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**GEK TERNA S.A.**

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To the Board of Directors of GEK TERNA S.A.

29 June 2024

On 20<sup>th</sup> June 2024, GEK TERNA S.A. ("**GEK TERNA**" or the "**Company**") announced to have reached an agreement with Abu Dhabi Future Energy Company PJSC - Masdar ("**Masdar**" or the "**Purchaser**"), in relation to the sale of all its shares held in TERNA ENERGY Société Anonyme Industrial, Commercial and Technical Company S.A. ("**TERNA ENERGY**" or the "**Target**"), representing 36.59% of the shares and voting rights of TERNA ENERGY, and the subsequent launch by Masdar of an all cash mandatory tender offer on the Target (the "**Offer**").

In particular, GEK TERNA has entered into a Share Purchase and Covenants Agreement (the "**SPCA**") with Masdar Hellas S.A. (a wholly owned subsidiary of Masdar), for the disposal of all its shares in TERNA ENERGY for a consideration of €20.0 per share, and related agreements (the "**Agreements**") (all together the "**Transaction**"). The Transaction is subject to the fulfilment within six months of certain condition precedents, which besides customary regulatory and change of control provisions, includes the approval by the General Meeting of GEK TERNA and the acquisition by the Purchaser of additional shares in TERNA ENERGY such that upon closing Masdar to hold at least 67% in TERNA ENERGY.

At the date of the SPCA, other shareholders of TERNA ENERGY representing 28.09% in shares and voting rights and together with GEK TERNA the 64.68%, have provided irrevocable undertakings to sell their shares to the Purchaser.

After completion of the transaction, Masdar will launch an all-cash mandatory tender offer to acquire all the remaining outstanding shares of the Target with the intention of reaching 100% stake.

The price offered by Masdar of €20.0 per share (which may be adjusted under certain events, including for non-permitted leakage and for disposal of non-core assets below c. €65m) (the "**Consideration**"), excludes an agreed dividend distribution to the Target' shareholders of €0.38 per share. The Consideration together with the agreed dividend corresponds to a €2.4bn valuation of TERNA ENERGY's total equity and €3.2bn equivalent enterprise value.

The Agreements part of the Transaction include:



1. Acquisition by GEK TERNA of certain assets not part of the core business of TERNA ENERGY at a valuation to be determined at a later stage based on an independent auditor report;
2. Put option for Masdar to sell to GEK TERNA 50% of the pumped storage hydro plant project of Amfilochia ("**Amfilochia**"), to be exercised within 9 months after closing;
3. Call option for GEK TERNA, subject to certain third-party consent, to acquire 50% of equity interest in certain energy production and storage projects from TERNA ENERGY, with a total capacity of 3.0 GW, within 9 months after closing.

Following the announcement of the Transaction, GEK TERNA appointed Mediobanca - Banca di Credito Finanziario S.p.A. ("**Mediobanca**") as financial adviser (the "**Financial Adviser**") to provide an opinion to the GEK TERNA's Board of Directors on the fairness, from a financial point of view of the Consideration paid by Masdar (the "**Fairness Opinion**"), subject to availability of information and by taking into account the applicable limitations (the "**Mandate**").

We have not been requested to opine on, and our Fairness Opinion does not in any manner address any underlying business decision of the Target or the Company with regard to the Transaction, or the relative merits of the Transaction as compared to any other strategic alternatives that may be available to TERNA ENERGY and/or GEK TERNA, or the outcome of such Transaction. Further, our Fairness Opinion does not express any opinion on the terms and conditions of any of the underlying Agreements. We have also assumed, upon the advice of the Company, that all material governmental, regulatory and third-party approvals, consents and releases for the contemplated Transaction will be obtained without substantial delay or impact on the proposed Transaction.

The Fairness Opinion is addressed exclusively to GEK TERNA's Board of Directors and is based on the assumption that the Transaction will be executed at terms and conditions not significantly different from those represented to Mediobanca, without substantial changes, and once all the requisite regulatory and procedural approvals have been obtained.

The Fairness Opinion has been prepared for internal and exclusive use of GEK TERNA's Board of Directors, within the limitations and under the terms described herein. Therefore, the Fairness Opinion: (i) should not be disclosed, in whole or in part, to third parties - except for the General Meeting of the Company, in any case on no reliance basis - nor used for purposes other than those specified herein, save if the use is authorised in writing beforehand by Mediobanca or requested by specific legal or regulatory provisions or by any competent authority; (ii) is addressed exclusively to the GEK TERNA's Board of Directors and therefore no-one, with the exception of the addressees of the Fairness Opinion, is authorised to rely on the contents of the Fairness Opinion and, consequently, any opinion of a third party on the Transaction will remain exclusively the competence and responsibility of that party. In particular, the Fairness Opinion is not and should not be interpreted as a judgement or an opinion on the interest for the Company to execute the Transaction and/or on the convenience and/or feasibility and/or on the opportunity and/or any business, fiscal, accounting or market aspects of the Transaction.

