



# Public Power Corporation SA

## First Half 2008 Results

Athens, August 28, 2008



# Agenda

**Financial Results**

Mr. George Angelopoulos, CFO

**Actions to date**

Dr. Takis Athanasopoulos, Chairman and CEO



# Financial Results

**Mr. George Angelopoulos**  
*Chief Financial Officer*



# 2<sup>nd</sup> Quarter 08 Summary Financial Results: P&L

Key Figures (€ m)	2Q '08 Without CO2 Provision	2Q '08 With CO2 Provision	2Q '07	Δ	Δ%
<b>Total Sales</b>	1,354.4	1,354.4	1,227.9	126.5	10.3
Electricity Sales	1,265.5	1,265.5	1,146.8	118.7	10.4
Payroll excluding Lignite	284.9	284.9	275.2	9.7	3.5
PPC Lignite	146.1	146.1	150.4	-4.3	-2.9
3 <sup>rd</sup> party coal	14.8	14.8	11.0	3.8	34.5
Fuel Expenses	455.8	455.8	315.3	140.5	44.6
Energy Purchases	227.6	227.6	139.7	87.9	62.9
CO2 Provision		33.4	0	33.4	
Transmission System Charges	79.3	79.3	69.7	9.6	13.8
Other Operating Expenses	81.5	81.5	70.5	11.0	15.6
Provisions	14.3	14.3	-24.7		
<b>EBITDA</b>	<b>50.1</b>	<b>16.7</b>	<b>220.8</b>	<b>-204.1</b>	<b>-92.4</b>
Depreciation (incl. lignite)	128.6	128.6	146.7	-18.1	-12.3
Net Financial Expense	38.8	38.8	32.7	6.1	18.7
<b>EBT</b>	<b>-115.9</b>	<b>-149.3</b>	54.6	-203.9	



# 1<sup>st</sup> Half 08 Summary Financial Results: P&L

Key Figures (€ m)	1H08 Without CO2 Provision	1H08 With CO2 Provision	1H07	Δ	Δ%
<b>Total Sales</b>	<b>2,764.9</b>	<b>2,764.9</b>	<b>2,470.4</b>	294.5	<b>11.9</b>
Electricity Sales	2,572.1	2,572.1	2,302.4	269.7	11.7
Payroll excluding Lignite	520.5	520.5	529.5	-9.0	-1.7
PPC Lignite	285.1	285.1	307.9	-22.8	-7.4
3 <sup>rd</sup> party coal	24.6	24.6	18.5	6.1	33.0
Fuel Expenses	868.7	868.7	615.4	253.3	41.2
Energy Purchases	461.4	461.4	293.2	168.2	57.4
CO2 Provision		56.9	0.0	56.9	
Transmission System Charges	167.7	167.7	139.9	27.8	19.9
Other Operating Expenses	137.8	137.8	133.9	3.9	2.9
Provisions	20.0	20.0	-24.3	44.3	
<b>EBITDA</b>	<b>279.1</b>	<b>222.2</b>	<b>456.4</b>	-234.2	<b>-51.3</b>
Depreciation (incl. lignite)	254.2	254.2	287.4	-33.2	-11.6
Net Financial Expenses	82.6	82.6	71.4	11.2	15.7
EBT	-58.1	-115.0	111.6		



## CO2

- We have impacted our 1H08 financial results with € 56.9m for CO2 emission rights (€ 33.4m for 2Q 08) accounted for the period, although the actual expense will be incurred in the 4Q08.

- Hence, for 1H 08 :

