PPC GROUP 1Q2014 FINANCIAL RESULTS

Athens, May 29, 2014

Summary Financial Results

- **Turnover:** **€ 1,488.9 m.**
- **EBITDA:** **€ 309.4 m.**
- **Pre-tax profits:** **€ 109.3 m.**
- **Net profits:** **€ 81.3 m.**

EBITDA in 1Q2014 amounted to € 309.4 m. compared to € 254 m in 1Q2013, increased by € 55.4 m. (21.8%), with the respective margin settling at 20.8% compared to 17.1% in 1Q2013.

1Q2014 results include the one-off positive impact of € 23.2 m, from the retroactive application of the discount in the price of natural gas for the second half of 2013, following the agreement between DEPA and Gazprom. In addition, 1Q2014 results include the positive impact from the recovery, as unlawful state aid not compatible with the Common Market, associated with the reduced electricity tariff charged to Aluminium S.A. for the period January 2007 until March 2008, of a total amount of € 21.3 m (€ 17.4 m plus interest € 3.9 m), according to Commission Decision of July 13, 2011. The recovery took place after the issuance of relevant decisions in favour of PPC by the Athens Court of First Instance and following a relevant agreement signed between PPC and Aluminium.

Revenues

- Turnover remained practically flat amounting to € 1,488.9 m. compared to € 1,486.8 m in 1Q2013. Turnover includes an amount of € 11.4 m. reflecting network users' participation for their connection to the network versus € 19.7 m in 1Q2013.

- PPC's revenues from electricity sales, slightly increased by € 11.5 m (or 0.8%) to € 1,451.6 m. in 1Q2014 compared to € 1,440.1 m in 1Q2013.

In detail:

- Total electricity demand decreased by 8.5% (1,289 GWh) in 1Q2014, to 13,880 GWh versus 15,169 GWh in 1Q2013. Excluding exports and pumping, electricity demand decreased by 2.7% (376 GWh). It must be noted that total exports (PPC and third parties) amounted to just 98 GWh in 1Q2014 compared to 1,091 GWh in the respective period of 2013, as a result of the interruption of electricity exports to Italy due to maintenance of the interconnection cable.

- PPC's domestic electricity sales volume decreased by 367 GWh (2.9%) to 12,130 GWh due to lower demand, seemingly as a result of mild winter conditions.

- PPC's electricity generation and imports covered 69.5% of total demand, while the corresponding percentage in 1Q2013 was 64.4%. Lignite-fired generation increased by 10.3%, whereas gas-fired generation marked also a significant increase compared to 1Q2013, when the respective generation was quite low due to favourable hydrological conditions. Hydro generation decreased by 66.3%, between the two periods as 1Q2013 was, as already mentioned, an exceptional hydrological quarter.
  Finally, third party RES generation remained practically stable, compared to 1Q2013, with their relative share in the country's energy mix amounting to 16.3% from 14.4%.

Operating expenses

Operating expenses before depreciation, decreased by € 53.3 (4.3%) from € 1,232.8 m. in 1Q2013 to € 1,179.5 m. in 1Q2014.

More specifically:

