

**20<sup>th</sup> NATIONAL ENERGY CONFERENCE**  
**“Energy & Development”**  
**Athens 11-12 November 2015**

***“Preparing DEPA for the  
next gas market era & reality”***

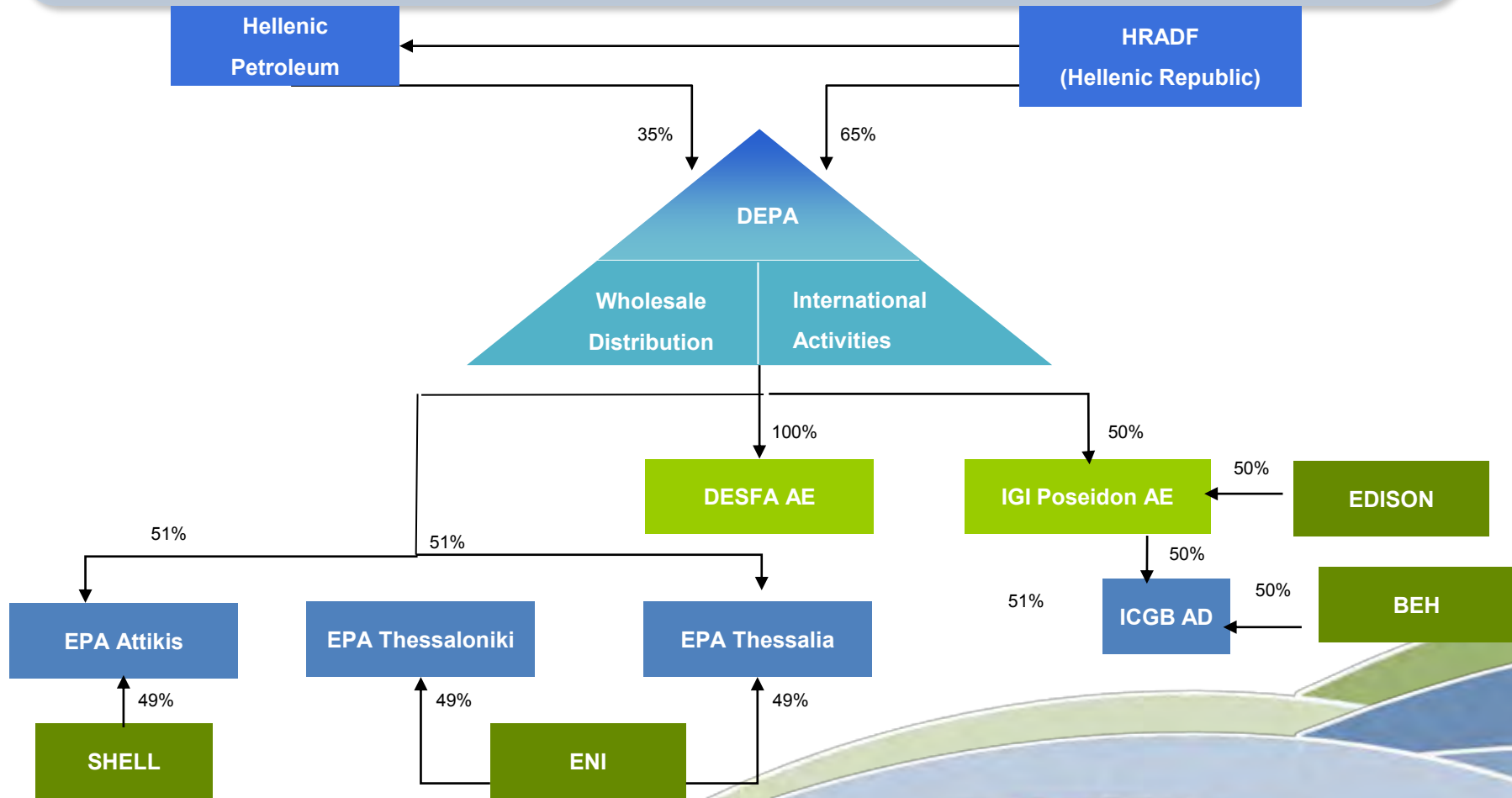
**Crafting new company’s strategy and building right team,  
capabilities, organization and corporate culture**