**EBT with CO2 cost = € 115.0m**

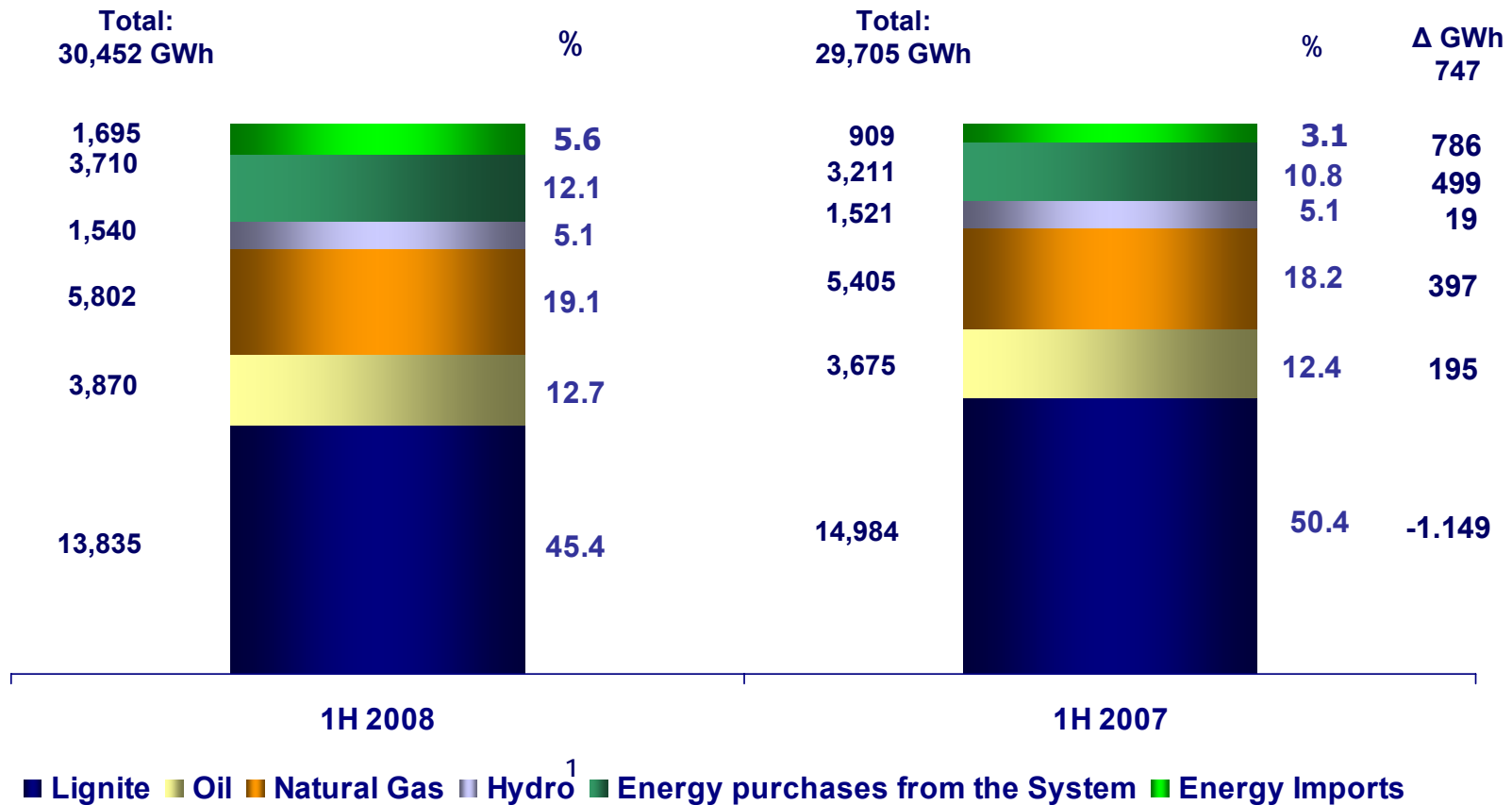
**CO2 cost = € 56.9m**

**EBT before CO2 cost = € 58.1m**



# Total Energy Balance 1H '08 vs. 1H '07 :

Expense Increase € 405m (of which € 307m due to fuel and energy price increases)

