PPC GROUP 2015 FINANCIAL RESULTS

Athens, March 29, 2016

Summary Financial Results

	2015	2014
Turnover	€ 5,735.7 m.	€ 5,863.6m.
Turnover adjusted for one-offs	€ 5,765.7m.	€ 5.863,6 m.
EBITDA	€ 828.4m.	€ 1,022.1m.
EBITDA margin	14.4%	17.4%
EBITDA adjusted for one-offs	€ 892,4m.	€ 1,047.2 m.
EBITDA margin adjusted for one-offs	15,5 %	17.9 %
Pre-tax profits / (Losses)	(€ 106.6 m.)	€ 137.6 m.
Pre-tax profits / (Losses) adjusted for one-offs	(€ 42.6 m.)	€ 223.3 m.
Net income / (Loss)*	(€ 102.5 m.)	€ 91.3 m.

**The nominal corporate tax rate for 2015 increased to 29% from 26% in 2014.*

In 2015, EBITDA adjusted for one-offs decreased by € 154.8 m. (-14.8%) compared to 2014, with the respective margin settling at 15.5% compared to 17.9%. Said development is attributed to turnover reduction and to the increase of provisions, which counterbalanced the reduction of energy mix expenses, as described later.
Consequently, in 2015, due to the increased depreciation by € 131.7 m, pre tax losses on an adjusted basis amounting to € 42.6 m were recorded compared to pre tax profits of € 223.3 m in 2014.

Revenues

- Group turnover decreased by € 127.9m. (2.2%) to € 5,735.7 m in 2015 from €5,863.6 m in 2014. Said reduction is attributed to:

  a. The reduction of revenues from electricity sales in 2015 by € 107.5 m compared to 2014 (€ 5,547.1 m vs € 5,654.6 m), due to:
     - PPC's market share loss in the electricity market
     - the refund of the fixed charge to consistent residential customers amounting to € 30 m, (which, on a cash basis, will impact 2016 financial results)
     - the reduction of certain business tariffs, implemented since September 2015, which had an impact of € 13 m on 4Q2015 revenues.

  b. The reduction of network users' participation for their connection to the network by € 15.8 m, as a result of lower building activity and of lower rate of new RES comissioning.

In detail:

- Total electricity demand increased by 3.1% in 2015, to 58,772 GWh versus 57,032 GWh in 2014.
  Excluding exports and pumping, electricity demand increased by 2% and is attributed to the increase of demand by 8.6% in 1Q2015 due to colder weather conditions compared to 1Q2014.
  In 4Q2015, total electricity demand decreased by 3.6%, whereas excluding exports and pumping, the decrease was 2.9%. The reduction of domestic demand is mainly attributed to milder weather conditions in 4Q2015 compared to the respective period of 2014.
  For the full year, domestic sales declined by 0.5% (257 GWh), however in 4Q2015 they declined by 5.9% (725 GWh), as a result of the aforementioned lower demand as well as of the market share reduction of PPC. PPC's market share declined from 97.7% at the end of 2014 to 94.5% at the end of 2015.

- PPC's electricity generation and imports covered 63.4% of total demand in 2015 (61.2% in the Interconnected System), while the corresponding percentage in 2014 was 66.9% (65% in the Interconnected System). PPC's market share in electricity generation, as a percentage of the total load in the Interconnected System was 55.2% in 2015 compared to 59.5% in 2014.
  Said reduction is attributed to a large extent to the increase of imports from third parties by 16.4% (1,152 GWh) as well as to the increased RES generation from third parties by 12.4% (1,034 GWh), whereas lignite-fired generation declined by 14.5% (3,291 GWh). The increase of electricity imports was recorded in the first half of 2015 and stems mainly from Balkan countries due to the lower electricity generation cost, including the fact that their generation cost is not burdened with CO_2 emission rights expense.
  In 4Q2015, electricity imports both from PPC and to a larger extent from third parties, decline by 8% (64 GWh) and 45.5% (1,079 GWh) respectively. This development seems to be mainly attributed to the reduction of the average System Marginal Price (SMP) to € 49.6/MWh in 4Q2015 compared to € 59.2/MWh in 4Q2014, which is the result of declining oil prices and consequently of lower natural gas prices.
  Hydro generation in 2015 increased by 38% (or 1,485 GWh), with the largest part of the increase taking place in 1Q2015 (increase of 1,151 GWh) due to exceptional hydrological conditions that prevailed in that quarter. In the fourth quarter, hydro generation decreased by 16.5% (170 GWh), due to lower hydro inflows in the reservoires.
  Natural gas fired generation was quite increased by 125% (1,000 GWh approximately) in 4Q2015 compared to 4Q2014, also due to energy generated from the new CCGT unit "Megalopolis V" of PPC. For the full year, natural gas fired generation increased by 12.3%.

