

Decision on the Approval of the sale of HELPE's participation in DESFA

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HELLENIC PETROLEUM SA (HELPE) is the shareholder of 35% of DEPA Group, which includes 100% of DESFA shares. The Extraordinary General Meeting (EGM) of HELPE on 30 January 2012 approved the execution of a Memorandum of Understanding (MOU) between the Greek State, HRADF and HELPE regarding the joint sale of HELPE (35%) and HRADF's (65%) participation (jointly the Sellers) in the DEPA Group. On the basis of this approval, the MOU was executed on 16 February 2012 and the Sellers proceeded with the sale tender process.

Only one binding offer was received, with SOCAR, the national oil and gas company of Azerbaijan, offering €400m for the purchase of 66% of DESFA shares. Given the decision by the Greek State to hold 34% of DESFA shares, HELPE will sell all of its 35% stake and HRADF the remaining 31%.

The consideration corresponding to HELPE's share is €212.1m gross of any taxes. Barclays Bank PLC, acting through its investment bank (Barclays), is acting as a financial adviser to HELPE in respect of this transaction<sup>1</sup>. Based on a valuation performed using a number of valuation methods, SOCAR's offer is within the acceptable valuation range and is considered satisfactory.

HELPE's Board of Directors hereby introduces this item to the EGM, proposing:

- (a) The approval by the EGM of the sale of HELPE's participation in DESFA and the authorisation of HELPE's Management to execute any document required to complete the transaction including the Share Sale and Purchase Agreement (SPA).
- (b) As part of this transaction, the approval by the EGM of a distribution of DESFA shares pro-rata to DEPA's shareholders (i.e. 35% to HELPE and 65% to HRADF), through a decrease of DEPA share capital, with the proceeds from such share capital decrease being distributed to the shareholders (HELPE and HRADF) in kind with DESFA shares.

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#### 1. Brief business description of DESFA

DESFA (today 100% owned by DEPA) owns, manages, operates, maintains and develops the National Natural Gas Transmission System (NNGTS). The NNGTS includes among others three Natural Gas (NG) entry points (Sidirokastro, Kipoi, Agia Triada), the main NG high pressure transmission pipeline and its branches and the Liquefied NG (LNG) regasification terminal at Revythousa island. DESFA provides users' access to the NNGT without any discrimination and in a transparent way. The operation of the NNGT and the transmission tariffs are regulated by the Energy Regulatory Authority (RAE).

[DESFA full IFRS Financial Statements can be found at <http://www.desfa.gr/default.asp?pid=161&la=2>]

#### 2. Strategic rationale for HELPE's sale of its participation in DESFA

In addition to the valuation considerations, the sale of HELPE's participation in DESFA through this process is supported by the following:

##### (a) DESFA is a non-strategic, minority participation

This is a minority participation in a capital intensive business activity, with high new capex requirements and regulated returns based on its Regulated Asset Base (RAB) (10.99% nominal pre-tax rate of return). NG transmission does not offer scope for vertical integration synergies with any of the core HELPE business activities. HELPE's – indirect today – minority participation in DESFA (35%) grants HELPE limited representation rights in DESFA's Board of Directors and Supervisory Board. Value for the Group is extracted through the statutory dividend payment which goes through DEPA and the inclusion of 35% of its share of Net Income.

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<sup>1</sup> Barclays, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for HELPE and no one else in connection with the transaction and will not be responsible to anyone other than HELPE for providing the protections afforded to its clients or for providing advice in relation to the transaction or in relation to the contents of this announcement or any transaction or any other matters referred to herein.

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**(b) The transaction will materially reduce HELPE leverage**

SOCAR’s offer (€400m for 66% of DESFA shares) corresponds to €212.1m gross of any taxes for HELPE share. The proceeds will allow HELPE to accelerate the Group’s deleveraging process and achieve a lower level of debt to equity ratio, reducing at the same time its financing costs, which are higher than the cash returns of the investment.

**(c) The joint sale process with HRADF maximizes consideration / sale proceeds**

Through a joint sale process, the total participation in DESFA which is for sale by HELPE (35%) and HRADF (31%) together is a majority stake in DESFA, which grants the preferred investor control rights. This is reflected in a higher offered prize for Sellers (control premium) than would have been the case if only HELPE’s stake of 35% were for sale.

**(d) Avoidance of possible future governance issues under the current EU regulatory framework**

The European Gas Directive 2009/73 regarding the separation of NG transmission from NG production, supply and trading activities, provides that, in case the Full Ownership Unbundling model is chosen for DESFA, its shareholders are restricted from exercising control if at the same time they exercise any control or governance rights in any company involved in power generation / NG production, or supply and trading of power (ELPEDISON BV) / NG. In such an event, the Group would be conflicted due to its shareholding in DESFA and ELPEDISON BV.

