



# Public Power Corporation SA

## Financial Results 2011

Athens, March 30, 2012



# Agenda

## **Financial Results**

George Angelopoulos, CFO

## **Business Update & Outlook**

Arthouros Zervos, Chairman and CEO



# Financial Results 2011

**George Angelopoulos**  
**Chief Financial Officer**



# Summary Financial Results 2011 / 2010 (Group)

Key Figures (€ mln.)	2011	2010	Δ	Δ%
<b>Total Revenues</b>	<b>5,513.6</b>	<b>5,809.8</b>	<b>(296.2)</b>	<b>(5.1)</b>
Revenues from Energy Sales	4,878.6	5,233.3	(354.7)	(6.8)
<i>Energy Sales (GWh)</i>	<i>49,317.0</i>	<i>51,587.0</i>	<i>(2,270.0)</i>	<i>(4.4)</i>
Payroll Expense	1,099.7	1,245.1	(145.4)	(11.7)
<i>Overtime &amp; shifts expense</i>	<i>117.4</i>	<i>154.2</i>	<i>(36.8)</i>	<i>(23.9)</i>
Contribution to PPC's Personnel Insurance Organisations		99.6	(99.6)	
Liquid Fuel	803.7	667.8	135.9	20.4
Natural Gas	469.4	458.6	10.8	2.4
Energy Purchases	1,057.0	650.5*	406.5	62.5
<i>Variable cost recovery mechanism</i>	<i>130.6</i>	<i>28.5</i>	<i>102.1</i>	<i>358.2</i>
Transmission System Charges	315.6	246.3**	69.3	28.1
Other Operating Expenses (controllable)	581.4	541.0	40.4	7.5
Provisions	140.4	179.5	(39.1)	(21.8)
Bad debt provisions for third party suppliers	83.5		83.5	
<b>EBITDA</b>	<b>769.4</b>	<b>1,497.7</b>	<b>(728.3)</b>	<b>(48.6)</b>
<b>EBITDA MARGIN</b>	<b>14.0%</b>	<b>25.8%</b>		
Depreciation	646.9	626.4	20.5	3.3
Net Financial Expenses	183.2	129.4	53.8	41.6
<i>Financial expenses</i>	<i>226.9</i>	<i>170.3</i>	<i>56.6</i>	<i>33.2</i>
<i>Financial income</i>	<i>43.7</i>	<i>40.9</i>	<i>2.8</i>	<i>6.8</i>
Impairment loss of marketable securities	25.6		25.6	
<b>EBT</b>	<b>(85.8)</b>	<b>740.7</b>	<b>(826.5)</b>	

\* Including the positive impact of € 37.3 mln. from previous years' settlements

\*\* Including the positive impact of € 37.7 mln. from previous years' settlements.

The increase in the energy balance cost by 22.7% coupled with a 5.1% turnover reduction are the main factors leading to a 48.6% decline in the EBITDA, despite the significant decrease in payroll expenses by 11.7%.



# Summary Financial Results 4Q2011 / 4Q2010 (Group)

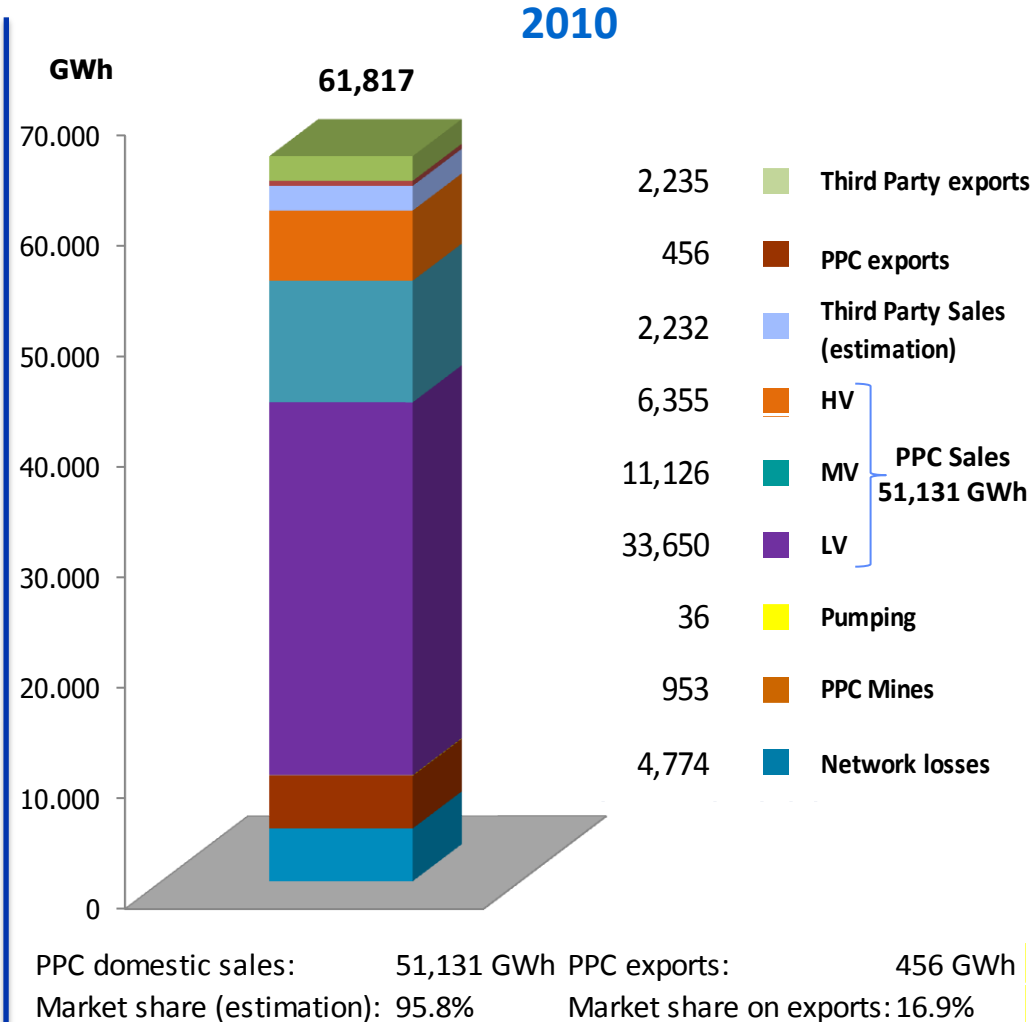
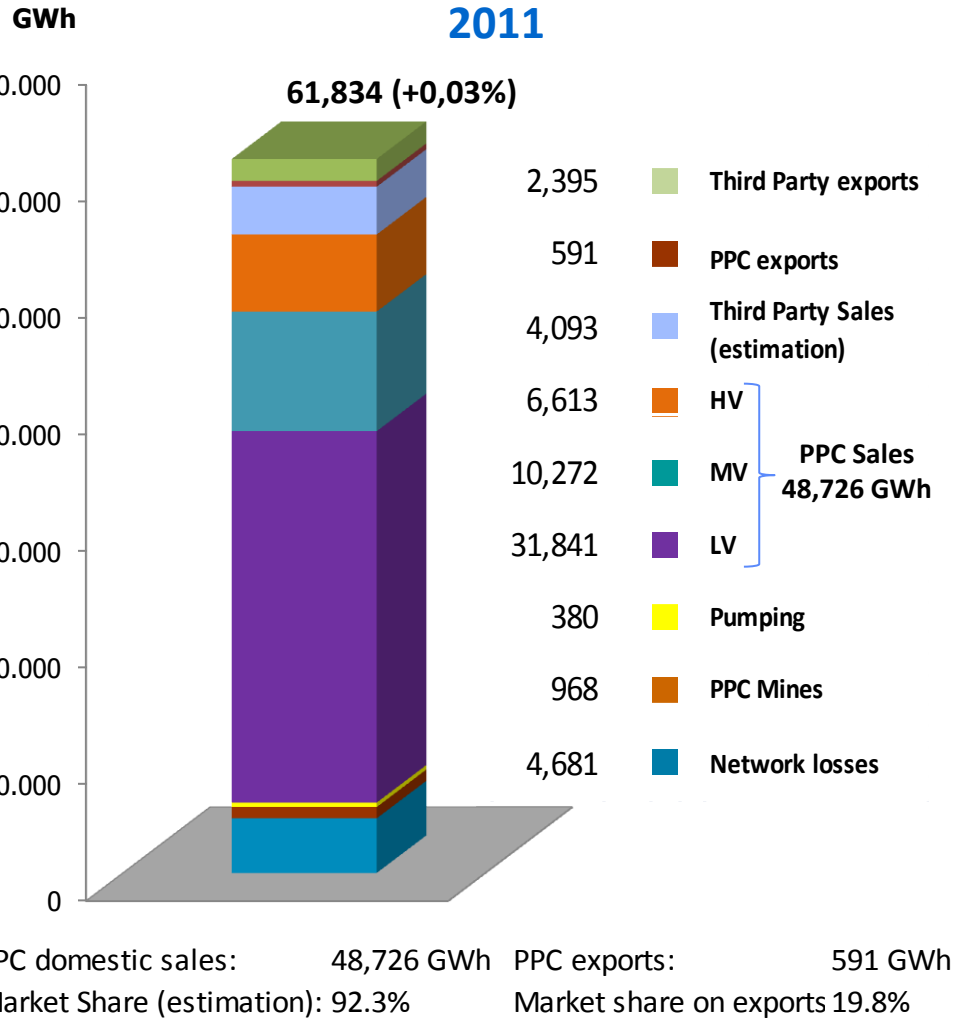
Key Figures (€ mln.)	4Q2011	4Q2010	Δ	Δ%
<b>Total Revenues</b>	<b>1,310.0</b>	<b>1,342.2</b>	<b>(32.2)</b>	<b>(2.4)</b>
Revenues from Energy Sales	1,118.5	1,209.1	(90.6)	(7.5)
<i>Energy Sales (GWh)</i>	<i>11,903.0</i>	<i>12,042.0</i>	<i>(139.0)</i>	<i>(1.2)</i>
Payroll Expense	262.0	302.3	(40.3)	(13.3)
<i>Overtime &amp; shifts expense</i>	<i>22.1</i>	<i>38.2</i>	<i>(16.1)</i>	<i>(42.1)</i>
Contribution to PPC's Personnel Insurance Organisations		48.5	(48.5)	
Liquid Fuel	180.8	140.5	40.3	28.7
Natural Gas	143.9	90.2	53.7	59.5
Energy Purchases	301.4	149.1	152.3	102.1
<i>Variable cost recovery mechanism</i>	<i>41.9</i>	<i>15.4</i>	<i>26.5</i>	<i>172.1</i>
Transmission System Charges	86.2	32.4*	53.8	166.0
Other Operating Expenses (controllable)	158.6	141.3	17.3	12.2
Provisions	128.4	91.5	36.9	40.3
Bad debt provisions for third party suppliers	83.5		83.5	
<b>EBITDA</b>	<b>(25.3)</b>	<b>274.1</b>	<b>(299.4)</b>	<b>(109.2)</b>
<b>EBITDA MARGIN</b>	<b>-1.9%</b>	<b>20.4%</b>		
Depreciation	141.4	187.8	(46.4)	(24.7)
Net Financial Expenses	53.3	35.1	18.2	51.9
<i>Financial expenses</i>	<i>62.9</i>	<i>47.6</i>	<i>15.3</i>	<i>32.1</i>
<i>Financial income</i>	<i>9.6</i>	<i>12.5</i>	<i>(2.9)</i>	<i>(23.2)</i>
Impairment loss of marketable securities	4.7		4.7	
<b>EBT</b>	<b>(224.2)</b>	<b>51.1</b>	<b>(275.3)</b>	

