

## Full ownership unbundling of the Independent Power Transmission Operator (IPTO) from the Public Power Corporation (PPC )

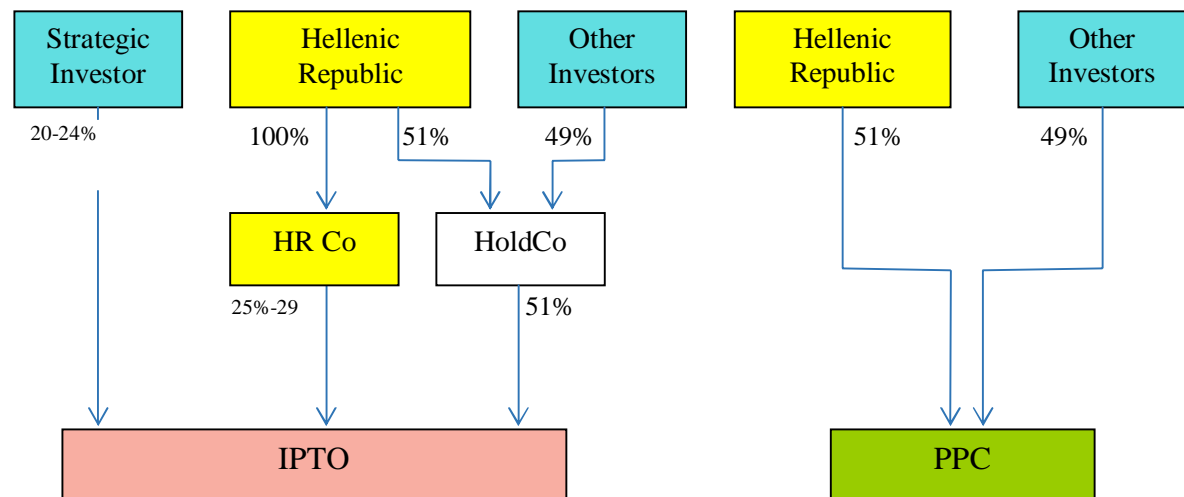
### INTRODUCTION

Law 4389/2016 (GG A' 94/27.05.2016) as amended by Law 4393/2016 (GG A' 106/06.06.2016) ("the Law"), provides in its sub-chapter B for the full ownership unbundling of IPTO from PPC.

More specifically:

- A stake of 51% of shares in IPTO shall be contributed to a Holding Company (the "HoldCo"), to be established by PPC, which will at a later stage transfer the HoldCo shares to its shareholders;
- A stake of 20%-24% (to be specified by the Hellenic Republic) will be sold and transferred to a strategic investor via an international tender process; and
- A stake of 25%-29% (to be specified by the Hellenic Republic) will be sold to a Holding Company established by the Hellenic Republic (the "HRCo"), in which the Hellenic Republic will hold the only share.

Schematically, upon completion of the process, the picture will be reflected as follows:



On the basis of the Invitation addressed on 08.06.2016 to the PPC Shareholders to a General Assembly to be held on 30.06.2016, PPC has initiated the relevant process for the conclusion of which subsequent resolutions of the Shareholders General Assembly will be required to make the final decisions.

## A SUMMARY OF THE PROCESS

The process towards a full ownership unbundling includes the following steps (not necessarily in a chronological order):

### **1. Return of Capital from IPTO to PPC (“Cash Upstream”):**

Following a back-to-back capital increase and capital decrease, IPTO will upstream a certain amount of cash to PPC and/or offset part of IPTO’s receivables from PPC.

More specifically, IPTO is required by the Law to implement the following steps:

a. By a decision of its General Assembly, it approves:

- The share capital increase through a capitalization of existing reserves (surplus on revaluation of fixed assets and retained earnings)
- The share capital decrease to an amount equal to the aforementioned capitalized reserves
- The distribution to PPC of the amount of the reduction.

b. Further, the IPTO’s General Assembly may approve the netting of IPTO’s receivables from PPC stemming from Use of System charges, with PPC’s receivables stemming from IPTO’s capital decrease.

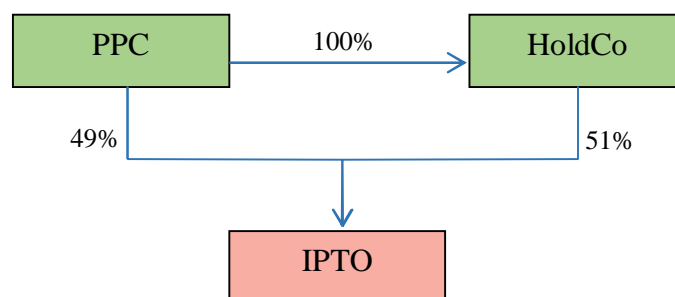
PPC has already requested IPTO to proceed with all necessary actions for the implementation of the provisions of the law.

