

Privatisations Update and Establishment of new Super-Fund

After many months of opposition and political turmoil, the Greek Government appears to have put privatisations back on the agenda. On 25 May 2016, the Governmental Committee of Financial Policy approved a new programme of privatisations by ratifying the updated privatisation portfolio of the Hellenic Republic Asset Development Fund (HRADF). Currently counting 19 major assets, the updated Asset Development Plan also includes new projects in the infrastructure, corporate and energy sectors.

Privatisations gain a new momentum

New projects

Infrastructure

- **Athens Water Supply and Sewerage Company SA (EYDAP) & Thessaloniki Water Supply & Sewerage SA (EYATH):** HRADF plans to sell 11% of the shares of EYDAP, reducing its participation to 16%, and 23% of the shares of EYATH, reducing its participation to 51%. HRADF shall appoint advisors by the third quarter of 2016 and form a relevant business plan. According to a recent court decision, the Greek State must own the majority of the shares (50% +1) of both water companies.
- **“Egnatia Odos” Motorway:** The tender for the concession of use of the Motorway is planned to be launched around September 2016.
- **Marinas:** Numerous marinas are included in the portfolio of HRADF, which plans to award 40-year concessions of them. The tender process for the marinas of Alimos and Chios will be re-launched.

Corporate

- **Hellenic Post (ELTA):** HRADF holds 90% of the voting rights in ELTA, the ex-incumbent postal services provider, and plans to transfer them to the newly established “Super-Fund”, following an appointment of new directors and an extended restructuring.

- **Hellenic Telecommunications Organisation (OTE):** The Greek State owns 6% of OTE, which is listed in Athens and London, and it shall transfer 5% of its shares to HRADF for further sale.

Energy

- **Electricity Transmission Operator (ADMIE):** 51% of ADMIE's shares, which is currently a wholly-owned subsidiary of PPC, are to be transferred to the Greek State; the remaining 20% will be acquired by a strategic investor and 29% will be listed in the Athens Stock Exchange. The sale of 20% of the share capital will be performed via an international tender to be launched by July 2016. The procedure shall be concluded by the end of October 2016 with the SPA to be signed by end of February 2017. A recent law ratifying Greece's 3rd MOU with its lenders sets out the legal process for the corporate restructuring and change of the unbundling regime of ADMIE, from the ITO model under the ownership of PPC to the fully unbundled model under the ownership of the Greek State. The question of what will happen if the above tight deadlines are not met has not been yet resolved and Greece's lenders require that the Government commits to implementing a 100% privatisation scenario in that event.
- **Public Power Corporation (PPC):** HRADF plans to sell 17% of the shares of PPC, possibly in 2016.
- **Public Gas Company (DEPA):** HRADF owns 65% of DEPA, the ex-incumbent natural gas supplier, with HELPE owning 35%. An attempt to sell 100% of DEPA's shares in 2013 was unsuccessful; advisors shall be appointed by the 3rd quarter of 2016 to evaluate further development strategies.
- **Hellenic Petroleum (HELPE):** Same is the case for ELPE which is a major oil distiller in Greece with activities and participations in the electricity and natural gas sectors. HRADF owns 35% of HELPE and it plans to appoint advisors by the 3rd quarter of 2016 to evaluate further development strategies.
- **Natural Gas Transmission System Operator (DESFA):** The tender was awarded to SOCAR in 2013 but it has not obtained EU Commission approval. Negotiations are underway with SOCAR (the buyer of 66% of the company) and third-party investors, for the buyout of minority shares from SOCAR with the aim to reduce its shareholding under 50% in order for the transaction to be approved by the European Commission.

Updates on Running Projects

Infrastructure

- **Regional Airports:** The concession of use of the 14 regional airports has been awarded to Fraport-Sintel and the Concession Agreement was signed in December 2015. Financial close expected in November 2016.

- **Piraeus Port Authority:** The Share Purchase & Shareholders' Agreements were signed with Cosco Group on 8 April 2016; under such agreements, Cosco obtained 51% of PPA shares, with the remaining 16% to be vested following performance of investment obligations.
- **Thessaloniki Port Authority:** HRADF plans to sell 67% of the shares. The deadline for the submission of the binding offers is the third quarter of 2016.
- **Athens Airport Eleftherios Venizelos:** Apart from the plan to extend the existing concession by 20 years (until 2046), HRADF is contemplating to sell 30% of its shares at a later stage.
- **Trainose & Rosco:** HRADF plans to sell 100% of the shares of the train operating company and the rolling stock company respectively. The deadline for the submission of the binding offers is 22 June 2016. Alstom/Damco, RZD-Terna and Siemens have prequalified.

