PPC GROUP 1H2014 FINANCIAL RESULTS

Athens, August 28, 2014

Summary Financial Results

- **Turnover:** **€ 2,833.6 m.**
- **EBITDA:** **€ 547.7 m.**
- **Pre-tax profits:** **€ 142.6 m.**
- **Net profits:** **€ 96.3 m.**

EBITDA in 1H2014 declined by € 38.6 m. (6.6%), with the respective margin settling at 19.3% compared to 19.9% in 1H2013.

1H2014 results include the one-off positive impact of € 23.2 m, which was recorded in 1Q2014, from the retroactive application of the discount in the price of natural gas for the second half of 2013. In addition, 1H2014 results include the positive impact -which was also recorded in 1Q2014- from the recovery of the state aid to Aluminium S.A. for the period January 2007 until March 2008, of a total amount of € 21.3 m (€ 17.4 m plus interest € 3.9 m).
It is noted that, 1H2014 provisions increased by 68%, from € 189 m in 1H2013 to € 317 m this year, representing 11.2% of total revenues. Said amount is reduced to € 249 m taking into account the amount of approximately € 68 m for customers' advances, which correspond to total bad debt provisioning for Low Voltage customers until 30.6.2014. The aforementioned amount of € 68 m does not have any positive cash flow impact in 1H2014.
In addition, 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. We contest this obligation, since we have no responsibility for this significant deficit, which was created by our competitors, who entered in the retail market. For this reason, we believe that we have grounds for a favourable outcome of the final judgement and we have not proceeded with a relevant provision for the total amount of € 96.6 m for an adverse litigation outcome. However, following the interim order issued by the Council of State which suspended 50% of the € 96.6 m, we make a provision for the remaining 50% in order to reflect the uncertainties of recovering this amount, out of which € 24.3 m had already been paid until 30.6.2014.

Revenues

- Turnover declined by € 117.6 m. (4%) to € 2,833.6 m in 1H2014 from € 2,951.2 m in 1H2013. Turnover includes an amount of € 32 m. reflecting network users' participation for their connection to the network versus € 43.1 m in 1H2013.

- PPC's revenues from electricity sales, declined by € 109.7 m (3.8%) to € 2,746.8 m. in 1H2014 compared to € 2,856.5 m in 1H2013.

In detail:

- Total electricity demand decreased by 7.8% (2,266 GWh) in 1H2014, to 26,951 GWh versus 29,217 GWh in 1H2013. Excluding exports and pumping, electricity demand decreased by 2.2% (589 GWh).
  Total electricity demand in 2Q2014 fell by 7% compared to 2Q2013, while excluding exports and pumping the decrease of domestic demand amounted to 1.6%.

- PPC's domestic electricity sales volume decreased by 564 GWh (2.3%), to 23,496 GWh due to lower demand, seemingly as a result of mild weather conditions during the winter. The respective decline in 2Q2014 compared to 2Q2013 was 1.7%.
  PPC's retail market share between 1H2014 and 1H2013 remained practically unchanged, at 98% versus 98.4%.

- PPC's electricity generation and imports covered 68.8% of total demand, while the corresponding percentage in 1H2013 was 63.8%. Lignite-fired generation increased by 6.9%, whereas gas-fired generation marked also a significant increase compared to 1H2013, when the respective generation was considerably lower, mainly due to exceptional hydrological conditions. Accordingly, hydro generation decreased by 54.6%, between the two periods.
  Finally, third party RES generation remained practically stable, compared to 1H2013. On the other hand, their relative share in the country's energy generation increased to 17.9% from 15.8%, due to the reduction of overall demand.

Operating expenses

Operating expenses before depreciation, decreased by € 79 m. (3.3%) from € 2,364.9 m. in 1H2013 to € 2,285.9 m. in 1H2014.

