

LAZARD & CO., LIMITED of 50 Stratton Street, London W1J 8LL. Company number: 162175

NBG INTERNATIONAL LIMITED, Athens Branch of 23A Vas. Sofias, 106 74, Athens Greece.
Company number: 58174/01/B/05/85

EMPORIKI BANK S.A. of 11 Sophocleous Street, 102 35 Athens. Company number: 6064/06/B/86/03

(together "the Financial Advisers" or "we")

Kostas Hatzidakis Esq., Minister of Development
cc. Members of the Interministerial Privatisation Committee

Ministry of Economy and Finance
Special Secretariat for Privatisation
8 Karagiorgi Servias Street
Athens, 101 84
Greece

6 March 2009

Dear Sirs,

**OLYMPIC AIRLINES S.A. AND THE GROUND HANDLING AND MRO ACTIVITIES OF
OLYMPIC AIRWAYS SERVICES S.A. AND ITS SUBSIDIARY OLYMPIC AVIATION**

We write in relation to the proposed sale (the "Transaction(s)") of certain defined assets relating to the flight operations of Olympic Airlines S.A. (the "Pantheon Minimum Assets" or "Pantheon Transaction") and to the ground handling and MRO activities of Olympic Airways Services S.A. and its subsidiary Olympic Aviation (respectively the "Ground Handling Minimum Assets" or "Ground Handling Transaction" and the "MRO Minimum Assets" or "MRO Transaction").

This letter is provided on a confidential basis pursuant to, and subject to the terms of, our engagement letter with the Hellenic Republic ("HR") solely for the HR's information in connection with their consideration of the Transactions. This letter and its contents should not be quoted, disclosed or referred to, in whole or in part, in any documents or used in any other manner without our prior written consent except to the extent expressly permitted by the terms of our engagement letter.

On 4 February 2009, the Interministerial Privatisation Committee declared that the public tender processes for the Pantheon Minimum Assets, the Ground Handling Minimum Assets and the MRO Minimum Assets, had failed to result in any compliant Final Offers that met the following independent valuations (lower range):

- Pantheon Minimum Assets: €45,700,000
- Ground Handling Minimum Assets: €44,800,000
- MRO Minimum Assets: €16,700,000

Consequently the public tender processes were closed and the HR decided to ask the European Commission to modify partially its decision dated 17 September 2008 in order to permit the HR to enter into direct sales negotiations to sell the Pantheon, Ground Handling and MRO Minimum Assets to private investor(s) at prices meeting or exceeding the respective independent valuations.

The Direct Negotiation and Sale Process

On 4 February 2009, the HR addressed publicly an open invitation for the sale of the Minimum Assets and instructed its advisers to enter into direct negotiations with interested parties in an attempt to conclude the Transactions. On 13 February 2009, the Financial Advisers received formal offers subject to certain conditions and requests for a period of exclusivity from MARFIN Investment Group Holding S.A. ("MIG") and Swissport Hellas Sud SA. ("Swissport").

MIG's Offer is for the acquisition of the Pantheon Minimum Assets, the share capital of Pantheon and the MRO Minimum Assets. Swissport's Offer is for the Ground Handling Minimum Assets and is conditioned on reaching a satisfactory agreement with the new owner of Pantheon for the provision of ground handling services.

Offer from Swissport Hellas Sud SA for the Ground Handling Minimum Assets (the "Swissport Offer")

Swissport submitted the following offer:

- €44,800,000 for the Ground Handling Minimum Assets

The Swissport Offer was made conditional on conclusion of an agreement between itself and MIG, or any other serious investor, in relation to their acquisition of the Pantheon and MRO Minimum Assets, with respect to the future provision of ground handling services which would be satisfactory to Swissport.

The Swissport Offer and MIG Offer, as defined below, have been subject to coterminous exclusivity periods. However, since the negotiations with MIG have extended until the final day of the exclusivity period, the above condition of the Swissport Offer cannot be met and it would, in our opinion be reasonable to consider extending the period of exclusivity to see whether such a deal can be concluded. In this regard, Swissport sent a letter to the Financial Advisers on 6 March 2009 requesting a one-week extension of its exclusivity period to 13 March 2009 to conclude its commercial agreement with MIG.

