

PPC GROUP 1H2013 FINANCIAL RESULTS

Athens, August 29, 2013

Summary Financial Results

- **Turnover: € 2,951.2 m.**
 - **EBITDA: € 586.3 m.**
 - **Pre-Tax Profits: € 170.2 m.**
 - **Net Income: € 127.1 m.**
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- EBITDA in 1H2013 amounted to € 586.3 m compared to € 489 m in 1H2012, increased by € 97.3 m (+19.9%), mainly as a result of the reduction of the total energy mix cost by € 146 m (-8.1%), with EBITDA margin reaching 19.9% versus 16.6% in 1H2012.
 - Total electricity demand decreased in 1H2013 by 1,064 GWh (-3.5%) to 29,217 GWh versus 30,281 GWh in 1H2012. Excluding exports and pumping, electricity demand decreased by 3.3% (-923 GWh). In the second quarter of 2013 the rate of decrease of total electricity demand decelerated to 2% from 4.9% in the first quarter.
 - PPC's total electricity sales, including exports, decreased by 479 GWh (-1.9%) to 24,604 GWh, as a result of the drop in demand, despite the slight market share recovery of 0.4 percentage points in the retail market. The corresponding revenues increased by 1.9% due to the tariff increases effective as of 1.1.2013, which were partly offset by the decrease in sales volume and the deterioration in PPC's sales mix.
 - Turnover slightly increased to € 2,951.2 m from € 2,938 m in 1H2012, an increase of € 13.2 m (+0.4%). Turnover includes an amount of € 43.1 m reflecting network users' contributions for their connection to the network. The abovementioned figure is reduced by € 21.6 m compared to 1H2012 (€ 64.7 m), due to lower building activity, as well as due to the fact that in the respective period of 2012 there was an increased number of applications for connections with the network from RES generators (mainly Photovoltaic).
 - In 1H2013, PPC's electricity generation and imports covered 63.8% of total demand, while the corresponding percentage in 1H2012 was 67%, a reduction of 1,635 GWh, due to lower generation from lignite-fired and gas-fired units, which was partly counterbalanced by the increased hydro generation. In addition, third party RES generation increased to 4,167 GWh (+1,195 GWh), with the relative share in the country's energy mix increasing to 14.3% from 9.8%.
 - Expenditure for liquid fuel, natural gas and energy purchases decreased by € 255.5 m, a

decrease of 17% compared to 1H2012, mainly driven by the lower expense for natural gas and to a lesser extent for liquid fuel. The largest part of the reduction in energy purchases expense, stemming from the reduction of the System Marginal Price (SMP) by 39.5% from € 60.8/MWh to € 36.8/MWh, was offset from the higher expense for the variable cost recovery of IPPs.

- Expenditure for CO₂ emission rights amounted to €106.2 m in 1H2013, increased by € 105.8 m compared to 1H2012, due to the fact that as of 1.1.2013, PPC is not entitled to any free CO₂ emission rights. CO₂ emissions in 1H2013 amounted to 18.8 mln tonnes compared to 22.9 mln tonnes in the respective period of 2012.
- The total reduction of payroll cost, including capitalized payroll, between the two periods amounted to € 10.3 m (-1.9%). The abovementioned figure is calculated after the deduction of an amount of € 6 m out of the total payroll cost which PPC has to recover from the State for 480 employees, who work for the Social Security Fund (IKA-ETAM) and for PPC's Personnel Insurance Organization.
The net decline in the number of permanent employees on payroll was 680, from 20,534 on 30/6/2012 to 19,854 on 30/6/2013. It is important to note that, despite the lower number of personnel, overtime and shifts (in hours) decreased by 4.3% in total.
- In 1H2013, 46% of total revenues were expensed for fuel, CO₂ and energy purchases compared to 51.2% in the respective period of 2012. This development is attributed to the decrease of the share of liquid fuel and natural gas expenses, to 16.1% from 23.6% of total revenues. On the contrary, the share of the variable cost recovery of IPPs increased to 7.3% from 4.2%, whereas for CO₂ expense was 3.6%.
The share of provisions amounted to 6.4% of total revenues in 1H2013 compared to 4.8% in the respective period of 2012.
- In 1H2013, pre-tax profits amounted to € 170.2 m compared to € 52.5 m in 1H2012, while net profit amounted to € 127.1 m compared to € 22.9 m. in the respective period of 2012.

