



HELLENIC REPUBLIC ASSET
DEVELOPMENT FUND

**INVITATION FOR EXPRESSION OF INTEREST
TO ACT AS FINANCIAL DUE DILIGENCE PROVIDER TO HRADF
FOR THE PRIVATISATION OF THE NON-LISTED PORT AUTHORITIES**

Athens, 31 March 2020

1. Introduction

1.1. Pursuant to:

- I. the provisions of the single article of Law 3985/2011 “Medium Term Fiscal Strategy 2012-2015” (Government Gazette A’/151/2011), which approved the Medium Term Fiscal Strategy 2012-2015 and the “Privatisation Programme 2011-2015” (Chapter B’, Part II “Privatisations”),
- II. the provisions of Law 3986/2011 on “Emergency Implementation Measures for the Medium-Term Fiscal Strategy Framework 2012-2015” (Government Gazette A’/151/2011), on the basis of which the Hellenic Republic Asset Development Fund SA (“**HRADF**” or “**Fund**”) was established with the sole object of developing assets of the Hellenic Republic, which are included in the Privatisation Programme,
- III. the provisions of Law 4046/2012 (Government Gazette A’/28/2012) “Approval of the Draft Agreements for Financial Assistance Facility between the EFSF, the Hellenic Republic and the Bank of Greece, of the Memorandum of Understanding between the Hellenic Republic, the European Commission and the Bank of Greece and other provisions for the reduction of the public debt and the salvage of the national economy” which updated the Privatisation Programme included in Annex IV,
- IV. the provisions of paragraph 4.4 (Structural Policies for the enhancement of competitiveness and development - Privatisation) of Law 4336/2015 (Government Gazette A’/94/2015) “Ratification of the draft agreement for the Financial Support from the European Stability Mechanism and provisions for the implementation of the Financing Agreement”,
- V. the Joint Ministerial Decision No 222/5.11.2012 issued by the Inter-ministerial Committee for Asset Restructuring & Privatisation (ICARP) (Government Gazette B’/2996/12.11.2012), transferring shares corresponding to the 100% of the share capital of

the following 10 Port Authorities S.A. to the Fund (Alexandroupolis, Kavala, Volos, Patras, Igoumenitsa, Corfu, Heraklion, Lavrion, Elefsina and Rafina, each hereinafter referred to as a **“Port Authority”**),

VI. the provisions of the Procurement Regulation of the HRADF (hereinafter referred to as the **“Regulation”**) as recently amended and codified by the Decision No 2/16128/0025 of the Minister of Finance (Government Gazette B’/476/2014),

the Privatisation Programme of the Hellenic Republic, as it currently stands, foresees the exploitation and development of the Port Authorities by means of (a) either a sale of a majority stake in their share capital or (b) sub-concession agreements as prescribed under the provisions of Law 4597/2019.

HRADF intends to proceed with the exploitation of the Port Authorities of Alexandroupolis, Igoumenitsa, Heraklion and Volos by means of a sale of a majority stake in the share capital of each Port Authority parallel to an update/revision of the concession agreement between the Hellenic Republic and the Port Authority to be privatised and a shareholders’ agreement with the investor (each referred to hereinafter as the **“Port Transaction”** and collectively as the **“Project”**).

1.2. Within the above framework, HRADF is seeking to engage a highly experienced accounting & financial advisory firm with transactional and regulatory experience in M&A transactions to provide services of a vendor’s financial due diligence.

2. Scope of Work

Within the framework of the Project, the Adviser is expected to provide, inter alia, the following services (the **“Services”**): preparation of a Vendor’s Financial Due Diligence Report (the **“Report”**) for each Port Transaction; assistance in the population of the Virtual Data Room to be used in each Port Transaction; participation in session with candidates participating in each Port Transaction, if deemed necessary by the process. The Report will be shared with the investors prequalified in the second phase of the tender process of each Port Transaction and the preferred bidder of each Port Transaction may rely on the Report, subject to the delivery of a reliance letter and upon payment of an additional fee payable by the preferred bidder.

