

Speech by the Chairman and CEO of PPC S.A, **Mr Em. Panagiotakis**

Ladies and Gentlemen,

What are the fundamental issues those of us involved in electrical energy - the state – companies – regulatory authorities - are called upon to answer today?

1. The reduction of the cost and prices of electrical energy which is a precondition for the welfare of citizens and the recovery of the national economy.
2. The smooth adjustment and alignment with European policies.

Of course when we talk about “smooth alignment” we mean transformations that will take particularly into account national particularities and strategies, something which the European authorities have moreover highlighted with emphasis in all their processes and decisions.

3. The smooth running of both the wholesale and supply markets.

I believe there will be no disagreement that the 2<sup>nd</sup> and 3<sup>rd</sup> aims must serve the 1<sup>st</sup>. If they function as ends to themselves, i.e. independently of contributing to the reduction of costs and prices, even more so if they lead to increases, the results will be catastrophic: the operation will have been successful but what about the patient, the national economy?

Today, the number 1 problem of the wholesale market is the massive imbalance between supply and demand. The problem is exasperated by the rapid increase of imports even though there was a temporary containment due to capital controls.

Electrical energy prices have, over the last few years, shown rapid increases, thus feeding the recession and contraction of the national economy.

Causes include market distortions, high prices for RES and particularly photovoltaics, taxes and expensive fuel prices.

Today the energy mix comprises drastically reduced, in relation to the near past, lignite production, the consistently low production from natural gas, the impressive participation of RES and increased imports.

In the immediate future, if fundamental reforms are not made and measures are not taken, there will be a far greater reduction of lignite production, an increase in N.G. given the current trend for fuel price reductions, not expected to last over two years however, a small increase in the participation of RES and a significant increase in imports.

This prospect may allow a contained optimism for N.G. producers and may continue to satisfy RES producers and, of course, the traders. However, the national economy will not only not benefit but there will be very negative consequences including the negative affect on trade balance. Of course, there will be no thoughts for reductions in cost and price, while the depreciation of lignite production will have exceptionally negative consequences in the future.

Electrical energy lignite production is of fundamental importance for the country. Supply security because of Greece’s particular geographic position relative to other EU countries. Stability in electrical energy cost with significant possibilities for its reduction dependant also on the resolution of long-term problems with the mines and problems connected to the operation of the PPC and the

mesh of its relationships with the state. Substantial contribution to the balance of external transactions.

Our position is that for the next two decades at least, the participation of the lignite KW in the energy mix must range around 30-35%. The assertion for free CO<sub>2</sub> certification is aimed on the one hand at reducing the cost and, on the other, to attract investments worth around EUR 1 billion for the operational and environmental upgrading of the “middle-aged” units and the construction of the second unit in Florina. Thus, in combination with the withdrawal of older lignite units we have estimated that of the 34.5 million tons of CO<sub>2</sub> emissions in 2014, emissions by 2030 will have been reduced to under 20 million tons, in full compliance with the EU’s energy strategy.

In short, if comprehensive energy planning and strategy are not realised and if the necessary, fundamental reforms do not take place we will reach a total deadlock.

It is imperative to move from today’s outdated and ineffective market model to a Target Model in accordance to the EU policy. The position-commitment submitted to the institutions for this transition to take place by 2018 finds us in absolute agreement.

Respectively, we support and participate actively in the establishment of the energy exchange for the broader region as anticipated by the Target Model. Greece must not lose out. I hope that the final conclusion of discussions around ADMIE will contribute to this.

Ladies and gentlemen,

The opening up of the Electrical Energy supply market, the so-called retail market, has been on the news front lines particularly in view of Greece’s commitment on NOME aimed at reducing PPC’s relevant share to 75% during the first phase and to 50% by 2020. Although the demand for NOME looks somewhat punitive and definitely mandatory, PPC has no actual reason to assert the preservation of its current high share. Particularly to the extent that its own production is much lower and not enough to cover the consumption of its customers.

In our view NOME were and are not necessary for the opening up of the retail electrical energy market.

If the necessary serious investments in trade by our competitors take place and if they are willing to take the necessary risk and – of course – they aim to pursue logical profits at a level of 5% which is considered reasonable for mature markets and advanced societies for a “utility”, then even in current conditions the market could be opened and market shares could be gained with credibility. To the benefit of consumers which is supposed to be the main focus.

The market remains closed, to the extent that the pursuit is a quick, large and easy profit, without risk and investment. If we maintain this model of business activity and we pursue opening the market using twisted adjustments such as auctions within the frameworks of NOME at below production cost prices we are sure to reach deadlocks and there will be no added value at all.

PPC supports vigorous entrepreneurship that leads to a healthy market. In this sense we judge the Greek Post Office’s move for entry into the electrical energy market as positive. In relation to NOME, and if their application is finally deemed necessary – something about which I have serious doubt in view of serious business initiatives in the making – these will only be acceptable if via these auctions power will be offered at above cost prices and the entire process leads to a respective reduction of PPC’s share in all categories of customers.

Ladies and gentlemen,

Despite the challenges and difficulties PPC is the guarantor of the country's secure supply of electrical energy at affordable prices to all and especially socially vulnerable consumers. It is a guarantor of the smooth deregulation and operation of the markets. It is, finally, a factor of stability for the country's economic and social welfare something which was proved beyond a doubt during the difficult first days of capital controls.

The full and smooth supply of electrical energy, particularly to the islands, the uninterrupted daily channelling of money into the market, all necessary and self-explanatory but not automatic, are proof of this.

We are currently processing our strategy based on the triptych

- Flexibility – adaptability
- Expansion into other markets
- Business synergies

We will affirm the further strengthening and development of PPC through expansion in neighbouring market, aiming to achieve a leading role in the broader region. We are working methodically in order to contribute to the attraction of serious investments that will bring added value by exploiting PPCs capabilities.

Within this framework we are asserting our corporate autonomy, the Company's extrication from the web of ties that stifle its corporate operations and dramatically restrict the fulfilment of our strategic targets.

At the same time we are developing our own internal auditing mechanisms along the standards employed by the most advanced corporations within the framework of Corporate Governance.

Ladies and gentlemen,

The issue of debts to PPC is widely known. I will not analyse it. I shall only emphasise that by asserting the payment of these debts which is essential for PPC's survival will in no way compromise its social profile or reduce its social sensitivities. We display this with our unprecedented facilitations to all our customers which were implemented in May, and which were positively welcomed by the press and media (apart from a small minority that criticised us for reduced corporate insight and practice). We are forced to resort to cutting off Electrical Energy supplies due to debt only after we have exhausted every course of consultation and conciliation and always with great care so as not penalise all types of vulnerable customers. It is self-evident that social invoice holders will not have their supply cut off. It is also self-evident that this measure is applied to those customers who, presumably, are able to pay.

I believe that not only our consistent customers many of whom respond to payments using their savings, but also those who have to date neglected to fulfil their obligations want PPC to be strong and financially robust.

PPCs economic recovery must succeed.

One more thing. PPC is a national asset. It does not belong to any political party whether government or oppositional. We are listening to and taking into account the criticisms and observations from society and, of course, from political players on our decisions. But PPC must remain outside political confrontations and expediencies.

Thank you.

