PUBLIC POWER CORPORATION S.A.
TREASURY & INVESTOR RELATIONS DEPARTMENT

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PPC GROUP

Key operating and financial figures for 9M2018

Group results have been impacted by the spin - off of the lignite subsidiaries (2018) and the sale of the participation in IPTO (2017). Therefore, for comparability reasons and for the convenience of the reader, commenting on figures refers to continuing operations.

Key operating figures

Domestic electricity demand decreased by 2.1% in 9M2018, reaching 43,115 GWh compared to 44,026 GWh in 9M2017. However, total electricity demand (including pumping and exports) increased slightly by 0.4% in 9M2018, due to increased exports from third parties by 54.5% through interconnections in northern Greece. This increase in exports is mainly attributed to the export of quantities acquired by third parties through “NOME”.

PPC’s average retail market share in the country, declined to 82.3% in 9M2018, compared to 86.9% in the respective period of 2017. In particular, the average retail market share in the Interconnected System was contained to 79.4% in September 2018 from 83.6% in September 2017, while PPC’s average market share, per voltage, was 97.9% in High Voltage, 60.5% in Medium Voltage and 83.6% in Low Voltage compared to 98.3%, 64.4% and 89% in September 2017, respectively. As a result of lower demand as well as the reduction of market share, PPC electricity sales decreased by 6.2% in 9M2018.

PPC’s electricity generation and imports covered 48.6% of total demand in 9M2018 (44.8% in the Interconnected System), while the corresponding percentage in 9M2017 was 49.5% (45.5% in the Interconnected System).

PPC’s generation decreased by 2.7% to 20,826 GWh compared to 21,410 GWh in 9M2017. In particular, lignite - fired generation decreased by 3.4% or by 294 GWh, natural gas - fired generation decreased by 27.2% or by 1,622 GWh, whereas, on the contrary hydro generation in 9M2018 increased by 57.4% (or by 1,558 GWh) mainly due to quite increased high hydro inflows to the Reservoirs of the Hydro Power Plants during the first four months of 2018.

Group Key financial figures

	9M2018	**9M2017 (*)**	***Δ (%)***
Turnover (1)	€ 3,469.8 m.	€ 3,623.9 m.	*-4.3%*
Total Operating Expenses (excl. tax, depreciation, net financial expenses and share of profit/ (losses) in associated companies) (2)	€ 3,234.9 m.	€ 3,381.9 m.	*-4.3%*
EBITDA (excluding the provision for personnel's severance payment and the final settlement of the Renewables levy (ETMEAR) for the years 2012, 2013 and 2016) (3) = (1) - (2)	€ 234.9 m.	€ 242.0 m.	*-2.9%*
EBITDA margin (4) = (3) / (1)	6.8%	6.7%	
One-off negative impact from the provision for personnel's severance payment (5)	(€ 151.2 m.)	-	
One-off positive impact from the final settlement of the Renewables levy (ETMEAR) for the years 2012, 2013 and 2016 (6)	€ 105.2 m.	-	
EBITDA (7) = (3)+(5)+(6)	€ 188.9 m.	€ 242.0 m.	*-21.9%*
EBITDA margin (8) = (7)/(1)	5.4%	6.7%	
Depreciation, total net financial expenses, share of profit/ (losses) in associated companies (9)	€ 488.4 m.	€ 507.6 m.	*-3.8%*
Pre-tax profits / (Losses) (10) = (7) - (9)	(€ 299.5 m.)	(€ 265.6 m.)	*12.8%*
Net income / (Loss) (11)	(€ 255.1 m.)	(€ 82.6 m.)	*208.7%*

(*) The above table shows figures from continuing operations. Thus, pre-tax profits /(losses) for 9M2017 as currently released do not include the following figures which had been included in the pre-tax profits /(losses) for 9M2017 as published last year : a) the profit from the sale of IPTO and b) the financial results of the lignite subsidiaries to be divested since both these two figures do not relate to the Group's continuing operations. Moreover, the negative impact of the restatement from the re-estimation of "Unbilled revenue" is included.
The total difference in Net income / (Loss) amounts to € 98.4 m, which includes an amount of € 61.1 m, that incorporates the impact in deferred taxation due to the restatement from the re-estimation of "Unbilled revenue" as well as the restatement from the re-estimation of deferred tax on the lower electricity tariff provided to PPC Group's pensioners, while the remaining € 37.3 m are attributed to the exclusion of the financial results of the lignite subsidiaries to be divested as well as to the impact of the profit from the sale of IPTO in discontinued operations. These restatements did not have a cash impact.

For further information regarding definitions of ratios included in abovementioned figures, please refer to the Financial Report for the six-month period ended June 30, 2018 (Report of the Board of Directors – Appendix)

Group turnover decreased in 9M2018 by € 154.1 m or by 4.3%, due to market share loss and the reduction of domestic demand.