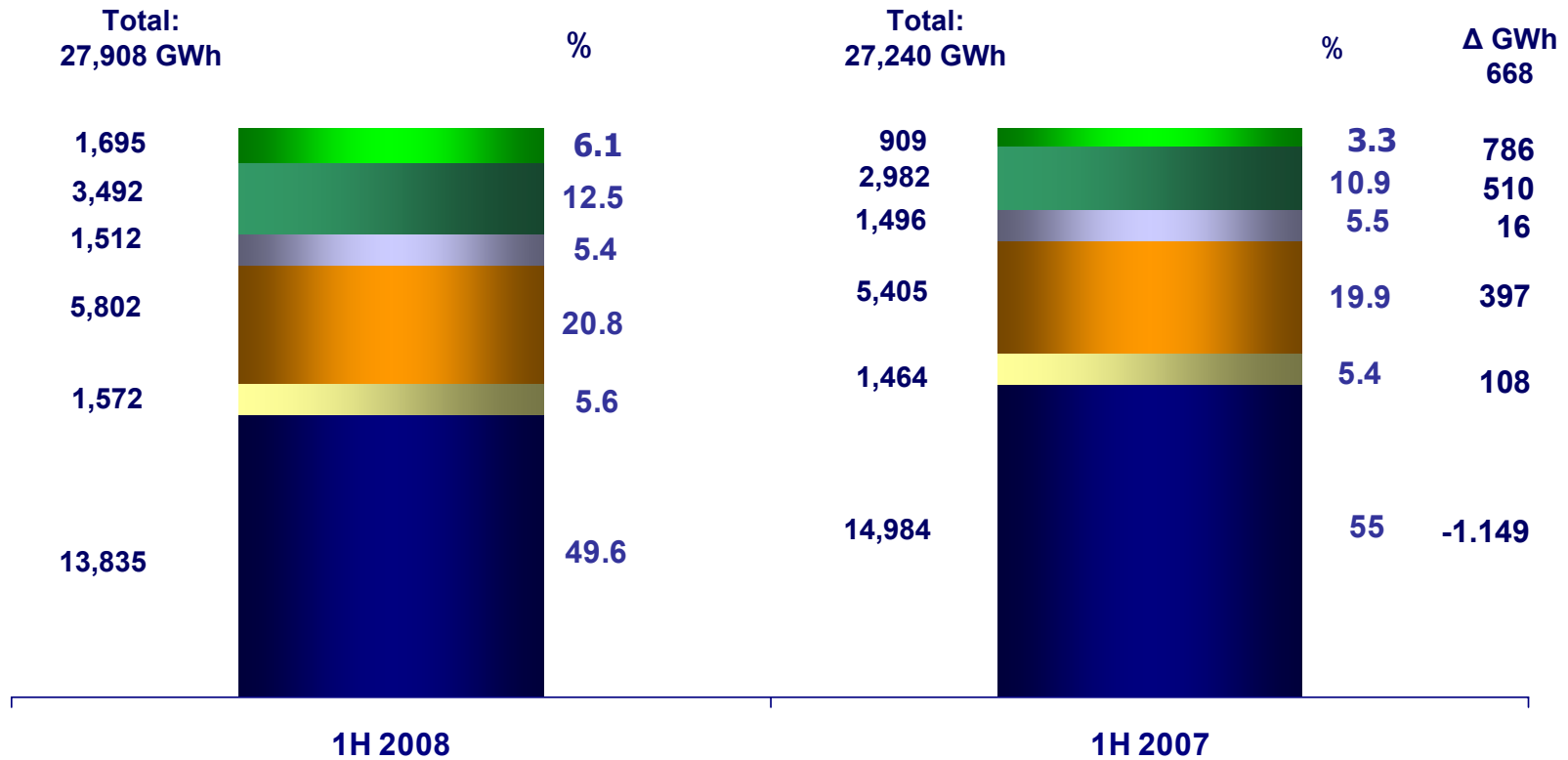


- Due to the decrease in lignite generation (1.149 GWh) and the overall increase in demand (747GWh), PPC resorted to expensive fuels and energy purchases in order to cover the 1.896 GWh gap
- Only around 50.5% of the energy sold was generated by domestic energy sources (lignite, hydro, RES)

<sup>1</sup> Including PPC renewables generation 68 GWh in 1H08 & 83 GWh in 1H 07



# Interconnected System Energy Balance 1H '08 vs. 1H '07



■ Lignite 
 ■ Oil 
 ■ Natural Gas 
 ■ Hydro<sup>1</sup>
■ Energy purchases from the System 
 ■ Energy Imports

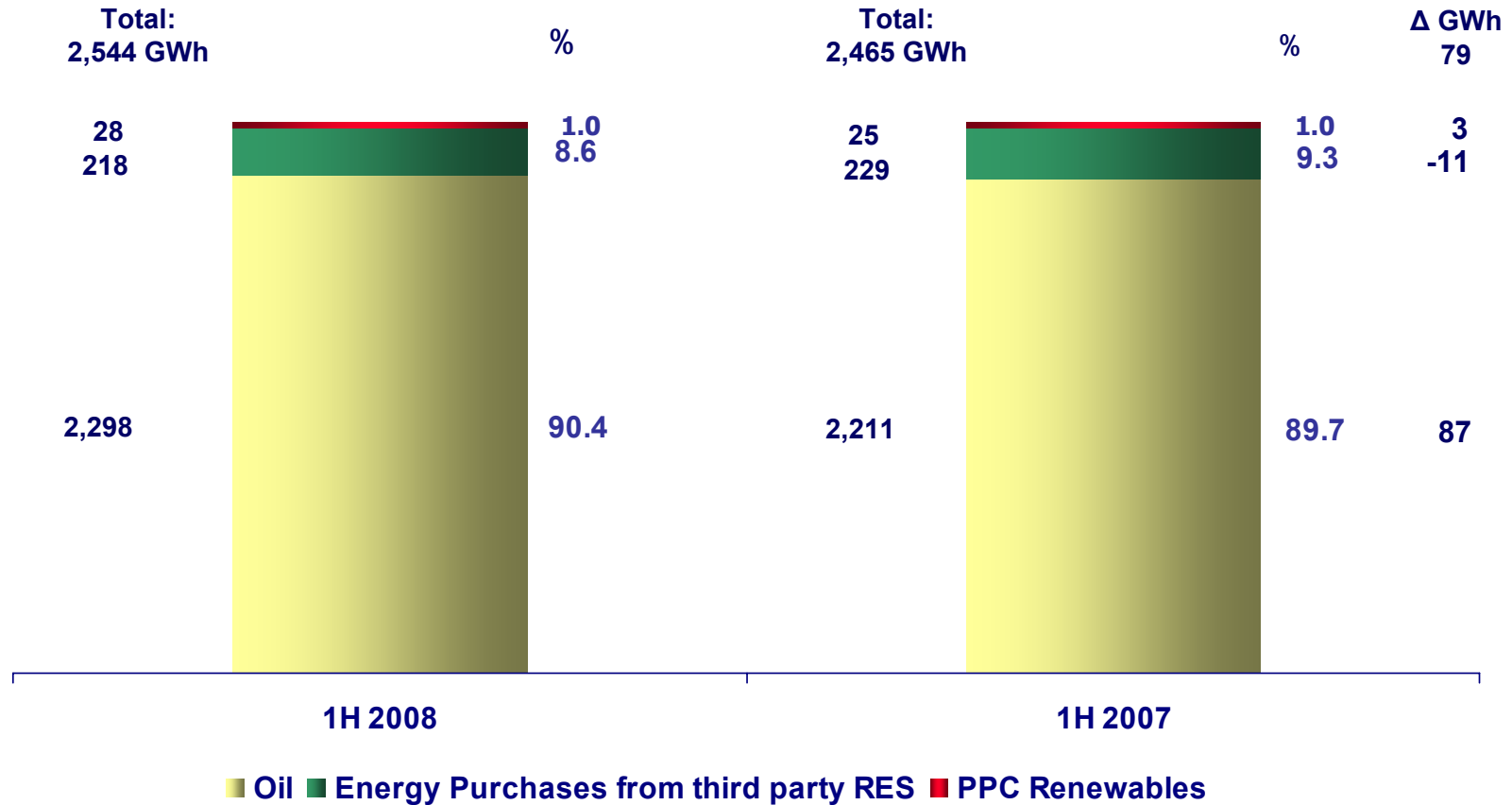
- Expense Increase €311m (of which €217m due to fuel and energy price increases)

