

**Investors' Brief regarding the 1st Item of the Agenda of the Extraordinary General Assembly –
6 July 2017**

Conclusion of a Memorandum of Understanding between the Hellenic Republic, the “Hellenic Republic Asset Development Fund S.A.” (HRADF) and “Hellenic Petroleum S.A.” (HELPE) for the joint sale of their participation in the “Hellenic Gas Transmission System Operator S.A.” (DESFA)

Recommendation

Following the decision of the Governmental Council of Economic Policy (GCEP) on 1st March 2017, the Hellenic Republic decided, among others, to launch a new tender process for the sale of the 66% of DESFA shares, that is 31% - out of the total 65% - held by HRADF and 35% held by HELPE while announcing the termination of the 2012 tender process.

Following up the above decision, TAIPED invited HELPE to enter into discussions for the conclusion of a Memorandum of Understanding (MoU) for the joint sale of the 66% of the shares of DESFA. According to HRADF's proposal the terms of the MoU remain essentially the same with those of the Memorandum of Understanding signed on 16.2.2012.

On 12th June 2017, the Board of Directors evaluated HELPE's strategic options regarding its minority participation in DESFA and decided that is to the best interest of HELPE to proceed with a joint sale with the HRADF of the 66% of the shares of DESFA. In that respect, a draft MoU has been concluded between Hellenic Republic, HRADF and HELPE based on the Memorandum of Understanding signed on 2012, the main points of which are presented in this brief.

In the aforementioned meeting, the Board of Directors decided to convene an Extraordinary General Meeting (EGM) of the company's shareholders and recommends to the EGM the granting of a special permission in accordance with the provisions of article 23a paras 2 and 3 of codified law 2190/1920 for the conclusion of the MoU between the Hellenic Republic, HRADF and HELPE regarding the sale of DESFA shares.

1. Overview of DESFA

DESFA owns, operates and develops the National Natural Gas Network (NNGN). NNGN includes, among others, the 3 NG entry points (Sidirokastro, Kipoi and Agia Triada) in the country, the high pressure network and its branches, as well as the Revythousa LNG gasification terminal. DESFA's operation is completely independent to Public Natural Gas Supply Corporation S.A. (DEPA), which is its 100% shareholder

DESFA as Independent Transmission Operator- ITO, provides indiscriminate access to the NG network to users, according to prevailing regulatory framework that governs the operation, relationship with users and usage fees and is regulated by the Regulatory Authority for Energy (RAE).

Regulated revenues allow DESFA to cover its operating expenses, required investments and provide for a defined return on invested capital (currently at 9.22% nominal before taxes)

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Key FY2016 financials of DESFA

Revenues	€193 m
EBITDA	€104m
Regulated Asset Base (RAB)	€861m
Net Income after taxes	€34m
Net position	€852m
Net borrowing	€104 m

Shareholders of DESFA's shareholder DEPA are HRADF with 65% and HELPE with 35%.

2. Provision for the sale of 66% of DESFA shares in Law 4472/2017

Article 103 of Law 4472/2017 provides that until 31.12.2017, the 66% of DEPA's shareholding in DESFA shall be disposed via an international tender process conducted by HRADF, whereas the remaining (34%) shall be returned to the Hellenic Republic. Following the transfer of DEPA's shareholding in DESFA to its shareholders, HRADF and HELPE shall own the 31% and the 35% respectively of the 66% under disposal.

The law also provides that following the completion of the tender process, DESFA shall be Full Ownership Unbundled System Operator (FOU) in accordance with the provisions of law 4001/2011 as in force, and shall be certified as a FOU in accordance with the provision of the law and EU Directive 2209/73/EC

3. ELPE Strategy on DESFA

In view of the upcoming sale of HRADF's stake in DESFA and the ownership unbundling of DESFA from DEPA in accordance with law 4472/2017, HELPE's management assessed its strategic options on DESFA participation and concluded that it is in the company's best interest to cooperate with HRADF for the joint divestment of its entire participation in DESFA.

The sale of HELPE's participation in DESFA will accrue the following benefits:

Exit a minority – non strategic participation

- Minority indirect participation (through shareholding in DEPA) with limited rights (representation in the Supervisory Board and the Board of Directors)

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- Participation in a highly capital intensive activity with probable large future investment plans and regulated returns
- Lack of possible synergies, either with the existing HELPE participation in DEPA, or in any future engagement in the natural gas market due to strict regulatory framework.

Maximisation of price/sale proceeds

- The joint sale of the stakes of HELPE and HRADF to a 3rd party is expected to result to a higher valuation of DESFA for the interested parties, compared to the divestment of the minority stake of HELPE (control premium), consequently maximising the value realisation of this investment for HELPE
- Initial interest has been indicated by large European companies- natural gas network operators
- Expected proceeds from the sale can be used to accelerate deleverage process.

Avoidance of loss of rights in DESFA following Ownership Unbundling

Following the completion of the tender process, DESFA shall be a Full Unbundled System Operator (FOU) and HELPE shall lose all control/voting rights both at the Board of Directors as well as at General Assembly level.

4. MoU between Hellenic Republic, HRADF and ELPE relating to the sale of DESFA

The MoU is a binding agreement that provides for the participation of HELPE in the sale process of the 66% of the share capital of DESFA.

The main terms of the agreement are the following:

- a) HRADF is appointed to coordinate the joint sale process on behalf of Hellenic Republic and HELPE. HELPE and its advisors will be fully involved in all the stages of the process, approve all transaction documentation (e.g. Request for Expression of Interest, Information Memo, draft agreements etc.) and participate in all meetings and negotiations with potential buyers
- b) The assessment of offers that will be received from participants in the process will be held solely on the basis of value maximization
- c) The offer that will be selected will be subject to approval by HRADF's BoD of and HELPE's General Meeting of its shareholders . The execution of the Sale and Purchase Agreement with the potential buyer shall be subject to the aforementioned approvals
- d) HELPE undertakes the obligation for the duration of the agreement: (i) not to sell, assign, transfer, pledge any of its shares in DESFA, as well as not to enter in any agreement that

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- will affect its voting or any other rights deriving from any of its shares in DESFA, (ii) not to make any direct or indirect offer for the acquisition of shares in DESFA
- e) The ownership unbundling of DESFA from DEPA shall require HELPE's consent, shall take place within the context of the process of DESFA's sale of shares and shall be subject to the prior approval of the General Meeting of its shareholders, as per item (c) above
 - f) Termination of Memorandum:
In case that an expression of interest (or an equivalent action) in relation to DESFA:
 - a. Has not been made public within 6 months from the execution of the MoU, the latter is terminated immediately with the lapse of the 6 month period
 - b. Has been made public within 6 months from the execution of the MoU, the latter will be terminated immediately with the lapse of 12 months from the aforementioned expression of interest date, unless the parties have executed final sale and purchase documentation before the Memorandum termination date.
 - g) The MoU is governed by Greek law and the courts of Athens, Greece have exclusive jurisdiction thereon.