At the expense side, 9M2018 results have been negatively impacted by:

- the provision for personnel's severance payment amounting to € 151.2 m (which was recorded in the second quarter of 2018) and corresponds to the present value of the obligation undertaken by PPC and its subsidiaries due to the abolition since April 2018 (L. 4533/2018) of the offsetting of employees' severance payment amounting to € 15,000 in case of termination of their contract with the one–off allowance to which employees are entitled to by the relevant insurance organization and
- the provision amounting to € 70.8 m, which was recorded in the third quarter 2018 for overdue interest until 30.09.2018 that IPTO claims from PPC, through an extrajudicial document, due to its participation in the wholesale electricity market for the period 20.09.2016 – 29.11.2018.

On the contrary, expenses have been positively impacted by the final settlement of the Renewables levy (ETMEAR) for the years 2012, 2013 and 2016, amounting to € 105.2 m.

Excluding the impact from the provision for personnel's severance payment amounting to € 151.2 m and the final settlement of the Renewables levy (ETMEAR) for past years amounting to € 105.2 m, the operating profitability (EBITDA) from continuing operations for 9M2018 amounted to € 234.9 m, remaining practically stable compared to last year (€ 242 m).

Excluding also the impact from the provision of € 70.8 m for overdue interest that IPTO claims from PPC, EBITDA for 9M2018 amounts to € 305.7 m.

The main factors that positively impacted operating profitability are the following:
- the reversal of bad debt provisions for electricity customers by € 108.3 m.
- the decrease in the electricity suppliers' charge for the Special Account for Renewables by € 101.7 m compared to 9M2017.
- the decrease of payroll by € 23.4 m and of other controllable operating expenses by € 10.1 m.

On the contrary, operating profitability was negatively impacted mainly by:
- the significant increase in the expenditure for CO_2 emission rights by € 87.2 m. and
- the increased negative effect from "NOME" electricity auctions by € 81.4 m

Pre - tax losses amounted to € 299.5 m compared to € 265.6 m in 9M2017.

Total capex amounted to € 528.6 m in 9M2018 compared to € 303.6 m in 9M2017, mainly due to the increased capex for the construction of the "Ptolemais V" unit and RES projects.

Net debt, stood at € 3,674.2 m on 30.09.2018, a reduction by € 283 m. compared to 31.12.2017. In February 2018, the Parent Company, proceeded to the partial redemption of € 150 m Senior Notes due in 2019, within the framework of the active management of its debt portfolio. PPC is currently monitoring its opportunities to access the international debt capital markets. The Company has mandated advisors to explore such opportunities, including the issuance of senior notes.

Net Debt evolution

(in € m)	**30.09.2018**	**31.12.2017**
Gross Debt (1)	4,059.4	4,304.5
Cash and cash equivalents / Restricted cash/ Financial assets at fair value (2)	385.2	347.3
Net Debt (3) = (1) - (2)	3,674.2	3,957.2

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

"The Group's operating profitability (EBITDA) from continuing operations was positively impacted in the third quarter of 2018 as well, from the reversal of bad debt provisions as a result of actions for the improvement of collection, and the decrease in controllable operational expenses. This positive impact was mitigated by the significant increase of expenses for CO_2 emission allowances, the price of which more than quadrupled and by the additional negative impact due to NOME auctions which amounted to € 81.4 m. However, including provision recorded for future severance payment for personnel due to contract termination and provision for overdue interest claimed by IPTO -the purpose of which is seriously contested and its legal grounds is questioned- operating profitability for the nine month period of 2018 decreased compared to the respective period of 2017, despite the positive impact from the settlement of renewables levy (ETMEAR) of past years.

A significant development is the fact that net debt continued to decrease over the nine month period of 2018 with the decrease reaching € 283 m. In addition, it is worth noting that capex increased by € 225m.

The upgrade of PPC's credit rating by Standard and Poor's to CCC+ with positive outlook from CCC with negative outlook, was a highly important development reflecting mainly the conclusion of the € 1.3 bln syndicated loan refinancing as well as the actions of the Company for the improvement of its operating profitability within the context of improved economic prospects of the Greek economy. This upgrade is a positive sign towards PPC's potential access to international debt capital markets, for which we are in the process of examining alternatives together with our advisors including a bond issuance. On top of the above, we secured new financing through a € 255 m credit line from the European Investment Bank for Distribution Network capex until 2020.

The divestment process of 40% of our lignite capacity is at the final stage. Offers are expected to be submitted in January. PPC is taking all necessary measures for the improvement of the financial performance and efficiency of its respective subsidiaries of Meliti and Megalopoli, with the on time approval of capacity payments being of crucial importance.

We will intensify our actions aiming at reducing controllable operating expenses based on specific planning made in cooperation with the advisor, while at the same time we will intensify actions for the improvement of collection. Nevertheless, the impact of exogenous factors, such as the sharp increase in CO_2 emission allowances price as well as the large increase in the System Marginal Price (wholesale price) makes it necessary to take additional measures in order to improve operating profitability which is an absolute necessity for the financial robustness of the Company. Towards this direction, we are working systematically in order to minimize the consequences on consumers, while at the same time, we are taking steps in order to improve customer service.

In terms of strategic and business planning, PPC's is shifting towards the development of Renewables, which will be the cornerstone of its growth in the future. The recent decision for the absorption of PPC Renewables by the Parent Company aims at mobilizing as much as possible existing PPC's personnel towards the implementation of this strategy."

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