### **2. The Holding Company – HoldCo (51%)**

In relation to the HoldCo, the Law provides three steps:

a. Establishing the HoldCo. An “AoA” will be subject to the General Assembly for approval.

b. Contribution by PPC of its stake of 51% in IPTO (out of the 100% stake it holds in its portfolio). Thus, the ownership status of IPTO will be formed as follows:



c. PPC transfers to its existing shareholders all shares held in the HoldCo, via the corporate procedure of capital reduction and transfer to the shareholders of shares instead of cash. Thus, PPC’s existing shareholders (i.e. the Hellenic Republic, HRADF, institutional investors, etc.) will indirectly own 51% of IPTO. The HoldCo shall apply for stock market listing.

### **3. Preferred Strategic Investor (20-24%)**

PPC launches an international tender procedure with specific eligibility and selection criteria, as provided by the Law. The tender procedure will include inter alia:

- Publication of an Invitation to submit an Expression of Interest (Phase A, Pre-qualification Stage)
- Assessment of the participants in Phase A on the basis of the criteria set out in the Invitation. Selection of the eligible participants.
- Address a Request for Binding Offers to eligible participants (Phase B, Binding Offers).
- Approval of the initial selection of the Strategic Investor, approval of share purchase agreement and referral of the matter for final decision to an Extraordinary Shareholders General Assembly. The agenda of that Extraordinary General Assembly will also include the decision to sell and transfer the shares in IPTO to HR Co, as well as the contribution in kind of the 51% stake in IPTO to the PPC's HoldCo to be established.

### **4. HR Co SA (25-29%)**

The Hellenic Republic establishes a one-share société anonyme with non-transferable shares, and constitutes the sole shareholder of this company (HR Co). PPC will sell to HR Co the aforementioned stake at the time of the conclusion of the transaction with the Strategic Investor. The consideration per share will be equal to that which will be paid by the Strategic Investor.

### **TAX TREATMENT**

1. Tax to be incurred by IPTO:
  - Income Tax (29%) on the reserves distributed to the PPC as a result of the capital decrease
  - Capital Concentration Tax (1%) and Levy payable to the Hellenic Competition Commission (0.1%) for the capital increase
2. Tax to be incurred by PPC:
  - Income Tax (29%) on the surplus value (capital gain) of the 49% stake in IPTO to be sold to the Strategic Investor and to HR Co.
  - Income Tax (29%) on the surplus value (capital gain) of the 51% stake in IPTO to be contributed to the HoldCo.
  - Capital Concentration Tax (1%) and Levy payable to the Hellenic Competition Commission (0.1%) for the capital increase contribution of the 51% stake in IPTO
3. All the aforementioned Income Taxes entail the payment of a tax advance at equal amounts. PPC shall take steps vis-à-vis the tax authorities for the avoidance of such obligation.
4. The taxation rights of the Hellenic Republic stemming from the transaction, and especially the aforementioned capital gains taxes, are assigned by the Hellenic Republic to the HR Co. The latter may pledge such rights exclusively

for the purpose of either securing a possible financing of the consideration for the acquisition of shares, or offsetting them with the said consideration.

Following the first General Assembly which decides on the launching of the process, subsequent resolutions by the General Assembly will be needed, in order to make the final decisions, at least on the following topics:

- i. Approval of the sale of the 20-24% stake to the Strategic Investor
- ii. Approval of the sale of the 25% stake to HR Co
- iii. Approval of the 51% contribution to the HoldCo
- iv. Process for the share capital decrease of PPC and the corresponding distribution in kind to PPC shareholders.

### **INDIVIDUAL CORPORATE ACTIONS TO BE TAKEN**

For the conclusion of the steps described, a number of corporate actions are required to be taken by PPC, as well as by IPTO, and by the new companies, i.e. HoldCo and HR Co.

Specifically, and in relation to PPC:

#### **➤ IPTO capital increase and capital decrease – distribution to PPC**

By a decision of the IPTO Shareholders General Assembly, IPTO approves an increase of its share capital through a capitalization of its existing reserves, which are eligible for such a capitalization, and in particular:

- (a) the reserve resulting from the surplus on revaluation of fixed assets developed by PPC and transferred to IPTO on the basis of relevant implementing provisions of Law 4001/2011, and
- (b) the retained earnings account.