The Report should include, at least, the following chapters:

1. Financial Analysis

Business overview

Summarise the organisation of the business, highlighting:

- The present nature and principal activities of the business.
- Corporate structure of the business entity.
- Management structure and organisational chart.
- The financing structures attaching to the assets and any changes needed as a result of the transaction.
- The regulatory environment in which the Port Authority operates.

Basis of preparation of financial information:

- Summarise the current activities and organisation of the finance and treasury function.
- Comment on the basis of preparation of key financial information and summarise key controls over this process.
- Summarise and comment on reconciliations between management accounts and statutory accounts for the Historical period.
- Comment on whether the management accounts have been prepared and reported on a consistent basis for the Historical and Current periods.
- Summarise and comment on key accounting policies and practices.
- Consider if accounting policies have been applied consistently.

Historical trading performance

- Summarise financial performance (i.e. income statement) over the Historical period.
- Present, by way of revenue and EBITDA bridges, the key drivers of trading performance in the Historical period.
- In coordination with the Fund's other advisers, analyse traffic. Comment on seasonality, volume and price movements for major customers.
- Revenue analysis to be conducted in coordination with the Fund's other advisers:
 - ✓ Revenues and key KPIs – passenger traffic (passengers, vehicle freight, yield per passenger) and freight traffic (cargo, mail).
 - ✓ Revenue by type of service in quantity and value.

- ✓ Historical revenue, marketing support or other incentives provided to support new lines.
- ✓ Outline the current expiry of key customer contracts, and period of operation at the port.
- ✓ Outline the impact on revenue of regulation (e.g. constraints or limitations on ability to set tariffs / provide incentives to customers).
- ✓ Accounting policy for revenue any incentives / discounts provided.
- Non-maritime revenue analysis to be conducted in coordination with the Fund's other advisers:
 - ✓ Non-maritime revenue and key KPIs, by type of service (retail and catering, duty free, car parking, etc.).
 - ✓ Non-maritime revenue by retailer/concession; impact of any minimum guarantees or other contractual terms on historical performance.
 - ✓ Outline contract terms for key non-maritime concessionaries.
- Present a comparison of actual and budget financial performance over the historical period.
- Comment on the extent of revenue and gross margin seasonality on a monthly basis for the historical period.
- Summarise KPIs and financial ratios on a monthly basis for the Historical period and comment on key trends.
- Summarise significant transactions with shareholders and related parties over the Historical period.

Cost base

- Present and comment on the level of operating costs highlighting (for significant cost categories):
 - ✓ Significant trends.
 - ✓ Significant changes in cost categories.
 - ✓ One-off or exceptional items.
 - ✓ The split between fixed and variable overheads.

- ✓ Staff costs, summarising the split between categories of employees and present an analysis of the average employee cost, incentives schemes, compensation policies and significant staff-related commitments.
- ✓ Maintenance costs (preventive and corrective).
- Understand the key transaction flows and key financial terms and conditions with significant suppliers.
- Comment on outsourced functions and their associated costs.
- Bridge historical drivers of changes in the cost base, including extent to which changes in cost base are linked to passenger growth, development of port infrastructure or cost efficiency initiatives.
- For any ongoing cost efficiency initiatives, comment on their current status; actual results versus original expectation; areas where further efficiencies are anticipated.

Normalised EBITDA

- Quality of earnings: non-recurring or exceptional revenue or costs, accounting policy changes, reserve movements, other items impacting underlying earnings.
- Pro-forma assessment of items impacting revenue, operational expenditure and EBITDA margin.

Current trading and outturn

- Summarise financial performance in the Current period, comparing to budget and prior comparative period and highlight key drivers of variances.
- Present and comment on management's forecast for outturn financial performance and discuss with management their view of the key assumptions and potential sensitivities to this forecast.

Budget

- Comment on the key drivers and assumptions supporting the current year budget and the extent to which these are consistent with historical trends.

Business plan (projection period)

- Comment on the business plan, including consistency against historical experience and explanations of key assumptions.