\* Including the positive impact of € 37.7 mln. from previous years' settlements

Despite the reduction in payroll expense by 13.3%, the increase in the energy balance cost by 48.2% and the impact from the bad debt provision for third party suppliers, resulted in a negative EBITDA margin of 1.9% compared to a positive margin of 20.4% in 4Q2010.



# Electricity Demand 2011 / 2010



**Total electricity demand between the two periods remained practically at the same level. Excluding pumping and exports, demand declined by 1.1% (622 GWh). This fact combined with PPC's market share loss by 3.5 percentage points, resulted in a decline in PPC's domestic sales by 4.7% (2,405GWh).**



# Electricity Demand 4Q2011 / 4Q2010

## 4Q 2011

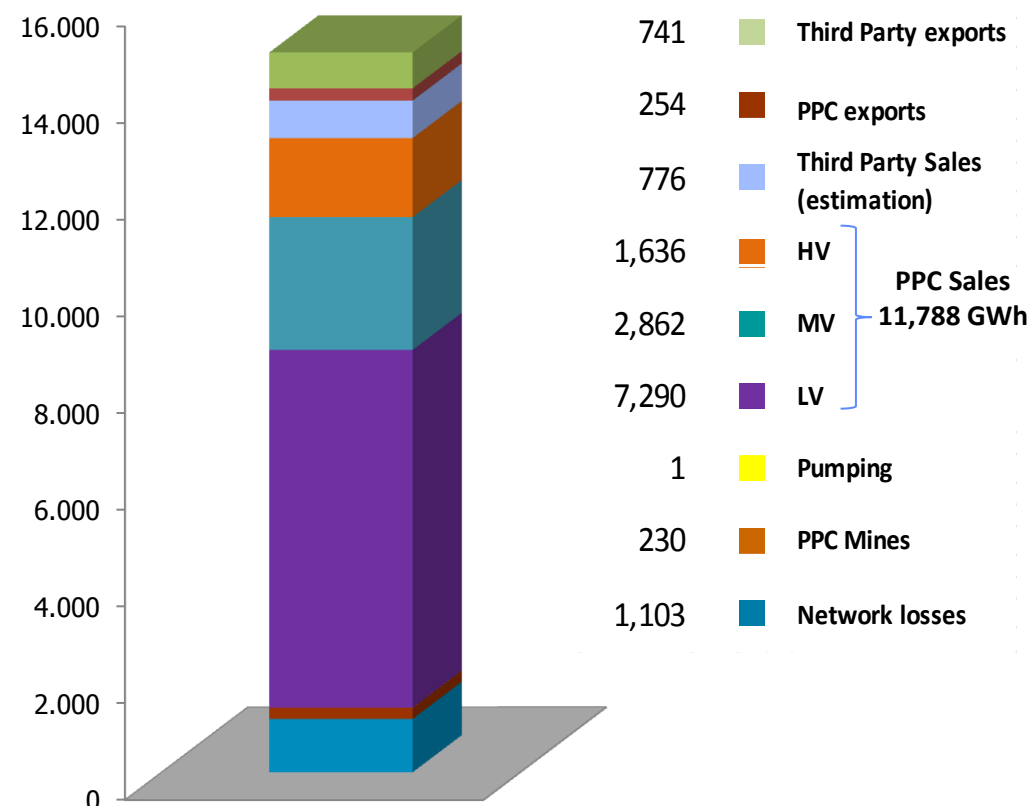
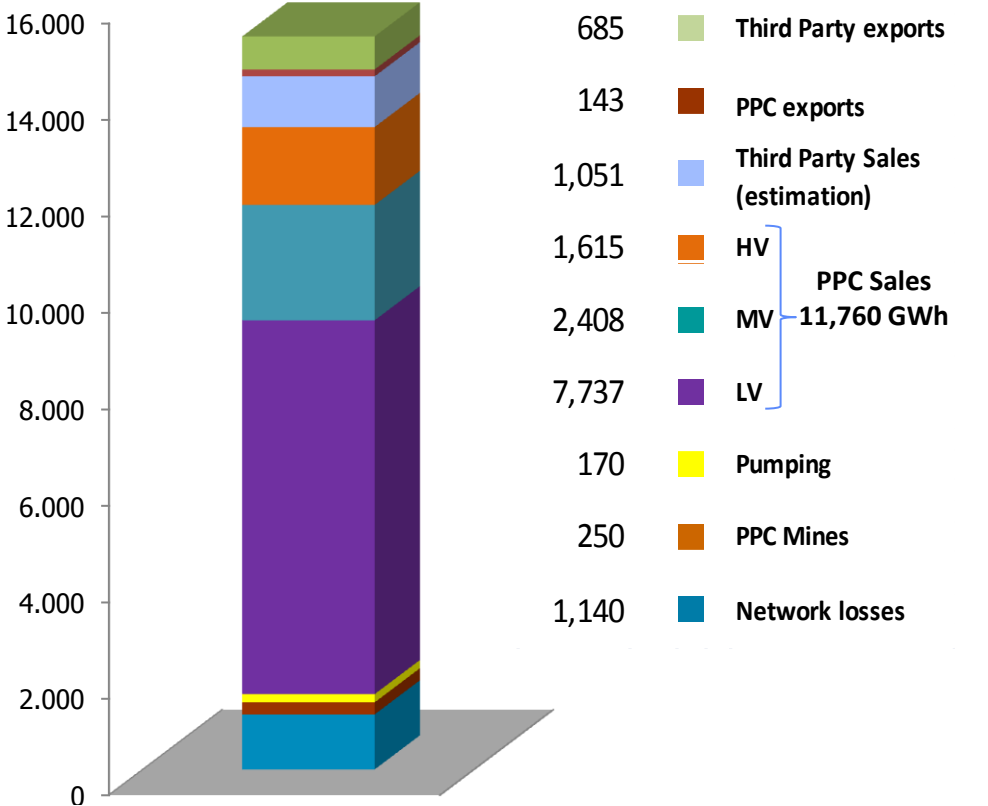
## 4Q 2010