Energy mix expenditure

- Expenditure for liquid fuel, natural gas and energy purchases slightly decreased by € 34.4 m., or by 5.3% compared to 1Q2013.
  Specifically:
  - The decrease in liquid fuel expense by € 24.2 m. (13.3%), from €181.5 m. in 1Q2013 to € 157.3 m. in 1Q2014, is attributed to the reduction of heavy fuel oil and diesel prices, expressed in Euros, by 9.2% and 7.5% respectively, (including the reduction of the premium that the Company achieved since 1.1.2014), as electricity generation from liquid fuel remained practically stable marking an increase of only 4 GWh.
  - Natural gas expense increased by € 56.8 m., from € 45.2 m. in 1Q2013 to € 102 m., due to the increase of gas-fired generation, which was to some extent mitigated by the decrease of natural gas prices by 22.3%. Approximately half of this decrease is related to the 10% discount on natural gas prices for PPC, following the agreement between DEPA and Gazprom.
  - Energy purchases expense from the System and the Network decreased by 15.6% or € 61.1 m., from € 390.7 m. in 1Q2013 to € 329.6 m. More specifically, and regarding the Interconnected System, energy purchases expense amounted to € 294.7 m. compared to € 348.4 m. in 1Q2013, a reduction of 15.4% or € 53.7 m.
    The reduction of energy purchases expense is attributed to a large extent to the reduction of energy purchases volume by 505 GWh (474 GWh from the System and 31 GWh from the Network).
    The abovementioned reduction has been significantly impacted by the abolition of the 30% rule with respect to bidding of generation units, as of 1.1.2014. Besides, the abolition of the 10% mark up of the Variable Cost Recovery Mechanism as of 1.8.2013, also contributed to the reduction of energy purchases expense. Specifically, the expense for the variable cost recovery of IPPs, decreased to € 11.4 m in 1Q2014 from € 105.1 m in 1Q2013, a reduction of € 93.7 m.
    On the other hand, the reduction in the energy purchases expense was contained by the increase of the average System Marginal Price (SMP) by 47.1%, from € 40.3/MWh in 1Q2013 to € 59.3/MWh in 1Q2014, as well as by the increased net expense by € 24.1 m for the Capacity Assurance Mechanism, resulting from the

doubling of the Capacity Assurance Certificates (CACs) for modern natural gas-fired units combined with the abolition of CACs for certain PPC older generation units as of 1.8.2013.
Additionally, there was a further negative impact from the incremental expense of € 12.5 m, resulting from the new methodology of calculating the price paid through the pool to RES generators by electricity suppliers in the Interconnected System.

- Expenditure for electricity imports, excluding expense for interconnection rights, reached € 26.2 m., decreased by € 5.9 m. (18.4%), mainly due to the decrease of the imports price by 19.6%, as the volume of imports remained practically flat at 574 GWh (vs 566 GWh in 1Q2013).
- Expenditure for CO_2 emission rights amounted to € 49.6 m. in 1Q2014, decreased by € 21.1 m. compared to 1Q2013. CO_2 emissions in 1Q2014 reached 10.6 mln tonnes compared to 9.7 mln tonnes, due to the increased lignite and gas fired generation. However, the average price in 1Q2014 was 4.7 €/tonne while the corresponding level in 1Q2013 was 7.3 €/tonne, as in 1Q2013, 3.6 mln tonnes of CO_2 emissions were covered with EUAs already purchased during the period 2008-2012 at an average price of approximately 13.5€/tonne.

Payroll cost

- The total reduction between the two periods in payroll cost, including capitalized payroll and payroll of seasonal personnel, amounted to € 12.2 m. (4.7%) from € 260.5 m in 1Q2013 to € 248.3 m in 1Q2014. The decrease in the number of permanent employees on payroll was 910, from 19,959 on 31.3.2013 to 19,049 on 31.3.2014.

Provisions

- Provisions for bad debt, litigation and slow moving materials amounted to € 147.9 m, marking an increase of € 49.6 m. (50.5%) compared to 1Q2013, when it stood at € 98.3 m, mainly due to the increase of Low Voltage customers provisions.

Regulatory issues

- Pursuant to RAE’s Decision 285/2013, electricity generators are required to cover a deficit created in the Day-Ahead Schedule market during 2011 and 2012 by alternative suppliers that exited the market. Following this decision, the Market Operator (namely LAGIE or HEMO) informed PPC that its share in the allocation of this deficit amounts to € 96.6 m.

