Less: provision of value impairment of receivables	(14.440)	(19.146)
Total	**829.280**	**876.228**

Account “Receivables from Electricity Market transactions” include the receivables arising from the Operator’s Charges Clearance. The Company as the operator under relevant legislation, takes charge to energy providers and giving beneficiaries specific charges, as mentioned in detail in Note 4.

The relevant liability amounts are shown in note 25.

The increase of «Market Revenue Receivable» by Euro 135 mil. approximately and the equivalent deduction of Receivables from Electricity Market transactions by Euro 196 mil. approximately, is due to non-timely energy clearance and return to the beneficiaries of the relevant funds for December 2016 as well as corrective clearances of previous periods. Corresponding changes also exist in payable accounts (Note 26).

The movement of the provision for value impairment of the receivables is as follows:

	2016	2015
Beginning balance	19.147	21.641
Provision release	(4.707)	(2.494)
Ending balance	**14.440**	**19.147**

Total receivables from customers with delay and value impairment mainly include uncollected receivables over one year.

Additionally to the above provision for doubtful receivables, the Management of the Company under the BoD Decisions No.60/14.12.2016 and No. 72/18.11.2015, proceeded in 2016 with using the amount of Euro 4.710 and Euro 16.590 respectively during the previous fiscal year, from the Reserve Account of Article 164 par.3 of the Operation Code, to cover proportionally the outstanding due claim amounts of the Participants which were created because of the unexpected exit from the electricity market of the companies ENERGA POWER TRADING SA, KENTOR SA. and HELLAS POWER SA. Those decisions were taken at a ratio of No. 22/23.05.2013 relevant BoD decision, to use the amount of Euro 5.557 from the same Reserve account of Article 164 paragraph 3 of the Operation Code to cover overdue receivables of Participants which were created due to the unplanned exit from the electricity market of VIVID POWER companies, OET HELLAS SA, GREEK ALTERNATIVE ENERGY SA (Note 27).

Consequently, the Company takes into account the amount of Euro 26.9 million that it has already allocated for use from the reserve account “Non-compliance charges” (note 27) and has fully covered (100%) the entire balance from the doubtful receivables. In case of recovering amounts from the above balances, there will be corresponding revenues in the year of collection.

16. OTHER RECEIVABLES

	2016	2015
Claims from the Greek State	29.415	20.749
Optical fiber rents	2.456	2.294
Net receivable from PPC for settlement of transmission branch spin-off	-	1.507
Receivables from employees	803	708
Receivables from contractors	12.629	13.868
Receivables from special projects (Polypotamos) (Note 11)	6.640	-

(All amounts in thousands of Euros unless otherwise stated)

Other	22.189	9.820
Total receivables from customers without delay and value impairment	**74.134**	**48.945**
Minus provision for doubtful receivables	(2.000)	(2.000)
Total	**72.134**	**46.945**

17. CASH AND CASH EQUIVALENT

	2016	**2015**
Cash in hand	14	14
Cash at banks	970	1.419
Time deposits	293.100	187.000
Total	**294.085**	**188.433**

Interest income from cash and time deposits amount to Euro 2,189 (2015: Euro 2,479) and are included in the financial income in the income statement (Note 7). All cash is in Euros, in Greek banks and there are no commitments on them except for capital controls. The average interest rate on cash deposits is almost nil, while the average interest rate on time deposits came up to 0.89%.

18. SHARE CAPITAL

The share capital increased with the decision of the Extraordinary Shareholders‘ General Meeting, dated January 13, 2012, by € 2,078, from the capitalization of the accounting value of the contributed (to the company) branch of the Transmission System Operator of the Hellenic Electricity Transmission System Operator SA on August 31, 2011, by issuing 2,078,594 common shares of € 1.00 par value each. The Company, based on the recent Law 4389/2016 regulating the ownership separation of IPTO SA by PPC SA and in compliance with article 143 par. 1a) and 147 under the decision of the Extraordinary General Meeting No. 37/03.10.2016 proceeded to increase its share capital through the capitalization of untaxed reserves from the profits of previous years and subsequently, pursuant to articles 143 par. 1a) bb), proceeded to a reduction of its share capital by an amount equal to the amount arising from the above increase. The total proceeds of the reduction, amounting to Euro 92,944 thousand, remain as of today on the liability line, Dividends payable until it is paid to the sole shareholder of PPC SA., While the related income tax liability of Euro 37.963 is shown in income tax and income tax liabilities. In order to achieve the reduction of the Share Capital, the consent of all the creditor banks of the Company was granted.

Following the above change, the share capital of the Company as at 31 December 2016 amounts to Euro 38,444, consisting of 38,444,193 registered shares of nominal value Euro 1.00 each. There are no other changes to the share capital compared to last year.

Dividends

Under Greek corporate law, companies are required each year to declare and pay from statutory profits dividends of at least 35% of after-tax profit, after allowing for the legal reserve. However, with the consent of at least the 70% of the Company‘s shareholders, a company may not distribute any dividends.

Furthermore, Greek corporate law requires certain conditions to be met before dividends can be distributed. Specifically, no dividends can be distributed (a) as long as a company's net equity, as reflected in the balance sheet after such distribution will be less than the outstanding capital plus non-distributable legal re-serves, and (b) as long as the unamortized balance of "Pre-operating Expenses" exceeds the aggregate of distributable reserves plus retained earnings.

During FY2016, the General Assembly of the Shareholders approved the distribution of dividend from the revenues of 2015 amounted Euro 17.773. The dividend was paid to the shareholders within the year.

The Company’s Board of Directors approved the Financial Statements of 2016 on April 5th, 2017 and due to net losses, does not propose any dividend distribution to the Supervisory Board and the Ordinary Shareholders’ Meeting.

(All amounts in thousands of Euros unless otherwise stated)

19. LEGAL RESERVE

Under Greek corporate law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their financial statements to a legal reserve, until such reserve equals one-third of the paid-in share capital. This reserve cannot be distributed throughout the life of the corporation. In 2016 the company did not form any legal reserve, since as of 2013 the share capital was mandatorily covered by one third as per the Greek Law. Thus the total amount of the legal reserve was on December 31st 2016 Euro 12.815 (2015: Euro 12.815).

