PPC GROUP 1H2015 FINANCIAL RESULTS

Athens, August 27, 2015

Summary Financial Results

	1H2015	1H2014
Turnover	€ 2,913.3 m.	€ 2,833.6 m.
EBITDA	€ 640.8 m.	€ 547.7 m.
EBITDA margin	22.0%	19.3%
EBITDA adjusted for one-off items	€ 635 m.	€ 487.1 m.
EBITDA margin adjusted for one-off items	21.8%	17.2%
Pre-tax profits	€ 165.0 m.	€ 142.6 m.
Pre-tax profits adjusted for one-off items	€ 159.2 m.	€ 78.1 m.
Net income*	€ 105.6 m.	€ 96.3 m.

**The nominal corporate tax rate for 1H2015 is 26%. The change of the tax rate from 26% to 29% is a subsequent event and will be applied for the FY2015 results.*

EBITDA in 1H2015 increased by € 93.1 m. (or by 17%) compared to 1H2014, with the respective margin settling at 22% compared to 19.3%.

It is noted that the increase of EBITDA in 1H2015 versus 1H2014 is higher, taking into account the fact that 1H2014 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.
In addition, EBITDA in 1H2014 include the positive impact from the recovery, following a Decision of the European Commission, of a total amount of € 17.4 m as state aid to ALUMINIUM S.A. for the period January 2007 until March 2008. On top of that, for the same reason, pre-tax profits of 1H2014 have been increased by € 3.9 m, an amount which corresponds to the relevant credit interest. The latter positive impact was reversed in 3Q2014, following the annulment of the relevant Decision of the European Commission from the General Court of the European Union. PPC has filed a recourse to said decision in front of the European General Court and a hearing date is expected to be set.
On the contrary, 1H2014 results have been negatively impacted from a provision of € 48.3 m for the cover of the deficit created in the Day-Ahead Schedule market during 2011 and 2012 by alternative suppliers that exited the market. Said amount represents 50% of the € 96.6 m that has been allocated, according to a RAE decision, to PPC by LAGIE, the market operator, for the cover of the aforementioned deficit.

Lastly, it is noted that 1H2014 bad debt provisions had been reduced by an amount of € 68.3 m for accumulated customers' advance payments, which corresponded to total bad debt provisioning for Low Voltage customers until 30.6.2014. In 1H2015, bad debt provisions were reduced by € 5.8 m, an amount which refers to advance payments of Low and Medium Voltage customers, whose overdues turned into bad debt during 1H2015.

Excluding the abovementioned one-off items, 1H2015 EBITDA amounts to € 635 m and the respective margin at 21.8% compared to € 487.1 m and 17.2% in 1H2014, that is an increase of € 147.9 m.

Revenues

- Turnover increased by € 79.7 m. (2.8%) to € 2,913.3 m in 1H2015 from € 2,833.6 m in 1H2014. Turnover includes an amount of € 24.7 m. reflecting network users' participation for their connection to the network versus € 32 m in 1H2014.

- PPC's revenues from electricity sales, increased by € 81.3 m (3%) to € 2,828.1 m. in 1H2015 compared to € 2,746.8 m in 1H2014.

In detail:

- Total electricity demand increased by 4.7% (1,265 GWh) in 1H2015, to 28,216 GWh versus 26,951 GWh in 1H2014.
  Excluding exports and pumping, electricity demand increased by the same percentage. The increase in demand seems to be the result of colder weather conditions in 1Q2015 compared to 1Q2014, resulting to an increase of 8.6% between the two quarters.
  In 2Q2015, when weather conditions were mild, total electricity demand increased marginally by 0.2%, whereas, excluding exports and pumping, the increase amounted to 0.6%.
  Regarding PPC's domestic sales in 1H2015, they increased by 3.8% (896 GWh), with the respective margin declining by 0.9 percentage points to 97.1% from 98%. The increase in PPC's domestic sales volume was mainly attributed to the higher volume sales of 786 GWh to Low Voltage customers, including sales to beneficiaries of the Social Residential tariff.