Operating expenses

Operating expenses before depreciation, increased by € 65.8 m. (1.4%) from € 4,841.5 m. in 2014 to € 4,907.3m.

More specifically:

Energy mix expenditure

- Expenditure for liquid fuel, natural gas, third parties fossil fuel, CO_2 and energy purchases decreased by € 381.9 m., or by 13.3% compared to 2014.

In detail:

- The decrease in liquid fuel expense by € 185.1m. (24.1%), from € 767.9 m. in 2014 to € 582.8 m. in 2015 is attributed to the reduction of heavy fuel oil and diesel prices, expressed in Euros, by 31.9% and 15.1% respectively, whereas electricity generation from liquid fuel marked an increase of 52 GWh. It is noted that the expense for the Special Consumption Tax on liquid fuel, which is included in the total liquid fuel expense, increased by € 4.3 m from € 140.1 m in 2014 to € 144.4 m in 2015 due to the fact that said expense is only driven by fuel quantities, which, were higher for diesel and it is not in any way related to the volatility of fuel prices.

- Natural gas expense decreased by € 19.3 m. (5.6%), from € 345.8 m in 2014 to € 326.5 m in 2015, due to lower natural gas prices by 16.2%.
  The relevant expense for the Special Consumption Tax on natural gas, which is also volume driven and is not affected by commodity price, increased to € 54.1 m in 2015 from € 49.4 m, due to the aforementioned increased natural gas fired generation.

- Third parties fossil fuel expense decreased by € 16.8 m. to € 57.6 m.

- Energy purchases expense from the System and the Network decreased by 14.9% from € 1,341.7 m. in 2014 to € 1,142.3 m.
  It is noted that, the abovementioned expense includes an amount of € 21.4 m for compensation of rooftop photovoltaics in the non interconnected islands, out of which € 16.4 m relate to previous years (2011-2014), as the relevant expenses had not been billed to PPC until December 2015 and € 5 m relate to 2015. The payment of this compensation is being carried out based on the billing of the market operator (LAGIE) to the Distribution Network Operator (HEDNO) and then to PPC.

- Expenditure for PPC electricity imports, excluding expense for interconnection rights, reached € 132.1 m. increased by € 4.5 m (3.5%), as a result of the increase in the volume of imports by 354 GWh, whereas, on the other hand, imports' prices remained practically stable. Due to increased volume of imports, the expense for interconnection rights increased to € 15.1 m in 2015 from € 14 m in 2014.

- <u>Expenditure for CO_2 emission rights</u> amounted to € 251.1 m., that is an <u>increase of € 34.2 m.</u> compared to 2014, due to increased average price for CO_2 emissions rights by approximately 32% from € 5.53/tn to € 7.32/tn, <u>despite the reduction of CO_2 emissions in volume terms by 12.5%</u> to € 34.3 m tonnes in 2015 from 39.2 m tonnes, due to lower lignite fired generation.

<u>Payroll cost</u>

- The total payroll cost, including capitalized payroll and payroll of seasonal personnel, declined by €35 m. (3.5%) from € 1,005 m in 2014 to € 970 m in 2015.
  In particular, payroll of permanent employees declined by € 23.6 m to € 922.6 m in 2015 versus € 946.2 m in 2014, as a result of the decrease in the number of permanent employees on payroll by 216 to 18,356 on 31.12.2015 from 18,572 on 31.12.2014.

Provisions

- Provisions for bad debt of Low and Medium Voltage customers amounted to € 781 m in 2015 compared to € 309 m in 2014, an increase of € 472 m.
  For High Voltage customers, the respective provisions amounted to € 90 m in 2015 versus € 76 m in 2014.
  It is noted that bad debt provisions have been reduced by approximately € 50 m, an amount which corresponds to a conservative estimation of the positive impact of active settlements of overdue receivables from customers.
  Apart from bad debt provisions, provisions have been also negatively impacted by an amount of € 20.9 m, which refers to the Special Consumption Tax for own-consumption of electricity generation for the period 2010 – 2015 (€ 17.6 m for the period May 2010 – December 2014 and € 3.3 m for 2015), following a relevant administrative act of Customs Authorities. PPC has resorted to the Administrative Courts, since said electricity was consumed by PPC's plants only for power generation and thus it should not be burdened with Special Consumption Tax. Since PPC is contesting this amount, it has not included it in operational expenses, but it has recorded a corresponding provision.
  Adding provisions for litigation and slow moving materials, total provisions more than doubled to € 950 m in 2015 compared to € 431 m in 2014.