<sup>1</sup> Including PPC renewables generation 68 GWh in 1H 08 & 83 GWh in 1H 07





# Non-Interconnected System Energy Balance 1H '08 vs. 1H '07



- Expense Increase €94m (of which €90m due to fuel price increases)



## Evolution of Average Fuel and Energy Prices paid by PPC in 1H '08

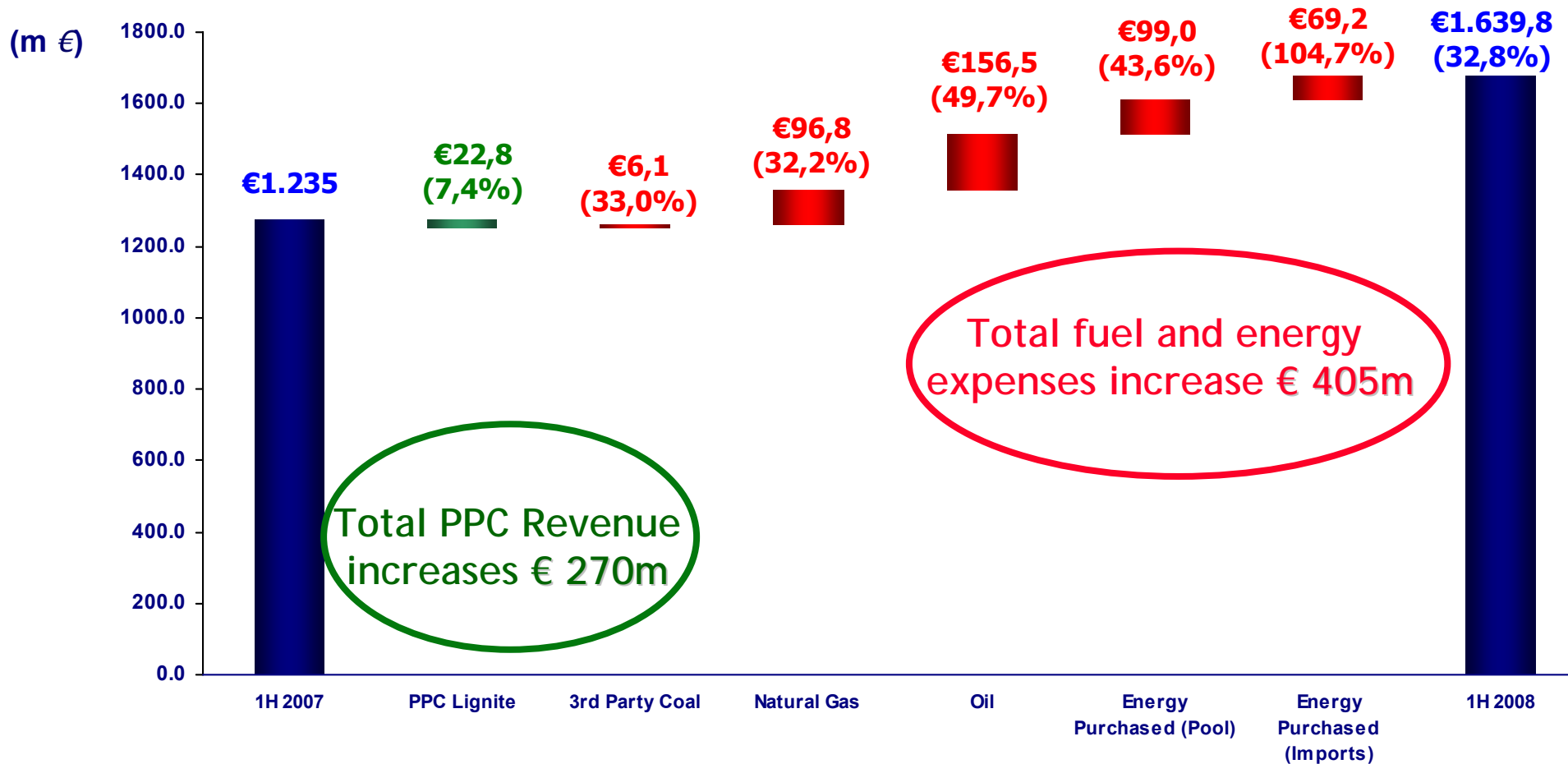
	<b>Price Increases (%)</b>	<b>1H '08 Quantities</b>	<b>Quantity increases (%) 1H 08 vs 1H07</b>
<b>Fuel-oil (€/tn)</b>	<b>54%</b>	<b>769,000 tn</b>	<b>9.6%</b>
<b>Diesel-oil (€/klt)</b>	<b>29.2%</b>	<b>251,000 klt</b>	<b>-3.9%</b>
<b>Natural Gas (€/kNm3)</b>	<b>24.3%</b>	<b>1.25 bcm</b>	<b>6.3%</b>
<b>System Marginal Price* (€/MWh)</b>	<b>26.1%</b> [81.7 €/MWh vs. 64.8 €/MWh]	<b>3.710 GWh</b>	<b>15.5%</b>
<b>PPC Imports Price (€/MWh)</b>	<b>13.7%</b>	<b>1.695 GWh</b>	<b>86.5%</b>