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

“In the second quarter, Group's turnover increased by 4.2% and operating profitability (EBITDA) by 29.3%.

On a semi-annual level, operating profitability improved with EBITDA margin reaching 19.9% compared to 16.6% in the respective period of 2012.

Despite the increase of CO₂ expense by approximately € 106 m, the reduction of the energy mix cost by € 146 m (-8.1%), attributed to a large extent to hydro generation which more than doubled (increase of 2,016 GWh or 116%), had a significant positive impact on Group's results.

The Variable Cost Recovery Mechanism for natural gas-fired units of third party generators remains a substantial cost element for 2013, which, despite the lower demand, had a significant negative impact on first half 2013 financial results. The cost of this mechanism amounted to € 215.2 m compared to € 124.7 m in the first half of 2012.

The new measures announced by RAE for addressing the distortions in the wholesale market, have not up to now brought any changes as to the operation of this market.

For the full year, assuming Brent oil at \$ 105/bbl, €/€ exchange rate of 1.28 and price for CO₂ emission rights of € 5/tn, for the period September-December 2013, key financials are estimated to be as follows:

Revenues from energy sales: € 5.9 bln

Total Revenues: € 6.1 bln

EBITDA margin: 16.5% - 17%

Finally, I would also like to highlight the commencement of commercial operation, in August, of the 417 MW Aliveri CCGT unit, which enhances the competitiveness of the Company's generation capacity, as well as the refinancing of bilateral loans of a total amount of € 1.2 bln with a consortium of Greek banks. This loan agreement was one of the main reasons for the recent rating upgrade of the Company by the rating agency Standards & Poor's, while it is an intermediate stage in light of the conclusion of the agreement for the signing of a medium to long term loan aiming at the improvement of the capital structure of the Company.”

ANALYSIS OF FINANCIAL RESULTS

REVENUES

Revenues from electricity sales, including exports, increased by 1.9% at € 2,856.5 m, from € 2,802.5 m in 1H2012. PPC's market share in the retail market slightly increased to an average of 98.4% compared to 98% in 1H2012.

The change in the volume of sales is analyzed as follows:

- decrease of sales to the residential sector by 4.1%,
- increase of sales to the agricultural sector by 7.6%,
- decrease of sales to the commercial sector by 5.2%,
- decrease of sales to the industrial Medium & Low Voltage sector by 0.7%,
- increase of sales to the High Voltage sector by 1.4%,
- decrease of sales to other sectors by 1.9%,
- increase of exports by 236 GWh.

The reduction of demand in the residential and commercial sector is the main factor behind the 3.5% drop in demand and the adverse sales mix of PPC.

OPERATING EXPENSES

Operating expenses, excluding depreciation, decreased by € 84.1 m (-3.4%) from € 2,449 m in 1H2012 to € 2,364.9 m in 1H2013.

More specifically, with respect to energy mix:

- Electricity generation from lignite decreased significantly by 18.3% (-2,426 GWh), with a consequent decline of the percentage participation of lignite in PPC's total energy mix to 39.7% vs 47.3% for 1H2012.
- Hydro generation more than doubled compared to 1H2012 (increased by 2,016 GWh), reaching 3,754 GWh due to increased water inflows during 1Q2013.
- Natural gas expense decreased by € 150.3 m, from € 256 m in 1H2012 to € 105.7 m, primarily due to the significant decrease of gas-fired generation by 1,186 GWh (-56.1%), and secondly due to the decrease of natural gas prices by 7.2%. The reduction of gas-fired generation was particularly intense in the first quarter of 2013 (-75.3% compared to the first quarter of 2012), whereas in the second quarter the rate of decrease was limited to 11.3% compared to the respective period of last year.
- The decrease in the liquid fuel expense by € 69 m (-15.8%) from € 437.9 m in 1H2012 to € 368.9 m this year, is mainly attributed to the reduction of electricity generation from liquid fuel by 232 GWh. On top of that, international prices of heavy fuel oil and diesel marked a decrease of 7.8% and 4.3% respectively.
- Even though the SMP between the two periods declined by 39.5%, expenditure for energy purchases from the System and the Network declined only by 5.7% from € 761.4 m in 1H2012 to € 717.8 m in 1H2013 (- € 43.6 m), as the reduction of the SMP was largely offset from the higher expense for the compensation of IPPs with their variable cost (€ 215.2 m vs €124.7 m in 1H2012).