**Spiros Paleoyannis, Chief Executive Officer**

# Key highlights of DEPA

- ❖ A successful business story in Greece the last 25 years
- ❖ Effective business model, which however should be urgently reinvented
- ❖ Well-running business processes/assets by knowledgeable and experienced personnel
- ❖ Opportunities for further growth, but also visible threats to lose market share in the years to come
- ❖ Strategically located gas business in SE Europe, especially in the light of the Southern Gas Corridor and other critical developments in the broader area

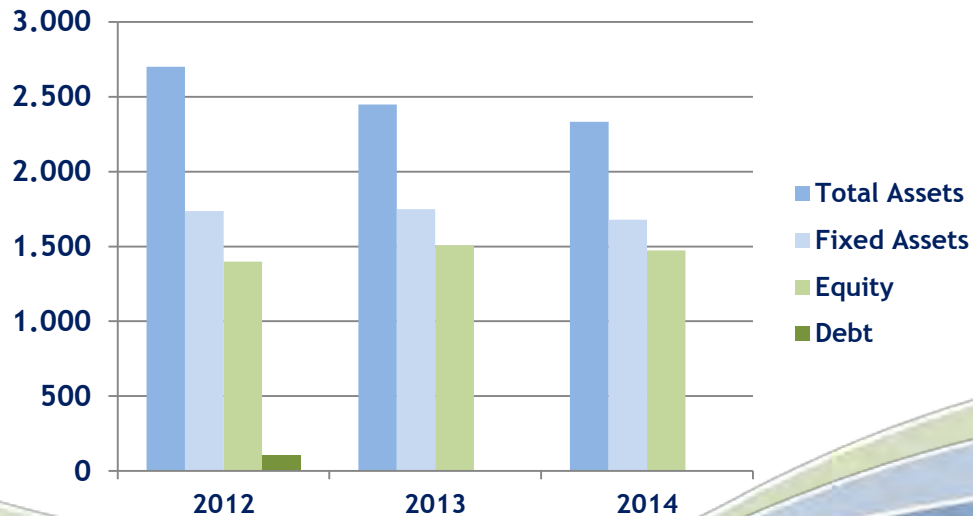
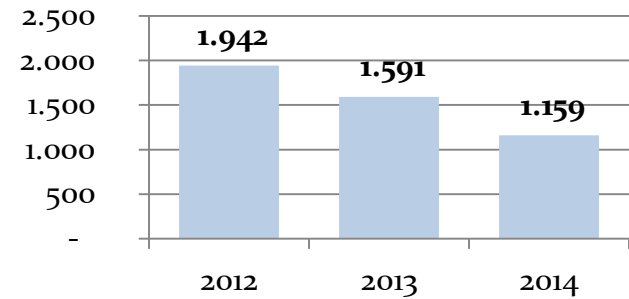
# Current DEPA's Group structure



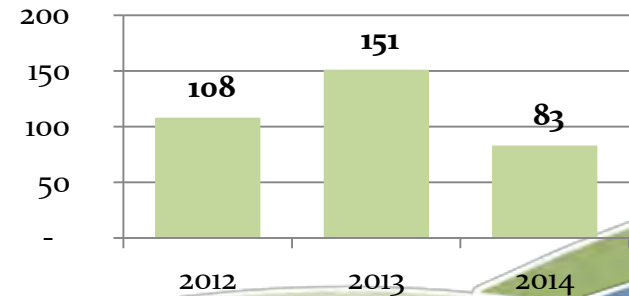
# DEPA is a financially strong company

Amounts in mio Euros	2012	2013	2014
Revenues	1.942	1.591	1.159
EBITDA	108	151	83
EBT	111	156	84
Total Assets	2.702	2.449	2.333
Fixed Assets	1.736	1.750	1.678
Equity	1.399	1.507	1.473
Debt	100	0	0

Sales (€m)



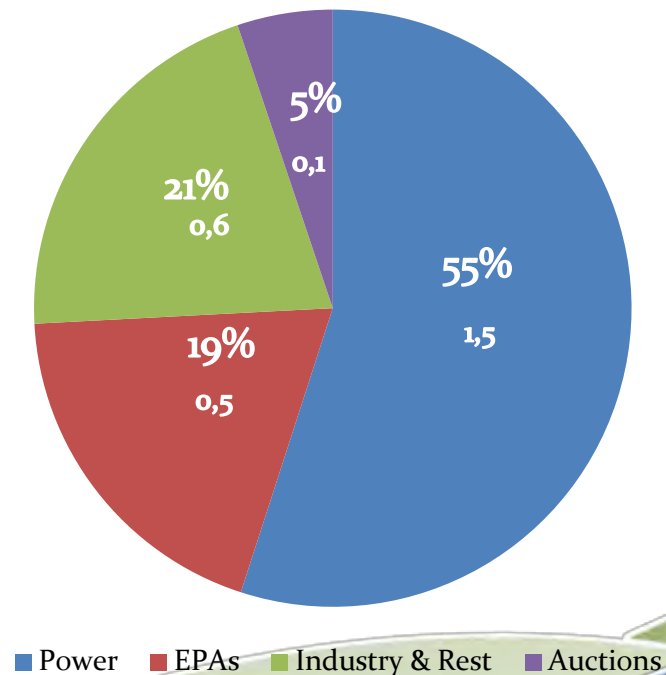
EBITDA (€m)