- PPC's electricity generation and imports covered 61.2% of total demand in 1H2015 (59% in the Interconnected System), while the corresponding percentage in 1H2014 was 68.8% (67.2% in the Interconnected System), a reduction which is due to lower lignite-fired generation by 22.5% (2,593 GWh) and lower gas-fired generation by 36.5% (722 GWh) as well as due to the doubling of imports from third parties to 4,822 GWh from 2,414 GWh in the respective period of 2014. The large increase of electricity imports stems 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) compared to the System Marginal Price (SMP) levels in Greece, as well as due to increased imports from Italy, since the relevant interconnection was not operating in 1H2014. The large increase of imports in 1H2015 is expected to be contained in 9M2015 following also the imposition of capital controls at the end of June.
  Hydro generation in 1H2015 increased by 88.9% (or 1,517 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 addition, PPC's electricity imports increased by 38% (or 453 GWh).

Operating expenses

Operating expenses before depreciation, decreased by € 13.4 m. (0.6%) from € 2,285.9 m. in 1H2014 to € 2,272.5 m. It is noted that excluding the impact of the aforementioned one off items from the financial results of the two periods, the reduction of operating expenses in 1H2015 is even higher and amounts to € 68.2 m.

More specifically:

<u>Energy mix expenditure</u>

- Expenditure for liquid fuel, natural gas, third party coal, CO_2 and energy purchases decreased by approximately € 81.2 m., or by 6.1% compared to 1H2014. Said reduction is mainly attributed to lower expenses for liquid fuel and natural gas, whereas expenses for energy purchases and imports were increased.
  In detail:
  - The decrease in liquid fuel expense by € 63.9 m. (18.6%), from € 344.3 m. in 1H2014 to € 280.4 m. in 1H2015, is attributed to the reduction of heavy fuel oil and diesel prices, expressed in Euros, by 27% and 12.9% respectively, as electricity generation from liquid fuel marked an increase of 58 GWh. It is noted that the expense for the Special Consumption Tax on liquid fuel increased by € 3.8 m from € 59.7 m in 1H2014 to € 63.5 m in 1H2015 due to the fact that said expense is only driven by fuel quantities, which, especially for diesel, were higher.
  - Natural gas expense decreased by € 66.6 m. (38.4%), from € 173.5 m in 1H2014 to € 106.9 m in 1H2015, due to lower gas-fired generation by 722 GWh (36.5%) from 1,977 GWh in 1H2014 to 1,255 GWh in 1H2015. As a result of the lower gas-fired generation, the relevant expense for the Special Consumption Tax decreased by € 9.5 m to € 16 m. The reduction of natural gas-fired generation is expected to moderate in the 9M2015.
    With respect to natural gas prices, there is a reduction of 1.4% in 1H2015, following the reduction of natural gas prices in 2Q2015. The positive impact from the reduction of oil price in 1H2015 is expected to drive natural gas prices down in 2H2015.
  - Third party coal expense decreased by € 11.1 m. to € 23.5 m.
  - Energy purchases expense from the System and the Network increased by 6.5% or € 40.1 m., from € 613.8 m. in 1H2014 to € 653.9 m. More specifically, and regarding the Interconnected System, energy purchases expense amounted to € 601.7 m. compared to € 550 m. in 1H2014, an increase of 9.4% or € 51.7 m., due to increased energy purchases by 2,205 GWh, mainly stemming from third party imports.
    A provision for an amount of € 43.4 for Capacity Assurance Mechanism is included in energy purchase expense and is based on the proposal of the Regulatory Authority of Energy (RAE), a proposal, which has not been adopted yet, whereas based on Law 4336/2015, there is a provision for the implementation of a temporary and permanent capacity payment system. The actual expense in 1H2014 amounted to € 85.7 m.
  - Expenditure for PPC electricity imports, excluding expense for interconnection rights, reached € 72 m. increased by € 17.9 m (33.1%), as a result of the increase in the volume of imports by 453 GWh (1,644 GWh in 1H2015 vs 1,191 GWh in 1H2014). For the same reason, the expense for interconnection rights increased to € 8.8 m in 1H2015 from € 3.7 m in 1H2014.
  - Expenditure for CO_2 emission rights amounted to € 107.2 m., that is an increase of € 2.4 m. compared to 1H2014, due to increased average price for CO_2 emissions rights by approximately 30%.
    On the other hand, CO_2 emissions in volume terms decreased by 21.5% in 1H2015 compared to 1H2014 settling at 15.5 mln tonnes, mainly due to lower lignite-fired generation.