  In addition, according to the same Decision, PPC is not allowed to recover payments made to owners of rooftop photovoltaics by offsetting the corresponding claims against LAGIE with other PPC obligations to LAGIE. This is an issue that does not impact our results but will have a negative effect on our cash flows, due to the increased working capital needs, since PPC is obliged to await payments in cash from LAGIE through the relevant special RES account. The issue in question concerns amounts which range from €11 m to €31 m per month and the total delayed amount to be recovered could reach approximately €160 m based on an estimated eight-month waiting period. LAGIE has already filed both a claim and an application for interim measures before the Court of First Instance of Athens against PPC and the relevant judicial judgment is being expected. The issue is expected to be addressed by appropriate legislation.

PPC has filed an application for annulment of RAE's Decision 285/2013 before the Council of State as well as an action for suspension of such Decision until a final judgment is issued by the Council of State. The hearing for the application for the annulment took place on March 18, 2014 and the decision is pending.

Regarding the allocation of the aforementioned deficit of € 96.6 m, the Council of State issued an interim order (No. 62/2014), which suspended 50% of this amount. Since we strongly believe that we have grounds for a favourable outcome of the final judgement, we have not proceeded with a relevant provision for € 96.6 m for an adverse litigation outcome. However, as we effect payments for 50% of this amount, we will make an equal amount of provision, , in order to reflect the uncertainties of recovering these payments.

- In addition, RAE issued Decision 197/2014 by which, the Independent Power Transmission Operator (IPTO) is mandated, amongst other, to complete the public consultation and send its proposal for the amendment of the Hellenic Grid Code as well as the Settlement Manual, concerning the methodology for the allocation of the deficit of IPTO created during 2011 and 2012 by alternative suppliers that exited the market. Within the framework of the public consultation, PPC has expressed, amongst other, its disagreement to the concept of the allocation of the accumulated deficit.

- According to Law 4152/2013, energy purchases from RES in the Interconnected System are paid through the market operation, at the higher amount of either their revenues from DAS and Imbalances settlements or the value of the energy they inject to the System multiplied by the weighted average variable cost of the conventional thermal power plants. Following RAE's Decision 366/2013, published in mid August, on the new methodology of calculating the price for Renewable energy paid by electricity suppliers in the Interconnected System (following the aforementioned Law), the IPTO sent to PPC S.A. in October corrective clearing statements for May, June, July and part of August of 2013, totaling an amount of € 48.2 m., resulting from the retroactive application of the relevant methodology. PPC considers that the retroactive application of the methodology in question is not included in the relevant provisions of the Law and, therefore, has not recorded any relevant provision.

<u>Other Operating Expenses</u>

Other operating expenses decreased by € 52.4 m., reaching € 94.9 m. in 1Q2014 compared to € 147.3 m. in 1Q2013.
Adjusting for the one-off positive rebate of € 23.2 m, from the retroactive application of the discount in the price of natural gas for the second half of 2013, as well as for the one-off positive impact of the recovery from Aluminium of € 17.4 m, other operating expenses decreased by € 11.8 m. or 8%, to € 135.5 m in 1Q2014 compared to € 147.3 m. in 1Q2013.

<u>In conclusion,</u>

In 1Q2014, 44.6% of total revenues were expensed for fuel, CO_2 and energy purchases compared to 48.5% in 1Q2013. It is noted that, energy purchases expense in 1Q2014 accounted for 23.9% of total revenues compared to 28.5% in 1Q2013. This development is mainly attributed to the decrease of the share of the variable cost recovery mechanism of IPPs to 0.8% from 7.1% of total revenues.

Other Financial information

- Depreciation expense in 1Q2014 amounted to € 147.3 m. compared to € 152.4 m. in 1Q2013, a reduction of € 5.1 m.

- Net financial expenses decreased to € 51.7 m. (5.5%), from € 54.7 m. in 1Q2013, as they have been positively impacted by an amount of € 3.9 m, which refers to the interest on the amount of € 17.4 m that PPC recovered from Aluminium.