# Wholesale gas supply is currently the core activity of DEPA

- Gas for power generation remains the dominant market sector (even following recent significantly decrease in gas consumption),
- PPC remains DEPA's single largest customer
- Increasing proportion of sales to eligible industrials
- Industry under pressure but keeps important share
- Retail market (EPAs) with increasing role in total gas consumption.

Gas sales volumes by customer group in 2014 (bcm)



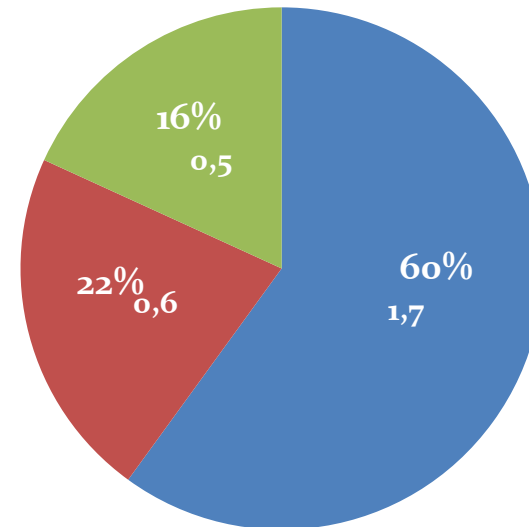
**DEPA remains the lead supplier of the market (~90% market share in 2014)**

# Established relationships with long term supplier base

## Overview of the supply sources

- DEPA is currently the only company in Greece which actively sources piped gas under LT gas supply contracts
- More than 90% of total DEPA's gas supplies are from long term contracts offering security of supply
- Several MSPAs allow flexible LNG purchases and an additional LT gas supply contract with SOCAR (to be commenced after completion of SGC in 2020)

Natural gas volumes in 2014 by supplier (bcm)<sup>1</sup>



■ Gazprom ■ Botas ■ Sonatrach

## DEPA long term supply contracts

Contract term			
Contractual ACQ (bcm) <sup>1</sup>	▪ 1.9 – 2.5	▪ 0.71	▪ 0.71
Contract expiry	▪ 2026	▪ 2021	▪ 2021

Note

1. Under normal conditions: 1atm, 0 C, GCV = 9600 kcal/m<sup>3</sup> @0 C

# Preparing for the future

- ❖ The 'do-nothing' scenario is not an option for DEPA
- ❖ As any mid-streamer in Europe DEPA should fully understand the new business environment and the continuously changing market conditions in order to reinvent accordingly its business model
- ❖ Furthermore, DEPA should strengthen its organization, build the necessary capabilities, adapt commercially to new domestic market reality (adjusting contractual and pricing strategies and practices) and optimize its supply portfolio if is to maintain leadership in the competitive market
- ❖ Network expansion along with employment of innovative CNG and LNG technologies will allow DEPA to gain further growth in Greece
- ❖ In addition, the company should re-consider its mid and long-term strategic options and focus also in opportunities in the broader SE Europe's regional energy market
- ❖ Company's strategic transformation is absolutely necessary

# Law 4336/15 created a new reality in the domestic gas market

- ❖ Exclusive rights for gas supply in EPAs' geographic areas will be gradually withdrawn
- ❖ By January 2017 supply activities should be legally separated from EPAs' distribution ones in accordance with the European target model
- ❖ By the same date, DEPA should separate its distribution activities and form a new Distribution Company for the rest areas in Greece (keeping separate accounts for Northern and Southern Greece)
- ❖ Distribution will be a fully regulated business, under strict rules for access to network and for applicable tariffs
- ❖ All industrial customers nationwide are already eligible while commercial and residential ones will become eligible within the next 1-2 years
- ❖ Changes will affect not only the retail but also the wholesale gas market and consequently DEPA
- ❖ Reforms will have also an impact on EPA's shareholders (including DEPA)



# What are the objectives of the legislation?

Law 4336/15 aims at:

- Enhancing competition in the retail gas market
- Creating favorable conditions for consumers to choose freely their gas supplier
- Increasing transparency in price formation mechanisms
- Reducing energy costs in the long-run
- Supporting gas network expansion investments nationwide

# Greek gas market: challenging but also promising

Greece is facing similar challenges to other European gas markets...