On the basis of the same decision, IPTO approves its share capital decrease, of an amount equal to the amount resulting from the capitalisation of its aforementioned reserves, and the payment to its shareholder PPC of the amount to be released following the share capital decrease.

In order for IPTO to proceed to the distribution of the proposed reserve to PPC following a share capital decrease, it will have to, according to Article 4, Paragraph 4 of the codified law 2190/1920, as in force:

- Satisfy obligations to its creditors, which are already due, and
- Offer its creditors sufficient security in relation to the obligations which are not yet due.

Creditors may raise objections on the proposed distribution of reserves within a period of 60 days. Eventual disputes are submitted to the Athens Court of First Instance.

➤ **Establishment of PPC's Holding Company (HoldCo) and transfer of the 51% stake in IPTO**

By decision of the PPC Shareholders General Assembly, PPC shall initiate the process of establishing a Holding Company on its own diligence and cost. PPC shall initially be the sole shareholder. Following its establishment, the HoldCo Shareholders General Assembly will decide on an increase of its share capital, which will be financed by PPC by way of contribution in kind of IPTO shares corresponding to a 51% stake in IPTO's share capital.

By virtue of a subsequent decision of its Shareholders General Assembly, the PPC shall proceed in a reduction of its share capital and a corresponding distribution in kind to its shareholders. For the implementation of such decision, the PPC will transfer to its existing shareholders the shares it holds in the HoldCo, on a pro-rata basis to their current shareholding in PPC.

In order for PPC to proceed to such share capital decrease and distribution in kind to its shareholders, it will have to, according to Article 4, Paragraph 4 of the codified law 2190/1920, as in force:

- Satisfy obligations to its creditors, which are already due, and
- Offer its creditors sufficient security in relation to the obligations which are not yet due.

Creditors may raise objections on the proposed distribution of reserves within a period of 60 days. Eventual disputes are submitted to the Athens Court of First Instance.

Upon completion of the said transfer of its shares, the HoldCo applies for listing on the regulated market of the Athens Exchange (ATHEX).

➤ **Sale and transfer of shares to a Strategic Investor**

The Law provides for the sale and transfer of shares issued by IPTO corresponding to a stake of at least 20% and up to 24% of IPTO's share capital, by PPC to a Strategic Investor. The exact percentage to be transferred is expected to be specified by the Hellenic Republic.

For the purpose of selecting a Strategic Investor pursuant to the Law, the present General Assembly is requested to decide on the initiation of the procedure for an international tender process, which will be concluded in two phases.

During Phase A, PPC addresses an international public Invitation to submit an Expression of Interest, in line with the Law and the European and national legislation, as well as the PPC's procedures. The Invitation will provide for certain legal, technical and financial criteria, as indicatively described in the attached draft "Eligibility Requirements", which may be supplemented until the PPC General Assembly.

During Phase B of the tender process, the eligible participants will be requested to submit binding offers.

Before the selection of the Strategic Investor, PPC will have received an opinion by an international independent valuator, as provided by the Law, as to whether the consideration offered is fair and justified, and on the impartiality and transparency of the tender process (fairness opinion), in order to proceed to the conclusion of a share purchase agreement with the preferred Strategic Investor.

The international public Invitation will be issued by PPC within July 2016, while the final sale and transfer will be approved by PPC's General Assembly at the end of the process. The tender process falls under the supervision of the Hellenic Republic. An implementing Joint Ministerial Decision may be issued to specify any necessary details.

➤ **Sale and Transfer of a 25-29% stake to HR Co SA**

The Law provides for the establishment of a "Public Holding Company IPTO SOCIETE ANONYME (HR Co)", its sole shareholder being the Hellenic Republic and its purpose to acquire from PPC shares issued by IPTO.

By way of a decision of its Shareholders General Assembly, PPC shall initiate the process for the sale and transfer of a minimum 25% stake in IPTO to HR Co. The exact percentage of shares to be sold and transferred to HR Co is expected to be specified by the Hellenic Republic until the General Assembly of 30.06.2016.

According to the Law, the consideration per share to be paid by HR Co will equal the price per share that the Strategic Investor will pay for the acquisition of a 20-24% stake in IPTO via the tender process.

Finally, it should be noted that the final approval of the sale and transfer to the HR Co of the definitive percentage of shares issued by IPTO, as well as the relevant share purchase agreement, will be granted by a subsequent Shareholders General Assembly of the PPC.