MIG has also sent a letter to the Financial Advisers stating that, in the event it is unable to conclude its agreement with Swissport next week, MIG would be prepared to submit a binding offer for the Ground Handling Newco.

Offer from MARFIN Investment Group for the Acquisition of the Pantheon Minimum Assets and the MRO Minimum Assets (the "MIG Offer")

MIG submitted the following offer:

- €45,700,000 for the Pantheon Minimum Assets; and
- €16,700,000 for the MRO Minimum Assets.

In relation to the capitalisation of Pantheon and the MRO NewCo, MIG stated in their offer that:

"We do not wish that either Pantheon or the MRO-NewCo proceed with any capital reduction and we are prepared to buy 100% of the share capital of Pantheon and 100% of the share capital of MRO-NewCo at their net asset value as of the date of execution of the relevant agreements".

The MIG Offer was made conditional on the agreement of legal documentation, agreement of an appropriate transition plan and approval of the transaction by its board of directors.

Granting of Exclusivity to MIG and Swissport

Both offers were made on the condition that by no later than two working days from the date of the offers (i.e. by 17th February 2009) an exclusivity period for the conclusion of the respective Transactions would be granted until 9 March 2009.

Since both offers appeared to be credible and also to meet the minimum valuation criteria, and were, by some margin, the best and most credible available at the time, MIG and Swissport were both granted a limited period of exclusivity on 14 February 2009 until 6 March 2009, in order to attempt to conclude the Transactions. During this period, the Hellenic Republic agreed not to enter into any negotiations nor sign any documentation in relation to the Transactions with any other potential investors with the exception of any agreements necessary in order for other potential investors to be granted access to the data room.

Howrey LLP ("Howrey") informed the Financial Advisers that this approach had been discussed with the Monitoring Trustee and the Monitoring Trustee had raised no objection to the granting of exclusivity.

Exclusive Negotiations with MIG

To date, the Financial Advisers and the HR's legal advisers (the "Legal Advisers"), for and on behalf of the HR, have been engaged in negotiations with MIG in relation to the Pantheon Transaction and MRO Transaction. During the exclusivity period, MIG has been provided with access to the virtual data room and has completed its due diligence in relation to the Transactions.

Negotiations have primarily focused on reaching agreement on the terms of the Shareholders Agreement and Share Sale and Purchase Agreement pertaining to each of the Pantheon Transaction and MRO Transaction.

Following final negotiations in Athens on 5 and 6 March 2009, both sides have agreed final form binding contractual documentation in all material respects and on the basis of which the HR will agree to sell, and MIG will agree to purchase, the Pantheon and MRO Minimum Assets in accordance with the transaction structure agreed by the European Commission.

It should be noted that MIG's offer remains open only whilst it retains exclusivity; the exclusivity period granted by the HR expires at 6pm GMT on 6 March 2009 and MIG has consistently made clear that were its exclusivity to lapse without conclusion of the Transactions, it would walk away from the Transactions.

We have been informed by the HR's Competition Law Advisers, Messrs. M. & P. Bernitsas Law Offices and Howrey (together the "Competition Law Advisers") that in their opinion, signing an agreement with MIG means that MIG pays the price for the OAL/OAS assets as established by Independent Valuation. Pursuant to Commission decisional practice and established case law, State aid issues in the context of the privatisation of assets can be ruled out when a market price is established. In the Commission's view, a market price has been established either when the asset sale takes place in the form of an open tender process or on the basis of an independent valuation. The crucial element hereby is that if the price paid for the assets is the auction price or a price no lower than the independent valuation, the aid is considered to be included in the purchase price and thus, no economic advantage is conferred to the purchaser as a result of the asset purchase.

The Competition Law Advisers believe that the HR has made all reasonable efforts to establish a market price for the OAL/OAS assets by organising in a diligent way and in compliance with the Commission decision of 17th September 2008 (as confirmed by the MT) an open tender process, which however was fruitless overall due to the current economic conditions. Moreover, in accordance with the Greek Privatisation law and the Commission Decision the HR requested an independent valuation for the assets in question.