We have been engaged by the Company to act as Financial Adviser in connection with the issuance of such Fairness Opinion, in accordance with and subject to our customary practice and current market conditions. Therefore, Mediobanca has not provided and shall not provide any advisory services either related to legal, accounting, taxation, industrial, strategic, environmental and/or any other technical subject and/or related to the due diligence. Any power of a financial adviser to bind the Board of Directors of GEK TERNA in any way regarding decisions on the Transaction is expressly excluded and the Fairness Opinion is based on the assumption that the Transaction and its terms and conditions have been evaluated by the members of the Board of Directors of the Company independently.



Mediobanca: (i) under the terms of the Mandate, will receive a fee, which is subject to the release of the Fairness Opinion; (ii) is part of a leading banking group that carries out, among other things, private and investment banking, asset management, financial advisory services, trading and lending activities for different types of institutions and clients. In the ordinary course of its business, Mediobanca could provide such activities and services (a) to GEK TERNA, TERNA ENERGY, Masdar and/or their shareholders and/or their group companies as well as, in the context of its trading activities, could trade in financial instruments (including derivatives) of GEK TERNA, TERNA ENERGY and/or securities issued by companies directly and/or indirectly involved in the Transaction, both as principal and as agent; (b) to companies operating in the energy and/or infrastructure sector. In the last two years Mediobanca has carried out financial advisory services for GEK TERNA, in relation to which it received fees and commissions.

The conclusions set out in this Fairness Opinion are based on the whole of the evaluations and considerations detailed herein and, therefore, no part of the Fairness Opinion may be used separately from the document as a whole. Accordingly, the separate or partial use of individual parts of this Fairness Opinion and/or the use of the Fairness Opinion for aims different from those it has been issued for, could cause misleading interpretations, even material, of all the contents and conclusions of the Fairness Opinion. In no case, the valuations contained in the Fairness Opinion are to be considered in a context different from the one described herein. In particular, the Fairness Opinion and its conclusions are not and should not be interpreted as investment services and activities, pursuant to Legislative Decree 58/98 (i.e. the Italian Financial Services Decree). The Fairness Opinion does not constitute an offer to public, advice or a recommendation to purchase or sell any financial product.

In carrying out the assignment and in elaborating the Fairness Opinion, Mediobanca has used publicly available information and documents deemed relevant for the application of the selected valuation methodology, and data and information provided by the Company, including during meetings with the Target's Financial Adviser, and / or by third parties on their behalf (collectively, the "**Information**") including the following documentation:

- a. TERNA ENERGY SA Business Plan Approved
- b. TERNA ENERGY SA Budget 2024 Presentation to BoD dated 27 December 2023
- c. TERNA ENERGY SA Budget 2024 Presentation
- d. TERNA ENERGY SA Budget 2024 – Balance Sheet & Cash Flow Statement
- e. TERNA ENERGY SA pipeline update and permit holder
- f. Share Purchase and Covenants Agreement execution version dated 19 June 2024
- g. TERNA ENERGY non-core assets valuation report as of 30.04.2024 dated 25.05.2024
- h. Put Option Deed dated 20 June 2024
- i. Call Option Deed in agreed form
- j. TERNA ENERGY SA investor presentation dated 20 June 2024
- k. TERNA ENERGY SA historical financial statements
- l. GEK TERNA SA deal announcement press release dated 20 June 2024
- m. Latest available broker reports on TERNA ENERGY
- n. Publicly available information deemed relevant for the purposes of applying the selected valuation methodologies
- o. EBITDA estimates, brokers' target price, Enterprise Value and market cap from Bloomberg as of 19 June 2024



- p. Share price and VWAP from FactSet as of 19 June 2024
- q. Mergermarket on selected precedent transactions multiples

In performing the Mandate, in the preparation of the Fairness Opinion and in all the works carried out, Mediobanca has trust:

- (i) in the truthfulness, completeness and accuracy and reasonableness, from all aspects, of the Information, without carrying out, either directly or indirectly, any autonomous verification, tests and/or independent analysis thereof. In particular, Mediobanca has relied on:
  - a. the legal, accounting, tax, industrial, strategic, and all any other technical aspect of the Transaction as represented in the SPCA and in all other documents made available by the Company;
  - b. the fact that the financial projections related to the Target received by Mediobanca have been prepared on the basis of reasonable assumptions reflecting the most accurate judgment possible by TERNA ENERGY's management regarding the future development of the Target's activities and that no substantial changes have occurred in relation to economic and market conditions. In any case, it is understood that differences in future evolution of economic, financial and market conditions, compared to the information used on which the Fairness Opinion is based, could have a significant effect on its results;
- (ii) on the fact that there shall not be any unrevealed data, information or facts the omission of which would render misleading the Information.