- PPC's imports increased to 1,036 GWh in 1H2013 (+ 169 GWh compared to 1H2012) with an increase in the respective expense by € 7.4 m.

With respect to provisions:

- Provisions for bad debt, litigation and slow moving materials amounted to € 189 m, increased by € 46.6 m (+32.7%) compared to 1H2012. Excluding the negative impact of one off provisions of IPTO and HEDNO regarding third party suppliers debt, which were recorded in 2Q2012 and the positive impact of the reversal of the provision for the Attica traffic lights which was recorded in 1Q2012, the actual increase in provisions is € 37.8 m (+25%).
- It is noted that, following the issuance of RAE's Decision 285/2013, the Market Operator (LAGIE) sent a letter to PPC, according to which an amount of € 96.6 m is seemingly allocated to PPC, based on the finalization of the methodology for the fair allocation of payments to cover deficits in the Day Ahead Schedule created by third party suppliers during 2011 and 2012. The Parent Company considers that LAGIE's alleged claim violates fundamental principles of law and will be appropriately contested in court, while at the same time neither the amount, nor the grounds on which this claim is based are substantiated. However, as the above mentioned claim is based on RAE's Decision, the legal dispute will be lengthy with uncertain outcome for the parties involved. Given the fact that LAGIE's claim is disputed as far as its essence is concerned and, in addition, said amount as well as the grounds on which this claim is based are not substantiated, it is not possible to estimate the potential liability that might arise for the Parent Company and therefore no provision has been recorded in the 1H2013 financial results.

OTHER FINANCIAL INFORMATION

- Depreciation expense in 1H2013 slightly decreased to € 305.1 m compared to € 319.4 m in 1H2012.
- Net financial expenses decreased to € 107.6 m (-8%), from € 116.9 m in 1H2012, due to debt reduction between the two periods, as well as the decrease of interbank interest rates.
- Capital expenditure in 1H2013 amounted to € 335 m. compared to € 457.3 m. in 1H2012, reduced by € 122.3 m, while, as a percentage of total revenues it declined to 11.4% from 15.6%. Excluding network users' contributions for their connection to the network (€ 43.1 m. and € 64.7 m. in 1H2013 and 1H2012 respectively), which fund a significant part of network projects, capital expenditure amounted to 10% and 13.7% of total revenues in 1H2013 and 1H2012 respectively.
More specifically, the main components of 1H2013 capital expenditure, were the following (in brackets the respective figures of 1H2012):

| | | |
|--------------------------|------------|--------------|
| - mining projects: | € 41.5 m. | (€ 75.2 m.) |
| - generation projects: | € 81.2 m. | (€ 172.9 m.) |
| - transmission projects: | € 63 m. | (€ 41.5 m.) |
| - network projects: | € 143.8 m. | (€ 159.8 m.) |
| - RES projects: | € 2.9 m. | (€ 6.3 m.) |
- Net debt amounted to € 4,609.6 m, a reduction of € 167.7 m. compared to 30.6.2012 (€ 4,777.3 m.) or € 69.4 m compared to 31.12.2012 (€ 4,679 m.).

FINANCIAL RESULTS OF THE PARENT COMPANY *(in brackets the amounts for 1H2012)*

- Turnover: € 2,919.3 m. (€ 2,887.1 m.)
- EBITDA: € 478.1 m. (€ 379.9 m.)
- EBITDA margin : 16.4% (13.2%)
- Pre - tax profits : € 105.7 m. (€ 24.9 m.)
- Net income: € 62.8 m. (€ 16 m.)

FINANCIAL RESULTS OF SUBSIDIARIES *(in brackets the amounts for 1H2012)*

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

- Turnover: € 137.7 m. (€ 142.1 m.)
- EBITDA: € 81.8 m. (€ 66.7 m.)
- EBITDA margin : 59.4% (46.9%)
- Pre - tax profits: € 43.7 m. (€ 26.3 m.)
- Net income: € 36.1 m. (€ 11.9 m.)

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

- Turnover: € 258.2 m. (€ 230.8 m.)
- EBITDA: € 16.3 m. (€ 30.7 m.)
- EBITDA margin : 6.3% (13.3%)
- Pre - tax profits: € 13.1 m. (€ 29.1 m.)
- Net income: € 21.4 m. (€ 23.9 m.)

PPC Renewables S.A.