In conclusion,

In 2015, 42.5% of total revenues were expensed for fuel, CO_2 and energy purchases compared to 47.8% in 2014. Regarding the evolution of provisions, these represent 16.6% of total revenues compared to 7.4% last year. The relevant percentage for payroll decreased to 15.3% compared to 15.6% last year.

Other Financial information

- Depreciation expense in 2015 increased by € 131.7 m. amounting to € 737.7 m. compared to € 606 m. in 2014. The increase in depreciation expense is mainly attributed to the appraisal of the Group's fixed assets, which was performed at December 31, 2014 fair values. Said appraisal led to a net increase of the fixed assets value of the Group, which was recorded in 2014 annual Financial Statements, with the respective depreciation starting on January 1, 2015.

- Net financial expenses decreased by € 15.4 m to € 198.4 m. compared to € 213.8 m in 2014, mainly due to the reduction of Euribor interest rates.

Capex

- Capital expenditure increased by € 125.6 m or 20% in 2015 compared to 2014 and amounted to € 753.6 m. compared to € 628 m. respectively. As a percentage of total revenues, capital expenditure amounted to 13.1% from 10.7% in 2014.
  Capital expenditure also includes network users' participation for their connection to the network, which for 2015 were lower by € 15.8 m. (€ 56.3 m. vs € 72.1 m.) seemingly as a result of lower building activity and of a lower rate of new RES comissioning.

Consequently, net capex of PPC Group, that is capital expenditure excluding aforementioned participations, increased by € 141.4 m or 25.4% amounting to € 697.3 m. compared to € 555.9 m. in 2014.

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

	2015	**2014**	**Δ**	**%**
Mining projects	127	102	25	24.5
Conventional Generation & RES projects	312	170	142	83.5
Transmission network	129	87	42	48.3
Distribution network	121	190	(69)	(36.3)

<u>Net debt</u>

- Net debt amounted to € 4,788.9 m., a reduction of € 203 m. compared to 31.12.2014 (4,991.9 m.).

Commenting on the financial results of the period, Mr. Emmanuel Panagiotakis, Public Power Corporation's Chairman and Chief Executive Officer said:

"• The financial results of 2015 have been negatively impacted by the significant increase of bad debt provisions for Low and Medium Voltage customers by € 472 m.
  They were also negatively affected by turnover reduction of € 127.9 m , mainly due to the decrease of revenues from energy sales, as a result of market share loss.
  Thus, despite the significant reduction of energy mix expenses by € 381.9 m, which could be higher if it had not been for the reduction of lignite-fired generation by 14.5% as well as the increase of CO_2 emission rights price, the Group recorded adjusted pre-tax losses of € 42.6 m in 2015. The large increase of depreciation by € 131.7 m, due to the revaluation of fixed assets also contributed to the aforementioned losses.
• On a positive note, capex for the mining and generation activities marked a significant increase by € 167 m or by 61.4% compared to 2014, while at the same time net debt declined by € 203 m.
• In the fourth quarter there is a clear reduction in the rate of increase of bad debt provisions compared to the third quarter, as a result of the increased number of settlements, based on the relevant plan introduced in June 2015 and consistent efforts for improving collection.

As I have repeatedly stated, overdue receivables have become an issue of strategic importance not only for PPC, but for the electricity market in general. The large capex plan of the Company depends on this issue being resolved, something for which we are optimistic and to this end we expect the support of all competent authorities. Such a development, will contribute to the creation of thousands of jobs/job positions, as well as to the further reduction of tariffs to the benefit of the consumers and the national economy, in general.

Regarding the issue of power thefts and the metering systems' violation incidents, something which is not related in any way with the financial crisis and, among others, has also negative implications for the society in gereral, PPC and HEDNO implement consistent and focused actions, in order to mitigate or even eliminate such incidents, a development which also requires the support of the competent authorities.

With respect to the amounts included in tariffs for Public Service Obligations (PSOs) for providing electricity to the non-interconnected islands, as well as to the beneficiaries of the Social Residential Tariff, whose number has been increasing, the relevant amount for 2015 was € 627 m, whereas the cost that PPC needs to recover is estimated at approximately € 720 m. The difference between these two amounts is added to the amounts under-recovered for the previous three years (2012-2014). As a result, and despite the drop in oil prices since mid-2014 the total amount to be recovered by PPC is in the order of € 600 m.
For addressing the issue of the reduction of its share in the retail market, as imposed by the institutions, PPC is preparing for and is going to take specific initiatives, so that said reduction takes place across all customer segments and not only in customer segments of low risk profile and high margin, which are the target of certain competitors.