20. RESERVES

20.1. OTHER RESERVES

The break down is listed below:

	2016	2015
Beginning Balance	(15.281)	(14.465)
Actuarial fiscal profits/ (losses)	(2.498)	(816)
	(17.779)	**(15.281)**

20.2. APPRECIATION REVALUATION OF FIXED ASSETS

The break down is listed below:

	2016	2015
Special Reserve L.2941/2001 (Note 18)	589.615	589.615
Fixed Assets Revaluation IAS 16 (net of taxes)	50.098	50.098
	639.713	**639.713**

The latest revaluation of fixed assets occurred on 31.12.2014.

It is noted that the Company's tax records distinctly show a special reserve of Law 2941/2001 amounting to Euro 589,615 relating to the cleared sector of Transfer which was transferred with universal succession to the Company. This reserve is included in the "Goodwill Asset Value" account of the Company's statement of financial position. Pursuant to paragraph 3 (f) of article 98 of L.4001 / 2011, any tax or accounting treatment was carried out by PPC SA. which concerns the transmission sector and involves future benefits or burdens, is transferred to the benefit or burden of the Company. Consequently, if the Company's shares are transferred from PPC SA and goodwill arises according to the tax records of the parent company equal to or greater than the amount of the special reserve of Law 2941/2001, after the payment of the income tax by PPC SA, the Company as the ultimate successor is entitled to transfer the said reserve to the retained earnings account for further distribution without the payment of corporate income tax.

21. LOANS

	2016	2015
Bank Loans	208.015	200.038
Bonds payable	290.112	290.112
Total borrowings	**498.127**	**490.150**
Less current portion:		
- Bank loans	63.015	74.038
- Bonds payable	290.112	290.112
Total short-term borrowings	**353.127**	**364.150**
Long-term portion	**145.000**	**126.000**

In March 2016, the Company proceeded to the second loan injection of Euro 35 million under the Euro 65 million loan agreement it had concluded with the European Investment Bank for the Phase A Cyclades Interconnection project. The above contract is a subtotal of the total approved loan line of € 130 million (which has been fully legalized by a second loan agreement of Euro 65 million, the product of which has not yet been disbursed), with a repayment period of 20 years. It is noted that the Company has signed a finance line for the Transmission I project amounting in total Euro 140 million with two equal loan agreements amounting to Euro 70 million each. The proceeds of the second loan contract have not yet been disbursed.

(All amounts in thousands of Euros unless otherwise stated)

The total amount of loans for the fiscal year ended on December 31st, 2016 is included in the financial expenses account in the Income Statement (note 7). The total borrowings are expressed in Euros. Further analysis of the Company's long-term borrowings by interest rate type is listed below:

	2016	2015
Bank loans and bonds		
- Floating rate	337.127	337.127
European Investment Bank		
- Fixed rate	135.000	108.333
- Floating rate	26.000	44.690
Total	**498.127**	**490.150**

The parent company, PPC, provides guarantees for the majority of the above bank loans, while, the loans granted by European Investment Bank are guaranteed by the Greek State. The parent company proceeded in 2016 to the invoicing of total amount Euro 9.425 as commission for loan guarantee. (2015: Euro 9.425). The amount is included in the financial expenses of the income statement, note 7. The average interest rate of the bank loans (excluding the guarantee commission) came up to 6,48% (2015: 6,62%) whereas the average interest rate of the European Bank loans came up to 1,65 % (2015: 1,40%).

Certain loans and bonds agreements include certain covenants, the non-compliance of which may lead to an event of default, most important of which are the Parent Company, PPC, should not cease to be a corporation controlled as to at least 51% by the Greek State, the company's shareholders' composition does not change or company's credit rating must not be downgraded. Also certain loans and bonds include the compliance of financial covenants by the guarantor. In December 31st, 2016, the company is in compliance with the financial terms which are included in the loan agreements. Nonetheless, on December 31st, 2016 the Company does not cover the credit rating term of a specific loan agreement and consequently loan installments of Euro 12.127 whose repayment as per the loan contracts is payable after December 31st, 2017, have been allocated in the current liabilities. This loan is included in the funding under renegotiation which is presented below.

The Company's total borrowings do not include the terms of conversion in share capital.

The annual repayment program of the long-term borrowing after December 31, 2016 and 2015 is the following:

Payable amounts on 31.12.2016

	Within one year	1 to 5 years	>5 years	Total Debt
Overdraft facilities	47.015	-	-	47.015
Loans	306.112	20.167	124.833	451.112
Total	**353.127**	**20.167**	**124.833**	**498.127**

Payable amounts on 31.12.2015

	Within one year	1 to 5 years	>5 years	Total Debt
Overdraft facilities	47.015	-	-	47.015
Loans	317.135	28.333	97.667	443.135
Total	**364.150**	**28.333**	**97.667**	**490.150**

In 2016, the company renewed the maturity of the loans ending in 2016, amounting to € 325 mil. with new maturity in 2017. The said loans, in March 2017, were included in a general refinancing of existing loan obligations amounted approximately €337.1 mil. through the conclusion of a syndicated loan of equal amount. The Company has advanced its negotiation with the syndication of existing lending banks participating in the said refinancing, while in December 2016 the basic Business and Legal Terms of Refinancing (Term Sheet) had already been signed. The total available working capital outflow of the Company was set on 31 December 2016 at Euro 47,015, which had been fully capitalized. Total loan repayments for the period ended December 31, 2016 amounted to Euro 27,023 (2015: Euro 29,107).

(All amounts in thousands of Euros unless otherwise stated)

The loan movement is listed below :

	2016	**2015**
Beginning balance	490.150	454.257
New loans	35.000	65.000
Repayment	(27.023)	(29.107)
Ending balance	**498.127**	**490.150**
Liability balance for beginning interests	**3.012**	**3.616**
Accrued interests and other bank charges	32.652	34.106
Payment of interests and other expenses	(33.172)	(34.360)
Payment of other expenses	(1.428)	(350)
Accrued expenses ending period (note 26)	**1.063**	**3.012**

22. PERSONNEL BENEFITS

PPC Group provides employees of all Group companies and pensions with electricity at a reduced tariff. Within the framework of application of Law 4001/2011, the Company's personnel receive the benefit, as it retains all the rights it held as staff of the parent company before the spin-off from the parent company. Also with Law 4389/2016 and the forthcoming full ownership separation of the Company, the employment contracts and labor and insurance rights are not affected. The reduced tariff is recognized as a liability and is calculated as the present value of future benefits considered accrued by the end of the year based on the employee benefit rights accumulated during their service, and calculated on the basis of economic and actuarial assumptions. The net cost of the year is included in the personnel fees in the Income Statement and relates to the present value of benefits recognized during the year less the amount of benefits offered to employees and pensioners. These benefits are not funded.