- Comment on forecast regulatory assumptions.
- Comment on forecast working capital assumptions.
- Comment on consistency of capex projections with historical spend profile and any available Master Plans.
- Discuss key areas of sensitivity and potential upsides.

Balance sheet

- Present the balance sheets at the audited year ends during the Historical period (and the Locked Box date if different), projected completion balance sheet (if provided by management) and the latest available balance sheet date.
- Summarise the balance sheet into its key areas and comment on key components of significant balances.
- Comment on current and deferred tax balances.

Fixed assets and capex

- Present the key components of fixed assets at year ends during the Historical period and latest available date and summarise operating/non-operating assets and fixed asset movements.
- Analyse capital expenditure between maintenance, replacement and growth for the Historical and the Current period.
- Comment on the progress of key capex programmes in the Historical and Current periods and progress towards delivery of these plans.
- Analyse asset ageing, obsolescence, capacity, expansion or other project related factors likely to impact on future levels of capital expenditure.
- Analyse capital creditor balances in the Historical and Current periods.

Intangible assets

- Present the key components of intangible assets highlighting concessions assets or rights and intangible asset movements during the Historical and Current periods.

Working capital

- Summarise and comment on the reported working capital on a monthly basis in the Historical and Current periods and comment on key drivers and trends observed.

- Summarise and comment on debtor and creditor days during the Historical and Current periods.
- Summarise and comment on payment and receipt terms with major customers and suppliers and summarise historical debtor and creditor days and the history of bad debts in the Historical period.
- Present an analysis of potential adjustments to reported working capital.
- Comment on management's estimate of minimum operating cash required to be retained in the business.
- Comment on "normal, average" level of working capital.
- Net debt (all as at the locked box date (if different) and the latest available balance sheet date (if different)).
- Analyse net debt by item and date of expiration of bank loans and facilities, derivatives and other financial liabilities.
- Summarise and comment on loan obligations and guarantees.
- Summarise shareholder and employee loans, dividends, and other balances that may be considered as a source of finance.
- Summarise potential debt-like items such as abnormal working capital levels, contingency provisions, provisions for litigation, restructuring plans, lease commitments (operational and financial), sale and lease back agreements, pension plans, stock options and provisions for contingencies.
- Based on discussions with management, highlight outstanding insurance claims, litigation and other potential obligations or contingent liabilities and environmental liabilities.
- Summarise the current funding structure of the business and comment on financing arrangements.
- Comment on potential off-balance sheet items and future commitments.
- Summarise significant finance and operating leases. Following discussion with management comment on onerous leases.
- Summarise the nature of non-current financial assets.

Shareholder distributions

- Present the accounting reserves position at the latest date available for each legal entity within the transaction perimeter.
- Comment on the nature and amount of distribution to shareholders over the historic and forecast periods.
- Comment on potential cash blocks in the structure and/or dividends, both pre and post completion.

Cash flow

- Summarise and comment on cash flows (consolidated and by asset) for the Historical period highlighting the key sources and uses of cash within the business.
- Summarise and compare EBITDA, working capital, operating cash flows and free cash flows in the Historical period highlighting the conversion of earnings/EBITDA into cash.
- Summarise and comment on the impact of one-off events on cash flows.
- Comment on the process for approval of individual capex projects and annual capex budgets.

Human resources

- Summarise key employee and executive terms and conditions.
- Through discussion with management and reading of board minutes, comment on historical labour relations and key relationships (e.g. with trade unions and any work councils).

2. Tax

General

- Tax management of Port Authorities including tax strategy and approach to tax planning and overview of the tax control environment.
- Comment on the corporate tax and deferred tax charge/credit and provisions/assets in the stand-alone statutory accounts for the most year-end, and unrecognised deferred tax.
- Comment on the effective tax rate in the accounts for the historical periods and Current period and reconcile to the relevant statutory tax rate, commenting on material reconciling items.