Regarding the electricity market, PPC, is, on one hand, actively advocating in favour of lifting the distortions and preventing the introduction of new ones and on the other, is strongly supporting the transition from the current problematic system (mandatory pool) to a market system within the framework of the European Target Model.

In general, PPC's strategic goal is to offset any losses incurred in Greece due to market share loss by expanding in other markets and through joint ventures, for which the conditions exist.

PPC will be present in every large electricity project, ranging from interconnections to the development of Renewables across all technologies.

For 2016, based on assumptions for Brent oil at \$38/bbl, €/\$ exchange rate of 1.09 and CO_2 emission rights price of € 7/tn, the key financials are estimated to be as follows:

Revenues from energy sales : € 5.2 bln.
Total Revenues : € 5.5 bln.
EBITDA Margin : 19.5% - 20.5%"

Financial Results of the Parent Company

	2015	2014
Turnover	€ 5,675.4 m	€ 5,796.7 m
EBITDA	€ 591.7 m	€ 783.2 m
EBITDA margin	10.4%	13.5%
Pre-tax profits / (Losses)	(€ 206.9 m)	€ 47.9 m
Net income / (Loss)	(€ 152.5 m)	€ 34.2 m

Financial Results of Subsidiaries

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

	2015	2014
Turnover	€ 257.2 m	€ 264.5 m
EBITDA	€ 154.8 m	€ 213.3 m
EBITDA margin	60.2%	80.6%
Pre-tax profits / (Losses)	€ 61.9 m	€ 96.1 m
Net income / (Loss)	€ 35.5 m	€ 70 m

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

	2015	2014
Turnover	€ 449.7 m	€ 430.4 m
EBITDA	€ 45.6 m	€ 9.9 m
EBITDA margin	10.1%	2.3%
Pre-tax profits / (Losses)	€ 39.4 m	€ 4.6 m
Net income / (Loss)	€ 11.3 m	€ 0.6 m

- **PPC Renewables S.A.**

	2015	2014
Turnover	€ 28.2 m	€ 25 m
EBITDA	€ 21.2 m	€ 15.9 m
EBITDA margin	75.3%	63.6%
Pre-tax profits / (Losses)	€ 18.8 m	€ 8.3 m
Net income / (Loss)	€ 12.8 m	€ 5.9 m

Summary Financials (€ m.)						
	FY2015 Audited	FY2014 Audited	Δ%	FY2015 Audited	FY2014 Audited	Δ%
	GROUP			PARENT COMPANY		
Total Revenues	5,735.7	5,863.6	-2.2%	5,675.4	5,796.7	-2.1%
EBITDA	828.4	1,022.1	-19.0%	591.7	783.2	-24.5%
EBITDA Margin	14.4%	17.4%		10.4%	13.5%	
Profit/(Loss) before Taxes & Fin. Expenses (EBIT)	90.7	355.5	-74.5%	-71.5	214.0	-133.4%
EBIT margin (%)	1.6%	6.1%		-1.3%	3.7%	
Net Income/(Loss)	-102.5	91.3	-212.3%	-152.5	34.2	-545.9%
Earnings/(Losses) per share (In euro)	-0.44	0.39	-212.8%	-0.66	0.15	-540.0%
No of Shares (in m.)	232	232		232	232	
Net Debt	4,788.9	4,991.9	-4.1%	4,552.6	4,723.8	-3.6%