Payroll cost

- The total reduction between the two periods in payroll cost, including capitalized payroll and payroll of seasonal personnel, amounted to € 20 m. (4%) from € 503 m in 1H2014 to € 483 m in 1H2015.
  In particular, total payroll of permanent employees declined by € 19.9 m to € 459.6 m in 1H2015 versus € 479.5 m in 1H2014, as a result of the decrease in the number of permanent employees on payroll by 511 to 18,458 on 30.6.2015 from 18,969 on 30.6.2014.

Provisions

- Provisions for bad debt amounted to € 307.9 m in 1H2015 compared to € 204 m in 1H2014, an increase of € 103.9 m (50.9%). Should the reduction of provisions with the advance payments of bad debt customers had not been applied since 30.6.2014, the relevant figures would be € 313.7 m and € 272.3 m respectively, that is an increase of € 41.4 m or 15.2%.
  Adding provisions for litigation, slow moving materials and the provision that was recorded in 1H2014 for the allocation of the LAGIE deficit, total provisions amount to € 316.7 m in 1H2015 compared to € 249.1 m in 1H2014, that is an increase of € 67.6 m or 27.1%

In conclusion,

In 1H2015, 42% of total revenues were expensed for fuel, CO_2 and energy purchases compared to 45.5% in 1H2014. It is noted that, energy purchases expense in 1H2015 accounted for 25% of total revenues compared to 23.5% in 1H2014. Regarding the evolution of provisions, these represent 10.9% of total revenues compared to 8.8% last year. The relevant percentage for payroll decreased to 15.1% in 1H2015 compared to 16.2% last year.

Other Financial information

- Depreciation expense in 1H2015 amounted to € 376.2 m. compared to € 296.6 m. in 1H2014, an increase of € 79.6 m. 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.

- Net financial expenses decreased to € 100.7 m. compared to € 107.1 m in 1H2014. This development is attributed to the reduction of the average cost of debt servicing at 4.8% in 1H2015 from 5.2% in 1H2014 as a result of the repayment of higher cost debt to Greek banks with part of the proceeds from the international bonds issuance as well as lower Euribor rates.

- Pre-tax profits in 1H2015 amounted to € 165 m. compared to € 142.6 m. in 1H2014.

- Net profits amounted to € 105.6 m. compared to € 96.3 m. in 1H2014.

Capex and net debt

- Capital expenditure in 1H2015 remained practically stable at € 256.6 m. compared to € 255.6 m. in 1H2014, while, as a percentage of total revenues it amounted to 8.8% from 9%. Excluding network users' participation for their connection to the network (€ 24.7 m. and € 32 m. in 1H2015 and 1H2014 respectively), which fund a significant part of network projects, capital expenditure amounted to 8% of total revenues for both periods.
  Specifically, the main components of 1H2015 capital expenditure, were as follows (in brackets the respective figures for 1H2014):

- Mining projects:	€ 46.8 m.	(€ 43.5 m.)
- Conventional Generation & RES projects:	€ 58.2 m.	(€ 74.6 m.)
- Transmission projects:	€ 52.1 m.	(€ 17.9 m.)
- Network projects:	€ 95 m.	(€ 116.6 m.)