- Summarise the status of the corporation tax returns for the Historical periods and material outstanding issues in open computations arising from correspondence with the tax authorities.
- Comment on tax payment profile for open periods and compliance with the instalment payment regime.
- Comment on the position adopted by the company in respect of related party loans and summarise the corporation tax treatment adopted (restrictions on deduction under thin capitalisation or any other reasons), timing of deduction (accruals or payments).
- Summarise material tax attributes as at the last accounting date, such as tax losses and capital allowances, and comment on their availability for use in future periods including restrictions arising on a change of ownership or time limitations.
- Details of any recent acquisitions or disposals of any companies, businesses or assets including details of any tax warranties and indemnities given or received.
- Details of any assets for which the base cost and book values differ materially.
- Review of tax modelling/assumptions in vendor model.

VAT/Sales tax

- Enquire whether VAT returns for the Historical period and Current period have been submitted to the tax authorities on time.
- Comment on the reconciliation of VAT returns and financial accounts for the open Historical period and Current period.
- Comment on material unrecorded liabilities for the open Historical period and Current period based on responses to questions and documentation provided by Management. For the avoidance of doubt, no VAT return backing data will be reviewed.

Employee taxes

- Discuss and summarise the status of employee related tax filing obligations (i.e. income withholding taxes and social security declarations) for the Historical period and Current period covering the date and outcome of the latest compliance visit. Consider potential exposure in respect of employer taxes and potential penalties.

- Enquire whether the Port Authority has been subject to a recent wage/payroll audit, and if so, summarise the results. Summarise significant issues arising and any procedures implemented to prevent a reoccurrence.
- Enquire whether the Port Authority has self-employed contractors engaged by the company, and, if so, seek to obtain copies of contracts of engagements which may exist and comment on key terms.

3. Pensions

- Review and comment on the defined benefit pension schemes and employee participation, including the powers and role of the pension trustees and or pensions regulator (if applicable).
- Review the current funding position of the plans and the expected future cash requirements, including consideration of:
 - the principal valuation assumptions used,
 - the sensitivity of the funding position to changes in employer covenant and investment strategy.
- Review of the historical financial position of the defined benefit scheme on the cash funding measure, and comment on the consideration of the impact of the timing of the next cash funding valuation prepared by the Port Authorities.
- Review of the expected future cash payments to defined contribution pension plans.
- Comment on the allowance that could be made for pensions in the transaction for business valuation purposes (Net Debt and Quality of Earnings/Normalisation adjustments).

3. Duration and Fees

3.1. The Duration of the engagement shall be twenty four (24) calendar months or until the closing of the Project (whichever event occurs first). By the end of the initial contract period an extension of the duration of the engagement may be agreed upon if it is deemed necessary for the closure of the Project, under the terms provided for in the Procurement Regulation of HRADF.

3.2. HRADF reserves hereby the right to extend or amend the engagement with the Advisor in order to include complementary services, which may be required and cannot be identified today, but they shall prove either to be inseparable from the original engagement without

causing a major issue or because they are absolutely necessary for the completion of the Project, in accordance with the provisions of the Procurement Regulation of HRADF.

3.3. Budget: The maximum available budget for the Services is EUR 200.000 fees (EUR 50.000 for each Port Transaction) (excluding VAT).

3.4. The Advisor should be aware of the expenses policy as regards the reimbursement of the Advisors expenses by HRADF.

4. Necessary Qualifications

The Interested Parties should be able to demonstrate their standing, international reputation and professional expertise and experience in relation to privatisations in general and, in particular, in transactions related to infrastructure. Experience in the Greek market will be highly appreciated. Interested Parties should be able to demonstrate:

4.1. Track Record & Experience: Proof of relevant track record and experience in the provision of support services in relation to privatizations, M&A transactions, including transactions related to infrastructure assets, preferably within the EU, as well as experience in the preparation of financial due diligence reports. The dossier of the Expression of Interest should include obligatorily a catalogue of all relevant projects in which the interested party has participated in the last ten (10 years) (**DOSSIER A'**).