- ❖ **Slow economic growth hinders gas consumption**
  - Industrial and residential consumers hold back their consumption
- ❖ **Power market restructuring led to reduced share of gas in power generation the last two years**
  - Competition from lignite, renewables and imports
  - Gas price dependent
  - Signals for demand recovery during the last months of 2015

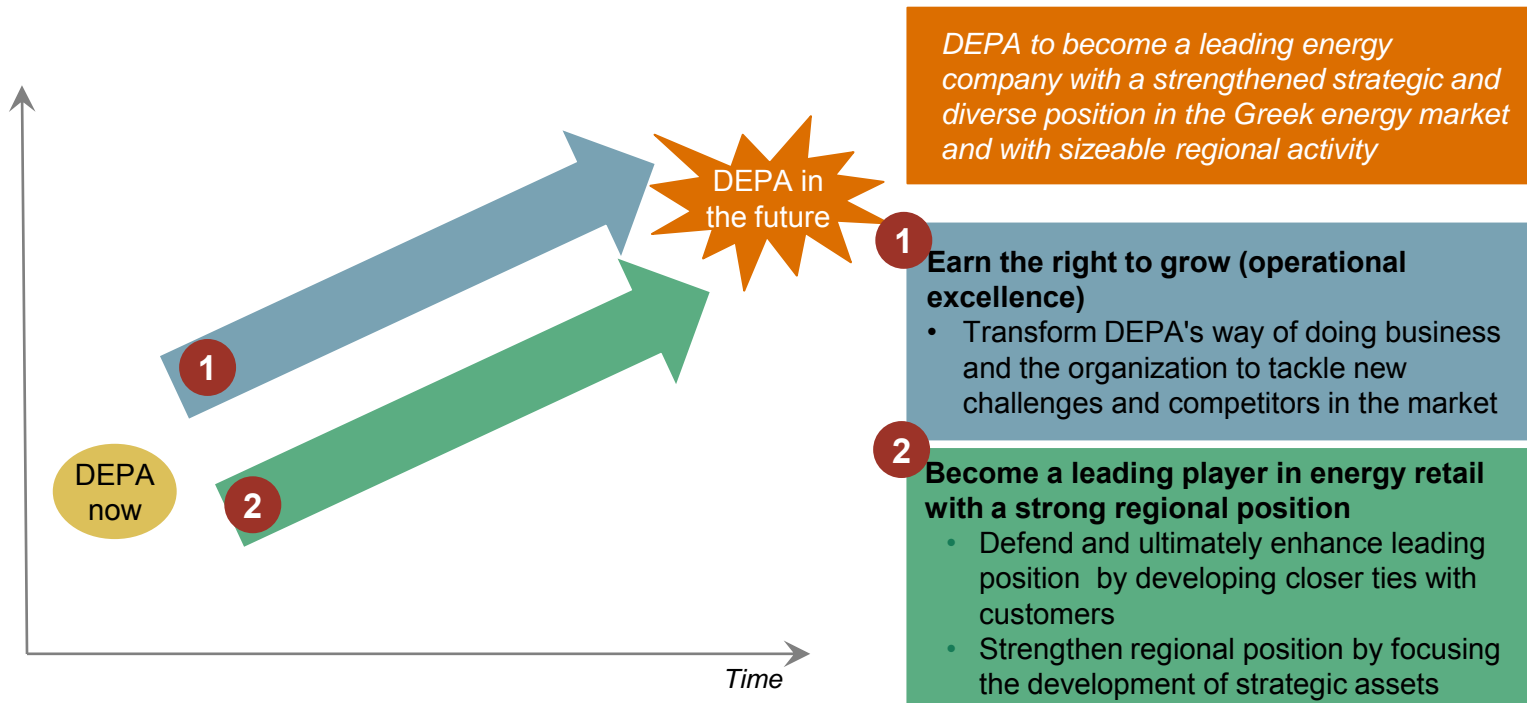
In 2014, the Greek gas market was 30% below its 2008 level  
Signals for demand recovery in 2015