Mediobanca therefore assumes no responsibility for the truthfulness, completeness and accuracy of the Information used for its own analyses and for the preparation and drafting of the Fairness Opinion or for the aspects related to contracts and the technical assessments referred above.

In light of the specific characteristics of the Target and the nature of the Consideration itself, the Dividend Discounted Model ("DDM") method has been selected as the main methodology for preparing the Fairness Opinion. The DDM is a commonly used valuation methodology among infrastructure investors, which capture the cash flow generation to the equity holders based on the capital structure of the projects underlying the financial projections. It should be noted that the following methodologies have also been used as control methods: i) Trading multiples of comparable companies, ii) M&A multiples of precedent transactions, iii) premium paid in the context of public to private transactions and iv) stock price evolution of TERNA ENERGY.

Each of the valuation methodologies chosen for the preparation of the Fairness Opinion, while representing recognized methodologies, normally used in international valuation practice, have in any event intrinsic and specific limitations in relation to the specific valuation exercise. In particular:

- The valuation of the business has been performed based on the Target business plan (the "**Base Case BP**") prepared by TERNA ENERGY on a stand-alone basis. Therefore, for valuation purposes, the Base Case BP has been integrated with certain valuation assumptions to reflect customary features of an infrastructure valuation exercise;
- Uncertainty of the projections: the projections include the current best estimate concerning certain assumptions among which but not limited to, capacity targets, envisaged pipeline, power price curves and asset life. Such data are, by their nature, characterized by uncertainty, therefore their variation could have a material impact on the valuation results. It is worth noticing that on these value drivers Mediobanca has not carried out any independent verification;
- Transaction structure uncertainty: Mediobanca has not analysed any implications from potential changes in the envisaged transaction structure, neither has taken into



consideration any upside from debt refinancing. Furthermore, no delays have been taken into consideration with respect to regulatory approvals;

- Limited applicability of transaction multiples: we have considered the M&A multiples methodology as a control method, given that the sample of comparable transactions involving acquisitions of renewable energy companies in Europe may incorporate significant differences in terms of regulatory, legal, fiscal, market and commercial aspects;
- Limited applicability of the historical share price performance and premium paid in the context of public to private transactions: TERNA ENERGY share price has been subject to acquisition rumours since 2022, therefore making difficult to identify precisely the most recent unaffected price;
- Limited applicability of trading multiples: The limited number of pure renewable players at European level comparable to TERNA ENERGY, in terms of operating asset, pipeline projects and development teams makes it difficult to create a representative sample of comparable companies. In addition, listed players in different countries may be affected by regulatory, legal, fiscal, market and commercial aspects.

The valuations should not be considered individually but interpreted as an inseparable part of a unique valuation process in the specific context. Accordingly, the individual parts of this Fairness Opinion may never be used separately from the opinion in its entirety. Mediobanca does not assume any direct and/or indirect responsibility for damages resulting from misuse of the contents enclosed in the Fairness Opinion. The valuation of TERNA ENERGY has been carried out on a stand-alone basis and with a going-concern assumption. Besides, the Fairness Opinion contains, *inter alia*, assumptions and estimates considered reasonably appropriate by Mediobanca also on the base of the commonly used international practise and based on the Information.

Furthermore, with the Fairness Opinion, Mediobanca does not express any evaluation, assessment or opinion related to the economic value of the Target and/or the market price which TERNA ENERGY may have in the future or in a context different from the one described in the Fairness Opinion including if the Transaction will be realized with substantial changes to the current terms and conditions, nor anything indicated in the Fairness Opinion may be considered as a guarantee or an indication of future operating performance, economic or financial results of the Target (including, but not limited to, its financial and economic situation or outlook). Mediobanca does not assume any direct and/or indirect responsibility for damages resulting from misuse of the contents enclosed in the Fairness Opinion.

Based on all above-mentioned considerations, it is considered that in the context of the current deal and under current market conditions at the date thereof, the Consideration is fair from a financial point of view.

The issuance of this Fairness Opinion has been approved by a fairness opinion Committee of Mediobanca S.p.A.

Mediobanca – Banca di Credito Finanziario S.p.A.

Signed .....  
Name: Francesco Rossitto

Position: Managing Director - Head of Coverage Greece & Co-head of FIG EMEA

Signed .....  
Name: Alessandro Leone

Position: Managing Director - Global Co-Head of Energy