The independent valuation established higher prices for each of the three bundles of Minimum Assets than the highest offers received (regardless of whether such offers were compliant with the 22 December Process Letter) for each asset bundle via the tender processes. Hence, if MIG pays the market price established via the independent valuation, no economic advantage will be conferred to it and thus, no State aid liability can arise. This result cannot be changed by the mere fact that offers higher than the one submitted by MIG were made at various stages of the direct negotiations, since the crucial element from a State aid point of view is that no economic advantage is conferred to the purchaser.

Offer from Aegean Airlines for the acquisition of the Pantheon Minimum Assets and the MRO Minimum Assets (the "Aegean Offer")

On 4 March 2009, the Financial Advisers received a one-page offer letter, described as a "binding offer", from Aegean Airlines S.A. ("Aegean") for the "minimum assets of the flight activity" and the "minimum assets of the technical base". Aegean also issued a press release, announcing their interest. Aegean submitted the following offer:

- €90,000,000 for the Pantheon Minimum Assets; and
- €20,000,000 for MRO Minimum Assets.

Aegean stated in its offer letter that;

"the acquisition price of the shares of Pantheon A.E. will be equal to the net worth of this company, which is estimated at sixty million euros (€60,000,000)"

Aegean also stated that;

"Our company has the required funds in free and available deposits in banking institutions. Proof of funds can be provided at your request."

At 4pm GMT on 5 March 2009, on an unsolicited basis, Aegean submitted to the Financial Advisers letters from two banks supporting its financing for the Pantheon Transaction and MRO Transaction:

- Alpha Bank has written to Lazard in its capacity as Financial Adviser stating its commitment of €50,000,000 for the purposes of the transaction. Alpha Bank has also confirmed that Aegean has free and available deposits of €65,000,000 with the bank;
- Piraeus Bank has written to Lazard in its capacity as Financial Adviser stating its commitment of €50,000,000 for the purposes of the transaction. Piraeus Bank has also confirmed that Aegean has free and available deposits of €50,000,000 with the bank.

It should be noted that both Aegean's offer and the commitment letters from Alpha Bank and Piraeus Bank were received only two days prior to the expiry of the exclusivity period with MIG. Furthermore, Aegean has not had access to the virtual data room or to any confidential due diligence materials provided by the HR or its advisers. Aegean has not reviewed the contractual documentation pertaining to the Transactions nor entered into any negotiations with the Financial Advisers or the Legal Advisers. There is therefore uncertainty about the material terms that Aegean would be prepared to accept in connection with the Transactions and also whether the terms that are acceptable to it would be consistent with the authorisation provided by the EU Commission decision of 17th September 2008 (the "Commission Decision").

The Competition Law Advisers have informed us of the following important issues relating to the Aegean Offer which could affect the timeframe of the Transactions given the involvement of competition law issues:

- The Aegean Offer presents a high degree of uncertainty regarding the timing of the conclusion of the Transactions due to its potential competition implications;

- Aegean's Offer provides for a takeover of the flight operations within sixty days of the signature of the relevant agreement. However publicly available information demonstrates that Aegean has a significant number of overlaps with Olympic Airlines' current network, both domestically and internationally. Leaving aside any concentration issues in the Greek market, a potential acquisition by Aegean of current Olympic slots at international airports/airport systems where both airlines presently fly may trigger regulatory/merger control clearance obligations.
- As to any competition issues with regard to the Greek market, the Competition Law Advisers are aware of the HR position regarding the competitive conditions in the air transportation market, as stated in references in formal Commission Decisions regarding Olympic, including that "(t)he existence of competition in air travel constitutes the main position and aim of the Greek government." (par. 106 of the negative Commission Decision of 17 September 2008).

The Competition Law Advisers have informed us that they assume that the above reasonable position would inevitably have a bearing on the assessment of the market's competitive conditions by any competent authority in Greece and that procedural and timing implications of this are unknown at present.

We note in such regard that Aegean issued a press release on 6 March 2009 making certain assertions regarding its intentions in the Greek market.

The Competition Law Advisers have also noted that the combination of: (a) the late appearance of Aegean in the sale process, (b) the likely additional time that would be required for due diligence and negotiations prior to the finalisation of any contractual documentation, (c) the additional likely time that may be required after signing to address any regulatory/merger concerns and (d) the 60-day proposed operational transition, implies a significant risk that the completion of the sale processes will not meet the Commission Decision's timeframe for the process that the HR is bound to honour.