GWh

15,199 (+2%)

GWh

14,893



PPC domestic sales: 11,760 GWh  
 Market Share (estimation): 91.8%

PPC exports: 143 GWh  
 Market share on exports 17.3%

PPC domestic sales: 11,788 GWh  
 Market share (estimation): 93.8%

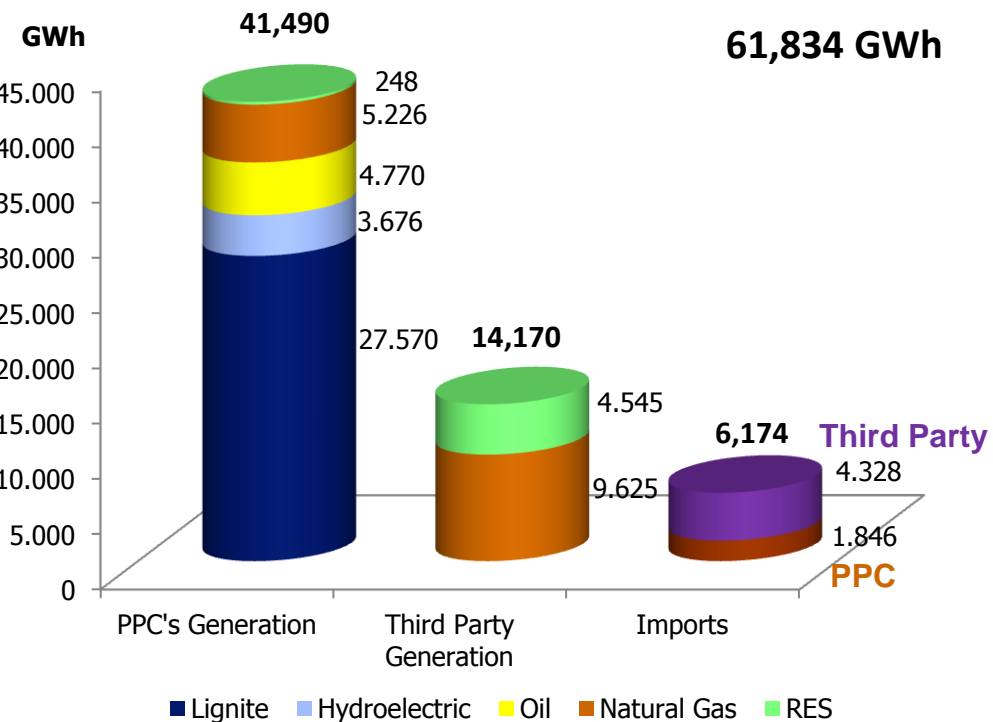
PPC exports: 254 GWh  
 Market share on exports: 25.5%

**Total electricity demand increased by 2% between the two periods. Excluding pumping and exports, demand increased by 2.2% (304 GWh). PPC's domestic sales remained approximately at the same level compared to the respective period of 2010 (-0.2% or 28GWh).**



