June 27, 2017

PPC GROUP

Key operating and financial figures for 1Q2017

Key operating figures

Domestic electricity demand increased by 6.9% in 1Q2017. This increase is mainly attributed to bad weather conditions in the first quarter (especially in January – February) compared to the respective period of 2016. Total electricity demand (including pumping and exports) increased by 9.6%, since, especially in January and to a lesser extent in February, significantly high exports were realised from third parties through interconnections in northern Greece towards Central Europe electricity markets, where prices were more attractive.

PPC's average retail market share in the Interconnected System, in terms of electricity (GWh) and not in terms of number of clients declined to 87.7% in March 2017 from 92.8% in March 2016, according to LAGIE data. PPC's average market share, per voltage, was 98.6% in High Voltage, 70.6% in Medium Voltage and 92.1% in Low Voltage compared to 99.7%, 80.7% and 95.8% in March 2016, respectively. Despite the reduction of PPC's average retail market share, PPC sales in GWh remained stable due to the increase of electricity demand.

PPC's electricity generation and imports covered 59.3% of total demand in 1Q2017 (57% in the Interconnected System), while the corresponding percentage in 1Q2016 was 53.2% (50.6% in the Interconnected System). Said increase is attributed to the fact that PPC's generation in 1Q2017 covered the largest part of the aforementioned increase of demand. It is noted that, during the same period, electricity imports from third parties decreased by 35% compared to the respective period of 2016, since certain traders opted for exports to Central Europe electricity markets due to higher prices. Consequently, PPC was burdened with addressing the problems stemming from the emergency status in the National Natural Gas System during the period 20.12.2016 – 12.02.2017, as it was obliged to operate the natural gas fired units of Komotini and Lavrio IV burning diesel oil instead of natural gas.

Lignite fired generation in 1Q2017 increased by 19.4% (750 GWh) from 3,862 GWh in 1Q2016 to 4,612 GWh in 1Q2017, while natural gas fired generation increased by 105.3% (1,030 GWh) from 978 GWh in 1Q2016 to 2,008 GWh in 1Q2017.

Group Key financial figures including IPTO S.A.

(in € mln.)	1Q2017	1Q2016
Turnover	**1,368.8**	**1,412.6**
Total Operating Expenses (excl. depreciation)	**1,245.2**	**1,067.4**
EBITDA	**123.6**	**345.2**
EBITDA margin	**9.0%**	**24.4 %**
Depreciation, total net financial expenses, share of profit/ (losses) in associated companies	**211.7**	**222.9**
Pre-tax profits / (Losses)	**(88.1)**	**122.3**
Net income / (Loss)	**(67.5)**	**85.6**

Group Key financial figures (from continued operations) excluding IPTO S.A.

(in € mln.)	1Q2017	1Q2016
Turnover	1,357.7	1,397.0
Total Operating Expenses (excl. depreciation)	1,276.3	1,106.5
EBITDA	81.4	290.5
EBITDA margin	6.0%	20.8 %
Depreciation, total net financial expenses, share of profit/ (losses) in associated companies	188.3	199.1
Pre-tax profits / (Losses)	(106.9)	91.4
Net income / (Loss)	(80.4)	61.6

***Note**: For further information regarding definitions of ratios included in abovementioned figures, please refer to 2016 Annual Financial Report (Executive Summary of the Board of Directors).*

Group turnover decreased in 1Q2017 by € 43.8 m or 3.1%.

Compared to the respective period, revenues in 1Q2017, have been negatively impacted by:

- an expense of € 104.9 m from the new charge of electricity suppliers in order to cover the deficit of the Special Account for Renewables,
- an additional total cost of € 70 m that PPC undertook due to the energy crisis, out of which an amount of € 30 m relates to the aforementioned operation of natural gas fired units burning diesel oil. The amount of € 70 m does not include the cost of using water reserves from the hydro reservoirs in order to address the emergency status on top of the use that would be needed for the normal operation of the electricity system, as well as the additional maintenance cost of the units due to their strain by 50% when operating with diesel oil instead of natural gas.
- € 21.8 m from the sale of electricity in prices which were lower than the System Marginal Price, through NOME auctions.

On the contrary, revenues were positively affected from the € 58.5 m reduction of bad debt provisions from € 163.3 m in 1Q2016 to € 104.8 m in 1Q2017.

