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The Privatisation Process in Cyprus

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OVERVIEW OF THE PRIVATISATIONS PROGRAMME

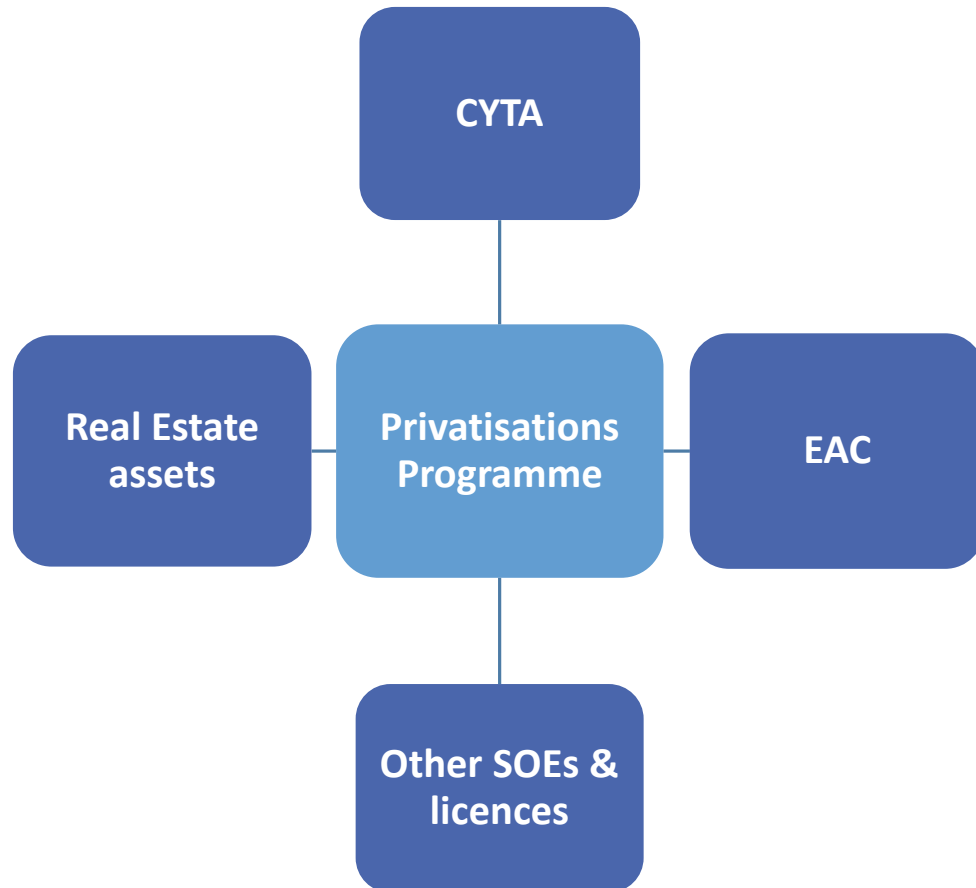


Privatisations Programme framework

- The Privatisations Law (2014) sets the legal and institutional framework for privatisations
- The above law established the Privatisations Unit (“PU”), which:
 - Operates under the Commissioner of Privatisations, who reports to the Interministerial Committee for Privatisations
 - Implements the decisions of the Council of Ministers and the Interministerial Committee for Privatisations
- The privatisation of certain assets/ licenses has been assigned to the competent ministries
- The total revenue target of the Privatisations Programme is €1,4bln



Privatisations Programme: key assets for investment



- **CYTA**
 - A four-play telecoms provider with operations in Cyprus and overseas
- **EAC**
 - A fully integrated electricity provider
- **Real estates assets***
- **Commercial activities of Limassol port***
- **Licensing of Casino***
- **National Lottery**
- **Cyprus Stock Exchange**
- **Cyprus State Fairs Authority**
- **Cyprus Petroleum Storage Company**

**Projects managed/ to be managed by the competent Ministries*



State's key objectives* – Ministerial Council decision

- 1 Successful implementation in terms of proceeds and timing
- 2 Reduce the annual State budget deficit and public debt
- 3 Attract foreign investments and create beneficial externalities
- 4 Enhance long term growth of the economy and the creation of new job positions
- 5 Strengthen competition
- 6 Improve efficiency, productivity and utilisation
- 7 Improve product offering: cost and quality of services for the consumer
- 8 Maximise value for the State
- 9 Protect public interests