Summary Profit & Loss (€ m.)						
	FY2015 Audited	FY2014 Audited	Δ%	FY2015 Audited	FY2014 Audited	Δ%
	GROUP			PARENT COMPANY		
Total Revenues	5,735.7	5,863.6	-2.2%	5,675.4	5,796.7	-2.1%
- Revenue from energy sales	5,547.1	5,654.6	-1.9%	5,535.8	5,644.4	-1.9%
- Customers' participation	56.3	72.1	-21.9%	54.3	68.4	-20.6%
- Third Party Distribution- Transmission network fees and PSO	60.3	41.7	44.6%	26.4	16.9	56.2%
- Other revenues	72.0	95.2	-24.4%	58.9	67.0	-12.1%
Total Operating Expenses (excl. depreciation)	4,907.3	4,841.5	1.4%	5,083.7	5,013.5	1.4%
- Payroll Expenses	880.3	914.2	-3.7%	565.9	589.5	-4.0%
- Third parties fossil fuel	57.6	74.4	-22.6%	57.6	74.4	-22.6%
- Total Fuel Expenses	909.3	1,113.7	-18.4%	909.3	1,113.7	-18.4%
- Liquid fuel	*582.8*	*767.9*	*-24.1%*	*582.8*	*767.9*	*-24.1%*
- Natural Gas	*326.5*	*345.8*	*-5.6%*	*326.5*	*345.8*	*-5.6%*
- Expenditure for CO_2 emission rights	*251.1*	*216.9*	15.8%	*251.1*	*216.9*	15.8%
- Special lignite levy	*38.8*	*45.4*	-14.5%	*38.8*	*45.4*	-14.5%
- Energy Purchases	1,274.4	1,469.3	-13.3%	1,311.9	1,498.2	-12.4%
- Purchases From the System and the Network	*975.3*	*1,009.8*	*-3.4%*	*990.4*	*1,022.6*	*-3.1%*
- Imports	*132.1*	*127.6*	*3.5%*	*141.6*	*127.8*	*10.8%*
- Third party variable cost recovery mechanism	*0.0*	*18.8*	*-100.0%*	*0.0*	*18.8*	*-100.0%*
- Third party capacity assurance mechanism	*0.0*	*175.7*	*-100.0%*	*0.0*	*175.7*	*-100.0%*
- Balance of clearings and other expenses	*32.8*	*44.1*	*-25.6%*	*32.8*	*44.1*	*-25.6%*
- Differential expense for RES energy purchases	*28.7*	*33.4*	*-14.1%*	*28.7*	*33.4*	*-14.1%*
- Special consumption tax on natural gas for IPPs	*28.1*	*9.0*	*212.2%*	*28.1*	*9.0*	*212.2%*
- Other	*77.4*	*50.9*	*52.1%*	*90.3*	*66.8*	*35.2%*

- Transmission System Usage	*0.0*	*0.0*		*206.0*	*205.6*	*0.2%*
- Distribution System Usage	0.0	0.0		412.6	393.7	4.8%
- Provisions	886.3	428.1	107.0%	887.3	438.7	102.3%
- Provisions for risks	64.1	3.0	2036.7%	36.6	29.2	25.3%
- Taxes and Duties	58.7	56.2	4.4%	52.5	49.7	5.6%
- Other Operating Expenses (including lignite)	486.7	520.3	-6.5%	354.1	358.5	-1.2%
EBITDA	828.4	1,022.1	-19.0%	591.7	783.2	-24.5%
EBITDA margin (%)	14.4%	17.4%		10.4%	13.5%	
Depreciation and Amortisation and impairment of fixed assets	737.7	606.0	21.7%	663.2	539.9	22.8%
Impact from the fixed assets appraisal	0.0	60.6	-100.0%	0.0	29.3	-100.0%
Profit/(Loss) before Taxes & Fin. Expenses (EBIT)	90.7	355.5	-74.5%	-71.5	214.0	-133.4%
EBIT margin (%)	1.6%	6.1%		-1.3%	3.7%	
Total Net Financial Expenses	199.0	215.9	-7.8%	133.9	163.6	-18.2%
- Net Financial Expenses	*198.4*	*213.8*	*-7.2%*	*133.3*	*161.5*	*-17.5%*
- Foreign Currency (Gains)/ Losses	*0.6*	*2.1*	*-71.4%*	*0.6*	*2.1*	*-71.4%*
Impairment loss of marketable securities	1.5	2.5	-40.0%	*1.5*	*2.5*	-40.0%
Share of profit /(Losses) in associated companies	3.2	0.5	540.0%	*0.0*	*0.0*	
Pre-tax Profits/(Losses)	-106.6	137.6	-177.5%	-206.9	47.9	-531.9%
Net Income/ (Loss)	-102.5	91.3	-212.3%	-152.5	34.2	*-545.9%*
Earnings/(Losses) per share (In euro)	-0.44	0.39	-212.8%	-0.66	0.15	*-540.0%*

Summary Balance Sheet & Capex (€ m.)						
	FY2015 Audited	FY2014 Audited	Δ%	FY2015 Audited	FY2014 Audited	Δ%
	GROUP			**PARENT COMPANY**		
Total Assets	17,314.6	17,373.4	-0.3%	15,935.3	16,138.5	-1.3%
Net Debt	4,788.9	4,991.9	-4.1%	4,552.6	4,723.8	-3.6%
Total Equity	5,911.6	6,134.7	-3.6%	5,723.2	5,968.4	-4.1%
Capital expenditure	753.6	628.0	20.0%	617.0	528.4	16.8%

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The financial data and relevant information on the Financial Statements for 2015, as well as the Financial Statements for 2015, on a standalone and on a consolidated basis shall be uploaded to the Company's web site (www.dei.gr) on March 29, 2016, after the closing of the Athens Stock Exchange.