The negative impact from the above mentioned exogenous factors was the main reason for the reduction in the Group's EBITDA by € 221.6 m in 1Q2017 compared to 1Q2016, with the respective margin settling at 9% compared to 24.4%. Excluding this impact, EBITDA in 1Q2017 would be at least € 320.3 m, that is a reduction by only € 24.9 m or 7.2% and the EBITDA margin would be 23.4%.
EBITDA from continued operations – excluding IPTO S.A.- amounts to € 81.4 m compared to € 290.5 m last year and the respective margin is 6% from 20.8%. Excluding the impact of the abovementioned factors, the Group's EBITDA from continued operations settles at € 278.1 m, a reduction by only € 12.4 m or 4.3% and the EBITDA margin would be 20.5%.

Based on the above, on a pre-tax level, losses of € 88.1 m were recorded in 1Q2017 compared to profits of € 122.3 m. last year. Correspondingly, net loss amounted to € 67.5 m compared to net income of € 85.6 m.

Group total capex amounted to € 94.2 m compared to € 127.5 m in 1Q2016, while, as a percentage of total turnover it stood at 6.9% compared to 9% in 1Q2016.

Net debt stood at € 4,376.2 m on 31.3.2017, a reduction by € 150.6 m. compared to 31.12.2016 and by € 275.7 m. compared to 31.3.2016.

Net Debt evolution of PPC Group including IPTO S.A.

(in € m)	31.3.2017	31.12.2016	31.3.2016
Gross Debt (1)	4,993.1	5,140.2	5,369.3
Cash and cash equivalents & Restricted cash (2)	615.4	612.1	714.1
Available for sale financial assets (3)	1.5	1.3	3.3
Net Debt (4) = (1) - (2) - (3)	4,376.2	4,526.8	4,651.9

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

"In the first quarter of 2017, PPC Group financial results were negatively impacted by exogenous factors which are not in the Company's control, and in particular they were impacted by the cover of the Special RES account deficit, the negative financial impact from the auctioned quantities of electricity (NOME), and the additional cost borne by PPC due to the energy crisis in December 2016 and January 2017.

Excluding the impact of these factors, the Group would record significant operating profitability close to the level of the respective quarter of 2016.

For the remaining quarters, a rebound of profitability is expected. Specifically, based on assumptions for the period April – December 2017, for Brent oil at $50/bbl, €/$ exchange rate of 1.13, average System Marginal Price of € 50/MWh and CO_2 emission rights price of € 5/tn, the key financials of the Group for the full year, excluding IPTO S.A., are estimated to be as follows:

- *Revenues from energy sales : € 4.5 bln.*
- *Total Revenues : € 4.9 bln.*
- *EBITDA Margin : 12% - 13%*

These estimates do not include any potential additional revenues for Public Service Obligations of previous years.

With respect to the energy crisis which impacted first quarter financial results, it highlighted the crucial role of electricity generation from indigenous conventional sources, lignite and hydro generation in specific, for the security of the energy supply of the country. It also evidenced that PPC is the cornerstone of the security of supply being forced to operate its units irrespective of cost (oil and hydro consumption cost), while at the same time other market participants considered this crisis as an opportunity for easy profit taking.

Bad debt provisions kept decreasing recording a € 58.5 m decline. In addition, during the same period, the net debt of the Group continued declining for another quarter recording a € 150.6 m decrease compared to the end of 2016, since debt redemptions amounted to € 147.1 m. Overdue payables to other creditors marked an increase since the negative impact from exogenous factors further squeezed the liquidity of the company.

The Company continues and intensifies its actions for the improvement of collection. Within this framework, we are proceeding in July, through a tender, to the hiring of a specialized consultant for the implementation of the most efficient procedures regarding collection and the upgrade of our customer portfolio management in general.

Regarding the allocation of the amount received from the ownership unbundling of IPTO, a specific strategy was set in place in order to effectively decrease the liabilities of PPC towards third parties, while at the same time safeguard the liquidity of the company in order to meet its obligations. At this point I would like to underline the importance of the recent upgrade of the company by Standard & Poor's.

We also proceeded with the hiring of an advisor with international expertise for the formation of our strategic and business plan in order to accomplish the goal that we have already put forward for PPC, which will be smaller in the electricity sector in Greece but a larger and stronger company through the diversification of its activities in new products and its expansion in new markets. Within this framework, starting from this year, a new modern evaluation system for PPC's personnel is in place, aiming at its development and the improvement of the business culture. The new evaluation system will contribute to the necessary change of the culture of the company and to the maximization of the commitment to the Company and its goals.

In parallel, we continue working on the customer portfolio which is going to be tendered by PPC, in order to ensure that the opening of the market is implemented smoothly".