Aegean's offer is also silent with regard to any interest in the Ground Handling Minimum Assets although we note from their press release of 6 March 2009 their assertion that "*in case there is a need to cover this activity, Aegean is in a position to submit an offer in a few days time together with Goldair...in order to provide a trustworthy solution for this activity also*". It is possible that Goldair Handling, may not make an offer, or may make an inferior offer to acquire such assets, particularly as Goldair already has significant ground handling capabilities. This risk needs to be assessed in the context of the conditionality attached to the Swissport Offer to acquire such assets for €44.8 million as set out above.

It is worth noting that if it were not possible to sell the Ground Handling Minimum Assets as a result of Aegean acquiring the Pantheon and MRO Minimum Assets, the difference in the aggregate consideration received by the HR between the MIG and Swissport offers and the Aegean Offer would not be materially different. In such a scenario, there may well also be material costs associated with having to run down Olympic Airways Services' ground handling division.

Contractual Flexibility

As the HR remains in an exclusivity period with MIG, at this stage it has only been able to explore what flexibility might exist with MIG, without losing its offer, to entertain a higher offer. In such regard, we, together with the HR's Legal Advisers, have discussed the following with MIG:

1. *Termination of exclusivity*: whilst the expiry of exclusivity would enable the HR and its advisers to engage with Aegean or other potential acquirers, MIG has stated a clear and unequivocal position that it would withdraw its offer and walk away were its period of exclusivity to lapse without a contract having been signed.
2. *Potential to Increase the MIG Offer*: MIG has been invited to increase its offer to the level indicated by Aegean. Its response has been to confirm its initial proposal only and to state that it would not respond to competing offers.

3. *Break clause:* we suggested to MIG that it might be appropriate to insert a break clause into the Share Sale and Purchase Agreement, such that the HR would be free to explore potentially higher offers for a period post signing and be in a position to walk away from MIG's offer on payment of an appropriate "break fee". MIG made clear that such a clause, whatever the size of the break fee, would not be acceptable to it and it would prefer to withdraw rather than accept such a position.

It is noted that prior to completion, should a very compelling proposal be made to the owners of Pantheon (HR, 51 per cent.; MIG, 49 per cent.) it would be possible with a shareholders' agreement to sell to a higher bidder with the uplift in value being shared proportionally between the HR and MIG.

4. *Anti-embarrassment clause:* MIG has agreed not to transfer control of the share capital of Pantheon for 12 months from closing.

Other Offers

In response to the HR's public invitation to express interest in the Transactions, both prior to and during the exclusivity period granted to MIG and Swissport, the HR and its Financial Advisers received certain other expressions of interest and/or offer letters. Ultimately, none of these other proposals were deemed sufficiently credible to invite the interested parties to participate in direct negotiations in relation to the Transactions. In particular, none of the interested parties provided sufficient certainty as to their financing ability in relation to the Transactions. These proposals are described briefly at Annex A.

Conclusion

The HR appears to be faced with the choice of proceeding at this stage with respect to a certain deal with MIG or putting this proposal at risk and seeking to entertain a much less certain, albeit potentially higher value, offer from Aegean or, possibly, others.

The Legal Advisers have informed us that they have finalised all material aspects of the corporate documentation with MIG for the sale of Pantheon, the Pantheon Minimum Assets, the MRO NewCo, and the MRO Minimum Assets, and that such binding documentation could be signed immediately.

In contrast, it is unclear at this stage whether Aegean's proposal is deliverable; in addition the HR should consider the possibility that Aegean has chosen to try to enter a public process at this very late stage with disruption of the MIG process in mind given that, as a direct competitor, Aegean may not want the Pantheon Minimum Assets to be sold to a third party.

There are a number of other material uncertainties with regard to Aegean's proposal, including contract terms, financing, competition law risks, due diligence, timing, potential for labour unrest and also whether the current Swissport Offer of €44.8 million for the Ground Handling Minimum Assets would survive or be equalled by Goldair.