# Electricity Supply 2011 / 2010

**2011**



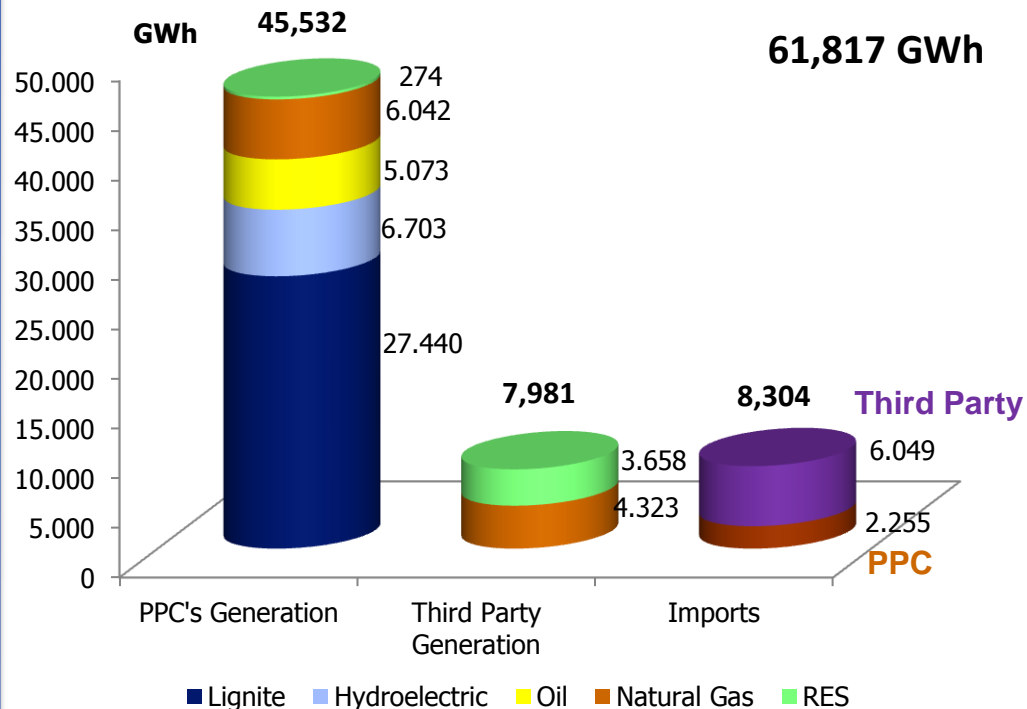
PPC generation: 41,490 GWh

PPC imports: 1,846 GWh

Market share: 74.5%

Market share on imports: 29.9%

**2010**



PPC generation: 45,532 GWh

PPC imports: 2,255 GWh

Market share: 85.1%

Market share on imports: 27.2%

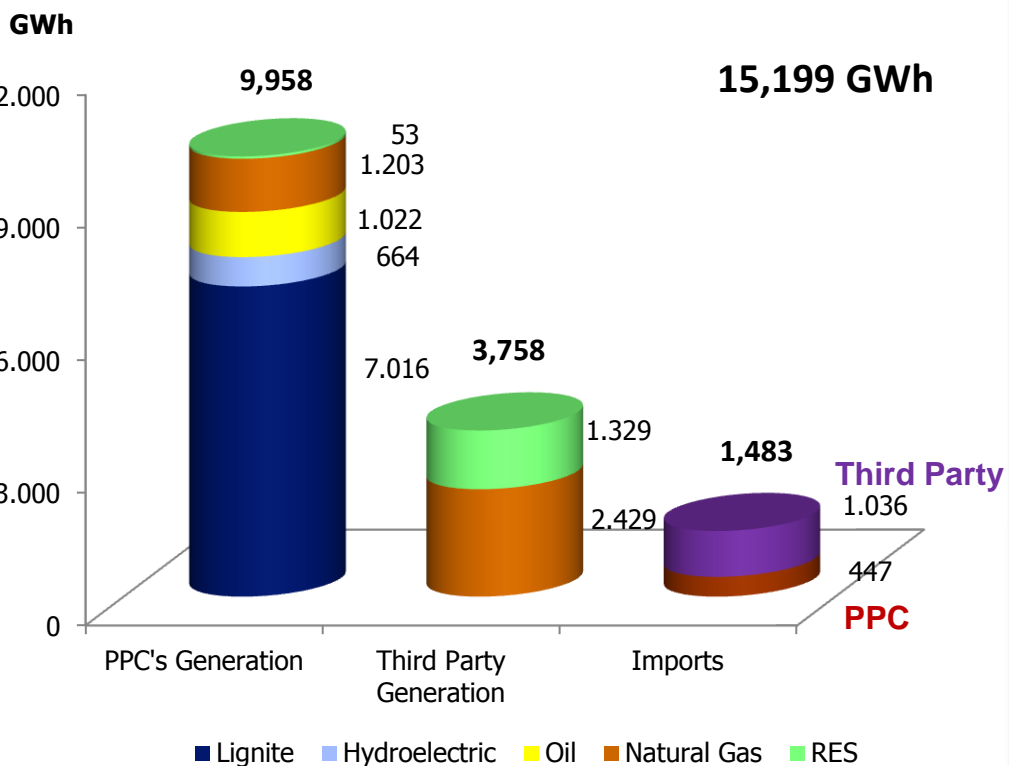
**In 2011, PPC's electricity generation and imports, covered 70.1% of total demand, while the corresponding percentage in 2010 was 77.3%.**





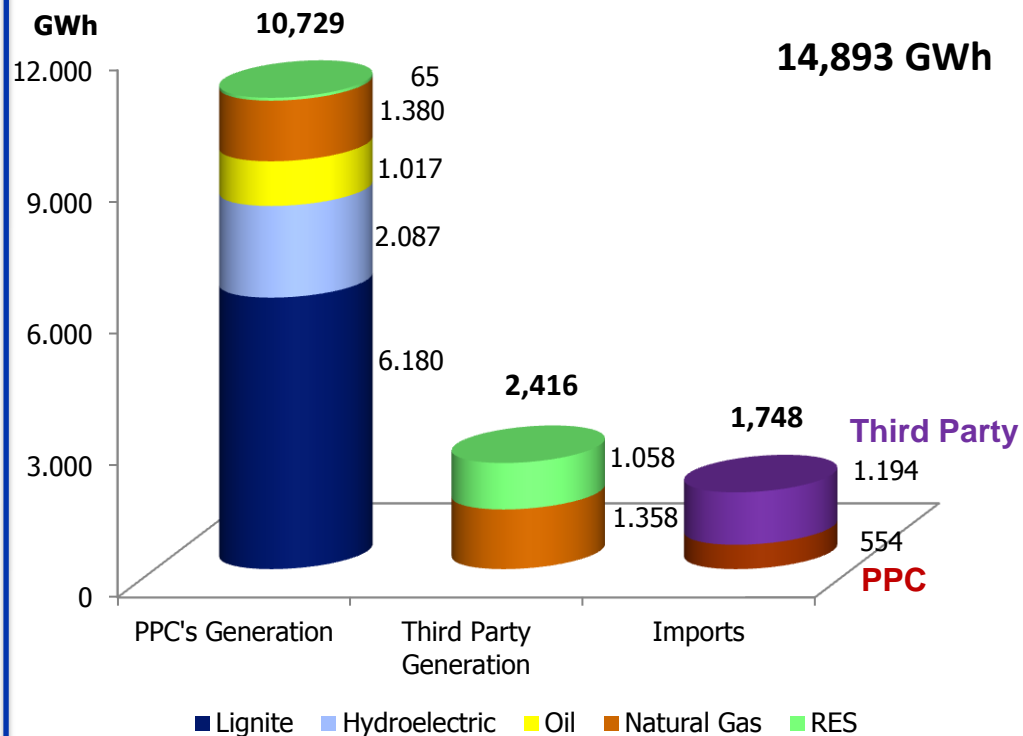
# Electricity Supply 4Q2011 / 4Q2010

## 4Q 2011



PPC generation: 9,958 GWh      PPC imports: 447 GWh  
 Market share: 72.6%      Market share on imports: 30.1%

## 4Q 2010

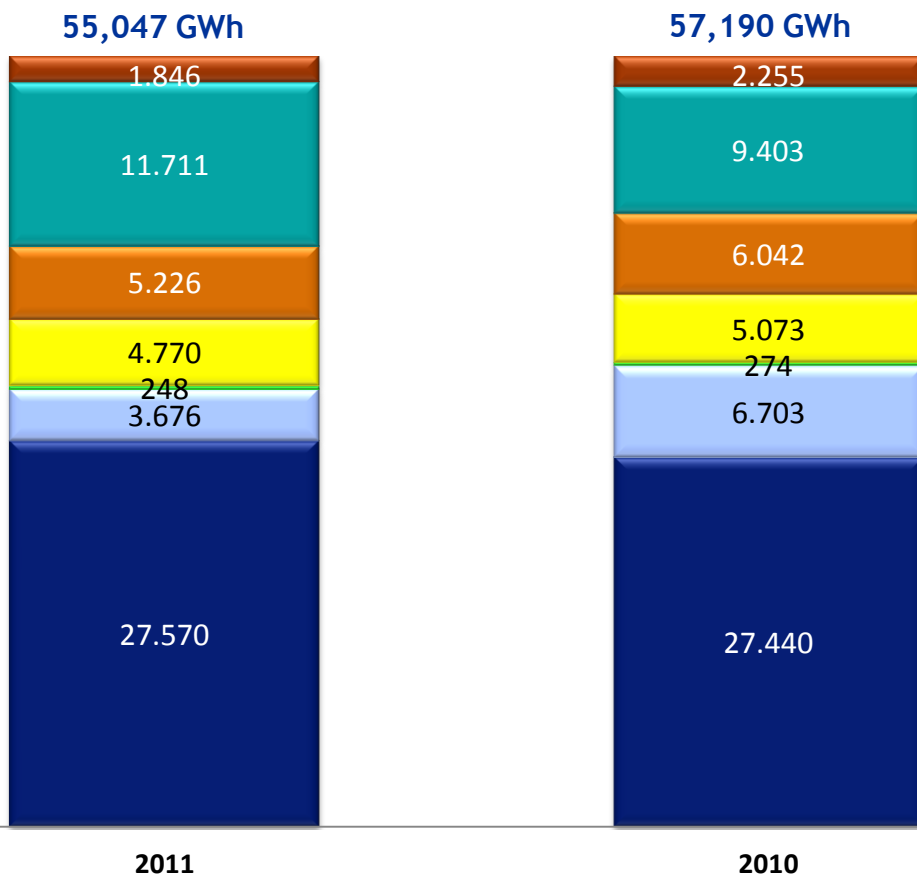


PPC generation: 10,729 GWh      PPC imports: 554 GWh  
 Market share: 81.6%      Market share on imports: 31.7%

**In 4Q2011, PPC's electricity generation and imports, covered 68.5% of total demand, while the corresponding percentage in 4Q2010 was 75.8%.**