- Pre-tax profits in 1Q2014 amounted to € 109.3 m. compared to € 45.1 m. in 1Q2013. Adjusting for the aforementioned one-off positive impact related to the retroactive natural gas prices rebate and the recovered amount from Aluminium, pre-tax profits would amount to € 64.8 m in 1Q2014.

- Net profits amounted to € 81.3 m. compared to € 49.4 m. in 1Q2013. Adjusted net profits amounted to € 48.4.

Capex and net debt

- Capital expenditure in 1Q2014 amounted to € 90.1 m. compared to € 176.5 m. in 1Q2013, reduced by € 86.4 m., while, as a percentage of total revenues it declined to 6.1% from 11.9%. Excluding network users' participation for their connection to the network (€ 11.4 m. and € 19.7 m. in 1Q2014 and 1Q2013 respectively), which fund a significant part of network projects, capital expenditure amounted to 5.3% and 10.7% of total revenues in 1Q2014 and 1Q2013 respectively.

  Specifically, the main components of 1Q2014 capital expenditure, were as follows (in brackets the respective figures for 1Q2013):

- Mining projects:	€ 12.8 m.	(€ 21.6 m.)
- Generation projects:	€ 19.1 m.	(€ 27 m.)
- Transmission projects:	€ 8.1 m.	(€ 48.2 m.)
- Network projects:	€ 44.5 m.	(€ 76.2 m.)
- RES projects:	€ 3.4 m.	(€ 1.8 m.)

- Net debt amounted to € 4,613 m., a reduction of € 32.4 m. compared to 31.3.2013 (€ 4,645.4 m.), while it increased by € 88.7 m compared to 31.12.2013 (€ 4,524.3 m.).

Commenting on the financial results of the period, Arthouros Zervos, Public Power Corporation's Chairman and Chief Executive Officer said:

"In the first quarter of 2014, operating profitability improved, with EBITDA rising by 21.8% to € 309.4 m on the back of lower energy purchase expenses associated mainly with the gradual elimination of the Variable Cost Recovery Mechanism. Profitability was also positively impacted by the discount on natural gas prices, valid as of 1.7.2013, and the recovery of the state aid to Aluminium.

During the first months of 2014, we proceeded with significant financial transactions leading to stronger capital structure and improved liquidity profile.

Specifically, in April, we signed a five-year syndicated loan of € 2.2 bln with the Greek banks for the refinancing of existing maturities, thus extending the repayment period up to 2019.

Next, we successfully tapped the international debt markets with the issuance of a € 700 m bond in a combination of a three-year € 200 m bond and a five year € 500 m bond, at a fixed coupon of 4.75% and 5.50%, respectively. The high demand for the issue, which reached € 3 bln, i.e. six times higher than the initially announced amount of € 500 m, and the competitive level of the coupon, led to the decision to upsize the issue by € 200 m. Out of the net proceeds, an amount of € 452 m was used for the partial prepayment of the five-year syndicated loan, leading also to a step-down of the applicable spread by 50 basis points.

In a challenging economic environment, PPC's strategic choices and measurable results strengthen its credibility and prospects, as also reflected in the upgrading by Standard & Poor's of the Company's credit rating by three notches, from CCC to B.

Going forward, we continue to focus on completing generation investments targeted at improving power plant efficiency, investing in renewables and diversifying in neighbouring markets and other activities, mainly through joint ventures."

Financial Results of the Parent Company

	1Q2014	1Q2013
Turnover	€ 1,475.3 m.	€ 1,472.7 m.
EBITDA	€ 246.9 m.	€ 194.9 m.
EBITDA margin	16.7%	13.2%
Pre-tax profits / (Losses)	€ 69.8 m.	€ 9.1 m.
Net income / (Loss)	€ 49.8 m.	€ 3.4 m.

Financial Results of Subsidiaries

- **Independent Power Transmission Operator (IPTO S.A./ADMIE)**

	1Q2014	1Q2013
Turnover	€ 65.7 m.	€ 66.1 m.
EBITDA	€ 47.6 m.	€ 49.5 m.
EBITDA margin	72.4%	74.9%
Pre-tax profits / (Losses)	€ 27.9 m.	€ 29.5 m.
Net income / (Loss)	€ 21.2 m.	€ 30 m.

