

HELLENIC REPUBLIC ASSET DEVELOPMENT FUND S.A.

Athens, 9 April 2013

Responses to clarification questions submitted by potential investors regarding the Invitation to Submit an Expression of Interest for the acquisition of a stake in THESSALONIKI WATER SUPPLY AND SEWERAGE COMPANY S.A.

#	Question	Response
1.	<p>According to paragraph 1.1.2 of Section II, “...except when the Lead Member is a joint venture (the “Lead Member Joint Venture”), in which case the technical qualification requirements must be met by an entity holding at least 50% of the total interest in and controlling the management and operation of the Lead Member Joint Venture.”</p> <p>Please confirm that in case a legal entity holds more than 50% of the Lead Member Joint Venture, the aforementioned requirement regarding the control of management and operation of the joint venture is fulfilled and the submission of further agreements is not necessary.</p>	<p>Paragraph 1.1.2 (Lead Member designation) of Section II (Qualification Criteria) provides that in the case of a Lead Member Joint Venture, the technical qualification requirements must be met by an entity holding at least 50% of the total interest in and controlling the management and operation of the Lead Member Joint Venture.</p> <p>Where a legal entity holds more than 50% of the total interest in the Lead Member Joint Venture, the Fund will accept a joint written statement from the members of the Lead Member Joint Venture confirming that such legal entity also has actual control of the management and operation of the Lead Member Joint Venture, without submission of the joint venture agreements. The Fund reserves the right to request additional Supporting Documentation if required.</p>
2.	<p>According to paragraph 1.1.3 of Section II, “... Following the submission of the Expressions of Interest by a consortium, changes in the composition of the Interested Parties can only be effected as follows: i) new members in Interested Parties being consortiums can be added or consortiums formed in case the Interested Party is participating in the Tender Procedure individually,”</p>	<p>The Fund does not expect changes to the Lead Member of an Interested Party, however the Fund may permit a change to the Lead Member for example, where the Lead Member is an affiliate of the original Lead Member. Any change to the Lead Member must be approved by the Fund and Interested Parties must submit a proposal to the Fund along with Supporting Documentation.</p> <p>For the purpose of paragraph 1.1.3 (Changes in the composition of a consortium) of Section II (Qualification Criteria), new members may include joint ventures. Further, if the Lead Member is an individual entity, but changes to a Lead Member Joint Venture,</p>

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	<p>Please confirm that in case new members are added in Interested Parties or consortiums are formed, the change in composition of the Lead Member (from an individual legal entity to a Lead Member Joint Venture) is possible to the extent that the individual legal entity fulfilling the technical criteria still holds at least 50% in the (newly formed) Lead Member Joint Venture.</p>	<p>the original Lead Member must hold at least 50% of the total interest in and control the management and operation of the Lead Member Joint Venture. As such, paragraph 1.1.3 of Section II of the Invitation shall be read as follows:</p> <p>"1.1.3 Changes in the composition of a consortium</p> <p>Following the submission of the Expressions of Interest by a consortium, changes in the composition of the Interested Parties can only be effected as follows:</p> <ul style="list-style-type: none"> i. new members (<u>including joint ventures</u>) in Interested Parties being consortiums can be added or consortiums formed in case the Interested Party is participating in the Tender Procedure individually (<u>including where it is a joint venture</u>), or members (<u>including joint ventures</u>) of an Interested Party consortium may transfer part or all of their participation to other members of the same consortium; or ii. Interested Parties may withdraw from the Tender Procedure and some or all of the entities forming such Interested Party may become members in other Interested Parties, notwithstanding 1.1.1. of this Section; <p>and provided further that:</p> <ul style="list-style-type: none"> i. the Lead Member of such consortium must in all cases retain control over the management and operation and hold the largest stake in the consortium which must be at least 34% of the total interest in the consortium <u>or, if the original Lead Member is or changes to a Lead Member Joint Venture, the original Lead Member must hold at least 50% of the total interest in and control the management and operation of the Lead Member Joint Venture;</u> and ii. after the changes in the composition, such Interested Party continues to fulfill all the criteria set out in Section II.2 below; and iii. the Fund has been notified of all changes thereof in writing no later than a cut-off date