The results of the actuarial study for the year ended December 31, 2016 and the changes in the net obligation are as follows:

	2016	**2015**
Net liability on January 1st	27.654	27.254
Paid Employer Contributions	(1.105)	(1.327)
Expense to be booked in the Income Statement	881	911
(Income) / Expense to be booked in the Other Comprehensive Income	2.498	816
Net liability on December 31st	**29.928**	**27.654**

The basic assumptions are listed below:

Assumption values, Actuarial Study

Valuation date	**Discount rate**	**Tariff increases**	**Profit margin**
31/12/2016	1,80%	(0,0)% 1y (0,0)% 2y (0,0)% 3y (0,0)% 4y 0% 5y+	(2,20)% 1y 4,50% 2y 4,50% 3y 4,50% 4y

(All amounts in thousands of Euros unless otherwise stated)

Number of beneficiaries: - Pensioners by age 1.635
- Pensioners by widowhood 411
- Active 1.386

31/12/2015	2,00%	(0,6)% 1y (0,5)% 2y (0,5)% 3y (0,5)% 4y 0% 5y+	2,33% 1y 11,70% 2y 13,04% 3y 14,04%

Number of beneficiaries: - Pensioners by age 1.610
- Pensioners by widowhood 393
- Active 1.401

The average life of the benefit to personnel comes up to 15,07 years.

A sensitivity analysis of results based on the changes of significant percentage assumptions is presented below:

	Actuarial liability change	**Percentage change**
Increase in discount rate by 0,5%	-2.035	(6,8%)
Decrease in discount rate by 0,5%	+2.304	7,7%
Increase in tariff increase rate by 1% for all years	+4.549	15,2%
Increase in tariff increase rate by 1% for 2016 – 2019	+1.167	3,9%

23. OTHER PROVISIONS

The other provisions are related to lawsuits from third parties against the company and estimation of total charge for the property registration fee

	2016	**2015**
Lawsuits from third parties	48.135	43.561
Estimation of property registration fees	6.802	-
Ending Balance	**54.937**	**43.561**

	2016	**2015**
Beginning Balance	**43.561**	**16.013**
Additional provision	15.947	33.157
Provision usage	(393)	-
Provision release	(4.178)	(5.609)
Ending Balance	**54.937**	**43.561**

The company is a defendant in several legal proceedings arising from its operations. On December 31st, 2016, the total amount claimed by third parties came up to Euro 103.440 (2015: Euro 80.977), as listed below:

1. ***Claims raised by Contractors/ Suppliers and other Claims:*** number of third parties and suppliers/ contractors have raised claims either pending before courts or under arbitration or/ and mediation proceedings. The total amount involved is € 69.467 (2015: Euro 51.378). In most cases the company has raised counter claims which are not reflected in its accounting books until they are collected.

2. ***Environmental Claims:*** A number of individuals have raised claims against the company for damages incurred as a result of the alleged liability of the company causing fires and floods. The total amount involved is Euro 21.141 (2015: Euro 19.597).

3. ***Claims by Employees:*** Employees of the company are claiming the amount of € Euro 12.833 (2015: Euro 10.002) for benefits and allowances which, as they claim, should have been paid to them.

(All amounts in thousands of Euros unless otherwise stated)

For all the above amounts a provision has been established which on December 31, 2016 comes up to Euro 48.135 (2015: Euro 43.561). This amount mainly concerns:

a. The amount of approximately Euro 10,3 million is related to a lawsuit from a Participant for the power purchase which, according to the litigation conclusions and the anticipating court order, is considered not to have any possibilities to be rejected.

b. An amount of approximately EUR 25,6 million refers to a lawsuit of a contracting Company (which was notified to PPC in the year 2006). The appeal court decision dismissed the lawsuit almost in its entirety while via the Supreme Court, the appeal court decision was overturned and as a result the case was referred back to the Court of Appeal with the risk of being accepted taking into account also the Supreme Court decision.

c. The provisions of the Company on the cases against it, relating to late interest charges, have been overturned after the issuance of RAE's decisions and the decision of the First Instance Court of Athens on the ELPEDISON SA's lawsuit. Specifically, the applicant entities claimed interests on late payment by the Company, due to the delay of other participants to settle their respective responsibilities. Both RAE and the First Instance Court of Athens decided that the Company acts as an agent and not as a principal debtor and therefore does not have the same responsibility to cover these delays with equity. The responsibility is not limited to the interest-bearing liability claim of the relevant receivables of the Participants who cause them. The company has already focused on the actions, both against PPC SA, and the other participants who do not pay their obligations on time, claiming late interest charges, in order to assign them to the relevant Participants. It is noted that the above decision of the First Instance Court of Athens only concerned the ELPEDISON SA lawsuit. However, even though the courts addressing the respective lawsuit of the other participants against the company, rule differently, meaning that the company has sole responsibility, the amounts to be paid will be received at a later time by the Participants that cause the respective delays.

Regarding the application for interim measures brought from LAGIE SA against the Company, requesting for sponsorship to secure its loans of EUR 500 million, in principal and interest, LAGIE has withdrawn from that application by oral statement to the audience. In any case, on the amount of 500 million, the entire capital has already been paid, apart from the amount of approximately 55 million, related to pending court case (Note 29). Regarding the interests, the above shall apply.

Other Provisions include an additional estimate of the charge for the property registration fee, land and plots of land, which, according to the technical services, is estimated to total approximately Euro 7 million according to a relevant provision made in 2016. For the year 2016 this provision was depreciated by an amount of approximately Euro 400, which was paid for property registration fees.

24. CONSUMERS' CONTRIBUTIONS AND SUBSIDIES

	Consumers' contributions	Subsidies	Total
Balance as of December 31st 2014	**14.464**	**110.372**	**124.836**
Additions		17.806	17.806
Transfer to revenues (note 6)	(602)	(7.116)	(7.718)
Balance as of December 31st 2015	**13.862**	**121.062**	**134.924**
Additions	-	80.611	80.611
Transfer to revenues (note 6)	(602)	(5.554)	(6.156)
Balance as of December 31st 2016	**13.260**	**196.119**	**209.379**

The biggest part of the additions (Euro 62.931) concerns the grant for the project "Interconnection of Cyclades with Continental Transmission System".

(All amounts in thousands of Euros unless otherwise stated)

25. TRADE AND OTHER LIABILITIES

	2016	2015
Liabilities from transactions of «Electricity Purchase»	643.597	694.406
Other suppliers and contractors	29.921	30.187
Customers‘ advance payments	9.332	8.276
Other payable taxes	2.475	5.174
Social security contributions, payable	2.838	2.702
Other creditors	7.971	2.452
Total	**696.134**	**743.197**

The above liabilities are interest free and short-term.