\* Including the price paid to Renewable Energy Generators in the islands



# Total Energy Expenditure 1H '08 vs. 1H '07 :

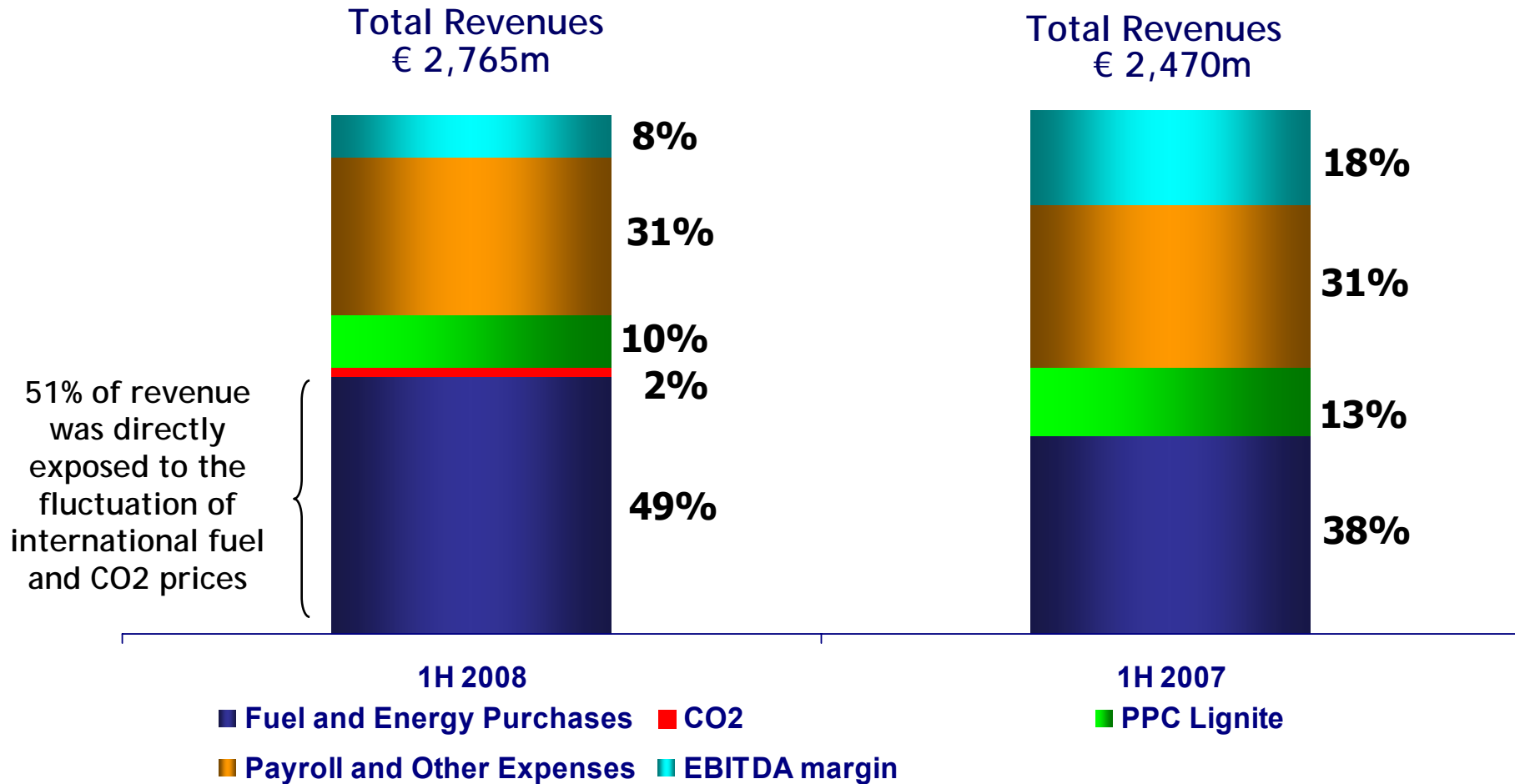
Expense Increase € 405m (of which € 307m due to fuel and energy price increases)



- The total fuel and energy expenses increase exceeded the considerable increase in total revenues by € 135m