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		that will specified in the Request for Binding Offers and has granted its written authorisation."
3.	<p>Please confirm that in case a member of a consortium:</p> <p>a) is a legal entity under the obligation to issue corporate but not consolidated financial statements and</p> <p>b) such legal entity belongs 100% in a holdings company which has published consolidated financial statements, and</p> <p>c) the said company does not own any assets other than the aforementioned legal entity</p> <p>then, the consortium member may submit the consolidated financial statements of the holdings company and such financial statements may be used to prove the fulfillment of the financial qualification criteria of paragraph 2.2 of Section II, without the holdings company being under the obligation to submit the documents of paragraph 2.4 of Section II.</p>	<p>In all cases where the financial and/or technical qualification requirements of an Interested Party or members of a consortium are met by reliance on an affiliated company, the affiliate must submit the documents required by paragraph 2.4 of Section II.</p> <p>This includes the documents set out in paragraphs 2 (Supporting Documents) and 3 (General) of Section III (Contents and Form of Expression of Interest) as applicable.</p>
4.	<p>According to paragraph 2.2 of Section II, <i>"In the case of a consortium, the relevant criteria above apply to each consortium member on a proportionate basis, taking into account the relative percentage of each member in the consortium on the basis of the following formula:"</i></p> <p>Please confirm that in case of a Lead Member Joint</p>	<p>In the event that the Lead Member of a Consortium is a Lead Member Joint Venture, the P factor of the formula applies proportionately to each member of the Lead Member Joint Venture for the end participation in the Consortium.</p>

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	<p>Venture, the aforementioned criteria of paragraph 2.2 shall be applied pro rata taking into account the corresponding participation/holding of every member of the Lead Member Joint Venture.</p> <p>In such case, the formula of paragraph 2.2 is applied as follows:</p> $X = (N1 \times P1) + (N2 \times P2) + \dots + (Nv \times Pv)$ <p>Where:</p> <p>“(N1 x P1)” of the formula corresponds to the Lead Member Joint Venture (as member of the consortium.</p> <p>N1 is the average Shareholders Equity of average Leverage, based on the relevant participation of each member of the Lead Member Joint Venture,</p> <p>P1 is the participation percentage of the Lead Member Joint Venture in the consortium.</p>	
5.	<p>According to Section III, <i>“The Expression of Interest and any Supporting Documentation as further detailed below should be submitted in one original copy, specifically indicated as “original” and in one copy of the original, specifically indicated as “copy”, either in Greek or in English, in which case it shall be accompanied by an official translation in Greek.”</i></p> <p>Please allow the submission of the Supporting Documents either in English or in French, accompanied in every case by an official translation in Greek.</p>	<p>Supporting Documents may be submitted in a language other than Greek or English, provided they are accompanied by a Greek translation.</p> <p>If Supporting Documents are submitted in a language other than Greek, then the Interested Party may submit a Greek translation of all or an extract of the Supporting Document as long as the extract contains the information that is required to verify compliance with the relevant financial and/or technical qualification requirements.</p> <p>The Fund reserves the right to request a Greek translation of all or any part of a Supporting Document submitted in a language other than Greek.</p>

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	<p>Also, due to the large volume of the Supporting Documents required under paragraph 2.3 of Section III, please allow their submission in English, accompanied by an official translation in Greek only of those parts/sections and/or extracts proving the fulfillment of the financial and technical qualification criteria.</p>	
6.	<p>According to paragraph 1 of Section I, the Fund currently owns 74.017% of EYATH and has decided to sell a stake in EYATH corresponding to 51% of the total share capital of EYATH.</p> <p>Please inform us regarding the intention of the Fund as to the remaining 23.017% of the total share capital of EYATH, which shall be owned by it after the completion of the Transaction.</p>	<p>The Fund will clarify its position on this point at a later stage of the Tender Procedure.</p> <p>As stated in paragraph 2 of Section I, Qualified Interested Parties shall be informed of the terms of the Share Purchase Agreement and Shareholders' Agreement during the Second Phase of the Tender Procedure.</p>
7.	<p>Taking into account the controversial exception, as provided in article 8 of Law 3461/2006, regarding public offers and the fact that the EU has presented the compatibility of such exception with European Directive 2004/25 as an issue, we would appreciate the thoughts of the Fund on the matter.</p>	<p>The Fund is conducting the privatisation in accordance with Greek law and has taken legal advice on its compliance with law. Interested Parties should take their own advice on legal matters.</p>
8.	<p>In case a legal entity has in its disposal audited consolidated financial statements but is under no obligation to publish them, please confirm that such unpublished financial statements may be submitted and used so as to prove the fulfillment of the financial qualification criteria of paragraph 2.2 of</p>	<p>An Interested Party or member of consortia that has only unpublished financial statements may submit those statements, provided it also submits the solemn declaration referred to in paragraph 2.3.1 of Section III.</p>