- Turnover: € 13.9 m. (€ 11.4 m.)
- EBITDA: € 7.6 m. (€ 6.4 m.)
- EBITDA margin : 55.1% (56.1%)
- Pre - tax profits: € 5.2 m. (€ 3.9 m.)
- Net income: € 4.3 m. (€ 3.2 m.)

| Summary Financials (€ m.) | | | | | | |
|---|-------------------|----------------------|-------|-------------------|----------------------|--------|
| | 1H2013 Audited | 1H2012 Audited | Δ% | 1H2013 Audited | 1H2012 Audited | Δ% |
| | GROUP | | | PARENT COMPANY | | |
| Total Revenues | 2,951.2 | 2,938.0 | 0.4% | 2,919.3 | 2,887.1 | 1.1% |
| EBITDA | 586.3 | 489.0 ⁽¹⁾ | 19.9% | 478.1 | 379.9 ⁽¹⁾ | 25.8% |
| EBITDA Margin | 19.9% | 16.6% ⁽¹⁾ | | 16.4% | 13.2% ⁽¹⁾ | |
| Profit/(Loss) before Taxes & Fin. Expenses (EBIT) | 281.2 | 169.6 ⁽¹⁾ | 65.8% | 205.6 | 91.8 ⁽¹⁾ | 124.0% |
| EBIT margin (%) | 9.5% | 5.8% ⁽¹⁾ | | 7.0% | 3.2% ⁽¹⁾ | |
| Net Income/(Loss) | 127.1 | 22.9 ⁽¹⁾ | | 62.8 | 16.0 ⁽¹⁾ | 292.5% |
| EPS/(Loss) (in euro) | 0.55 | 0.10 ⁽¹⁾ | | 0.27 | 0.07 ⁽¹⁾ | |
| No of Shares (in m.) | 232 | 232 | | 232 | 232 | |
| Net Debt | 4,609.6 | 4,777.3 | -3.5% | 4,203.4 | 4,386.2 | -4.2% |

| Summary Profit & Loss (€ m.) | | | | | | |
|--|-------------------|------------------------|---------|-------------------|------------------------|---------|
| | 1H2013 Audited | 1H2012 Audited | Δ% | 1H2013 Audited | 1H2012 Audited | Δ% |
| | GROUP | | | PARENT COMPANY | | |
| Total Revenues | 2,951.2 | 2,938.0 | 0.4% | 2,919.3 | 2,887.1 | 1.1% |
| - Revenue from energy sales | 2,856.5 | 2,802.5 | 1.9% | 2,847.1 | 2,795.5 | 1.8% |
| - Revenues from HTSO | 0.0 | 0.6 | -100.0% | 0.0 | 0.6 | -100.0% |
| - Customers' contributions | 43.1 | 64.7 | -33.4% | 43.2 | 62.4 | -30.8% |
| - Third Party Distribution network fees and PSO | 8.1 | 13.7 | -40.9% | 2.2 | 8.4 | -73.8% |
| - Other revenues | 43.5 | 56.5 | -23.0% | 26.8 | 20.2 | 32.7% |
| Total Operating Expenses (excl. depreciation) | 2,364.9 | 2,449.0 ⁽¹⁾ | -3.4% | 2,441.2 | 2,507.2 ⁽¹⁾ | -2.6% |
| - Payroll Expenses | 470.4 | 472.9 ⁽¹⁾ | -0.5% | 307.2 | 309.8 ⁽¹⁾ | -0.8% |
| - Third parties fossil fuel | 16.4 | 19.0 | -13.7% | 16.4 | 19.0 | -13.7% |
| - Total Fuel Expenses | 474.6 | 693.9 | -31.6% | 474.6 | 693.9 | -31.6% |
| - <i>Liquid fuel</i> | 368.9 | 437.9 | -15.8% | 368.9 | 437.9 | -15.8% |
| - <i>Natural Gas</i> | 105.7 | 256.0 | -58.7% | 105.7 | 256.0 | -58.7% |
| - Expenditure for CO ₂ emission rights | 106.2 | 0.4 ⁽²⁾ | | 106.2 | 0.4 ⁽²⁾ | |
| - Energy Purchases | 776.0 | 812.2 | -4.5% | 784.4 | 818.1 | -4.1% |
| - <i>Purchases From the System and the Network</i> | 377.4 | 509.9 | -26.0% | 383.0 | 509.9 | -24.9% |
| - <i>PPC Imports</i> | 58.2 | 50.8 | 14.6% | 58.2 | 50.8 | 14.6% |
| - <i>Other</i> | 340.4 | 251.5 | 35.3% | 343.2 | 257.4 | 33.3% |