- Net debt amounted to € 4,741.3 m., a reduction of € 165.3 m. compared to 30.6.2014 (€ 4,906.6 m.), whereas compared to 31.12.2014 (4,991.9 m.) it was reduced by € 250.6 m.

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

"In the first half of 2015, PPC consolidated turnover increased by 2.8% and amounted to € 2,913 m. due to increased electricity demand in the first quarter of 2015. In the second quarter of 2015, electricity demand remained at approximately the same level as in the respective period of 2014. Operating profitability (EBITDA) in the first half of 2015, excluding the impact of one-off items increased by € 148 m. The improvement of profitability is mainly attributed to increased hydro generation and lower fuel and energy prices. The decrease in payroll expense by € 20.1 m in the first half of 2015 continues to support profitability improvement. On the contrary, the increase of provisions for bad debt had a negative impact.

For the full year, based on assumptions for Brent oil at $50/bbl, €/$ exchange rate of 1.11 and price of CO2 emission rights of € 8.5/tn for the period July-December 2015, we estimate revenues from energy sales to reach € 5.6 billion, total revenues € 5.8 billion and EBITDA margin to settle between 19.5%-20.5%.

During the capital controls period, PPC Group met in general its payment obligations and contributed to smooth operating conditions in the country, being a significant pillar of stability.

The Company has already implemented actions for the improvement of overdues collection, however, the imposition of capital controls has hindered the effectiveness of such actions in July and made it more difficult for our customers to pay their electricity bills, thus leading to a further increase in overdues. As situation normalizes, we intensify actions to improve collection with the expectation that they will soon yield positive results. This issue is of strategic importance for PPC with broader implications for our country. As such, we have expanded our efforts throughout the country supporting our target for reduction of overdue electricity bills.

Nonetheless, the Group's sustainable growth is also dependent on the rational operation of the electricity market to the benefit of the end consumer. PPC has today a share of 61.2% of electricity generation and imports and a 97.1% share in the retail market, even though this market is open to competition. We have noticed that our competitors do not take the appropriate measures and actions like the development of sales network, risk undertaking, implementation of the necessary tariff policy with medium term horizon in order to gain market share from PPC, but instead they wait and pursue the opening of the market through regulatory interventions, a strategy which is far from ensuring healthy competition.

As already known, the new Financing Agreement of Greece contains certain provisions for the Greek electricity market. These provisions include, among other, the implementation of a NOME type system of auctions with the objective of lowering by 25% the retail market share of PPC. It goes without saying that the reduction by 25% of PPC supply market share will be across <u>all customer categories</u>, and this should be provided for in the relevant legislation. Such provision is absolutely reasonable since the reduction of PPC's market share will not happen as a result of market dynamics but through mandatory regulatory measures. The reduction of PPC's market share cannot take place with cherry picking of the high margin customers. If this happens, it will not only result to unfair profits for third party suppliers but will also be detrimental for vulnerable consumers and the national economy. In any case, it is important that the NOME type auctions are implemented on the premises of not only transferring any surplus to the end consumer but also at least covering PPC's full generation cost, as is the case in other countries (like the NOME in France). This cost is reflected with full transparency in PPC's financial statements.

Our target is a flexible and efficiently operating PPC, which, within a rationally and fairly operating market will be able to effectively adapt in order to create value for its customers, its employees and its shareholders. Especially in the new environment that is shaping up following the agreement with the country's creditors, PPC is revising and readjusting its strategy, in order to strengthen its position on a company and group level.

In order to be able to achieve these goals, it is necessary, as I have repeatedly stressed, that the Company operates based on the principles of corporate governance free from bureaucratic obstacles of public administration."

Financial Results of the Parent Company

	1H2015	1H2014
Turnover	€ 2,888.3 m.	€ 2,804.7 m.
EBITDA	€ 520.4 m.	€ 421.8 m.
EBITDA margin	18.0%	15.0%
Pre-tax profits / (Losses)	€ 131.2 m.	€ 84.4 m.
Net income / (Loss)	€ 93.1 m.	€ 57.7 m.