# PPC/ Energy Generation and Purchases (GWh) 2011 / 2010



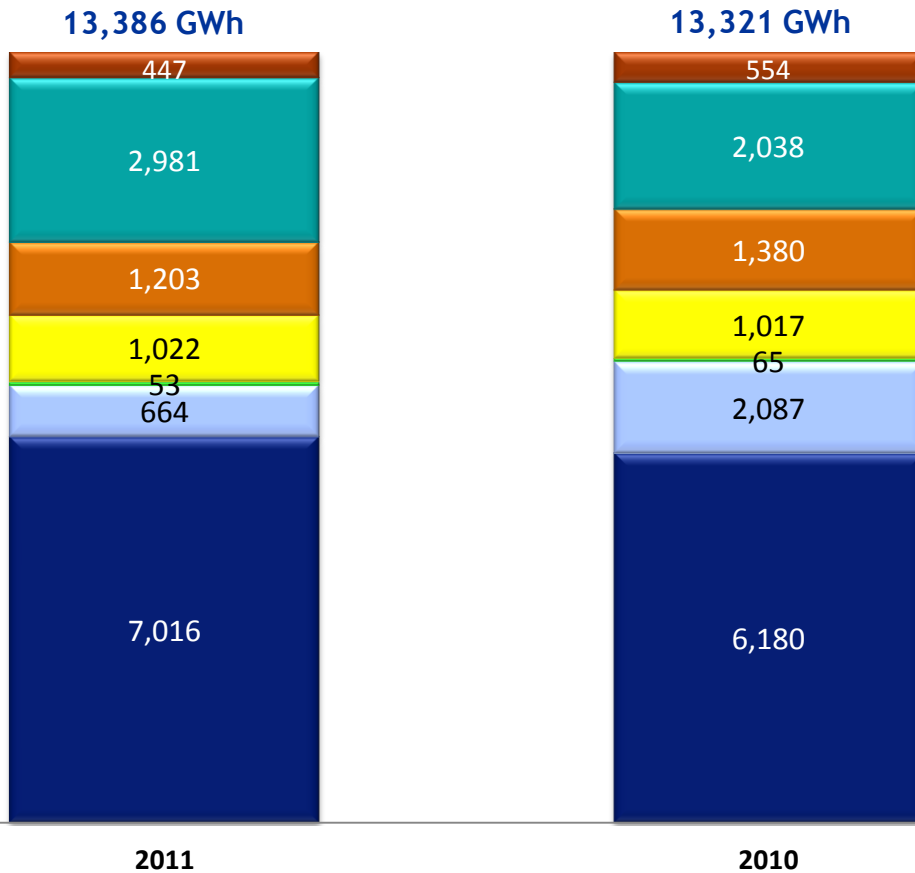
	TOTAL	Δ GWh	Δ %	% Participation	
				2011	2010
PURCHASES	Imports	-409	-18.1%	3.4%	3.9%
	Domestic Energy Purchases	2,308	24.5%	21.3%	16.4%
IMPORTED FUELS	Natural Gas	-816	-13.5%	9.5%	10.6%
	Oil	-303	-6.0%	8.7%	8.9%
DOMESTIC FUELS	RES	-26	-9.5%	0.5%	0.5%
	Hydroelectric	-3,027	-45.2%	6.7%	11.7%
	Lignite	130	0.5%	50.1%	48.0%
TOTALS	PURCHASES			24.6%	20.4%
	IMPORTED FUELS			18.2%	19.4%
	DOMESTIC FUELS			57.2%	60.2%

- Lignite
- Hydroelectric
- RES
- Oil
- Natural Gas
- Domestic Energy Purchases
- PPC's Imports

In 2011 electricity generation from lignite increased by 0.5% (130 GWh) compared to 2010. During the same period, the percentage participation of lignite in PPC's total energy mix stood at 50.1% vs 48% for 2010. Energy purchases from domestic market increased by 24.5% (2,308 GWh). Hydro generation decreased substantially by 45.2% between the two periods (-3,027 GWh).



# PPC/ Energy Generation and Purchases (GWh) 4Q2011 / 4Q2010



	TOTAL	Δ GWh	Δ %	% Participation	
				4Q 2011	4Q 2010
		65	0.5%		
PURCHASES	Imports	-107	-19.3%	3.3%	4.2%
	Domestic Energy Purchases	943	46.3%	22.3%	15.3%
IMPORTED FUELS	Natural Gas	-177	-12.8%	9.0%	10.3%
	Oil	5	0.5%	7.6%	7.6%
DOMESTIC FUELS	RES	-12	-18.5%	0.4%	0.5%
	Hydroelectric	-1,423	-68.2%	5.0%	15.7%
	Lignite	836	13.5%	52.4%	46.4%
TOTALS	PURCHASES			25.6%	19.5%
	IMPORTED FUELS			16.6%	17.9%
	DOMESTIC FUELS			57.8%	62.6%

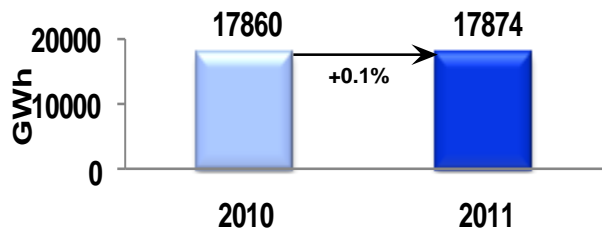
- Lignite
- Hydroelectric
- RES
- Oil
- Natural Gas
- Domestic Energy Purchases
- PPC's Imports

In the fourth quarter 2011, electricity generation from lignite increased by 13.5% (836 GWh) compared to the respective period of 2010. During the same period, the percentage participation of lignite in PPC's total energy mix stood at 52.4% vs 46.4% for 4Q2010. Energy purchases from domestic market increased by 46.3% (943 GWh). Hydro generation decreased substantially by 68.2% between the two periods (-1,423 GWh).