Based on our understanding of the above, the Financial Advisers believe that it would be reasonable for the HR to conclude that the certainty of an immediate transaction with MIG outweighs the potential for a higher, but materially less certain, offer from a third party that has only chosen to submit an offer for two of the three asset bundles at a very late stage in the process.

It is therefore our advice to the HR that it should conclude its negotiations with MIG and secure a binding commitment from MIG to acquire the Pantheon Minimum Assets and the MRO Minimum Assets, provided that it is satisfied with the terms of the MIG Offer and it believes that the certainty of an immediate transaction with MIG outweighs the material uncertainties associated with the late offer submitted by Aegean.

We would also advise that having secured this agreement the HR should consider granting a limited one week extension of the exclusivity period to Swissport, with a view to also securing a contractual commitment for the purchase of the Ground Handling Minimum Assets within this timeframe.

Yours faithfully,

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for and on behalf of
Lazard & Co., Limited

.....
for and on behalf of
Emporiki Bank S.A.

.....
for and on behalf of
NBG International Limited

Cc:
Michalis Kefalogiannis, Senior Adviser/Project Manager

ANNEX A

Other Offers

- **Chrysler Aviation**(Airline): submitted a one-page offer letter dated 2 March 2009 for total consideration of €210,000,000 broken down as follows:

- "For slots and Olympic circles": €46,000,000
- "For maintenance": €18,000,000
- "For Ground Handling €49,000,000
- "For 100% Pantheon shares": €60,000,000
- "For operational capital": €37,000,000

Chrysler Aviation participated in the public tender processes but submitted a Final Offer that was clearly not compliant with the requirements of the process. In previous rounds, Chrysler Aviation has repeatedly failed to provide evidence of its financing ability or to comply with the Transaction structure approved by the European Commission. No reliable evidence has been provided as to the funding sources of Chrysler Aviation's latest proposal. Since the offer was received towards the end of the exclusivity period granted to MIG and Swissport, it has been held in abeyance pending the outcome of those negotiations.

- **Hellenic Cargo Group** (Ground Handling): A process letter was sent to the bidder on 12 February 2009 asking it to (i) confirm its intention to participate in the sale process, and (ii) provide proof of funds. On 16 February, HCG emailed Lazard to notify its intention to submit a binding bid for €46.75 million plus the paid up share capital for the Ground Handling Minimum Assets. HCG indicated a possible tie-up with Swissport. However a formal offer has not been received.
- **ASL Aviation Group** (Airline, GH and MRO): ASL expressed interest by letter of 4 February 2009. A process letter was sent to the bidder on 12 February 2009 asking it to (i) confirm its intention to participate in the sale process, and (ii) provide proof of funds. In response by letter dated 16 February 2009, ASL declined to specify either the identity(ies) of the bidder(s) or to provide proof of funds.
- **Ciel** (Airline, GH and MRO): Offer submitted in Greek and English. Ciel Airlines offered to purchase all three asset bundles for a price calculated on the basis of the independent valuation. The bidder invites interested parties and investment funds to invest a "Development Capital" of €350 million, and hopes to attract an additional €200 million from foreign investors. Ciel stated its intention to retain all existing personnel and recruit a further 2,000 employees within two years.
- **SkyEurope** (Airline): On 3 February SkyEurope wrote to Lazard stating its ongoing interest in the Pantheon Minimum Assets. A process letter was sent to the bidder on 12 February 2009 asking it to (i) confirm its intention to participate in the sale process, and (ii) provide proof of funds. No response has been received to date.
- **Uniform Group** (Airline): Offer submitted in Greek on 13 February 2009. A process letter was sent to the bidder on 12 February 2009 asking it to (i) confirm its intention to participate in the sale process, and (ii) provide proof of funds. No response to this request has been received to date.
- **Airworks** (Airline): Offer submitted in Greek on 13 February. Offer of €1.2 billion with a commitment to proceed with a share capital increase of €1.3 billion. HR to provide Airworks with a guarantee of €5 billion for 65 months. On 20 February, Lazard wrote to Airworks to inform it that its expression of interest did not comply with the Transaction structure as contemplated in the invitation for expressions of interest, and informed Airworks that the HR is not in a position to consider further Airworks' proposal.