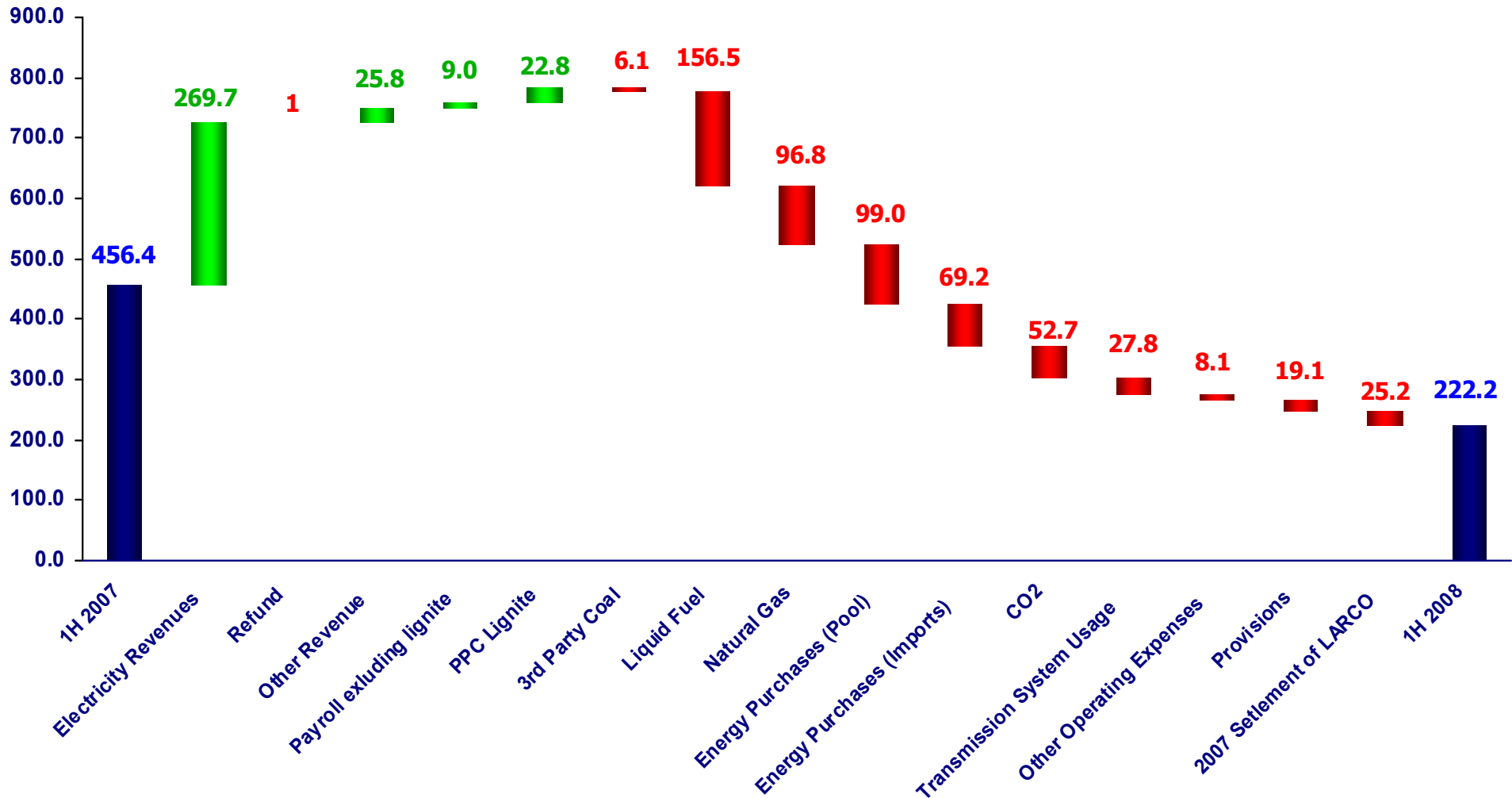
# Fuel, other energy costs and EBITDA as percentage share of Revenue (1H 2008 vs. 1H 2007)





# EBITDA Reconciliation – 1H '08 vs. 1H '07

(m €)





# EBT Reconciliation 1H 08 vs. 1H 07

	Δ 1H08 – 1H07	Cumulative Effect on P&L	
<b>1H07 EBT</b>			<b>€ 111.6</b>
<b>Total Revenues</b>		<b>€ 294.5</b>	
<b>Expenses outside PPC control</b>		<b>€ 391.7</b>	
Price Effect of Fuel and Energy Purchases	€ 307.0		
CO2 Provision	€ 56.9		
Transmission System Usage	€ 27.8		
		<b>€ 97.2</b>	
<b>Expenses within PPC control</b>		<b>€ 122.6</b>	
Quantity effect of fuel and energy purchases	€ 114.5		
Other Operating Expenses	€ 8.1		
		<b>€ 219.8</b>	
<b>Expenses Reduction</b>		<b>€ 63.1</b>	
Lignite cost	€ 16.7		
Payroll	€ 9.0		
Other CO2 related expenses	€ 4.2		
Depreciation	€ 33.2		
		<b>€156.7</b>	
Provisions	€ 44.3		
Financial Expenses	€ 25.6		
		<b>€69.9</b>	
<b>Net impact on EBT</b>		<b>€226.6</b>	<b>€ 226.6</b>
<b>1H 08 EBT</b>			<b>€ 115.0</b>



# **Actions to date**

**Dr. Takis Athanasopoulos**  
*Chairman of the Board, and*  
*Chief Executive Officer*



# 2008 : a year with high initial prospects...that are not coming through

## ■ Prospects :

- Substantial tariff increases, though more than half are earmarked to cover PSOs, and fuel adjustment mechanism approved
- Clear Strategic Priorities and ambitious investment plan
- Opportunities for Joint Ventures in energy sector

## ■ Unfavorable events :

- Unprecedented fuel and energy purchase price increases
- Lengthy and costly labour strike and plant take over by a group of local residents

## ■ Internal shortcomings :

- Loss in lignite generation due to increased lignite plant maintenance and significant delays in completing the programme
- Low progress in efficiency improvements
- Generation investment plan behind schedule