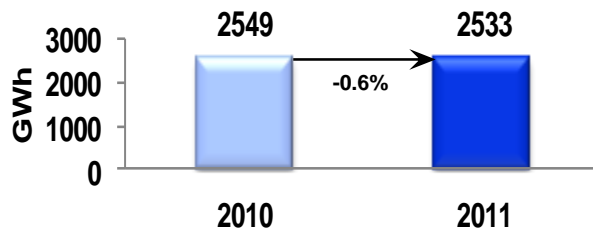


# Electricity Sales (GWh) 2011 / 2010

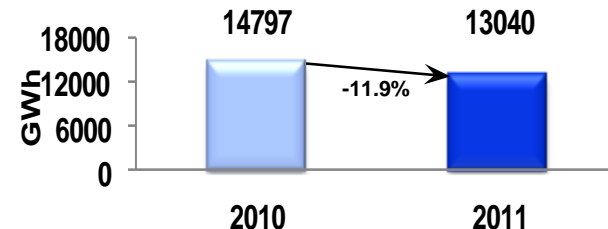
## Residential



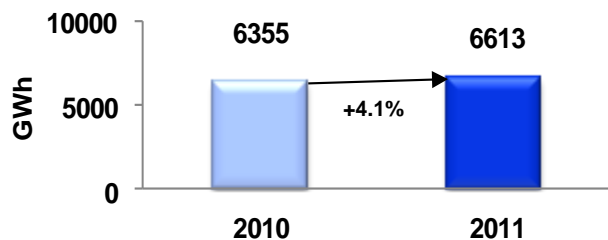
## Agricultural



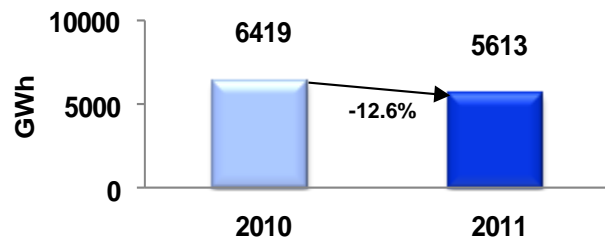
## Commercial



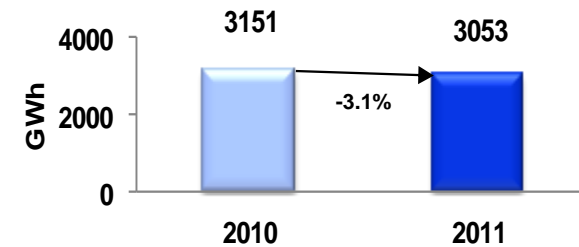
## Industrial HV



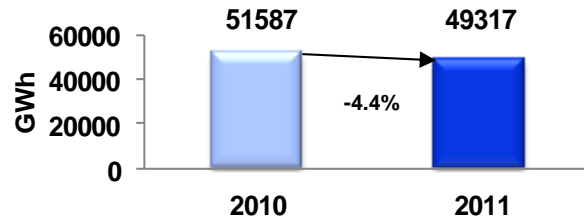
## Industrial MV & LV



## Other sectors

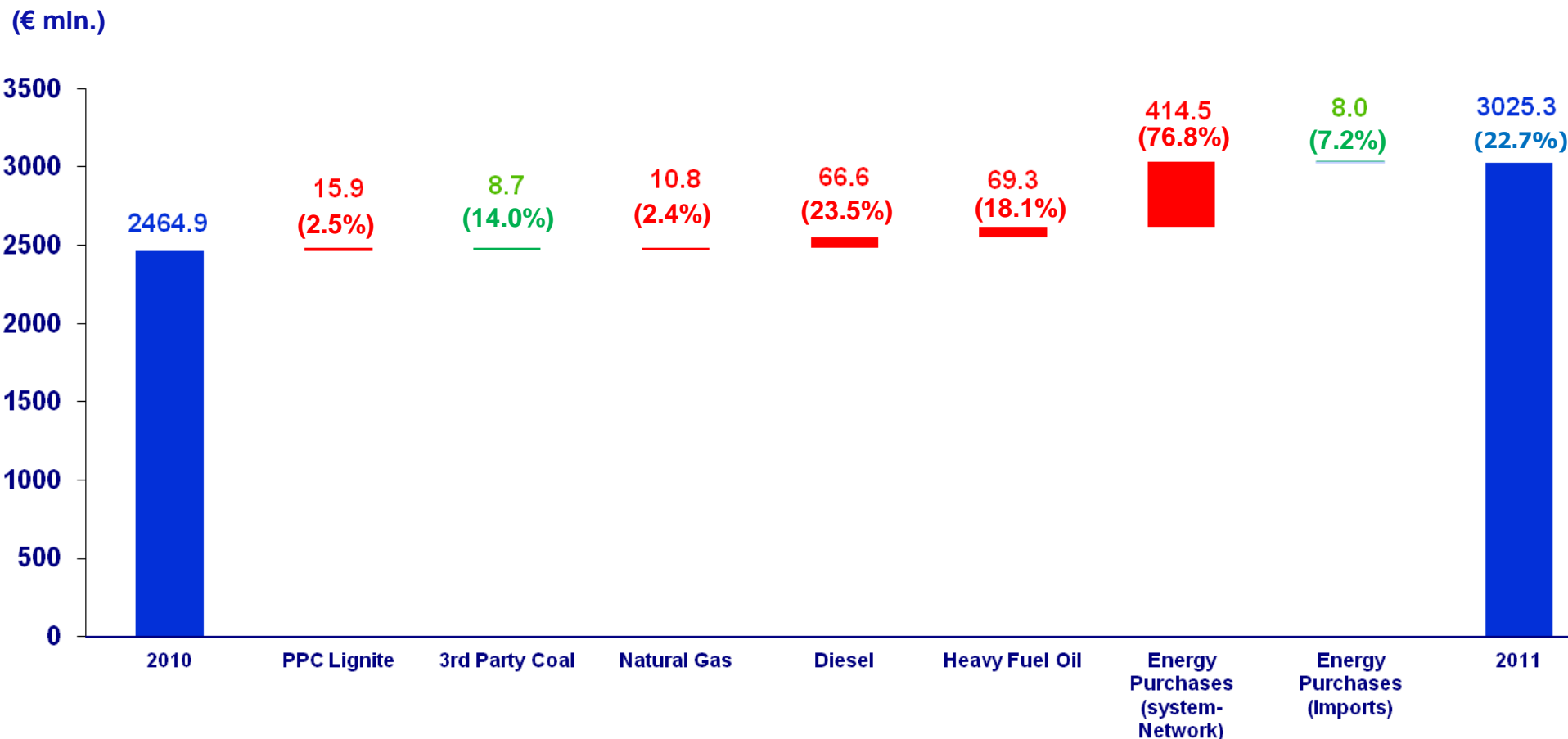


## Total sales (including exports)





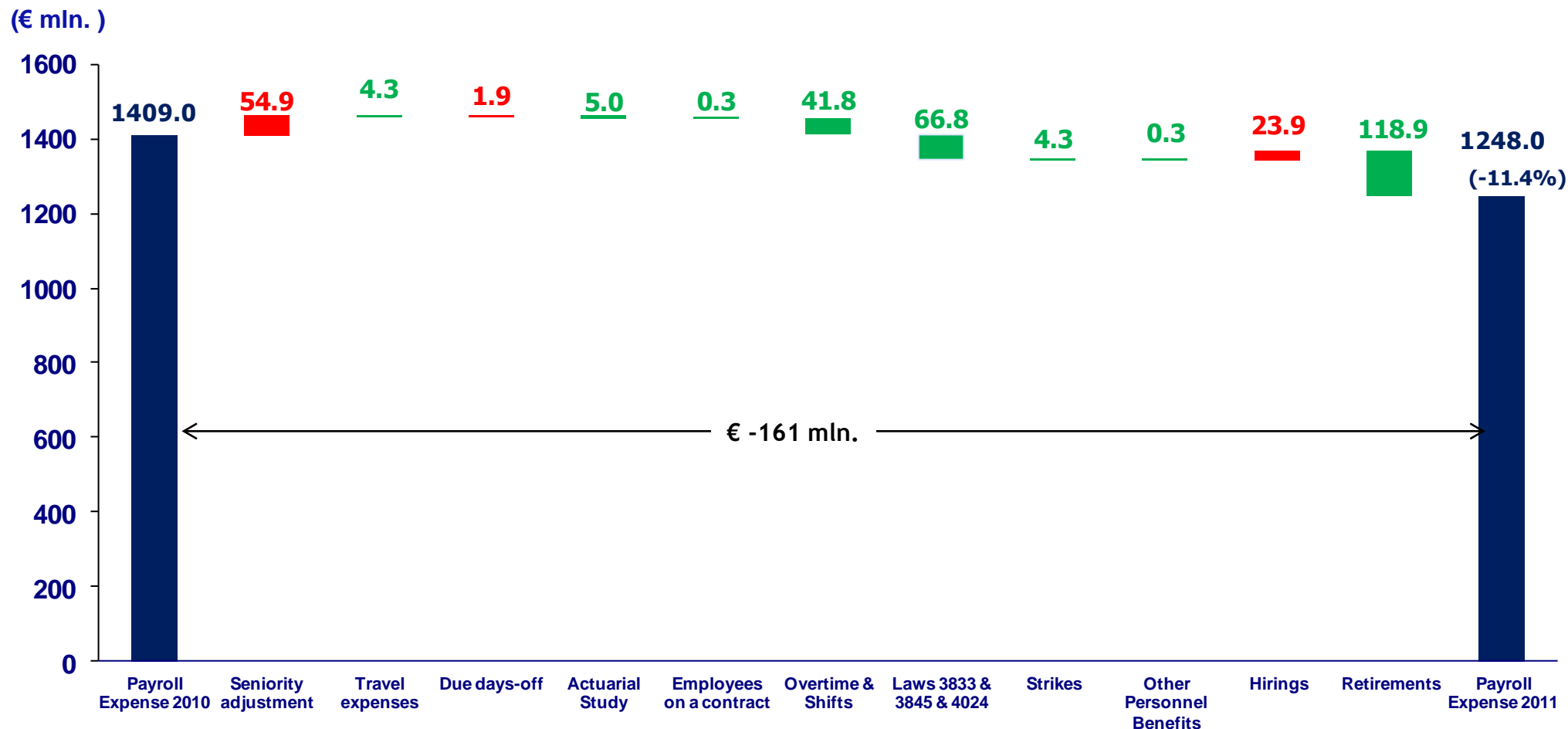
# Total fuel and energy purchases expenditure 2011 / 2010



The increase of the expense for Diesel includes a € 38.3 mln increase of the relevant Special Consumption Tax, whereas for Heavy Fuel Oil the impact from the increase of the Special Consumption Tax is € 6.6 mln. The increase of energy purchases expense by € 414.5 mln includes a € 102.1 mln increase in the expense for the recovery of IPPs' variable cost