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	Section II.	
9.	<p>According to paragraph 2.2 of Section II, <i>“For the purposes of this calculation Net debt is defined as the aggregate financial indebtedness less any cash and cash equivalents.”</i></p> <p>Please confirm that for the calculation of Net debt, non recourse debt obligations relating to the financing of self-financed/co-financed projects are excluded from the definition of aggregate financial indebtedness.</p> <p>Further, please confirm financial leasing liabilities are excluded from the definition of aggregate financial indebtedness.</p>	<p>For the purpose of calculating leverage, the financial indebtedness of the entity's consolidated financial statements should be used.</p> <p>Operating leases are not perceived as financial indebtedness.</p>
10.	<p>According to paragraph 2.2 of Section II, <i>“For the purposes of this calculation Net debt is defined as the aggregate financial indebtedness less any cash and cash equivalents.”</i></p> <p>Please confirm that in case of a Holdings Company, income resulting from dividends is included in the calculation of the EBITDA. Also, in case of consolidated financial statements the Profits/(Losses) by associates are included in the calculation of EBITDA.</p>	<p>In case of a Holding Company, dividend income is to be included in the calculation of EBITDA.</p> <p>In case of consolidated financial statement of a holding company, share of profit / loss in associates is included in the calculation of EBITDA.</p>
11.	<p>According to paragraph 2.3.1 of Section III, <i>“For legal entities, funds and consortia, copies of the audited</i></p>	<p>Interested Parties need to submit audited financial statements for the last three (3) financial years for which such statements are available.</p>

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	<p><i>financial statements of the last three (3) financial years.”</i></p> <p>Please confirm that in case a legal entity has not completed the drafting of the financial statements for 2012, it may submit the financial statements of the last three (3) financial years, namely 2011, 2010 and 2009.</p>	<p>The Fund reserves the right to require Interested Parties to submit clarifications or further Supporting Documents in order to verify whether the Interested Party or in the case of a consortium, the members of a consortium, meet the technical and financial qualification requirements during the Tender Procedure.</p>
12.	<p>Taking into account the extension of the Concession Agreement between EYATH and the Hellenic Republic as well as other amendments which may be introduced during the Second Phase of the Tender in favor of EYATH (as for example, provisions regarding termination, remedying breaches of obligations, compensation etc.), issues of State Aid may arise. We would appreciate the thoughts of the Fund on the above as well as in relation to the obligation to receive a letter of no provision of State Aid by the EU.</p>	<p>The Fund intends that the transaction will comply with the state aid rules, including any notification or clearance requirements should they be required.</p>
13.	<p>Section II, Article 2.3. Experience in planning (μελέτη) is required. We assume that planning services are not included in the scope of this transaction (since the assets of the water company are not part of the transaction). If this is the case, please consider withdrawing this requirement from the tender document</p>	<p>Interested Parties are referred to the full wording of Section II, paragraph 2.3(i) which calls for ‘experience in managing, planning, operating and maintaining water and wastewater services’.</p> <p>The planning element referred to in this requirement relates to the ongoing strategic asset management planning normally performed by water & wastewater service providers in order to ensure, both now and into the future, the availability, efficiency and performance of the assets it owns and operates and in order to maintain or improve the quality of and cost-effectiveness of service it provides to its customers.</p> <p>Whilst the assets of EYATH will not be transferred, it is anticipated that the</p>