Financial Results of Subsidiaries

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

	1H2015	1H2014
Turnover	€ 125.2 m.	€ 136.9 m.
EBITDA	€ 90.1 m.	€ 101.1 m.
EBITDA margin	72.0%	73.8%
Pre-tax profits / (Losses)	€ 42.1 m.	€ 57 m.
Net income / (Loss)	€ 27.0 m.	€ 42.4 m.

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

	1H2015	1H2014
Turnover	€ 214.5 m.	€ 226.7 m.
EBITDA	€ 12.6 m.	€ 17.8 m.
EBITDA margin	5.9%	7.8%
Pre-tax profits / (Losses)	€ 9.9 m.	€ 15.3 m.
Net income / (Loss)	€ 5.9 m.	€ 11.5 m.

- **PPC Renewables S.A.**

	1H2015	1H2014
Turnover	€ 13.8 m.	€ 11.4 m.
EBITDA	€ 10.7 m.	€ 6.9 m.
EBITDA margin	77.7%	60.5%
Pre-tax profits / (Losses)	€ 9.7 m.	€ 4.7 m.
Net income / (Loss)	€ 7.7 m.	€ 3.5 m.

Summary Financials (€ m.)						
	1H2015 Audited	1H2014 Audited	Δ%	1H2015 Audited	1H2014 Audited	Δ%
	GROUP			PARENT COMPANY		
Total Revenues	2,913.3	2,833.6	2.8%	2,888.3	2,804.7	3.0%
EBITDA	640.8	547.7	17.0%	520.4	421.8	23.4%
EBITDA Margin	22.0%	19.3%		18.0%	15.0%	
Profit/(Loss) before Taxes & Fin. Expenses (EBIT)	264.6	251.1	5.4%	182.1	158.0	15.3%
EBIT margin (%)	9.1%	8.9%		6.3%	5.6%	
Net Income/(Loss)	105.6	96.3	9.7%	93.1	57.7	61.4%
Earnings/(Losses) per share (In euro)	0.46	0.42	9.5%	0.40	0.25	60.0%
No of Shares (in m.)	232	232		232	232	
Net Debt	4,741.3	4,906.6	-3.4%	4,529.5	4,677.8	-3.2%

Summary Profit & Loss (€ m.)						
	1H2015 Audited	1H2014 Audited	Δ%	1H2015 Audited	1H2014 Audited	Δ%
	GROUP			PARENT COMPANY		
Total Revenues	2,913.3	2,833.6	2.8%	2,888.3	2,804.7	3.0%
- Revenue from energy sales	2,828.1	2,746.8	3.0%	2,821.4	2,741.8	2.9%
- Customers' participation	24.7	32.0	-22.8%	23.6	30.6	-22.9%
- Third Party Distribution- Transmission network fees and PSO	25.1	17.0	47.6%	10.8	7.1	52.1%
- Other revenues	35.4	37.8	-6.3%	32.5	25.2	29.0%
Total Operating Expenses (excl. depreciation)	2,272.5	2,285.9	-0.6%	2,367.9	2,382.9	-0.6%
- Payroll Expenses	439.6	459.7	-4.4%	283.0	297.4	-4.8%
- Third parties fossil fuel	23.5	34.6	-32.1%	23.5	34.6	-32.1%
- Total Fuel Expenses	387.3	517.8	-25.2%	387.3	517.8	-25.2%
- Liquid fuel	*280.4*	*344.3*	*-18.6%*	*280.4*	*344.3*	*-18.6%*
- Natural Gas	*106.9*	*173.5*	*-38.4%*	*106.9*	*173.5*	*-38.4%*
- Expenditure for CO_2 emission rights	*107.2*	*104.8*	2.3%	*107.2*	*104.8*	2.3%
- Special lignite levy	*17.9*	*23.1*	-22.5%	*17.9*	*23.1*	-22.5%
- Energy Purchases	725.9	667.9	8.7%	743.2	680.5	9.2%
- Purchases From the System and the Network	*532.1*	*440.7*	*20.7%*	*538.6*	*446.3*	*20.7%*
- Imports	*72.0*	*54.1*	*33.1%*	*73.0*	*54.1*	*34.9%*
- Third party variable cost recovery mechanism	*0.0*	*19.7*	*-100.0%*	*0.0*	*19.7*	*-100.0%*
- Third party capacity assurance mechanism	*43.4*	*85.7*	*-49.4%*	*43.4*	*85.7*	*-49.4%*
- Balance of clearings and other expenses	*17.4*	*13.3*	*30.8%*	*17.4*	*13.3*	*30.8%*
- Differential expense for RES energy purchases	*18.4*	*23.2*	*-20.7%*	*18.4*	*23.2*	*-20.7%*
- Special consumption tax on natural gas for IPPs	*10.3*	*13.7*	*-24.8%*	*10.3*	*13.7*	*-24.8%*
- Other	*32.3*	*17.5*	*84.6%*	*42.1*	*24.5*	*71.8%*