4.2. Project Team Proposed team composition and its proposed structure, including the relevant experience of the leader and senior members of the team. The Dossier should also include the CVs and the list of any relevant project experience of all the members of the proposed project team. The suggested senior members of the project team may be replaced only with HRADF's prior consent, which shall not be unreasonably withheld or delayed. (**DOSSIER B'**).

4.3. Methodological Approach: The Interested Parties should identify the critical issues and submit in their proposal a brief description of the proposed approach to the assignment, specify the methodologies to be applied as well as its deliverables, including an indicative timetable (**DOSSIER C'**).

4.4. Fees: The Proposal should include a financial offer with detailed fee analysis, capped at a fixed amount (according to the Budget). Expenses should be calculated and quoted separately at a capped amount. The kind of the expenses and their reimbursement will have to comply with HRADF's Policy on Consultants' Expenses, as in force from time to time (**DOSSIER D'**).

4.5. The Interested parties and the members of their proposed teams must formally declare in writing that they do not have a conflict of interest. Such a declaration confirming the absence of any conflict of interest shall be in effect throughout the term of the engagement of the Advisor with HRADF.

4.6. The Interested Parties must meet all the qualifications as described above under 4.1 through 4.5. Interested Parties who fail to submit Expressions of Interest fully compliant to the qualifications required under 4.1 through 4.5. of this Invitation, shall be disqualified from the Tender.

4.7. The Advisor must observe and abide by the rules provided for in art. 7 of the Law 3049/2002 and, in particular, their professional code of conduct and the relevant confidentiality rules, even after the conclusion of their engagement.

5. Selection Process

5.1. The assignment will be awarded in accordance with the provisions of the Law 3986/2011 and Art. 2.3 of the Procurement Regulation of HRADF, as currently in force.

5.2. The Interested Parties are assessed and evaluated in accordance with the table below. The tender will be awarded at the Interested Party with the highest score.

5.3. The Interested Parties are evaluated on the basis of the following criteria and their respective weighting:

Criterion	Weighting
Track Record & Experience - DOSSIER A'	35%
Project Team - DOSSIER B'	30%
Methodological Approach - DOSSIER C'	10%
Fees & Expenses - DOSSIER D'	25%

5.4. HRADF may request additional documents and/or clarifications and/or any information from the Interested Parties in connection with any issue related to their Expression of Interest, as deemed necessary.

5.5. The Expressions of Interest, consisting of DOSSIERS A', B, C' and D and the declarations confirming the absence of any conflict of interest and any other supporting documentation which proves the required experience and expertise of the Interested Parties as well as of the individual members of their proposed team, are permissibly submitted **only** electronically by

email at the e-mail address: tender@hraf.gr (for the attention of Mrs. Chryssoula Rallia), marked **“PORTS: INVITATION FOR EXPRESSION OF INTEREST FOR FINANCIAL VENDOR DUE DILIGENCE ADVISOR”**.

5.6. DOSSIER D' must be protected with a password; if not, the Interested Party shall be automatically disqualified. Following the assessment of DOSSIERS A', B', C', and provided that the declarations confirming the absence of any conflict of interest are included, only the Interested Parties which comply with the requirements under para. 4.6 (regarding DOSSIER A', B', and C') will be invited via e-mail to send the password for DOSSIER D'. The Interested Parties who fail to comply with the above requirements will be notified accordingly. Following the assessment of DOSSIER D', the Interested Parties (invited to send the password for DOSSIER D') will be notified about the outcome of the process.

5.7. The Expressions of Interest are submitted no later than **April 14, 2020, 17:00, Athens time**. Expressions of Interest submitted after the aforementioned deadline shall be deemed inadmissible and thus immediately rejected. In the case of a late receipt, the Expression of Interest shall not be evaluated.

5.8. HRADF reserves the right to ask from the Interested Party with the highest score to improve its financial bid, prior to the final award of the assignment.

5.9. The award of the assignment is subject to the conclusion of a written contract.

6. Terms and Conditions

6.1. The Expressions of Interest to be submitted and this Invitation as well as the Advisor's engagement letter for the assignment are governed by and construed in accordance with the laws of the HR, taking also into consideration the prevailing market's levels, the practice of HRADF and its internal policy, including terms and conditions customary in the circumstances.