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		<p>Concessionaire will be required to undertake asset management planning, on all asset classes, as part of its obligations under the concession agreement and that the experience of the incoming shareholder will be brought to bear in this respect.</p> <p>Accordingly, Interested Parties or members of consortium are required to demonstrate as part of their submission their experience and capability in effective asset management planning.</p>
14.	<p>Considering the participants do not have at this first stage the full picture of the concession agreement, the participation percentage in the consortium as well as the structure of the leading party may prove not to be appropriate to cover the second stage specifications. We would thus assume that, as regards the requirements of Article 1.1.3 on the change in the schemes of the interested parties, the same requirements/ process apply in case of changes of the leading party or in the leading party in case the leading party is a joint venture. Please ratify our assumption.</p>	<p>Please see the response to question 2 above.</p>
15.	<p>Financial results sheets of non-Greek corporations may be very long and containing information that may not be useful for the purposes of this stage of the tender. Can you please clarify if it is required to translate in Greek the entirety of these financial statements or translation of extracts containing the required information should suffice provided that the original document is entirely produced?</p>	<p>Please see the response to question 5 above.</p>
16.	<p>Article 2.3.1 of the invitation to submit an expression of interest exempts private equity firms from submitting audited financial statements. Instead Private equity firms may submit a confirmation from an internationally reputable audit firm that they</p>	<p>Private entities, which prepare financial statements but are not obliged to audit them as per the requirements of the law in the jurisdiction of incorporation will (a) be evaluated by applying the PE Criteria if according to a confirmation by an internationally reputable accounting firm such private entity has no leverage or (b) be regarded as an entity to be evaluated as per the Financial Qualification Criteria of points (i) and (ii)</p>

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	meet the PE requirements. We assume that the same rule applies to private entities which are not obliged by local law to audit their financial statements. Please ratify our assumption.	paragraph 2.2 (Financial Qualification Requirements) of Section II (Qualification Requirements). For the avoidance of doubt (a) natural persons cannot participate in the process and (b) financial statements must be submitted as per the requirements of the Invitation to submit an Expression of Interest.
17.	Please clarify the mode of calculation of leverage multiple in Article 2.2.ii, of the invitation.	Please see the response to question 4 above.
18.	We assume that in case that the financial statements for fiscal year 2012 are not mandatorily published at the date of the expression of interest submission, the interested parties may submit the 2009, 2010 and 2011 financial statements. Please ratify our assumption.	Please see the response to question 8 above.
19.	<p>Pursuant to the jurisprudence of the EU Court of Justice and EU law principles as clearly established in Article 54 paragraph 5 of EU directive 2004/17/EC, the tenderer may rely on the capacity of other entities “whatever the legal nature of the link between itself and those entities” is. Furthermore, relying on the capacities of the participant in a group of economic operators cannot be excluded on the basis of the established jurisprudence/law.</p> <p>Taking into account the above, the limitation of the rely-on experience to the affiliates of the interested party/members of the consortium (section 2.4 of the Invitation) seems to be in contradiction with the established law as above, irrespective of whether the Funds considers Directive 2004/17/EC as directly applying in the Invitation or not. Such a limitation would furthermore unnecessarily and unjustifiably limit the competition for this transaction.</p>	<p>The Fund notes that the transaction is not subject to EU Directive 2004/17/EC.</p> <p>As set out in paragraph 2.4 of Section II (Qualification Requirements) of the Invitation, Interested Parties or, in the case of a consortium, members of a consortium, will not be able to rely on the financial and/or technical capacity of any other third party (other than an affiliated company) in order to demonstrate fulfillment of the financial and/or technical qualification requirements.</p>

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	<p>The above limitation could lead to the impossibility for members of the consortium to rely on each other's experience.</p> <p>Please clarify that the interested party may rely on capacity of third economic operators whatever the legal nature of the link between itself and those entities as long as it proves to the Fund that the necessary resources will be available to it, for example by delivering an undertaking by those entities to that effect.</p>	
20.	<p>We assume that unless explicitly stated otherwise in the RfI, there is no obligation as to the date of the documents to be produced, such as declarations etc. Please ratify our assumption.</p>	<p>All documents submitted must be true and accurate as at the date of submission. Interested Parties should also refer to paragraph 2.1(v) of Section III, which provides that the documents must not contain false or misleading information and must not conceal any information relevant to the Tender Procedure and the Transaction.</p>
21.	<p>Please explain paragraph 2.1.1</p>	<p>The Fund has a discretion but not an obligation, to prohibit the participation or disqualify an Interested Party for the reasons set out in paragraph 2.1.1 of Section II (Qualification Requirements). The discretion to prohibit or disqualify an Interested Party shall be at the Fund's discretion, for example where the Fund considers that the relevant criminal offences are of a minor, technical or immaterial nature. It shall apply the same discretion in respect of the Solemn Declaration provided by the legal representatives of the Interested Party.</p> <p>As such, the first sentence of paragraph 2.1.1 of Section II of the Invitation shall be read as follows:</p> <p>"Interested Parties that have been convicted, in any jurisdiction, of criminal offences related to their professional / business conduct, as specified below, are, <u>subject to the Fund's discretion for example, where such offences are of a minor, technical or immaterial nature</u>, not permitted to participate in the Tender Procedure and consequently shall<u>may</u> be disqualified."</p>