**As per the Ministerial Council's Decision 76.153
of 5 December 2013*



PU's approach

- 1 Open, international processes
- 2 Transparency and equitable treatment
- 3 Appointment of high calibre advisors to run the processes
- 4 Proper preparation and analyses before commencement of transaction process
- 5 Ensure smooth implementation of every transaction process
- 6 Communication, coordination with and participation of all stakeholders
- 7 Professionalism
- 8 Confidentiality



Attracting the right investors

Investor requirements	PU process implemented
1 Certainty of process	<ul style="list-style-type: none">• MoU timetable• Globally reputable advisors
2 Certainty of terms of deal	<ul style="list-style-type: none">• Realistic Government objectives from the start• Market guidance from advisors
3 Clear process	<ul style="list-style-type: none">• Process letter• Pre-defined process stages and clear timetable
4 Tailored process	<ul style="list-style-type: none">• Match type of investors• Incorporate risk - return appetite
5 Managed risks and due diligence	<ul style="list-style-type: none">• Privatisations Law• VDD



Experience and lessons from precedent processes

- 1 Subtlety and nuance make a difference.
- 2 Preparation before the process is key.
- 3 Clear objectives; Clear process; Clear timetable: target investors accordingly.
- 4 Every subsequent process phase is more important than the previous phase.
- 5 Competitive processes are made not born.
- 6 The human element matters.
- 7 The process will reflect the advisers' level of intensity, experience, energy and integrity.
- 8 Private investors are excellent at pricing risks.



PROGRESS SO FAR



CYTA – established good fundamentals...

... but there's a lot more that has to be done collectively

- Aim: credibility, experience, transparency and smooth execution
 - Comfort to investors on process
 - Achieve stakeholder objectives

**Sole Financial
advisor**



**Legal
advisors**

ANTIS TRIANTAFYLLIDES & SONS LLC
SHEARMAN & STERLING_{LLP}

**Accounting
advisor**



**Technical/
Commercial advisor**

Roland Berger
Strategy Consultants

- Commenced the preparation of CYTA ahead of launching the process to find a strategic investor
- Initiated the required involvement of CYTA's management and Board of Directors



CYTA – the road ahead: Phase 1...

... golden rule: prepare, prepare, prepare

Phase 1: preparation of transaction elements

- Process structuring and technical decisions
- Financials
- Transaction documentation
- Information for due diligence of investors
- Analyses
- Valuation
- Business plan

Avoid delays during transaction execution



Maintain investor interest and commitment



Secure robust execution phase



Minimise price and qualitative proposal deviations



Phase 2: a multi stage process – not a simple auction

- A process to secure multiple objectives, typically organised in four phases:

1 Expressions of Interest

2 Indicative, non-binding proposals

3 Binding proposals

4 Final negotiations and signing

Requires seamless work and cooperation:

- Advisers
- Organisation/ Management
- PU
- Government
- Parliament

- Organised so as to gradually disclose to investors more information, placing them in a position to submit offers that are more and more binding.
- Successive phases/ rounds act as filters to eliminate bidders who submit less attractive or credible offers vis-à-vis the State's objectives:
 - Proceed to each subsequent round with only the best offers.



EAC – a longer preparation process...

... analyse & identify EAC's optimal legal unbundling, corporatisation and privatisation options

- An international public procurement procedure for the appointment of an independent energy advisor to:
 - Advise on EAC's restructuring, legal unbundling and corporatisation options
 - Analyse and recommend privatisation options – supported by investor sounding exercise
 - Perform international benchmarking, including cost structures
- The expected appointment of the energy advisor is April 2015; analysis completion in August 2015



Real Estate – a structured approach

- The Government has compiled a list of 38 land assets as candidates to be evaluated for investors:
 - Most in Nicosia → 73% of the total value
 - High-value plots → nearly 70% of the total value relates to 7 plots
- The PU has launched a tender competition for the appointment of an independent advisor:

Phase I

38 State land assets: Valuation, suggestions to enhance commercial attractiveness, secure positive market impact, detailed plan and timetable with intermediate steps

Phase II

Other State real estate assets/ buildings: Analysis for the optimal way of administering, managing and exploiting the assets



Real Estate – securing a positive market impact

- In relation to Phase I (38 land assets) :
 - Suggestions for improving commercial viability and attractiveness
 - Options for optimal method and structure for investor involvement
 - Strategy for positive impact on the real estate market
- The advisor scope of work does not include the actual sale of any real estate asset



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