6.2. The Interested Parties accept hereby without reservation the expenses policy of HRADF on the reimbursement of the expenses of its Advisors.

6.3. HRADF or any of its advisors, or agents, or employees, or officers are not to be held responsible or liable in respect of any error or misstatement/misrepresentation in, or omission from, this Invitation. No person acquires against HRADF and its officers, agents, employees and officers, or HCAP or the Advisors, any right or claim for compensation, or indemnification, or other, for any reason or cause related to this Invitation and/or the Expression of Interest and/or the participation in the tender. No representation, warranty or undertaking, express or

implied, is or will be made in relation to the accuracy, adequacy or completeness of this Invitation and the tender process in general.

6.4. HRADF reserves the right, at the fullest extent possible and at its exclusive discretion, to cancel, suspend, amend or postpone this tender process, without any prior notice or updating, as well as to terminate any negotiations or discussions at any stage of the process, without incurring any liability whatsoever as against any participant and/or any third party.

6.5. Any dispute arising under or out of or in connection with the present Invitation, including the Expressions of Interest submitted as well as the Advisor's engagement letter for the assignment shall be subject to the exclusive jurisdiction of the courts of Athens, Greece.

7. INFORMATION FOR PERSONAL DATA PROCESSING

I. Information

The Hellenic Republic Asset Development Fund which is based in Athens, 1 Kolokotroni and Stadiou Str, 105 62, Phone: +30 210 3274400, e-mail: info@hraf.gr, informs, in its role as controller, the natural person that the Fund itself (or Hellenic Corporation of Assets and Participations S.A., public entities and judicial authorities within their competence) will process the following data:

A. Type and source of data

The personal data included in the present Request for Proposals (the "RfP") (indicatively as per Qualification & Criteria in paragraph 4 of the RfP), which is submitted to the Fund in the context of this tender process by a natural person.

B. Purpose of Processing

Processing purpose is the evaluation of the proposals, the implementation of the Tender Process, as well as of the engagement letter, and their monitoring, the safeguarding of the Fund's rights and the security and protection of transactions in general, the fulfillment of the Fund's legal obligations, the prevention of fraud against the Fund, as well as informing Interested Parties with regard to the evaluation of their submitted Proposals as per section 5 of the RfP.

C. Recipients of Data

The recipients of the above (under para. A) data with whom data may be shared are the following: Hellenic Corporation of Assets and Participations S.A., public entities and judicial authorities within their competence.

II. Retention period

The data under para. A may be retained for a period starting from the date of their receipt and lasting: (a) for 20 years in case no engagement letter is concluded (b) for 20 years after the termination of the engagement letter, in case an engagement letter is signed. After the expiration of the above periods the personal data will be destroyed.

III. Rights enforcement

1. The natural person has the right to know which of their personal data are or have been processed, to oppose and to object to the processing of data which concern them for purposes other than those described above in par. I B, as well as to transmit their data to another controller, without the objection of the Fund. For the enforcement of said rights persons concerned may address the Fund in writing (email: dpo@hraf.gr). The enforcement of said rights regarding the processing of personal data of the above para. A. concerns exclusively their correction or update in order for those to be complete and accurate.

2. The enforcement of said rights does not relieve Interested Parties from their obligations deriving from their participation in the tender process.

3. The Fund has the right to deny the request for erasure of any natural person's data if their retention is necessary for compliance with a legal obligation, for the performance of a task carried out in the public interest, for archiving purposes in the public interest, or for the establishment, exercise or defense of legal claims or third-party claims.

IV. Obligations of the Fund

The Fund has the obligation to take every reasonable measure to ensure the confidentiality and the security of personal data processing and the protection of said data from accidental or unlawful destruction, accidental loss, alteration, unauthorised disclosure of, or access to, personal data by anyone, as well as from any other form of unlawful processing. Capitalised terms herein shall have the meaning attributed to them in the RfP.