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PRESS RELEASE

Communication of PPC with the European Commission for the divestment of lignite-fired generation

On February 26, 2019, the Chairman and CEO of PPC, Mr. Emmanouil Panagiotakis sent the following letter to the Director-Generals of DG Comp and DG Energy, Messrs Johannes Laitenberger and Dominique Ristori, also notifying Commissioners Mrs Margrethe Vestager and Mr. Miguel Arias-Canete:

Dear Mr

In view of the recent developments and the outlook for our common issue, the divestment of PPC's lignite units, I regard it necessary that you have a direct update on our views and opinions.

1. Despite the fact that the divestment came as a result of the well-known ECJ decision for the termination of the monopoly of PPC on lignite-fuelled generation, the current Management of the company and me personally regard it an opportunity to change the generation mix in favour of Renewables. I have publicly expressed this position repeatedly in different fora, and to many officials of the Commission. Therefore, the sale of the lignite units is a strategic objective of PPC.

2. In the prevailing conditions of reductions in the use of solid fuels and in view of the Climate Action policies of the EU, the whole undertaking is extremely difficult. On top of this are unfavourable factors tracing back to the past, such as the excess personnel at the Megalopolis Plant and the problem of the lignite supply of the Meliti Plant.
   In addition, the sale coincided with two serious pending issues, specifically a) the lack of a National Energy Plan that would determine the necessity of lignite-fuelled production for the economy and the security of supply of Greece and b) the lack of approval of the Capacity Remuneration Mechanism (CRM) for lignite-fuelled generation. All the above

factors deterred many investors and consequently weakened competition. Thus, those who finally participated made unacceptably low offers in the context of their own strategic objectives that were impossible for us to accept.

3. PPC's departments, in the context of the company's strategy, acted with undisputable professionalism and provided solutions to all matters regarding the divestment. PPC was ready to accept bids since the beginning of October 2018, well within the Law's deadlines. The extensions of the deadlines were given so that the interested parties could be better prepared, following their own request or a Ministry decision.

   At this point, allow me to stress without referring to details, that the handling of the issue within PPC was an extremely difficult project, especially at the personnel of the plants for Sale, as well as in the local communities of Megalopolis and Western Macedonia.

4. Regarding the outlook our views are as follows:
   a) Although the longer the procedure lasts, the better for the success of the project, we agree to complete the new process by next May in order to deal with any eventual political developments. PPC will do whatever it can in this direction.
   b) The participation in the process must be expanded. PPC and myself personally are running against the clock and are in contact with reputable investors from the USA, Russia and China who are considering their participation analysing the data we have provided to them.
   c) A precondition for success is the resolution of the outstanding issues that acted as a deterrent in the first phase. Specifically:
      c1. There is now a National Energy Plan, the framework of which determines the necessity of lignite-fuelled generation in the medium term, of course in smaller quantities compared to the current level.
      c2. CRM: it is *sine qua non* that there should be a positive signal from the Commission (e.g. a Comfort Letter). We understand that in the undesirable case that the sale of the units will not be possible to sell the units and PPC will retain – even temporarily – its monopoly position on lignite-fuelled generation, the CRM that will be approved will be very different from the Greek government's proposal (pre-notification). However, as mentioned above, a positive sign from the Commission is necessary, so that it may be taken into account by the investors.
      c3. The reduction in personnel is already underway, with a significant effect on personnel cost. This reduction in cost is estimated at € 25 mn per year for the Megalopolis plant.
      c4. We have started strong negotiations, using every legal means available within the contract between PPC and the Lignite Supplier for the Meliti plant.

We believe that with the support of the ministry we will soon have positive results.

d) PPC has obviously no objection to having a new valuation performed, taking into account parameters possibly not previously considered. We look forward to a constructive cooperation of the Trustee with the independent valuator. In all cases, the fairness opinion we receive for the consideration will carry substantial weight with the BoD of PPC.

Mr

I have outlined in brief the views and proposals of PPC for the success of the divestment, which –may I repeat– constitutes a strategic goal for us.

Of course, a fair price has to be assured, taking into account the prevailing conditions. I believe that you also agree that a fair price with the necessary realism is one thing, and ceding property of PPC at a loss or zero profit is another.

I remain at your disposal for any clarification,

E.M.Panagiotakis

FROM THE PRESS OFFICE