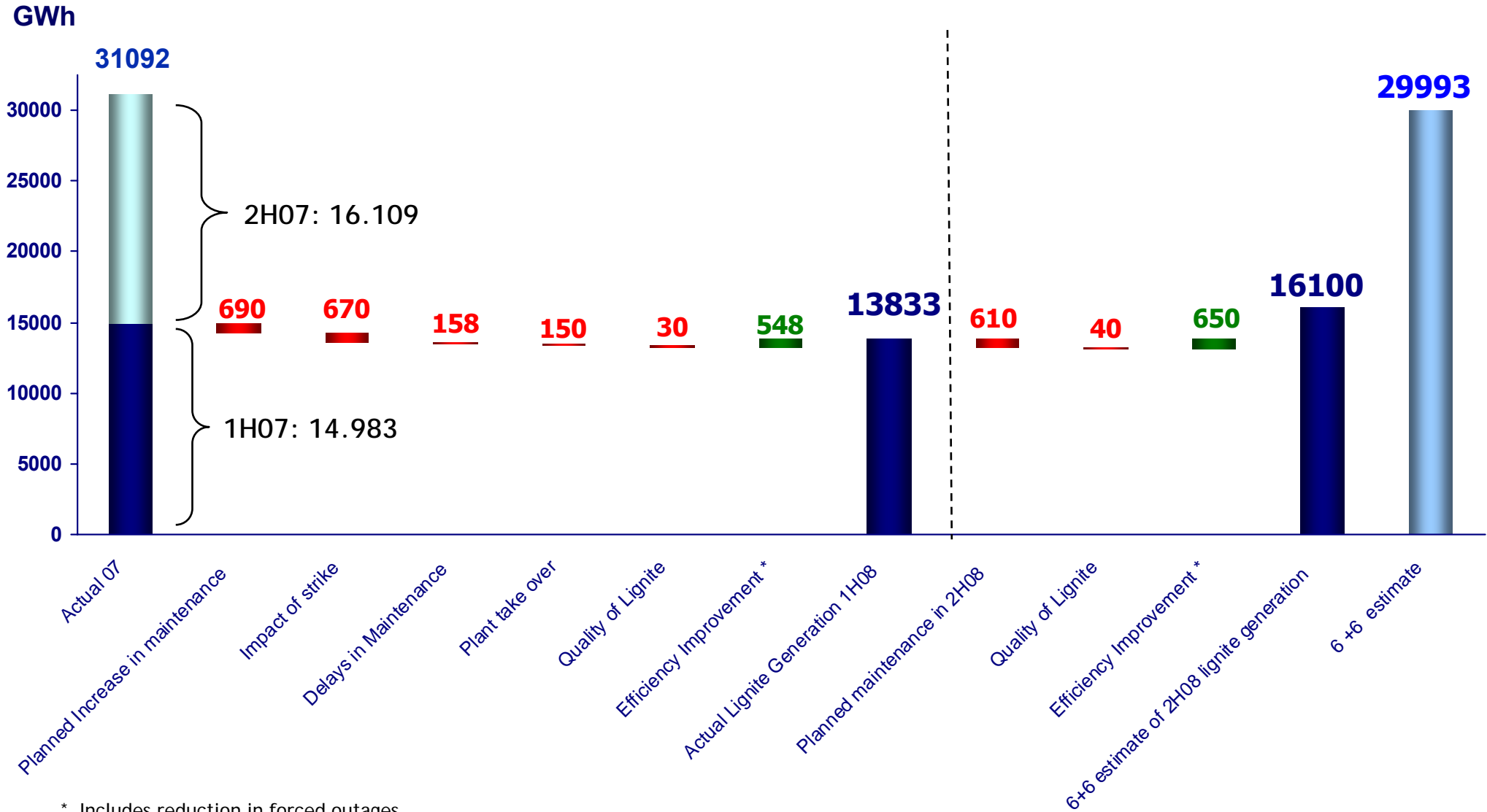


## A major opportunity lost

- **Our inability to convince stakeholders of the important benefits presented by the creation of a joint venture with RWE to construct hard-coal plants in Greece, resulted in negative reaction especially by our labour union and local communities.**