26. ACCRUED AND OTHER LIABILITIES

	2016	2015
Accrued interest on loans	1.063	3.012
Payable fiscal expenses energy clearance	59.164	14.159
Personnel day off, overtime and leaves	6.594	6.480
Other fiscal expenses, payable	467	-
Total	**67.288**	**23.651**

27. DEFERRED INCOME AND OTHER RESERVES

	2016	2015
Deferred income from interconnection rights	67.249	87.465
Deferred income from non-compliance charges	37.184	33.739
Deferred income from Extraordinary Surplus of Energy Imports L-B	843	824
Transitional Duty of Security of supplying / Interruptible Load (L.4203/19)	5.859	-
Other deferred income	1.251	565
Total	**112.386**	**122.593**

The movement of reserves is as follows:

	Balance as at 01.01.2016	Period Debits	Period Credits	Balance as at 31.12.2016
Deferred income from interconnection rights	87.465	(60.128)	39.911	67.249
Deferred income from non-compliance charges	33.739	-	3.445	37.184
Deferred income from Extraordinary Surplus of Energy Imports L-B	824	-	19	843
Transitional Duty of Security of supplying / Interruptible Load (L.4203/19)	-	(36.895)	42.754	5.859
Other deferred income (POC)	565	-	686	1.251
Total	**122.593**	**(97.023)**	**86.815**	**112.386**

The deferred interconnection rights concern the reserve the Company forms, from the monthly invoicing based on Ar.178 of ESMIE’s Operation Code for the reduction of the Annual Cost of the Power transmission System or for the funding of interconnecting projects with neighbor countries upon RAE’s relevant decision. During fiscal year 2016, the Company used the amount of Euro 59,6 million (2015 24,9 m) based on RAE’s decision no. 453/2015 regarding the reduction of the Annual Cost of the Power transmission System.

The deferred non-compliance charges concern the reserve the Company forms from the monthly invoicing and is supposed to cover overdue receivables according to Ar. 164 of ESMIE’s Operation Code. Those amounts do not concern any income of the Company but they mainly cover losses from unreliable providers as decided by the Company. Under the relevant BoD decisions (no.72/18.11.2015 & no.22/23.05.2013 & 60/14.12.2016), the company has used the total amount of Euro 26,9 million in order to cover overdue receivables of the participants due to their departure from the market in anticipation of the court decisions which is included in the balance of account "Deferred income from non-compliance charges" as of December 31st, 2016.

The Deferred income from Extraordinary Surplus of Energy Imports concern the reserve the company forms from the clearance invoicing as per the article 178 paragraph 8 of ESMIE's Operation Code. The usage of such reserve is determined by RAE's decision following the relevant instruction from the Operator of the system.

Pursuant to Law 4203/13 effective from 1 January 2016, a special reserve account is maintained for the charge of a Transitional Security of Supply Duty and the return to the beneficiaries of the Interruptible Load. According to the law, any difference is attributed to the beneficiaries of the interruptible load (industries) after the final clearance. From the amount of Euro 43 million charged in 2016, the amount of Euro 37 million has already been redeemed while the balance is expected to be repaid in 2017.

Other deferred income concern future contractual revenues from contracting projects mainly with the Parent Company, PPC SA.

Approval of the Required Revenue for 2017

By virtue of decision No. 404/2016, RAE approved the Required Revenue and Allowable Revenue for 2017 in Euro 203 mil. and Euro 261 mil respectively in alliance with the previous decision No.572/2014 which approved the required revenue for the regulatory period 2015 – 2017, in Euro 254,7 million for 2015, Euro 250,2 million for 2016 and Euro 261 million for 2017.

Under Decision 456/2016, RAE approved the Fiscal Unitary Charges of ESMIE, in place as of 01.01.2017.

Use of congestion income from the assignment of the access rights to the country's international interconnections for 2017

By virtue of Decision No. 394/2016 (Use of congestion income from the assignment of the access rights to the country's international interconnections for 2017 (GG 3657-11.11.2016)) RAE, already approved the amount of Euro 46.002, from the Special Reserve Account (Allocation of the Interconnections transfer ability based on article 178 of ESMIE's System Operation Code) that IPTO holds, for the reduction of the Annual Transmission System Cost for 2017.

28. CONTRACTING COST

The company, during the fiscal year, recognized total income based on IFAS 11 for the construction of third party works of total value of € 5.066 (note 4). The contracting cost for the year of those works for the year ended on December 31, 2016, amounts to Euro 4.826 (note 11), while the write offs of the immovable works for the fiscal year ended at the same period amount to Euro 4.356.
Furthermore, the Company completed the connecting project of Nea Makri – Polypotamos with construction cost under execution up to Euro 77.746, which was initially supposed to be invoiced to the users of this line. However, due to non-connection of a big part of the producers, this cost was decided by RAE to be covered through the charge to ESMIE for 2016 until 2022 (Note 11).

29. COMMITMENTS AND CONTIGENCIES

29.1. COMMITMENTS

29.1.1. Ownership of property

IPTO S.A., according to the provisions of article 98 of L. 4001/2011 has, among others, been substituted as a kind of an ultimate successor, to all the real rights in the sector of the PPC General Electricity Transmission Division irrespective of their time of generation, from the date of registration of the decision to approve the spin-off and contribution of the respective branch in the Registry of Sociétés Anonyme. Although these rights have been legally acquired and the relevant transactions have been transferred free of charge to the competent Land Registry, their registration has not yet been completed at the local land registration offices and cadastral offices. It should be noted that according to article 98 of Law 4001/2011, the transfer of real rights to real estate, cars and other movables is automatically effected by the registration of the segregation act in the Registry of Sociétés

Anonymes and their transcription or registration, according to the Provisions are purely for the sake of completeness.

The total cost for completing the registration of all rights in Greece's land registry offices cannot be reliably estimated by both the Administration and the Legal Service at this stage and until the completion of the procedure. However, according to a relevant study carried out by the Company's technical services, the cost from the registration of the rights to third-party property (work) is estimated to reach up to Euro 6.8 million, for which an equal provision is included in the item Other provisions.