- Transmission System Usage	*0.0*	*0.0*		*99.2*	*103.8*	*-4.4%*
- Distribution System Usage	0.0	0.0		197.8	210.6	-6.1%
- Provisions	316.7	249.1	27.1%	316.5	255.4	23.9%
- Taxes and Duties	23.9	24.1	-0.8%	21.2	20.5	3.4%
- Other Operating Expenses (including lignite)	230.5	204.8	12.5%	171.1	134.4	27.3%
EBITDA	640.8	547.7	17.0%	520.4	421.8	23.4%
EBITDA margin (%)	22.0%	19.3%		18.0%	15.0%	
Depreciation and Amortisation and impairment of fixed assets	376.2	296.6	26.8%	338.3	263.8	28.2%
Profit/(Loss) before Taxes & Fin. Expenses (EBIT)	264.6	251.1	5.4%	182.1	158.0	15.3%
EBIT margin (%)	9.1%	8.9%		6.3%	5.6%	
Total Net Financial Expenses	100.8	108.4	-7.0%	50.6	72.4	-30.1%
- Net Financial Expenses	*100.7*	*107.1*	*-6.0%*	*50.5*	*71.0*	*-28.9%*
- Foreign Currency (Gains)/ Losses	*0.1*	*1.3*	*-92.3%*	*0.1*	*1.4*	*-92.9%*
Impairment loss of marketable securities	0.3	1.2	-75.0%	*0.3*	*1.2*	-75.0%
Share of profit /(Losses) in associated companies	1.5	1.1	36.4%	*0.0*	*0.0*	
Pre-tax Profits/(Losses)	165.0	142.6	15.7%	131.2	84.4	55.5%
Net Income/ (Loss)	105.6	96.3	9.7%	93.1	57.7	*61.4%*
Earnings/(Losses) per share (In euro)	0.46	0.42	9.5%	0.40	0.25	*60.0%*

Summary Balance Sheet & Capex (€ m.)						
	1H2015 Audited	1H2014 Audited	Δ%	1H2015 Audited	1H2014 Audited	Δ%
	GROUP			**PARENT COMPANY**		
Total Assets	17,707.7	16,319.5	8.5%	16,377.9	15,122.5	8.3%
Net Debt	4,741.3	4,906.6	-3.4%	4,529.5	4,677.8	-3.2%
Total Equity	6,228.2	5,500.0	13.2%	6,049.9	5,380.8	12.4%
Capital expenditure	256.6	255.6	0.4%	195.5	216.5	-9.7%

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The financial data and relevant information on the Financial Statements for 1H2015, as well as the Financial Statements for 1H2015, on a standalone and on a consolidated basis shall be uploaded to the Company's web site (www.dei.gr) on August 27, 2015, after the closing of the Athens Stock Exchange.