More specifically:

Energy mix expenditure

- Expenditure for liquid fuel, natural gas and energy purchases decreased by € 77.7 m., or by 6.2% compared to 1H2013.
  In detail:
  - The decrease in liquid fuel expense by € 24.6 m. (6.7%), from €368.9 m. in 1H2013 to € 344.3 m. in 1H2014, is attributed to the reduction of heavy fuel oil and diesel prices, expressed in Euros, by 6.8% and 6.7% respectively, (including the reduction of the premium that the Company achieved since January of this year), as electricity generation from liquid fuel marked a slight increase of 22 GWh.
  - Natural gas expense increased by € 67.8 m. (64.1%), from € 105.7 m. in 1H2013 to € 173.5 m., due to the increase of gas-fired generation, which was to some extent mitigated by the decrease of natural gas prices by 17.2%. Approximately half of this decrease is related to the discount on overall natural gas prices for PPC, following the agreement between DEPA and Gazprom.
  - Energy purchases expense from the System and the Network decreased by 16% or € 116.8 m., from € 730.6 m. in 1H2013 to € 613.8 m. More specifically, and

regarding the Interconnected System, energy purchases expense amounted to € 550 m. compared to € 655.7 m. in 1H2013, a reduction of 16.1% or € 105.7 m.
The reduction of energy purchases expense is mainly attributed to the reduction of energy purchases volume by 1,033 GWh (999 GWh from the System and 34 GWh from the Network) and the significant drop in the Variable Cost Recovery Mechanism expense.
On the other hand, the reduction in the energy purchases expense was contained by the increase of the average System Marginal Price (SMP) by 51.1%, from € 36.8/MWh in 1H2013 to € 55.6/MWh in 1H2014, as well as by the increased net expense by € 41.8 m for the Capacity Assurance Mechanism, resulting from the doubling of the Capacity Assurance Certificates (CACs) for modern natural gas-fired units combined with the abolition of CACs for certain PPC older generation units as of 1.8.2013.
Additionally, there was a further negative impact from the incremental expense of € 23.2 m, resulting from the modified methodology for calculating the price paid, through the Pool, by electricity suppliers to RES generators in the Interconnected System.

- Expenditure for electricity imports, excluding expense for interconnection rights, reached € 54.1 m., decreased by € 4.1 m. (7%), mainly due to the decrease of the imports price by 19.1%, despite the increase in the volume of imports by 155 GWh (1,191 GWh in 1H2014 vs 1,036 GWh in 1H2013).
- Expenditure for CO_2 emission rights amounted to € 104.8 m. in 1H2014, decreased by € 1.4 m. compared to 1H2013. CO_2 emissions in 1H2014 reached 19.8 mln tonnes compared to 18.8 mln tonnes, due to the increased lignite and gas fired generation.

Payroll cost

- The total reduction between the two periods in payroll cost, including capitalized payroll and payroll of seasonal personnel, amounted to € 21 m. (4%) from € 524 m in 1H2013 to € 503 m in 1H2014. The decrease in the number of permanent employees on payroll was 885, from 19,854 on 30.6.2013 to 18,969 on 30.6.2014.

Provisions

- Provisions for bad debt, litigation and slow moving materials amounted to € 249.1 m, marking an increase of € 60.1 m. (31.8%) compared to 1H2013, when they stood at € 189 m. As already mentioned, 2Q2014 provisions were increased by an amount of € 48.3 m referring to the aforementioned allocation of the deficit in the Day-Ahead Schedule market. On the contrary, 2Q2014 provisions were reduced by approximately € 68 m., for customers' advances, which correspond to Low Voltage customers included in doubtful balances until 30.6.2014. Excluding this reduction, provisions in 1H2014 would have increased by approximately € 128 m.

Other Operating Expenses

Other operating expenses decreased by € 64.1 m., reaching € 204.8 m. in 1H2014 compared to € 268.9 m. in 1H2013.
Adjusting for the one-off positive rebate of € 23.2 m, from the retroactive application of the discount in the price of natural gas for the second half of 2013, as well as for the one-off

positive impact of the recovery (excluding interest) from Aluminium of € 17.4 m, which were both recorded in 1Q2014, other operating expenses decreased by € 23.5 m. or 8.7%, to € 245.3 m in 1H2014 compared to € 268.9 m. in 1H2013.