... but Greece offers some distinctive attractive opportunities

- Greece expected to return to economic growth
- Low gasification status offers large potential for increasing market size through further gas penetration and distribution networks expansion
- Satellite CNG/LNG on islands and in remote areas
- High bunkering potential
- Access to diversified gas sources puts Greece into better position than most of regional peers
- Improving connectivity in the region can enhance the Regional Gas Hub position of Greece

Due to structural advantages and other characteristics, Greece offers strong growth potential for gas

# DEPA's vision is to create a solid base for growth and become a leading energy retail player with a strong regional position



**Prioritization of choices and actions is critical**

# CNG and Small-scale LNG: proven technology already in the agenda of many governments and businesses



LNG powered offshore supply vessel, Norway



LNG powered vessel design (source: DNV)



Locomotive converted to LNG, US



LNG trailer 50 m<sup>3</sup>, China



LNG bus, Poland



LNG truck, Netherlands



NG and LCNG station, US

Source: IGU/NGVA Europe/DNV

# Key projects will enhance country's and region's energy security and may establish Greece as a gas trading hub

The Aegean LNG / IGB system is a key international project of strategic importance to the region

## ■ IGB / Aegean LNG System

- Act as a gateway to SEE through Greece, creating synergies with smaller interconnectors in the region (e.g. Bulgaria-Romania), allowing access to the evolving SEE energy market
- Offer security of supply, gas on gas competition, acting as a prerequisite for a truly integrated market

## ■ IGB

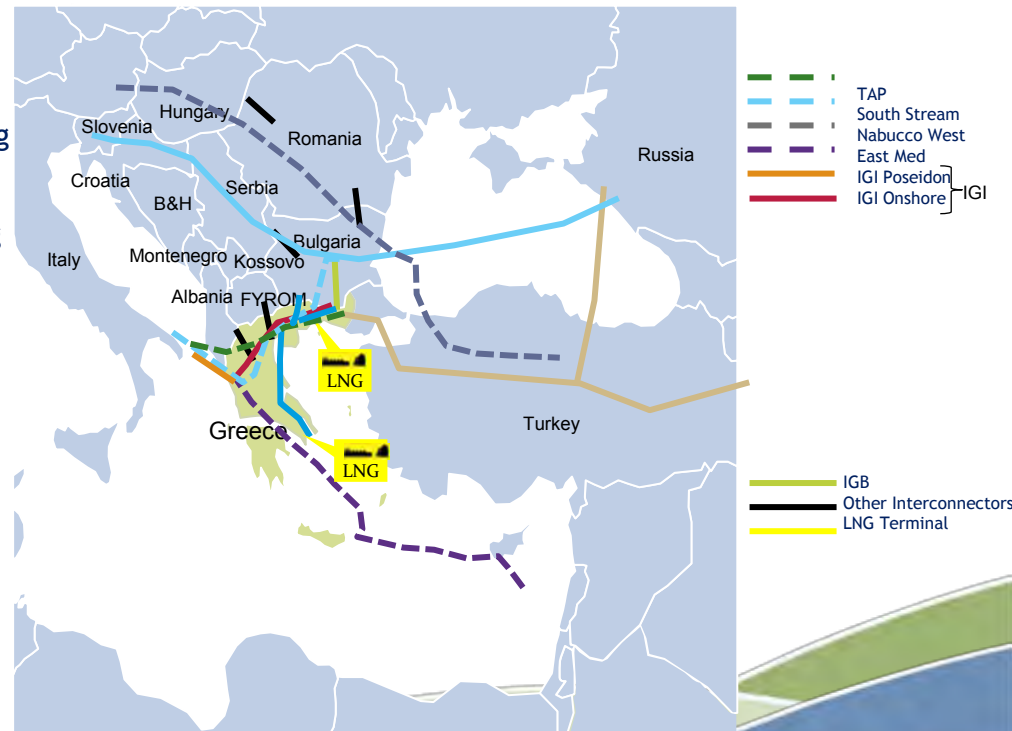
- Will connect Bulgaria with both existing and new gas supplies
- Will provide incremental gas supplies to the entire SEE Europe region
- Near FID status

## ■ Aegean LNG

- Will allow LNG supplies from East Med, N. Africa, the Gulf and beyond to reach the SEE region
- Technical development in progress
- Development with international partners/investors

## ■ ITGI and EASTMED Pipelines

Location of key international projects



Thank you for your attention