

ANNOUNCEMENT

Petrolina (Holdings) Public Ltd (“PHL”) announces that it has entered into a shareholders’ agreement with Hellenic Petroleum Cyprus Ltd, Intergaz Ltd and Synergaz Ltd, which also own liquid gas storage terminals in Larnaka, for the creation of a consortium in the form of a limited liability company under the proposed name Vassiliko LPG Plant Ltd (“VLP”).

The agreement was signed on Friday, 17.06.2016 and falls within the context of PHL’s strategic planning and business development and, in particular, in the field of storage, management and trading of liquid gas.

The aim of VLP is to construct a liquid gas terminal on land granted for this purpose by the Government to the shareholders of the consortium within the Vassilikos Industrial and Energy Area. Upon completion of the construction works, VLP will become active in the field of liquid gas storage and management within the terminal. In addition, it will operate a plant for the inspection and repair of gas cylinders. The revenues of the consortium will derive from the liquid gas storage and movement fees and the maintenance of liquid gas cylinders. The consortium will not trade liquid gas.

Following a study by an independent expert, PHL decided that, due to the small size of the local market and the high capital cost required, the only viable option for relocating the liquid gas facilities from Larnaka to Vassiliko is the creation of a common terminal. This relocation was deemed necessary following the relevant order issued by the Municipality of Larnaka, as the competent town planning authority and endorsed by the Minister of Interior, to all companies operating in the liquid gas industry whose facilities are located in Larnaka, including PHL, to terminate the operation of these facilities.

The capital expenditure required for the construction of the project is estimated at approximately €23 million and will be financed via a combination of own funds of the shareholders and a bank loan. The time required for the construction of the terminal is estimated at 24 months from the date of obtaining all required permits.

Under the shareholders’ agreement, PHL will own 35% of the share capital of VLP, while management will be exercised on an equal basis by its four shareholders.

The investment is made on an arm’s length basis based on the equity method of accounting. By investing in VLP, PHL hopes to maintain its profitability from the liquid gas trading sector.

The establishment of VLP is subject to approval by the Commission for the Protection of Competition to which a relevant application will be submitted.

Yours,

Dinos Savvides
CFO