In conclusion,

In 1H2014, 45.5% of total revenues were expensed for fuel, CO_2 and energy purchases compared to 46.4% in 1H2013. It is noted that, energy purchases expense in 1H2014 accounted for 23.5% of total revenues compared to 26.7% in 1H2013. Regarding the evolution of current provisions, these represent 11.2% of total revenues or 8.8%, taking into account the positive impact from customers' advances compared to 6.4% in 1H2013.

Other Financial information

- Depreciation expense in 1H2014 amounted to € 296.6 m. compared to € 305.1 m. in 1H2013, a reduction of € 8.5 m.
- Net financial expenses remained practically stable at € 107.1 m. compared to € 107.6 m 1H2013.
- Pre-tax profits in 1H2014 amounted to € 142.6 m. compared to € 170.2 m. in 1H2013.
- Net profits amounted to € 96.3 m. compared to € 127.1 m. in 1H2013.

Capex and net debt

- Capital expenditure in 1H2014 amounted to € 255.6 m. compared to € 335 m. in 1H2013, reduced by € 79.4 m., while, as a percentage of total revenues it declined to 9.1% from 11.4%. Excluding network users' participation for their connection to the network (€ 32 m. and € 43.1 m. in 1H2014 and 1H2013 respectively), which fund a significant part of network projects, capital expenditure amounted to 8% and 10% of total revenues in 1H2014 and 1H2013 respectively.
  Specifically, the main components of 1H2014 capital expenditure, were as follows (in brackets the respective figures for 1H2013):

- Mining projects:	€ 43.5 m.	(€ 41.5 m.)
- Generation projects:	€ 69.8 m.	(€ 81.2 m.)
- Transmission projects:	€ 17.9 m.	(€ 63 m.)
- Network projects:	€ 116.6 m.	(€ 143.8 m.)
- RES projects:	€ 4.8 m.	(€ 2.9 m.)

- Net debt amounted to € 4,906.6 m., an increase of € 297 m. compared to 30.6.2013 (€ 4,609.6 m.) and an increase of € 382.3 m. compared to 31.12.2013 (€ 4,524.3 m.). This increase is due to a net outflow of about € 180 m. for the rendering of the last part of the Special Property Tax collected through the electricity bills in 1H2014, the extraordinary payment of € 24.3 m. against the LAGIE deficit as well as the increase in working capital.

Commenting on the financial results of the period, Arthouros Zervos, Public Power Corporation's Chairman and Chief Executive Officer said:

"In the first half of 2014, total revenues declined by 4% or €117.6 m, mainly as a result of lower demand and lower High Voltage and Medium Voltage tariffs. Despite the continuous containment of operating expenses, the decline in revenues together with the increased bad debt provisions, the outflows in relation to the LAGIE deficit, as well as the different energy mix - due to significantly lower hydro generation, despite the increased lignite fired generation- led to a decline of operating results (EBITDA) by 6.6% or €38.6 m.

Specifically, and as far as controllable operating expenses are concerned, we achieved, for the ninth consecutive semester, a reduction of the total payroll cost, and, as a result, payroll represents 16.2% of total revenues compared to 24.7% in 2009. Recent studies and international benchmarking confirm the significant improvement in PPC's operating efficiency compared to similar companies.

However, the positive impact from the reduction in operating cost over the last years was outweighed by increases in non-controllable expenses, associated to a large extent with distortions in the regulatory environment. The recent partial lifting of distortions had a positive effect on the wholesale market operation, nonetheless, there are still pending issues in the regulatory framework as well as risks, associated, amongst other, with the implementation of the NOME model and the new methodology for Capacity Assurance Certificates (CAC). A rational regulatory framework for the market operation, leading to lower cost for the end consumer, is even more needed, given the current economic conditions, which are reflected in the significant increase in bad debt provisioning.

Recently, and in the framework of the European rules for cost-reflective tariffs, we proceeded with the rationalization of our tariffs, including reductions in tariffs for small enterprises. This rationalization has a neutral overall effect for PPC.

Finally, during the second quarter, we proceeded with the tender for the ownership unbundling of IPTO and four investors/consortia have been qualified to submit binding offers."