29.1.2. Environmental obligations

The basic parameters that may affect the final amount of environmental investments required to be held in the next decade, include the following:

1. Strategic Environmental Studies with the adoption of the projects to the TYNDP.
2. Environmental licenses related to the National Transmission Network for which the Environmental Impact Assessments have been submitted to the Ministry of Environment, Planning and Public Works.
3. Woodland road construction and Restoration Herbtechnical Studies
4. During the operation of the Line, Substations and HVC Transmission System, there is no electromagnetic radiation, but two separate fields, the electric one and the magnetic. In the approaching positions of the audience and the employees, the values of these fields are quite lower than the limit values. These limits have been established by the International Commission for the Protection of the Non Ionizing Radiation Protection (ICNIRP) in cooperation with the World Health Organization (WHO). These limits have been included in the EU directive which has been incorporated in the Greek Legislation. It should be clarified that the limits of the electric and magnetic fields do not constitute risky limits, but contain rather large safety factors to cover some vagueness due to the limited knowledge about the influence of such fields and prevent any adverse effects.

As per the above, the Management assumes that the conditions for the recognition of provisions for environmental liabilities of the company do not exist.

29.2. COMMITMENTS FROM THE COMPLETION OF THE PROJECTS CONSTRUCTION

Interconnection of "Nea Makri – Polypotamos"

After multi-year efforts, the underground cable part of Nea Makri's substation interconnection, until Polypotamos' substation was successfully electrified on 7/4/2015. The overhead part of the interconnection from Polypotamos until South Evoia (Substation Evoia 7) has been received with remarks. The said part was successfully electrified on 24/7/2015, then was deactivated and has remained deactivated ever since since the implementation of the wind generators in the southern part of Evoia has not been processed by the users of the project. Minor works of civil engineering are still pending in Polypotamos terminal and substation which do not disturb in case the project is activated.

To date, Association Agreements have been signed with 8 out of a total of 41 Project Users holding a Production License. Due to the non-coverage by the Users of the Project of an amount of Euro 77,746 from its cost and due to the fact that the covered power of the Wind Stations with an Association Agreement was less than its capacity, RAE, under decision No. 453/2015 and before the closing date for the signing of Association Agreements, approved, in the light of an effective regulatory policy, to avoid significant fluctuations from year to year in the tariffs of users of the national net-work, to include in the required revenue of the Company (in the term K of the ratio of the required Income Calculation) amount of Euro 30 million for 2016, when it was covered by the Usage Fees.

Furthermore, according to RAE's decision No. 404/2016, the remaining cost of the Project that has not been covered by the Users will be equally distributed over six years starting in 2017 (Euro 7,6 million per year).

HVC in Aliveri

The new modern "closed-type" (GIS) Aliveri HVC Center has been recently completed and is operating, serving the new thermal power plant and RES producers in Evoia. On 24.12.2015 the temporary and final delivery of HVC were completed at the same time.

HVC in Megalopolis and interconnection transmission line of 400 and 150 kV.

Within a time frame of just two years, IPTO constructed the new High Voltage Center (EHV S/S) in Megalopolis, with open-type and air insulation technology. HVC was electrified in August 2013. The project was co-funded by the ESPA 2007-2013.

The construction of the interconnecting transmission lines (TM) of 150 kV of Megalopoli EHV S/S, as well as, the two transmission lines of 400kV, which connect the EHV S/S with the new Natural Gas unit has been completed.

Regarding the construction of the transmission line of 400 kV HVC of Megalopolis towards Patras region and from there via submarine cables and overhead transmission lines to the National Mainland Interconnected Transmission System of 400kV, the completion of the expropriation process is pending after receiving the EIA approval as of 23.05.2014. It is noted here that there is a recourse (or appeal) against the Ministry of Environment and Energy in the Council of State (CoS) against the cancellation of the declaration of forced expropriations in Antirion side, as well as, objections to the construction of the transition terminal at the University of Patra area. For the bending of objections, EPO has submitted an amendment on 6/8/2015 and 19/10/2015 in Department of Environmental Licenses / Ministry of Environment and Energy respectively, regarding the transmission line of 400kV of the interconnection system of (Athina – Acheloos) – of Antirio Terminal– EHV S/S of Patra, as well as the transmission line of 400kV of the interconnection system of the substation of Patra – substation of Megalopoli and at the same time space has been found for the installation of the transition terminal outside of the University Area. EPO and the Forest Service are expected for approval of the operation. At the same time, the related preliminary manufacturing works are being continued in the TM.

Interconnection of Cyclades with the Continental Interconnected System

The contracts for Phase A of the project have been signed on September 10, 2014 with the four contractors at a total cost of € 231 million approximately.

The submarine cables of the Lavrio-Syros interconnection (Group A) and Syros-Mykonos, Syros-Paros and Syros-Tinos (Group B) have been constructed, militated, tested and temporarily received by IPTO. The underground cable on Tinos has also been built and installed.

The installation of the underground parts of the cable connections is in standby mode as the construction of SUBSTATIONGIS has not yet been completed. Civil Engineering (NTUA) works in SUBSTATION GIS of Lavrio, Syros, Paros and Mykonos (Group C) are in full progress and the E / M facilities have started. The Civil Engineering Works (NTUA) as well as the majority of the E/M (Group D) Automated Power Supply Compensation Group work have been completed, tested and temporarily received by IPTO except for parts of the installation related to Interface points with SUBSTATIONGIS Syros which will be completed when the construction of SUBSTATION GIS Syros is completed. The overall project is expected to be completed within the third quarter of 2017.

This is a project co-funded by the ESPA 2007-2013 and its co-financing continues from the ESPA 2014-2020.

Interconnection of Crete with the Continental Interconnected System

Preparatory actions for the implementation of the project have started with the aim of achieving Phase I towards the end of 2019 by the beginning of 2020 and the Phase II main interconnection (Phase II) towards the end of 2023. On the basis of the above framework, a preliminary bottom study has been prepared for the main interconnection in collaboration with the University of Patras. At the same time, the laying places for the cables and the installation of the Conversion Station in Crete have been finalized as well as the position of the lagoon for the installation of the electrodes and the consultation with the local authorities of Crete is in progress. The route and the finalization of the required Phase I projects of the Interconnection have been completed. This interconnection will connect the Substation of Molai with Substation of Chania with the 150 kV submarine cable, 200 MVA to connect the southern tip of Akrotiri of Maleas with the beach within the Kissamos Bay of Chania and from there underground to the substation of Chania . The Environmental Impact Study was submitted to the IPA / Y.PEP.EN on 31/10/2016. It is planned to submit a proposal for co-financing from the ESPA 2014-2020.