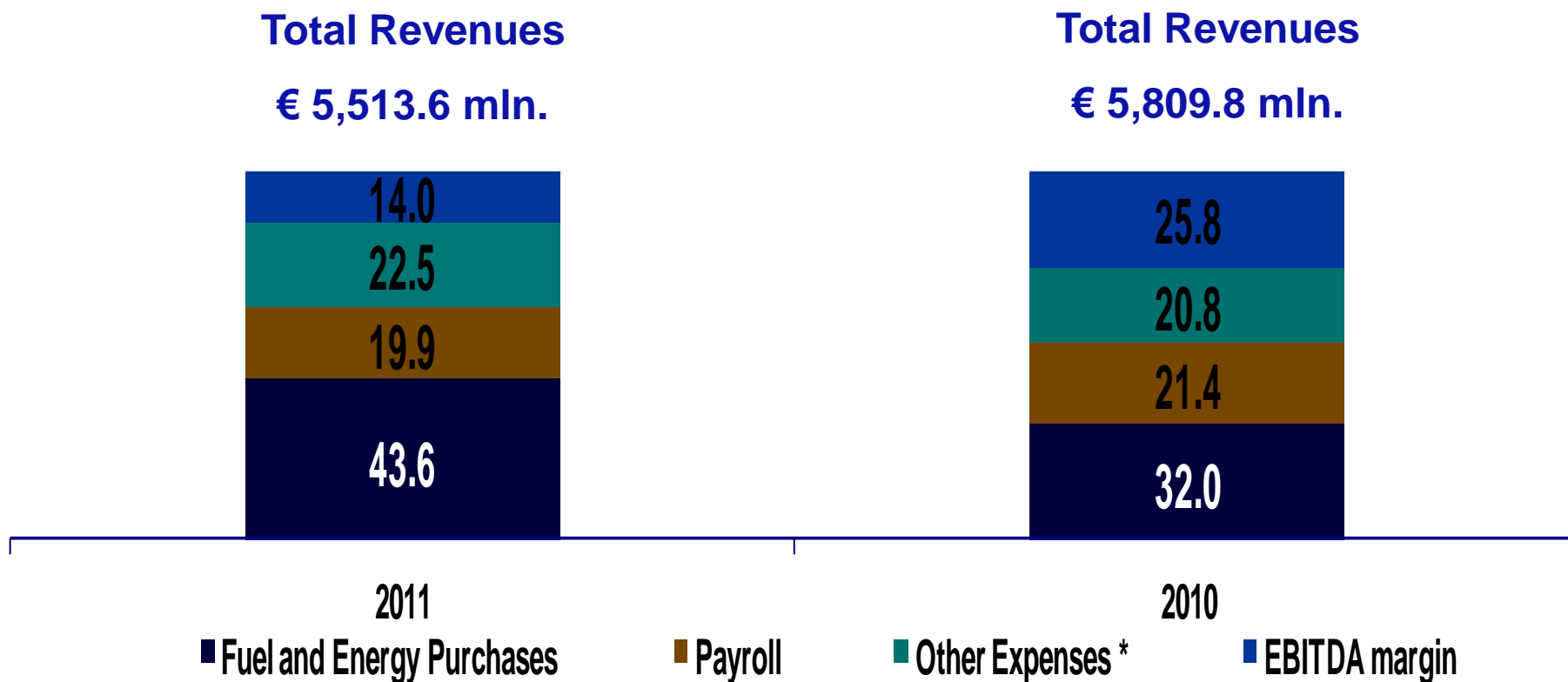
# Payroll evolution (including capitalized payroll expenses)



The reduction of total payroll expense is attributed mainly to the net decline in the number of permanent employees on payroll.



# Fuel, CO<sub>2</sub>, other expenses and EBITDA as percentage of revenues (2011 / 2010)



In 2011, 43.6% of the Company's total revenues were expensed for fuel, energy purchases and CO<sub>2</sub> emission rights compared to 32% in 2010. On the other hand, despite the decrease in total revenues, the share of payroll expense was reduced to 19.9% compared to 21.4% in 2010. EBITDA margin reached 14.0% vs 25.8% in 2010.

\* Other expenses also include income/expenses regarding CO<sub>2</sub> emission rights valuation



## Capex – Net Debt Evolution - Liquidity

- **Capex in 2011 amounted to € 1,107.6 mln. compared to € 962.7 mln. in 2010 and € 1,579 mln. in the budget.**
- **Increase in net debt by € 493 mln. from € 4,210 mln. on 31/12/2010 to € 4,703 mln. on 31/12/2011. In 2011, PPC paid 2010 dividends of € 183.3 mln, income tax of € 119.8 mln, as well as € 167.4 mln for Advance Tax Payment.**
- **Debt redemptions in 2011 amounted to € 687 mln. compared to € 1,493 mln. in 2010.**
- **Current portion of long term debt to be repaid in 2012 amounts to € 1,124 mln.**
- **Available Lines as of 31/12/2011 : € 648 mln.**





# **Business Review & Outlook**

**Arthouros Zervos**  
**Chairman and CEO**  
**Public Power Corporation S.A.**



## Review of 2011 - Financials

**2011 has been an exceptionally challenging year, as the Greek economy is going through the greatest recession of the last decades. Nonetheless, PPC managed to contain its losses. The significant decrease in payroll expense combined with the more efficient utilization of resources as well as the rationalization of controllable expenses, contributed to this direction, resulting to the increase of productivity.**

**2011 financial results reflect the significant changes in exogenous factors, such as the decrease in total demand, the intensifying competition in the wholesale and the retail market, the increase in international fuel prices and the imposition or increase of taxes on fuel prices, as well as the unfavorable hydrological conditions.**



## Review of 2011 – Strategic & Business developments

On the operational level, important strategic and business developments were realized in 2011, including amongst others:

- **Thermal generation and Renewables projects:**
  - EPC contract award for the construction of the Ptolemaida V unit and presentation of the project to the competent Parliamentary Committee. An ECA covered syndicated loan is being pursued for part of the financing which will have HERMES cover, with KfW as financial advisor and arranger of the respective loan.
  - Selection of the EPC contractor (J&P Avax S.A.) for the 50MW P/V in Megalopolis. Currently, PPC Renewables is in the process of arranging the funding structure.
  - Request for proposals to the 15 groups selected to participate in the 2<sup>nd</sup> phase of the Tender for the 200 MW P/V in W. Macedonia for the purpose of selecting a strategic partner. Binding bids are expected in the 1<sup>st</sup> half of 2012.
  - Completion of construction and operation of 5 new wind parks in Aegean islands, while in 2012 we expect 4 new wind parks to become operational.
  - Strategic Partnership with Sinovel Wind Group Co Ltd for the development of wind parks in Greece, as well as the construction of wind generators plant in Greece.
- In relation to the construction and the exploitation of the four hydro plants in Bosnia-Herzegovina, negotiations were initiated with PPC and the other prequalified bidders.
- Pre-selection of “Waste Syclo S.A.”, a JV of PPC and URBASER S.A. in the 1<sup>st</sup> phase of the Tender for the development and operation of a waste management system in West Macedonia.



## Review of 2011 – Organizational & legislative developments

### ▪ Transmission spin-off

PPC, consistent with its commitments undertaken towards the State and the European Commission, and through a complex and difficult process, despite the adverse economic conditions, managed to conclude the spin-off of the Segment of the Transmission Division within 2011, a huge task for Greek standards, as assets of app. € 1.7 bln and 1,400 employees were transferred to the new company, IPTO, a 100% PPC subsidiary.

### ▪ Distribution spin-off

In process of spinning-off the Distribution Division Segment along with the Islands Network Operation Department to a 100% PPC subsidiary. Fixed assets will remain with the Parent Company. Relevant documentation has been approved by the BoD on 29.2.2012 and by the Extraordinary General Meeting of Shareholders on 29.3.2012.

- An updated Memorandum between the Greek Government and the EU/IMF/ECB was signed in February 2012, with specific clauses and milestones for completion of respective actions concerning the energy sector.