| | | | | | | |
|--|-------|----------------------|--------|-------|----------------------|--------|
| - Transmission System Usage | 34.5 | 29.5 | 16.9% | 147.8 | 147.7 | 0.1% |
| - Distribution System Usage | 0.0 | 0.0 | | 210.3 | 198.1 | 6.2% |
| - Provisions | 189.0 | 142.4 | 32.7% | 182.1 | 95.4 | 90.9% |
| - (Profit) / loss from evaluation of CO ₂ liabilities of prior year and of sales of CO ₂ | 0.0 | 0.0 | | 0.0 | 0.0 | |
| - Taxes and Duties | 29.0 | 24.3 | 19.3% | 24.0 | 21.1 | 13.7% |
| - Other Operating Expenses (including lignite) | 268.8 | 254.4 ⁽²⁾ | 5.7% | 188.2 | 203.7 ⁽²⁾ | -7.6% |
| EBITDA | 586.3 | 489.0 ⁽¹⁾ | 19.9% | 478.1 | 379.9 ⁽¹⁾ | 25.8% |
| EBITDA margin (%) | 19.9% | 16.6% ⁽¹⁾ | | 16.4% | 13.2% ⁽¹⁾ | |
| Depreciation and Amortisation | 305.1 | 319.4 | -4.5% | 272.5 | 288.1 | -5.4% |
| Profit/(Loss) before Taxes & Fin. Expenses (EBIT) | 281.2 | 169.6 ⁽¹⁾ | 65.8% | 205.6 | 91.8 ⁽¹⁾ | 124.0% |
| EBIT margin (%) | 9.5% | 5.8% ⁽¹⁾ | | 7.0% | 3.2% ⁽¹⁾ | |
| Total Net Financial Expenses | 107.8 | 117.6 | -8.3% | 95.2 | 66.9 | 42.3% |
| - Net Financial Expenses | 107.6 | 116.9 | -8.0% | 95.0 | 66.2 | 43.5% |
| - Foreign Currency (Gains)/ Losses | 0.2 | 0.7 | -71.4% | 0.2 | 0.7 | -71.4% |
| Impairment loss of marketable securities | 4.7 | 0.0 | | 4.7 | 0.0 | |
| Share of profit /(losses) in associated companies | 1.5 | 0.5 | 200.0% | 0.0 | 0.0 | |
| Pre-tax Profits/ (Losses) | 170.2 | 52.5 ⁽¹⁾ | 224.2% | 105.7 | 24.9 ⁽¹⁾ | 324.5% |
| Net Income/ (Loss) | 127.1 | 22.9 ⁽¹⁾ | | 62.8 | 16.0 ⁽¹⁾ | 292.5% |
| EPS/(Loss) (In euro) | 0.55 | 0.10 ⁽¹⁾ | | 0.27 | 0.07 ⁽¹⁾ | |

Summary Balance Sheet & Capex (€ m.)

| | 1H2013 Audited | 1H2012 Audited | Δ% | 1H2013 Audited | 1H2012 Audited | Δ% |
|---------------------|-------------------|------------------------|--------|-------------------|------------------------|--------|
| | GROUP | | | PARENT COMPANY | | |
| Total Assets | 16,075.8 | 17,010.0 | -5.5% | 14,997.3 | 15,331.8 | -2.2% |
| Net Debt | 4,609.6 | 4,777.3 | -3.5% | 4,203.4 | 4,386.2 | -4.2% |
| Total Equity | 5,720.4 | 6,361.2 ⁽¹⁾ | -10.1% | 5,696.1 | 6,285.2 ⁽¹⁾ | -9.4% |
| Capital expenditure | 335.0 | 457.3 | -26.7% | 267.1 | 409.4 | -34.8% |

⁽¹⁾ Figures have been adjusted due to the amended IAS 19 "Employee Benefits"

⁽²⁾ Reclassifications have taken place for comparative reasons.

For further information please contact:

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The financial data and relevant information on the Financial Statements for 1H2013, as well as the Financial Statements for 1H2013, on a standalone and on a consolidated basis shall be uploaded to the Company's web site (www.dei.gr) on August, 29th, 2013, after the closing of the Athens Stock Exchange.