Reinforcement project of the Nea Santa EHV S/S

The EHV S/S of Nea Santa is a project of major importance for the area of Eastern Macedonia and Thrace. Through this project, the interconnection of ESMIE was implemented with that of Turkey and in the future with that of Bulgaria (Maritsa), the absorption of all the electricity produced in new RES production plants in Thrace and the reliability upgrading of Northeast System was achieved.

The project is at the final stage of delivery on behalf of DSSM.

The project was co funded by ESPA 2007-2013.

Construction project of transmission lines 400 kV HVC Lagkada - HVC Philipi

In July 2014, the contract for the construction of transmission line 400 kV HVC Lagkada – HVC Philipi of total length of 110 km was signed with contractor company ATERMON ATEE at a contractual price of € 26.7 million. The project also includes the relocation of the existing TM from the HVC Philipi to another location to create space for the 400 kV TM connection. From HVC Lagkada to HVC Philipi.

The construction works began in August 2014 and were completed in a conventional time in October 2016.

The project is of great importance as it contributes, along with the other transport projects planned in the region in order to achieve the objectives of strengthening the interconnection Greece-Turkey and Turkey in general with the European system, increasing transport capacity from Romania Serbia to Greece-Bulgaria-Macedonia-Albania, providing access to new solar thermal production licensed in the region, increasing wind penetration in Eastern Macedonia and Thrace and the end of the reinforcement the reliability of the transmission system between Thessaloniki area East Macedonia and Thrace.

This is a project co-funded by the ESPA 2014-2020

Upgrading projects of the 400 kV System

1. Replacement projects of switching equipment of 400kV in the HVC of Pallini, Kardia, Larisa, Thessaloniki, Larimna and Distomo. In the HVC of Pallini, Kardia and Larimna, all actions have been completed. Specifically, the air insulation switchers of 400kV, which were obsolete, were replaced with new insulation switchers SF6.
2. Offsetting projects of reactive power of transmission lines 400kV with the installation of 400kV auto inducers. More specifically, the investment program includes the installation of auto inducers of 400kV – 30MVar in the substation of Larimna (2) and substation of Agios Stefanos (2) and two (2) 50 MVAr in the substation of Aliveri, all of which have already been installed with the exception of one (1) in the substation of Larimna, due to the licensing delays of National Reformation Program (NRP). Also, three (3) 400 kV inductors in Megalopolis HVC and one (1) 400 kV Auto-conduction in Acheloos HVC and one (1) 400 kV induction in the HVC Distomo are still in progress.

Ten Year Network Development Plan (TYNDP) for period 2018-2027

From February 17th to March 16th 2017 IPTO, following the decision No. 9/16.02.2017 of the BoD, launched for public consultation the Preliminary Draft TYNDP referring to the period 2018 - 2027. Taking into account the results of that public consultation, the Company will submit to the Regulatory Authority for Energy (RAE) the TYNDP.

29.3. POSSIBLE LIABILITIES

The Company, as the operator of the energy transmission system under the current legislation and RAE's decisions, acts as an intermediate for the clearance of the energy charges between the parties responsible for the payment of these amounts and their performance to the beneficiaries, and therefore no burden of the Financial Position of the Company is expected. However, participants in the electricity market have also turned against the Company for not accepting the clearances.

According to the Company's legal department, the only case in which the Company could be held liable is the generation of secondary liabilities for compensation due to a responsible breach of its obligations under the Contract of the Operator's Transactions, which would although be limited to compensation for the damage that is reasonably connected with the breach of the Company's obligation. Management believes that in all cases the Company has performed its responsibilities as an energy transmission system operator in accordance with the applicable legislation and therefore no negative outcome is expected for the Company.

29.3.1. Corrective clearances related to the Special Account of Article 143 N. 4001/2011

According to Law 4152/2013, the RES Special Account (ELAPE) is additionally credited with the amount resulting from the difference on an hourly basis between (a) the value derived from the product of the energy injected multiplied by the weighted average cost of the Thermal Conventional Stations and (b) ELAPE revenues from DAS and Deviations. The above amount is only taken into account only as long as it is positive.

In October 2013, IPTO sent to PPC SA corrective clearances for the months of May, June, July and part of August 2013 totally amounted Euro 55 million, amount which results from the application of RAE's decision No. 366/2013 and L. 4152/2013These amounts constitute a revenue from the Special Account of article 143 of Law 4001/2011 and after their collection are attributed to LAGIE SA. Some of the Participants challenged the legality of the above charges and did not pay them, sometimes even referring to the competent Courts. In particular, PPC SA has suffered a negative claim before the Athens Multi-Member Court of First Instance, with which PPC SA claimed that it did not owe the amount due, amounting to approximately Euro 54.4 million on this claim, a decision was taken by the Athens Multi-Member Court of First Instance, which made the application acceptable. Additionally, in the context of its actions for the interest-bearing claims corresponding to the Accounts it manages, IPTO SA claims from the Participants and the amounts attributable to them which they refused to pay due to the contestation of the legality of this charge. Already, in one of these, a decision has been issued that rejects the relevant figure, amounting to approximately Euro 481 thousand, as not legal. Against this decision, an appeal was filed by IPTO SA. Finally, LAGIE SA Has filed a lawsuit against IPTO SA Claiming the amounts not received by the above mentioned Participants and therefore not attributed to LAGIE SA. The discussion of this claim has been cancelled.

Despite the fact that, considering the decisions taken to date, the success of the claims of IPTO SA against the Participants, it is unlikely that the Legal Service as well as the Management of the Company believe that the Company as an Administrator and therefore an intermediary in these transactions will have no charge irrespective of the evolution of the aforementioned cases.

29.3.2. Accounting Actions for account Λ-ΙΑ (Services of Public Utilities)

Following the opening of the supply market to non-interconnected islands and the relevant regulatory changes, it is noted that the amounts collected by Power Suppliers for SPU's based on unit charges per customer group, do not correspond to the amount of SPU exchange of Suppliers supplying Public Utilities. This mismatch is due to the fact that the unit charges per customer category remain stable from the year 2012, in contrast with the SPU exchange modified annually. The Company, from the revenues of the SPU Account it manages and from its role in the electricity market, is responsible for the payment of the SPU Exchange to the Suppliers of the Interconnected System and any balance in the SPU Account held by HEDNO SA., while being in constant contact with the competent authorities to ensure that any deficits will not be charged to the account it manages. The exact amount from the above mismatch has not yet been determined. In any case, any corrective clearance that is pending since 2013 is not expected to affect the Company's financial position.