- **Hellenic Electricity Distribution Network Operator (HEDNO S.A./DEDDIE)**

	1Q2014	1Q2013
Turnover	€ 115.1 m.	€ 127.9 m.
EBITDA	€ 10.1 m.	€ 4.8 m.
EBITDA margin	8.7%	3.7%
Pre-tax profits / (Losses)	€ 8.7 m.	€ 3.2 m.
Net income / (Loss)	€ 8.1 m.	€ 14.2 m.

- **PPC Renewables S.A.**

	1Q2014	1Q2013
Turnover	€ 6 m.	€ 6.7 m.
EBITDA	€ 3.3 m.	€ 3.5 m.
EBITDA margin	55.0%	52.2%
Pre-tax profits / (Losses)	€ 1.4 m.	€ 2 m.
Net income / (Loss)	€ 0.8 m.	€ 0.4 m.

Summary Financials (€ m.)						
	1Q2014 Unaudited	1Q2013 Unaudited	Δ%	1Q2014 Unaudited	1Q2013 Unaudited	Δ%
	GROUP			PARENT COMPANY		
Total Revenues	1,488.9	1,486.8	0.1%	1,475.3	1,472.7	0.2%
EBITDA	309.4	254.0	21.8%	246.9	194.9	26.7%
EBITDA Margin	20.8%	17.1%		16.7%	13.2%	
Profit/(Loss) before Taxes & Fin. Expenses (EBIT)	162.1	101.6	59.5%	116.2	59.5	95.3%
EBIT margin (%)	10.9%	6.8%		7.9%	4.0%	
Net Income/(Loss)	81.3	49.4		49.8	3.4	
Earnings/(Losses) per share (In euro)	0.35	0.21		0.21	0.01	
No of Shares (in m.)	232	232		232	232	
Net Debt	4,613.0	4,645.4	-0.7%	4,391.2	4,202.2	4.5%

Summary Profit & Loss (€ m.)						
	1Q2014 Unaudited	1Q2013 Unaudited	Δ%	1Q2014 Unaudited	1Q2013 Unaudited	Δ%
	GROUP			PARENT COMPANY		
Total Revenues	1,488.9	1,486.8	0.1%	1,475.3	1,472.7	0.2%
- Revenue from energy sales	1,451.6	1,440.1	0.8%	1,448.6	1,437.1	0.8%
- Customers' participation	11.4	19.7	-42.1%	11.1	19.3	-42.5%
- Third Party Distribution network fees and PSO	3.5	5.9	-40.7%	3.5	2.9	20.7%
- Other revenues	22.4	21.1	6.2%	12.1	13.4	-9.7%
Total Operating Expenses (excl. depreciation)	1,179.5	1,232.8	-4.3%	1,228.4	1,277.8	-3.9%
- Payroll Expenses	228.1	234.5	-2.7%	145.5	152.6	-4.7%
- Third parties fossil fuel	19.3	9.0	114.4%	19.3	9.0	114.4%
- Total Fuel Expenses	259.3	226.7	14.4%	259.3	226.7	14.4%
- Liquid fuel	*157.3*	*181.5*	*-13.3%*	*157.3*	*181.5*	*-13.3%*
- Natural Gas	*102.0*	*45.2*	*125.7%*	*102.0*	*45.2*	*125.7%*
- Expenditure for CO_2 emission rights	*49.6*	*70.7*	-29.8%	*49.6*	*70.7*	-29.8%
- Special lignite levy	*12.2*	*11.1* (1)	9.9%	*12.2*	*11.1* (1)	9.9%
- Energy Purchases	355.8	422.8 (1)	-15.8%	362.2	428.3 (1)	-15.4%
- Purchases From the System and the Network	*238.5*	*216.2* (1)	*10.3%*	*238.5*	*216.2* (1)	*10.3%*
- Imports	*26.2*	*32.1* (1)	*-18.4%*	*26.2*	*32.1* (1)	*-18.4%*
- Third party variable cost recovery mechanism	*11.4*	*105.1* (1)	*-89.2%*	*11.4*	*105.1* (1)	*-89.2%*
- Third party capacity assurance mechanism	*43.4*	*19.3* (1)	*124.9%*	*43.4*	*19.3* (1)	*124.9%*
- Balance of clearings and other expenses	*7.6*	*15.1* (1)	*-49.7%*	*7.6*	*15.1* (1)	*-49.7%*
- Differential expense for RES energy purchases	*12.5*	*0.0* (1)		*12.5*	*0.0* (1)	
- Special consumption tax on natural gas for IPPs	*9.8*	*30.0* (1)	*-67.3%*	*9.8*	*30.0* (1)	*-67.3%*
- Other	*6.4*	*5.0* (1)	*28.0%*	*12.8*	*10.5* (1)	*21.9%*