Financial Results of the Parent Company

	1H2014	1H2013
Turnover	€ 2,804.7 m.	€ 2,919.3 m.
EBITDA	€ 421.8 m.	€ 478.1 m.
EBITDA margin	15%	16.4%
Pre-tax profits / (Losses)	€ 84.4 m.	€ 105.7 m.
Net income / (Loss)	€ 57.7 m.	€ 62.8 m.

Financial Results of Subsidiaries

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

	1H2014	1H2013
Turnover	€ 136.9 m.	€ 137.7 m.
EBITDA	€ 101.1 m.	€ 81.8 m.
EBITDA margin	73.8%	59.4%
Pre-tax profits / (Losses)	€ 57 m.	€ 43.7 m.
Net income / (Loss)	€ 42.4 m.	€ 36.1 m.

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

	1H2014	1H2013
Turnover	€ 226.7 m.	€ 258.2 m.
EBITDA	€ 17.8 m.	€ 16.3 m.
EBITDA margin	7.8%	6.3%
Pre-tax profits / (Losses)	€ 15.3 m.	€ 13.1 m.
Net income / (Loss)	€ 11.5 m.	€ 21.4 m.

- **PPC Renewables S.A.**

	1H2014	1H2013
Turnover	€ 11.4 m.	€ 13.9 m.
EBITDA	€ 6.9 m.	€ 7.6 m.
EBITDA margin	60.5%	55.1%
Pre-tax profits / (Losses)	€ 4.7 m.	€ 5.2 m.
Net income / (Loss)	€ 3.5 m.	€ 4.3 m.

Summary Financials (€ m.)						
	1H2014 Audited	1H2013 Audited	Δ%	1H2014 Audited	1H2013 Audited	Δ%
	GROUP			PARENT COMPANY		
Total Revenues	2,833.6	2,951.2	-4.0%	2,804.7	2,919.3	-3.9%
EBITDA	547.7	586.3	-6.6%	421.8	478.1	-11.8%
EBITDA Margin	19.3%	19.9%		15.0%	16.4%	
Profit/(Loss) before Taxes & Fin. Expenses (EBIT)	251.1	281.2	-10.7%	158.0	205.6	-23.2%
EBIT margin (%)	8.9%	9.5%		5.6%	7.0%	
Net Income/(Loss)	96.3	127.1	-24.2%	57.7	62.8	-8.1%
Earnings/(Losses) per share (In euro)	0.42	0.55	-23.6%	0.25	0.27	-7.4%
No of Shares (in m.)	232	232		232	232	
Net Debt	4,906.6	4,609.6	6.4%	4,677.8	4,203.4	11.3%

Summary Profit & Loss (€ m.)						
	1H2014 Audited	1H2013 Audited	Δ%	1H2014 Audited	1H2013 Audited	Δ%
	GROUP			PARENT COMPANY		
Total Revenues	2,833.6	2,951.2	-4.0%	2,804.7	2,919.3	-3.9%
- Revenue from energy sales	2,746.8	2,856.5	-3.8%	2,741.8	2,847.1	-3.7%
- Customers' participation	32.0	43.1	-25.8%	30.6	43.2	-29.2%
- Third Party Distribution network fees and PSO	17.0	8.1	109.9%	7.1	2.2	222.7%
- Other revenues	37.8	43.5	-13.1%	25.2	26.8	-6.0%
Total Operating Expenses (excl. depreciation)	2,285.9	2,364.9	-3.3%	2,382.9	2,441.2	-2.4%
- Payroll Expenses	459.7	470.4	-2.3%	297.4	307.2	-3.2%
- Third parties fossil fuel	34.6	16.4	111.0%	34.6	16.4	111.0%
- Total Fuel Expenses	517.8	474.6	9.1%	517.8	474.6	9.1%
- Liquid fuel	*344.3*	*368.9*	*-6.7%*	*344.3*	*368.9*	*-6.7%*
- Natural Gas	*173.5*	*105.7*	*64.1%*	*173.5*	*105.7*	*64.1%*
- Expenditure for CO_2 emission rights	*104.8*	*106.2*	-1.3%	*104.8*	*106.2*	-1.3%
- Special lignite levy	*23.1*	*21.6* (1)	6.9%	*23.1*	*21.6* (1)	6.9%
- Energy Purchases	667.9	788.8 (1)	-15.3%	680.5	799.6 (1)	-14.9%
- Purchases From the System and the Network	*440.7*	*377.4* (1)	*16.8%*	*446.3*	*383.1* (1)	*16.5%*
- Imports	*54.1*	*58.2* (1)	*-7.0%*	*54.1*	*58.2* (1)	*-7.0%*
- Third party variable cost recovery mechanism	*19.7*	*215.2* (1)	*-90.8%*	*19.7*	*215.2* (1)	*-90.8%*
- Third party capacity assurance mechanism	*85.7*	*43.9* (1)	*95.2%*	*85.7*	*43.9* (1)	*95.2%*
- Balance of clearings and other expenses	*13.3*	*21.3* (1)	*-37.6%*	*13.3*	*21.3* (1)	*-37.6%*
- Differential expense for RES energy purchases	*23.2*	*0.0* (1)		*23.2*	*0.0* (1)	
- Special consumption tax on natural gas for IPPs	*13.7*	*55.9* (1)	*-75.5%*	*13.7*	*55.9* (1)	*-75.5%*
- Other	*17.5*	*16.9* (1)	*3.6%*	*24.5*	*22.0* (1)	*11.4%*