29.3.3. Clearances of ETMEAR for years 2014-2015

As part of the corrective clearances for ETMEAR of the years 2014-2015, the Company sent to the parties involved clearing notes, according to which LAGIE SA issued credit notes to the Company amounting to Euro 54 million and Euro 47 million. Respectively, the Company has issued equal credit notes to PPC SA. All invoices were cleared through offsets, with other debits ones. However, LAGIE S.A. questioned the correctness of the paid credit invoices it had issued, alleging that the expected procedure had not been applied and issued newer debit invoices to cancel the above credit ones. The company returned to LAGIE SA the relevant debit invoices, indicating the correctness of the original credit invoices. LAGIE SA has returned anew these debit invoices to the Company by maintaining its original position. In order to resolve the matter, the Company, by returning the invoices to LAGIE, filed a complaint to RAE, on which a final decision is expected. From this case, it does not seems to be a risk for the Company, since the Company acts as an intermediary, these tariffs correspond to PPC's equal charge and in the event of a negative outcome for the Company, the above amounts will be claimed by PPC SA.

(All amounts in thousands of Euros unless otherwise stated)

29.3.4. Penalty Clauses for Breakability

By virtue of Ministerial Decision No. ΑΠΕΗΛ / Γ / Φ1 / οικ. 184898 (GG 2861 / B / 28.12.2015), the Company concludes, following a competition, interruptible load contracts with consumers, in accordance with the terms of the aforementioned Ministerial Decision. In the event that the Company issues a Power Limitation Order to an Interruptible Consumer with whom it has a corresponding contract, but the Interruptible Consumer does not limit his power as agreed, the Company calculates and imposes sanctions on the basis of the Ministerial Decision. During January 2017, the Company issued Power Limitation Orders, some of which were not executed. In this respect, it imposed the prescribed penalties and issued the corresponding invoices. Some of the Interruptible Consumers, who were obliged to pay penalties, have raised objections to the Company, even by returning the relevant invoices amounting to Euro 2.1 million. The Company examines the validity of the objections and will either return the invoices or cancel them. In any case, the amounts relating to the penalties imposed constitute revenues of the Security Supply Reserve Account of Article 143c of Law 4001/2011, any surplus of which, at the end of each year, shall be reimbursed proportionately to the electricity producers under the terms of the Ministerial Decision.

29.3.5. Receivables from duties SPU and ETMEAR from energy autoproducers

Regarding the charges for the supply exchange of SPU, the autoproducers claim that the provisions of article 36 of Law 4067/2012 do not include them among the obliged persons to pay. It is indeed difficult to argue that the wording of Article 36 of Law 4067/2012, governing the transitional regime until the opening of the market in non-interconnected islands and the implementation of the process of designating SPU providers under Article 55 of the Law .4001 / 2011, includes autoproducers. Therefore, the search for the true meaning of the provisions must be made by reference to other interpretative rules, in combination with the other provisions of L.4001 / 2011. The Company's position is that, it can be argued that, for the purposes of calculating SPU charges autoproducers fall under the category of High Voltage Customers.

As regards the ETMEAR charges, these debtors, given that they are all autoproducers of ΣΗΘ and ΣΗΘΥΑ units, claim that they are not liable for payment. They argue that the administrative acts imposing such charges are unconstitutional and contrary to European law, because by this fee they burden producers of 'clean energy', which is treated as RES, and also because, in any case, as regards autoproducers, the relevant charge is a tax, the rates of which should be determined by formal law and not by administrative acts. In this respect, the decision of the plenary assembly of the Council of State No. 3366/2015 resolved the question of constitutionality, considering that ETMEAR is not a tax, but part of the price for the consumption of electricity, the mixture of which includes electricity energy produced from RES. However, with plenary decision no 3367/2015 of the Council of State, it was decided that, although the imposition of ETMEAR on autoproducers is legal, this fee should not be imposed on autoproducers from RES and ΣΗΘ/ΣΗΘΥΑ. However, ETMEAR charges are being tried by different jurisdictions, and - formally - civil justice is not bound by the authority of administrative justice.

The above charges are included in the annual operator’s clearances, from which no financial benefit for the Company arises. The amount of open claims at 31 December 2016 of the SPU ETMEAR accounts amounts to approximately Euro 8.8 million and Euro 11.6 million respectively, which have not been paid by the autoproducers. Accordingly, the Company either accepts an equal invoicing or forms a remittance liability of the relevant funds to the beneficiaries in case of recovery of the receivables.

30. FINANCIAL RISK MANAGEMENT POLICIES

Risk management focuses on the uncertainty of financial and non-financial markets and seeks to minimize adverse effects in the company‘s financial position. The company identifies, evaluates and, if necessary hedges for risks related to its operating activities, while it periodically controls and revises the relevant policies and procedures in connection with the financial risk management. Also, there are no transactions of a speculative nature.

The main financial figures of the company are listed as follows:

Assets	**2016**	**2015**
Unamortized cost		
Other assets	33.449	-
Trade and other receivables	901.414	923.173
Cash and Cash equivalents	294.085	188.433
Total	**1.228.948**	**1.111.606**

(All amounts in thousands of Euros unless otherwise stated)

Liabilities		
Unamortized cost		
Loans	498.127	490.150
Trade and other liabilities	696.134	743.197
Total	**1.194.261**	**1.233.347**

Credit Risk

For the trade and other receivables, the company is exposed to credit risk, which, however, is limited mainly due to the receivables from the system usage. The Company has assumed the operation of the Transmission System from LAGIE, where the credit risk has been considerably mitigated given that for such activities the company acts as an intermediary (collection from participants in order to pay participants). Therefore, the company applies payment policies for debts after collecting the respective receivables in order to decrease the credit risk. Finally, the company fully applies the provisions of the energy legislation for guarantees given by the participants.

The Company has fully covered all receivables in a legal claim (Note 15) and therefore there are no deferred or non-accrued doubtful liabilities. Amounts arising from the intermediate activity may remain deferred but are covered by corresponding obligations and it is therefore not considered important to note the maturity of the receivables.

The company's credit risk on bank deposits is not significant, following the positive outcome of the negotiations and the subsequent signing off of the agreement between the Greek Government and the European Institutions for the completion of bank recapitalization.

The trade receivables do not have any credit rating while the creditworthiness of the Greek banks has been evaluated as Caa3 from Moody's Corporation.