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22.	Please explain paragraph 3 (General) of Section III (Contents and Form of Expression of Interest)	<p>The Fund retains a discretion whether or not to disqualify an Interested Party for failure to fulfill the mandatory requirements set out in of the Invitation, for example non-submission of a mandatory document or an inaccuracy that is considered to be immaterial or that is subsequently rectified. As such, paragraph 3 of Section III shall be read as follows:</p> <p>“The submission of the Supporting Documents set out in paragraphs 2.1., 2.2. and 2.3 of this Section III is mandatory and non-submission will<u>may</u> result in such Interested Party being disqualified from the Tender Procedure. The same will also apply in case an<u>An</u> Interested Party <u>may also be disqualified if it makes any false or inaccurate statement. The Fund reserves the right to request clarification or further Supporting Documents in order to verify whether the Interested Party complies with the qualification requirements during the Tender Procedure.”</u></p>
23.	Section 2.3 of the RFP requires that ALL the technical qualifications stated in such section 2.3 are to exist in respect of one single water and waste management operation serving a population of at least 500,000 (Single system) that is managed by the bidder.	<p>Paragraph 2.3 of Section II (Qualification Requirements) requires that each Interested Party demonstrate experience in managing, planning, operating and maintaining three categories – water and sewer networks; treatment facilities; and customer service functions.</p> <p>In this regard, experience covering separate systems in these categories may be demonstrated with projects in different urban centres, each having a population of at least 500,000.</p>
24.	Limiting this requirement to a single system is depriving the tender from significant experience by bidders that may fulfill each of the technical requirements in more than one system. As an example, it would hinder participation of a company that operates water management system in a	<p>Please see the response to question 24 above.</p> <p>Proof of the requested experience as per the provisions of paragraphs 2.3 (i), (ii) & (iii) of Section II can be demonstrated through the provision of the relevant services in more than one city, without the cumulative completion of the criteria in one single urban centre, provided that the population criteria is met in every referenced urban</p>

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	<p>community of more than 500,000 inhabitants and waste management system in a different community again of more than 500,000 inhabitants. It would further deprive from participation companies that operate both water and waste management in communities of more than 500,000 inhabitants but through more than one system.</p> <p>In fact, as the technical requirements are drafted, companies that meet the specifications are rarely found in the world. Following the above, the enumeration of the technical requirements as drafted should not be accumulative and refers to a single system, enabling participants to provide references covering each one of them by operation in different communities.</p>	<p>centre.</p> <p>However, the summation of population of different urban centres in order to meet the threshold criteria of 500,000 served population is not acceptable.</p> <p>For avoidance of doubt, the Technical Qualification Requirements refer to the demonstration of experience in wastewater (domestic sewage and industrial effluent), not municipal solid waste, as may be inferred from the text of the question.</p>
25.	<p>Furthermore, it is understood that the operation of water and waste management operation systems serving a population of 500,000 people is seen as the hard core provision of the facilities irrespective of whether administrative functions are operated through administrative intermediaries. Please confirm.</p>	<p>In accordance with the provisions of paragraphs 2.3 (i), (ii) & (iii) of Section II, Interested Parties are required to demonstrate experience in all three categories and above the population threshold criteria. It is clarified that Interested Parties may rely on experience of affiliated companies to demonstrate this experience even in the case where administrative intermediaries perform metering, billing and revenue collection functions provided that a binding commitment (pursuant to Section II, paragraph 2.4) from the intermediary/ies is submitted with the Interested Party's Expression of Interest.</p>
26.	<p>The requirements in Section 2.3 of the RFP to hold specific 'in-house planning' expertise in all three of the following fields should be clarified in order to refer to methods used and not to engineering or design</p>	<p>Please see the response to question 13 above.</p>