# Ongoing cost cutting program

	2009	2010	2011	2012B
<b>Group's total payroll (€ mln.)*</b>	<b>1,703</b>	<b>1,409</b>	<b>1,248</b>	<b>1,012</b>
<b>Reduction from the implementation of Laws 3833 &amp; 3845 / 2010</b>		<b>-204</b>	<b>-43</b>	
<b>Reduction from the implementation of Law N.4024 / 2011</b>			<b>-24</b>	<b>-126</b>
<b>Internal actions for the reduction of Overtime &amp; Shifts **</b>		<b>-24</b>	<b>-42</b>	<b>-37</b>
<b>Savings from natural attrition</b>		<b>-134</b>	<b>-95</b>	<b>-60</b>
<b>Change in payroll cost due to seniority, non permanent employees payroll, supplementary benefits, travel expenses etc.</b>		<b>68</b>	<b>43</b>	<b>-13</b>
<b>REDUCTION OF TOTAL PAYROLL</b>		<b>-294</b>	<b>-161</b>	<b>-236</b>
<b>NUMBER OF PERMANENT EMPLOYEES</b>	<b>22,582</b>	<b>21,845</b>	<b>20,821</b>	<b>19,877</b>

**Cumulative reduction, 2009 – 2012**  
**€ 691 mln.**  
**2,705 employees**

\* Total payroll includes payroll, capitalized payroll and employer's contribution.

\*\* PPC as an industrial company has overtime and shifts expense, as it operates 24 hours a day, 365 days a year, providing services in the mainland and all the islands.  
 In addition, at least 4/5 of its personnel works in the Mines, Generation and in the Networks.

**The target set by the previous Business Plan 2009-2014 on controllable expenses savings until 2011 has been surpassed**



# Regulatory update - Tariffs

## Low Voltage (LV)

- For 2012, the tariff increase for LV customers amounts to app. 9.2% (post VAT). This increase offsets mainly taxes imposed on fuels and increase of the annual expenditure for PSOs. A small part of that increase compensates for the increase in the cost of generating energy in the interconnected system. RAE has proposed to the competent Ministry the necessity for the establishment of a mechanism that should reflect wholesale prices to retail tariffs.

## Medium (MV) and High Voltage (HV)

- Following a Ministerial decision issued in December 2011, tariffs for MV customers are no longer regulated. New tariffs are effective as of 1.2.2012.
- HV tariffs are liberalized and PPC has made its proposals that are in the phase of negotiations. These proposals lead to an average increase of 2012 HV tariffs in the order of 7%, whereas for certain customers there are also reductions.

## Going forward- requirements of the updated Memorandum

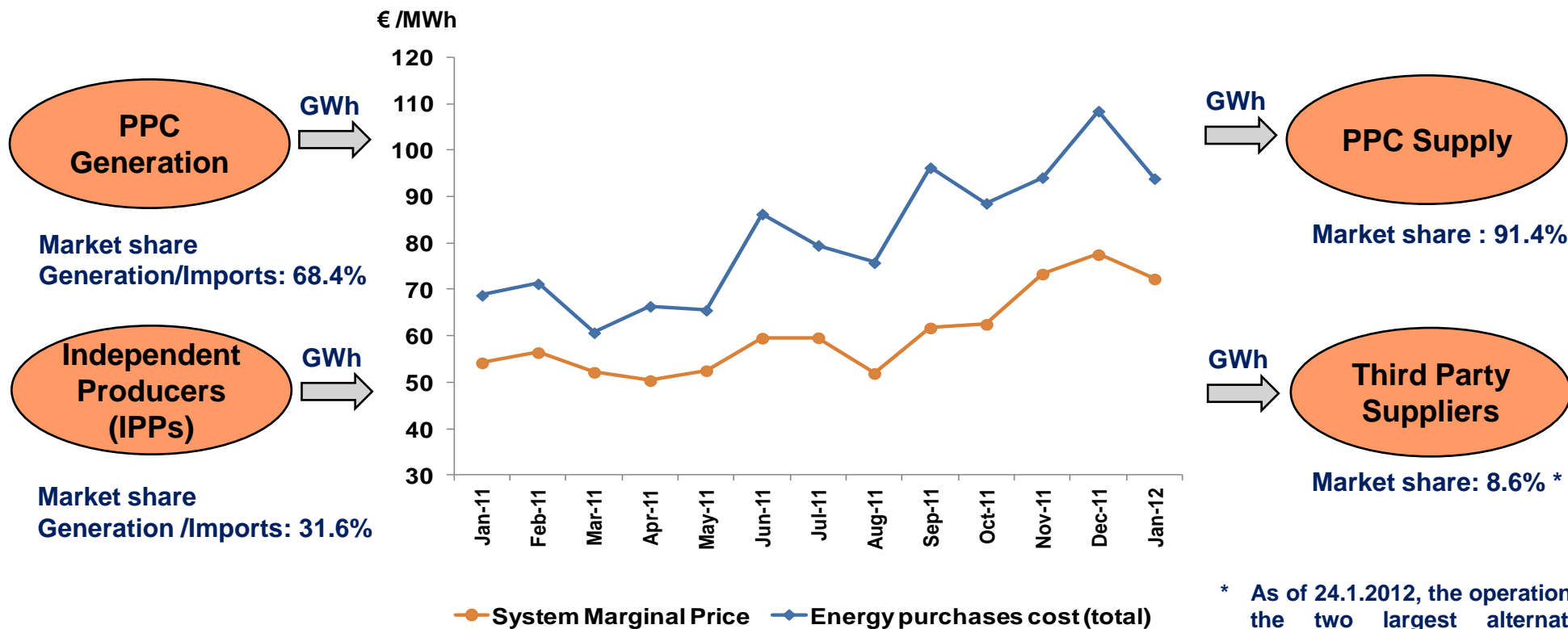
- Currently, there is no automatic mechanism linking the energy component of LV tariffs with the wholesale market prices. In the updated Memorandum, it is clearly stated that further measures should be adopted by Q2 2012 to ensure that the energy component of regulated tariffs for households and small enterprises reflects, at the latest by June 2013, wholesale market prices, except for vulnerable consumers. In addition, the Government should remove regulated tariffs for all but vulnerable consumers by Q2 2013. PPC is constantly supporting the transition to cost-reflective tariffs linked to wholesale market prices, in order to have a viable electricity market for all participants in the long run and create long term benefits for all end-consumers.

**Given the above developments, an app. 12% increase is expected in PPC's average revenue in 2012**



# Market operation

## Greek electricity market in the interconnected system (FY 2011)



**TODAY THERE IS NO  
AUTOMATIC MECHANISM  
LINKING WHOLESALE  
PRICES WITH LV TARIFFS**

\* As of 24.1.2012, the operation of the two largest alternative electricity suppliers was suspended and as a result PPC undertook the responsibility to supply electricity to the customers of these companies, as a last resort supplier.



## 2012 Outlook

- **2012 operating profitability is expected to be positively impacted by the recently announced tariff increases and further cost containment.**
- **New Aliveri V CCGT unit will come on stream, thus PPC will strengthen its competitive positioning in gas power generation.**
- **Key priority for 2012 is the achievement of positive free cash flow and debt reduction.**





## Going forward

- **The current environment for the Greek economy in general and the electricity market, as well as the Company in particular, continues to be characterized by significant risks associated with persisting recessionary conditions and lack of liquidity in the market and the banking sector.**
  
- **The sustainable growth of PPC also depends on the rational operation of the market according to rules which will ensure that tariffs reflect the generation cost, as well as a reasonable compensation for all energy services, while providing incentives for the reduction of the wholesale market cost in favour of the customer. Specifically:**
  - **the opening of the retail market without cost-reflective tariffs is not possible and sustainable and there is risk that PPC Supply will remain a loss making de facto monopoly. This is evidenced also by the recent developments concerning alternative power suppliers, whose operations were suspended.**
  - **distortions and inefficiencies, including the variable cost recovery mechanism, need to be removed.**
  - **bilateral contracts should be created between generators and suppliers in order to limit the access to the existing mandatory pool for the energy not covered by bilateral contracts.**



## DISCLAIMER

***Some of the information contained herein includes forward-looking statements. It is noted that the Group is subject to various risks, which, among other, relate to €/€ exchange rate, oil, natural gas, electricity prices and the price of CO2 emission rights, as well as changes in the legal, regulatory and fiscal framework and bad debt evolution, that could cause actual results to differ materially from those anticipated in the forward-looking statements.***