- Transmission System Usage	*0.0*	*0.0* [1]		*103.8*	*113.3* [1]	*-8.4%*
- Distribution System Usage	0.0	0.0		210.6	210.3	0.1%
- Provisions	249.1	189.0	31.8%	255.4	182.1	40.3%
- Taxes and Duties	24.1	29.0	-16.9%	20.5	24.0	-14.6%
- Other Operating Expenses (including lignite)	204.8	268.9 [1]	-23.8%	134.4	185.9	-27.7%
EBITDA	547.7	586.3	-6.6%	421.8	478.1	-11.8%
EBITDA margin (%)	19.3%	19.9%		15.0%	16.4%	
Depreciation and Amortisation and impairment of fixed assets	296.6	305.1	-2.8%	263.8	272.5	-3.2%
Profit/(Loss) before Taxes & Fin. Expenses (EBIT)	251.1	281.2	-10.7%	158.0	205.6	-23.2%
EBIT margin (%)	8.9%	9.5%		5.6%	7.0%	
Total Net Financial Expenses	108.4	107.8	0.6%	72.4	95.2	-23.9%
- Net Financial Expenses	*107.1*	*107.6*	*-0.5%*	*71.0*	*95.0*	*-25.3%*
- Foreign Currency (Gains)/ Losses	*1.3*	*0.2*	*550.0%*	*1.4*	*0.2*	*600.0%*
Impairment loss of marketable securities	1.2	4.7	-74.5%	*1.2*	*4.7*	-74.5%
Share of profit /(Losses) in associated companies	1.1	1.5	-26.7%	*0.0*	*0.0*	
Pre-tax Profits/(Losses)	142.6	170.2	-16.2%	84.4	105.7	-20.2%
Net Income/ (Loss)	96.3	127.1	-24.2%	57.7	62.8	-8.1%
Earnings/(Losses) per share (In euro)	0.42	0.55	-23.6%	0.25	0.27	-7.4%

Summary Balance Sheet & Capex (€ m.)

	1H2014 Audited	1H2013 Audited	Δ%	1H2014 Audited	1H2013 Audited	Δ%
	GROUP			**PARENT COMPANY**		
Total Assets	16,319.5	16,075.8	1.5%	15,122.5	14,997.3	0.8%
Net Debt	4,906.6	4,609.6	6.4%	4,677.8	4,203.4	11.3%
Total Equity	5,500.0	5,720.4	-3.9%	5,380.8	5,696.1	-5.5%
Capital expenditure	255.6	335.0	-23.7%	216.5	267.1	-18.9%

[1] Reclassifications have taken place for comparative reasons.

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The financial data and relevant information on the Financial Statements for the first half of 2014, as well as the Financial Statements for the first half of 2014, on a standalone and on a consolidated basis shall be uploaded to the Company's web site (www.dei.gr) on August 28th, 2014, after the closing of the Athens Stock Exchange.