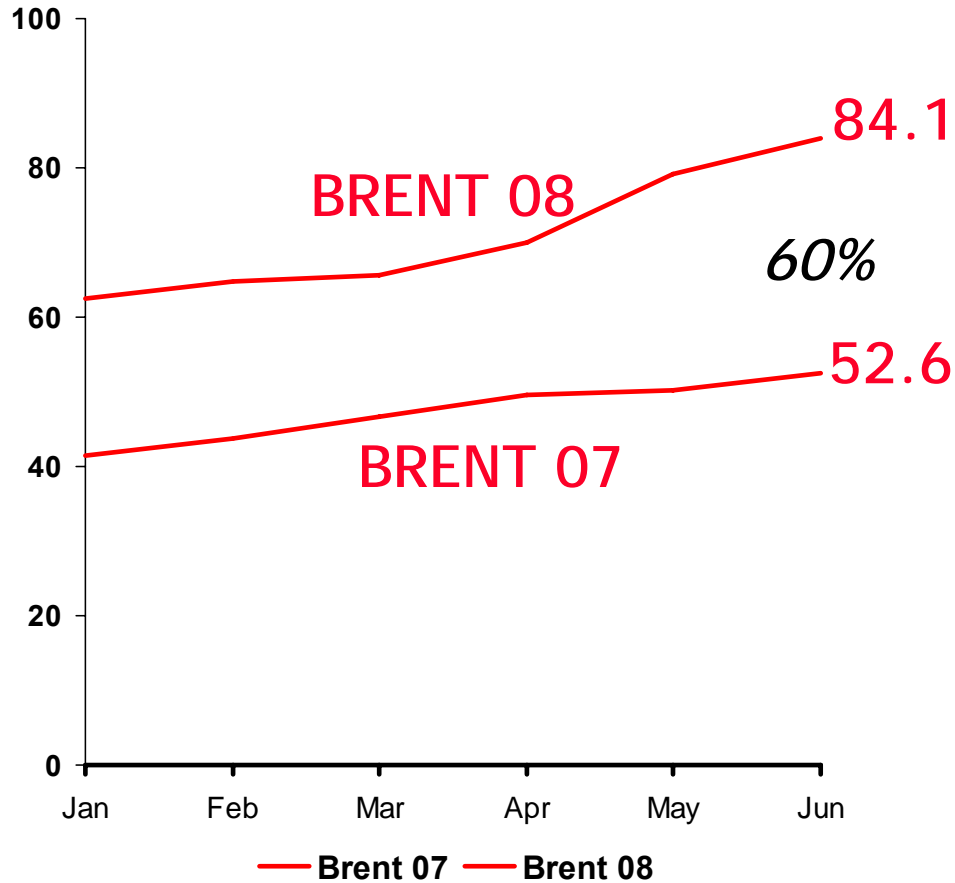
# Lignite Generation below forecast



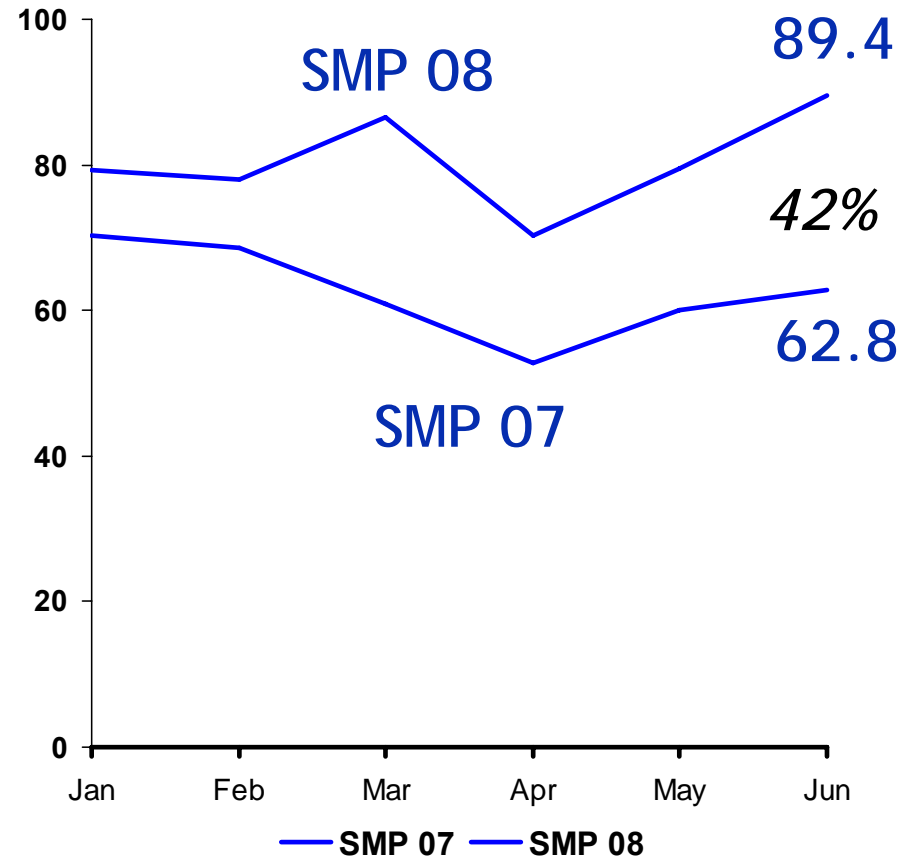


# BRENT (€ /bbl) and SMP (€/MWh) Monthly Averages 1H '07 and 1H '08

(€ /bbl)



(€ /MWh)





## Going forward

- **The 7% increase in medium and low voltage tariffs and 10% increase in high voltage tariff, effective from July 08, and the assumption that fuel prices stabilize at today's levels, are expected to improve results in the second half of the year. It is estimated that the bottom line for the year as a whole will be approximately at the level of 1H08.**
- **While the fuel adjustment mechanism will compensate for fuel price increases from 2009 onwards, it is imperative that PPC undertakes also drastic restructuring steps and efficiency improvements internally in order to streamline our company's expenses and secure the required cash flows to finance our investment plans.**

**More on these we will present in the Business Plan 2009-14 in the fall, as promised.**



# Main Operational Developments

- **PPC successfully met customer demand during summer peak hours**
- **208 km, 400 kV interconnector with Turkey operational as of June 2008, although we did not need it for the summer**
- **On track to replenish lignite reserves lost during the 18-day Labour Strike**
- **Tender for Megalopolis V 800MW CCGT issued :**
  - **Bids expected in October 2008**
- **Tender for Florina II 450MW Lignite issued :**
  - **Bids expected in November 2008**



## Regulatory update

- **All issues addressed in the Q1 08 presentation are well progressing**
- **Additionally :**
  - **Completed Unbundled budgets for 2008**
  - **Proposal to Regulator and Ministry of Development for distinct presentation of regulatory and competitive activities' charges in customer bills**
  - **Approval by the Ministry of Development of the PSOs' allocation mechanism to all customer categories**
  - **Regulator's opinion submitted to the Ministry of Development for the application of a Social Tariff for low income and sensitive customer groups**



# Joint Venture with Halyvourgiki SA

**Approval of the term-sheet for the establishment of the Joint Venture with Halyvourgiki SA**



# Management Appointments

- **Dr. Prodromos Efthymoglou, Deputy CEO**