- Transmission System Usage	*0.0*	*0.0* [1]		*52.5*	*57.0* [1]	*-7.9%*
- Distribution System Usage	0.0	0.0		106.2	107.3	-1.0%
- Provisions	147.9	98.3	50.5%	149.5	97.7	53.0%
- Taxes and Duties	12.4	12.4	0.0%	10.5	10.0	5.0%
- Other Operating Expenses (including lignite)	94.9	147.3	-35.6%	61.6	107.4	-42.6%
EBITDA	309.4	254.0	21.8%	246.9	194.9	26.7%
EBITDA margin (%)	20.8%	17.1%		16.7%	13.2%	
Depreciation and Amortisation and impairment of fixed assets	147.3	152.4	-3.3%	130.7	135.4	-3.5%
Profit/(Loss) before Taxes & Fin. Expenses (EBIT)	162.1	101.6	59.5%	116.2	59.5	95.3%
EBIT margin (%)	10.9%	6.8%		7.9%	4.0%	
Total Net Financial Expenses	52.8	54.7	-3.5%	46.4	48.2	-3.7%
- Net Financial Expenses	*51.7*	*54.7*	*-5.5%*	*45.3*	*48.2*	*-6.0%*
- Foreign Currency (Gains)/ Losses	*1.1*	*0.0*		*1.1*	*0.0*	
Impairment loss of marketable securities	0.0	2.2	-100.0%	*0.0*	*2.2*	-100.0%
Share of profit /(Losses) in associated companies	0.0	0.4	-100.0%	*0.0*	*0.0*	
Pre-tax Profits/(Losses)	109.3	45.1	142.4%	69.8	9.1	667.0%
Net Income/ (Loss)	81.3	49.4		49.8	3.4	
Earnings/(Losses) per share (In euro)	0.35	0.21		0.21	0.01	

Summary Balance Sheet & Capex (€ m.)						
	1Q2014 Unaudited	1Q2013 Unaudited	Δ%	1Q2014 Unaudited	1Q2013 Unaudited	Δ%
	GROUP			**PARENT COMPANY**		
Total Assets	16,346.9	15,925.6	2.6%	15,066.8	14,787.8	1.9%
Net Debt	4,613.0	4,645.4	-0.7%	4,391.2	4,202.2	4.5%
Total Equity	5,485.1	5,650.0	-2.9%	5,373.0	5,644.8	-4.8%
Capital expenditure	90.1	176.5	-49.0%	77.6	125.9	-38.4%

[1] Reclassifications have taken place for comparative reasons.

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The financial data and relevant information on the Financial Statements for the first quarter of 2014, as well as the Financial Statements for the first quarter of 2014, on a standalone and on a consolidated basis shall be uploaded to the Company's web site (www.dei.gr) on May 29th, 2014, after the closing of the Athens Stock Exchange.