Land Development

- **Hotel Astir Vouliagmenis (bungalows and marina management):** The tender has been awarded. A new draft of a Presidential Decree regarding the development of the property is under preparation, to be further approved by the Council of State.
- **Former Athens Airport "Hellinikon":** The MoU with the buyer, Lamda Development was signed on Tuesday June 7.
- **Golf and touristic development plots in the island of Rhodes (Afantou area):** The tender has been awarded but an amended Presidential Decree concerning the land use of the properties is required and is under way.

Establishment of the Hellenic Corporation of Assets and Participations, the new privatisations “super-fund”

Establishment of a new Super-Fund under the name Hellenic Corporation of Assets and Participations (“HCAP”)

As provided under the recent MOU signed with Greece’s Lenders, the Government proceeded to the enactment of the legislative framework relating to the new Fund which will own and manage a large number of assets belonging to the Greek State. In particular HCAP shall operate as the holding company of several companies already managing Greek State Assets as well as a new one to be established, as follows:

- The **Hellenic Financial Stability Fund**, the entity entrusted with the stabilisation of the Greek banking sector which holds participations in a number of Greek banks.
- The **Hellenic Republic Asset Development Fund**, the entity that owns a number of national assets and manages a number of on-going privatisation projects. This is the company that has so far managed the privatization programme of the Greek State.
- The **Public Properties Company**, which will own and manage all real estate assets of the Greek State to the exclusion of forest land, protected areas (Natura, Ramsar, archaeological sites and sea shores). This includes the land previously owned by HDRAF.
- The **Public Participations Company**, a new entity to be established which shall hold the participations of the Greek State in a number of undertakings which belong to the public sector. The first wave of public sector companies that will be transferred to its portfolio include the Athens transport (OASA), the Road transport (OSY), the Urban Rail Transport (STASY), the Greek railways (OSE), the Athens Olympic Sports Complex (OAKA) and the Hellenic Post (ELTA).

The **HCAP** will be incorporated in the form of a private corporation, the sole shareholder of which will be the Greek State, with an initial share capital of EUR 40,000,000 and a life span of 99 years. The HCAP is expressly excluded from the statutory definition of a public sector undertaking, but its function is strictly related to the service of public interest, and its shares are non-transferable.

The annual profits of the HCAP shall be distributed as follows:

- 50% shall be paid as dividend to the Greek State and shall be used to service the national debt.
- 50% shall be used to finance the investment policy of the HCAP.

Governance & management structure

With respect to the management of the affairs of the HCAP, the law introduces a three-tiered structure, consisting of:

- a) The (sole) Shareholder Assembly (i.e. the Greek State): essentially making all the privatisation decisions of the HCAP with respect to assets belonging to its subsidiaries (with the exception of the Hellenic Financial Stability which maintains its autonomy and current decision mechanism and the HDRAF which maintains its autonomy in relation to the ongoing privatisations (see previous section of this Newsletter).
- b) The 5-member Supervisory Board, which shall perform a supervisory role over the Company and will have decisive powers in high level matters such as the resale of assets back to the Greek Government; three of its members are appointed by the Greek State with the prior approval of the EU Commission and the ESM and two members (including its Chairman) are appointed by the EU Commission and the ESM representatives. Decisions are taken by 4/5 majority.
- c) The Management Board, which shall design and implement the investment policy of the HCAP. The investment policy and strategic plan are approved by the Sole Shareholder at high level and implemented at business plan level by the Board. The members of the Management Board including the Chairman and the Managing Director are appointed by the Supervisory Board.

Role of the HCAP

The HCAP has as its aim to exploit and optimize the value of all assets owned by its direct subsidiaries (save the Hellenic Financial Stability Fund), including the power to dispose of such assets, as well as the maximisation of revenue streams.

The establishment of the HCAP has caused a great deal of controversy given that it signifies the concession of significant powers in the management, operation and divestiture of fundamental assets of the Greek State to its creditors for a very long period of time.

A number of internal organisational milestones have to be reached before the HCAP becomes fully operational, but in the meanwhile the roll-out plan of the on-going privatisation projects that have been launched and managed by the Hellenic Republic Asset Development Fund shall continue its course.

For further information, please contact:

Ilias Koimtoglou

T (+30) 210 69 67 000

E i.koimtoglou@zeya.com

Marina Kolia

T (+30) 210 69 67 000

E m.kolia@zeya.com

Established in 1893, Zepos & Yannopoulos is one of the leading and largest Law firms in Greece providing comprehensive legal and tax services to companies conducting business in Greece.

280, Kifissias Ave.
152 32 Halandri
Athens, Greece

newsletters@zeya.com
Tel.: (+30) 210 69 67 000
Fax: (+30) 210 69 94 640

www.zeya.com

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