**3. Tender Process – Key milestones & Next Steps**

(a) Key process dates so far:

29 February 2012	Invitation to Submit an Expression of Interest
30 March 2012	Deadline for submission of Expression of Interest by Investors
11 April 2012	Selection of ‘Qualified Interested Parties’
17 September 2012	Request for Submission of Indicative Offers
5 November 2012	Deadline for submission of Indicative Offers (3 investors for DESFA)
16 January 2013	Selection of ‘Shortlisted Parties’ (3 investors for DESFA)
30 January 2013	Request for Submission of Binding Offers
10 June 2013	Deadline for submission of Binding Offers (1 investor for DESFA)
31 July 2013	Submission of improved Binding Offer for DESFA by SOCAR

(b) The Binding Offer – SOCAR’s improved Binding Offer amounts to a total cash consideration of €400m for 66% of DESFA shares, of which €212.1m pre-tax proceeds correspond to HELPE’s share (35%).

(c) Next Steps to Completion:

- Required approvals – The transaction is subject to customary regulatory approvals by the competent authorities in Greece and the EU.
- Transaction structure – As HELPE today owns DESFA only via DEPA, the transfer of 100% of DESFA shares from DEPA directly to DEPA’s shareholders (35% HELPE, 65% HRADF) via an in-kind share capital reduction at DEPA’s level is a necessary step before transaction completion.

**4. DESFA Valuation**

Based on a valuation of HELPE’s participation in DESFA performed using a number of valuation methods, SOCAR’s offer (€400m for 66% of DESFA shares) is within the acceptable valuation range and is deemed satisfactory.

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**5. Share Sale and Purchase Agreement (SPA)**

Key SPA terms are summarized below:

(a) Conditions Precedent (CPs)

- Anti-trust clearance by the EU competition authorities
- RAE approval of the transaction and certification of DESFA
- Completion of the Pre-Sale Reorganisation (being the transfer of the DESFA shares to the Sellers)

(b) Termination prior to Completion

- If any of the CPs are not satisfied by the Long Stop Date (10+4 months after execution of the SPA)
- In case of a change in law or regulation (not required by EU or international law obligations) which may materially adversely affect *only* DESFA in the long-term
- If Greece exits the Eurozone
- If the Preferred Investor chooses not to comply with the commitments and obligations required for the satisfaction of the regulatory conditions

(c) Conduct prior to Completion

- The Sellers undertake not to alter the constitutional documents or the share or loan capital (by over €20m) of DESFA, and to ensure that certain acts or matters that exceed certain thresholds will only occur with the prior written consent of the Preferred Investor (unless these are included in DESFA's Business Plan or were made known to the Preferred Investor ahead of the Binding Offer)

(d) Post-Completion Realisations

- The Sellers shall be entitled to receive 50% of any profit or gain on any disposal of all or a part of the DESFA business within two (2) years following Completion

(e) Limitations of Liability (several)

- For all claims other than title and capacity claims and leakage claims, total aggregate liability of each Seller shall not exceed 20% of the Purchase Price (corresponding to such Seller)
- For all claims, total aggregate liability of each Seller shall not exceed 100% of the Purchase Price (corresponding to such Seller)

(f) Governing Law & Jurisdiction

- Greek Law
- ICC (International Chamber of Commerce) Arbitration in Athens, in English language.

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**APPENDIX – Summary of DESFA Financial Statements 2010-2012**

[DESFA full IFRS Financial Statements can be found at <http://www.desfa.gr/default.asp?pid=161&la=2>]

<b>Income Statement</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
€000			
Turnover	214,958	264,806	266,501
EBITDA	101,679	145,021	154,276
EBIT	63,905	116,515	118,479
PBT	52,733	109,059	112,561
Net Income	34,791	86,053	88,707

<b>Balance Sheet</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
€000			
Total Fixed Assets	1,246,991	1,252,491	1,267,255
Government Grants	(258,444)	(242,959)	(262,456)
Capital Employed	968,478	1,011,962	992,693
Shareholders' Equity	(716,439)	(791,024)	(801,132)
Cumulative Amortised Grants	(29,358)	(45,691)	(56,034)
Net Debt	(252,039)	(220,938)	(191,561)

<b>Cash Flow Statement</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
€000			
Net Cash generated from / (used in) Operating Activities	76,850	89,323	96,435
Net Cash generated from / (used in) Investing Activities	(45,925)	(46,753)	(25,959)
Net Cash generated from / (used in) Financing Activities	(3,367)	(45,237)	(30,485)
Net increase / (decrease) in Cash and Cash Equivalents	27,558	(2,667)	39,991