Fair value

There are no financial means reflected in fair value. All the carrying amounts are shown in the unamortized cost and concern mainly cash and cash equivalents, short-term receivables, and current liabilities, which all approach their respective fair values due to the relatively short-term maturity. The carrying amounts of the long-term borrowing approach their fair value as these loans are in local currency and interest-bearing with a floating rate.

Liquidity risk

Liquidity risk is connected with the need to ensure adequate cash flow for the financing of the operation and the development of the company. The company manages its liquidity risk by continuously monitoring and programming its cash, and properly acting to ensure sufficient credit lines and cash deposits, while aiming at the same time at the extension of the average maturity of its debt and the diversification of its funding sources.

The contractual expiry dates of the principal financial obligations (loan obligations) not including interest payments are as follows:

Payable amounts on 31.12.2016

	Within one year	**1 to 5 years**	**>5 years**	**Total Liabilities**
Trade and other liabilities	696.134			696.134
Overdraft facilities	47.015	-	-	47.015
Loans	306.112	20.167	124.833	451.112
Total	**1.049.261**	**20.167**	**124.833**	**1.194.261**

(All amounts in thousands of Euros unless otherwise stated)

Payable amounts on 31.12.2015

	Within one year	1 to 5 years	>5 years	Total Liabilities
Trade and other liabilities	743.197			743.197
Overdraft facilities	47.015	-	-	47.015
Loans	317.135	28.333	97.667	443.135
Total	**1.107.347**	**28.333**	**97.667**	**1.233.347**

Interest rate risk

The company's debt obligations consist of long-term bank loans. The company does not currently have a hedging policy of interest rate risks and consequently a change in interest rates as at 31 December 2016, would not affect the Company's results and equity. The main risk arising from managing the loan liabilities focuses on the results and cash flows as a consequence of the fluctuations of interest rates .

The following table demonstrates the sensitivity to a reasonably possible change in interest rates since the beginning of the year, with all the other variables held constant, of the company's profit before tax, through the impact on the floating rate borrowings:

	Increase / Decrease in basis points (%)	Effect on profit before taxes
2016		
Euro	+15	(938)
Euro	-15	938
2015		
Euro	+15	(669)
Euro	-15	669

Foreign currency risk

There is a minimum risk from foreign currency changes for the company and is mainly associated with possible materials or equipment supply contracts that are paid in foreign currency.

Evolution of net debt ratio

The company aims at maintaining the net debt ratio at the best possible level compared to the Group it belongs and similar companies at a European level. The net debt/ equity ratio is currently as follows:

	2016	2015
Long-term debts	145.000	126.000
Current portion of debt	306.112	317.135
Short-term borrowings	47.015	47.015
Minus: cash equivalents	(294.085)	(188.433)
Net debt	**204.042**	**301.717**
Equity	**898.070**	**1.013.957**
Net debt/ equity ratio	23%	30%

Regulatory risk

The Company's activity is subject to a strict and complex legislative and regulatory framework, which concerns the management of ESMIE and increased supervisory obligations. Possible amendments to the ESMIE's Operation Code and the relevant legislative and regulatory framework may create additional management responsibilities on the Company's side. The assumption of any additional liability or possible changes in the relevant institutional framework are likely to adversely affect the Company's profitability.

Also, possible changes in the methodology and / or parameters for calculating system usage charges are likely to have a significant impact on the Company's revenue and profitability.

Modulatory risk: Potential modifications and / or additions to the modulatory framework governing the electricity market, both in application of the provisions of the European Legislation and in accordance with the provisions of the Memorandum signed between the Greek State, the IMF, the ECB and the EU, have a significant impact on the operation and the financial results of the Company.

Risk of regulated returns on activity: The Company's activity is significantly determined by the implementation of the Ten Year Growth Plan (TYGP) as it affects both the investments it is required to make and its future revenues from the use of the Transmission System. Consequently, any modifications to the TYGP that either increase the Company's liabilities or require faster execution of projects, may adversely affect the Company's profitability. Regulated returns on the investments of the System may adversely affect the Company's profitability if they do not cover the fair return of the relevant invested capital.

In any case, the Company has the necessary resources and organization to limit regulatory and modulatory risks and in cooperation with the Regulatory Authority for Energy ensures that the necessary approvals for each transaction are in place.

31. PARTICIPATIONS IN OTHER COMPANIES

The Company participates with a percentage of 5% in the company Joint Allocation Office S.A. and has paid the amount of Euro 65 until December 31st, 2015 (2014: Euro 285). However, due to the low performance of such investment, the Company has fully impaired it.

The Company also participates with a percentage of 12.5% in the company COORDINATED AUCTION OFFICE (CAO) IN SOUTH EAST EUROPE D.O.O. and has paid the amount of € 40 until December 31st, 2016 (2015: Euro 40).

This participation, due to the low performance of such investment, is shown in the balance sheet: Other receivables.

The Company has not issued any guarantees or letters of guarantee for any of the two above participations.

32. SUBSEQUENT EVENTS

In March 2017, the Company proceeded with refinancing existing loan liabilities amounting to approximately Euro 337,1 million through the issuance of an equivalent Syndicated Bond Loan. The joint venture consists of the existing lending banks. The loan is of a floating rate expiring in 2021 with gradual repayments.

There are no subsequent events apart from the ones already disclosed in the above notes requiring disclosure or adjustment of the attached financial statements..

Through a recent official announcement, the European Commission has confirmed that its executives, assisted by the Greek Competition Commission, conducted a sudden on-site investigation on 14.02.2017 at the offices of companies active in the production, transportation and supply of electricity in Greece in order to investigate possible practices of Abuse of a dominant position (Art.102 ΣΛΕΕ) or possession of information on such practices. The Company declares being a recipient of this sudden investigation. It should be noted, however, that this fact itself that the European Commission is conducting investigations is not an indication that the controlled companies have engaged in restrictive competition, nor does it prejudge the outcome of these investigations.

33. ACCOUNTINGLY DIFFERENTIATED FINANCIAL STATEMENTS

According to the RAE's decision and the relevant European Directive, Energy Activities should publish, together with the Financial Statements, separate accounting financial statements for the activity of the system, the operation of the market and other activities. The Company intends to prepare the above statements and publish them separately from the Annual Financial Statements.

34. REFORMS KAI RECLASSIFICATIONS

In the current fiscal year, minor adjustments were made to the comparative figures in the Profit and Loss Accounts which concern the account Provisions for risks and expenses of Euro 25,051 with a view to a better illustration, which incorporates the change in the provision for impairment of inventories (Euro -412) and receivables Euro -2 085).

35. POSSIBLE ASSETS

The Company does not recognize any potential assets.