



HELLENIC REPUBLIC
MINISTRY OF FINANCE

Hellenic Stability and
Growth Programme
Newsletter

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Greek government unveils wide-ranging privatisation programme

- *The Greek government has unveiled a wide-ranging privatisation programme, spanning the state's holdings in rail, road transport, airports, ports, utilities, the gaming industry, and public real estate.*
- *The programme leverages private investment so as to restructure the economy, foster economic growth, contribute to fiscal consolidation and raise the overall quality of life.*
- *The programme puts to use the know-how of the private sector through outright sales, concession agreements, initial public offerings, strategic public-private partnerships, and the establishment of new holding companies.*
- *State shareholdings will range from minority stakes of less than 34%, to controlling stakes of 51% or more. In a number of cases the government will divest fully from its holdings.*

The Hellenic Privatisation Programme

The Hellenic Privatisation Programme, announced on June 2nd, is a wide-ranging programme aimed at leveraging private investment that puts to good use the know-how of the private sector, while safeguarding the public interest, and state shareholdings in strategic and national security assets. The announcement includes:

Transport: Railways (OSE), Motorways

OSE (Hellenic Railway Organisation) is a fully state-owned group of companies. It has annual losses of around 1 billion euro and a debt load of over 10 billion euro.

The state shall proceed with an immediate restructuring of OSE to return the group to profit and minimize its debt load. It will close down the group's loss-making lines, streamline its management, downsize the staff accordingly and set future acquisitions and maintenance concessions at market rates.

The state plans to sell 49% of the restructured TRAINOSE operator to a strategic private investor and concede its management rights. It will develop OSE railway stations and other commercial real-estate through concession agreements and appropriate SPV's. It is in the process of developing two large OSE freight centers in Thessaloniki and in Thriasio (Athens) through concession agreements.

The state will also engage in concession agreements for the construction and operation of new motorways as well as for the operation of existing ones, such as the Egnatia Motorway.

Ports: OLP, OLTH, Regional Ports

The Greek state currently owns 74% of OLP and OLTH (Port Authority of Piraeus and Thessaloniki), 100% of a further 10 sizeable regional ports and a large number of smaller ports. The state shall develop port services in cooperation with strategic private sector investors. It will reorganize its existing portfolio of ports into new holding companies, and through them, possibly float a 49% stake on the Athens Stock Exchange (ASE).

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State asset classes

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2010 Budget on track

According to the preliminary data available for the first five months of 2010 (January - May), on an accrual basis the state budget deficit amounted to 8,973 million euro, versus 14,655 million euro during the same period in 2009 and thus declined by 38.8%.

The fiscal result of the five months of 2010 is due to both expenditure restrictions and revenues increase. Net revenues of the ordinary budget increased by 8.3% and budget expenditures during the same time period declined by 10.6%. Greece remains well within the targets set in the Economic Policy Programme under the Eurozone and IMF support mechanism. It should be noted that these data do not fully reflect the additional tax increases and expenditure cuts agreed on March 3rd and May 6th, 2010.

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Airports: Athens International Airport, Regional Airports

The state owns 55% of Athens International Airport (AIA), a concession company that manages and operates the Eleftherios Venizelos airport. The government is exploring the extension of the existing concession agreement as well as an ASE listing.

The state is the sole owner of a large number of regional airports. It will grant concession agreements and management rights to strategic private investors. Further, it will explore the optimal reorganization of the portfolio of airports into one or more holding companies and possibly list these on the ASE.

Utilities: EYATH, EYDAP

The state currently owns 74% of EYATH (Thessaloniki Water Supply and Sewerage Company) and 61% of EYDAP (Athens Water Supply and Sewerage Company). It plans to sell 23% of its stake in EYATH and 10% of its stake in EYDAP so as to maintain a 51% controlling stake in both utilities. The Greek state will also explore the possibility of bringing EYATH, EYDAP and other regional utilities into a single holding company, "Hellenic Waters S.A."

Energy: DEPA, DEH (PPC), ELPE

The state owns 65% of DEPA (Public Gas Corporation) and PPC (Public Power Corporation) and has an option to acquire a 30% of DEPA. The state will value the "PPC option" and examine the possible separation of DEPA-DESFA. It plans to retain management rights and control of DEPA-DESFA but reduce its shareholding.

The state owns 51% of DEH (PPC) which includes the DESMHE network. The controlling stake in DESMHE network will be maintained, structural reforms for retail and wholesale markets will be accelerated, as well as full implementation of the EU's 3rd Energy Package.

The state will maintain its strategic shareholding in ELPE.

Telecoms: ELTA – OTE – Digital Signal Frequency

The state owns 90% of ELTA (Hellenic Post), while Hellenic Post Bank holds the remaining 10%. The government plans to sell a 39% stake in ELTA so as to maintain a 51% controlling stake.

The state will maintain its existing strategic stake in OTE (Hellenic Organisation of Telecommunications) currently under the management of a strategic partner.

The state will grant concession agreements to the private sector for digital signal frequencies. .

Gaming industry:

The state will proceed with a complete privatization of casinos by selling all the relevant holdings of ETA. The state will maintain its 34% of OPAP (Hellenic Organization of Football Prognostics). It will develop a legal framework to regulate the existing gaming as well as the internet gaming and betting industry, issue new licenses, and extend existing ones.

Public real estate:

KED-ETA-Olympic Real Estates

The state will merge the real estate firm KED, the tourism property management arm ETA and the Olympic Real Estates which manages a number of Olympic Games venues into one company.

Concession rights for large real estate assets will be granted to private investors, while safeguarding the long-term state ownership of such properties.

This portfolio of assets, which will also include real estate under the management of various state ministries and OSE, will be managed through new holding companies which may be listed on the ASE.

Tourism Real-Estate, Large Real Estate holdings and Xenia Hotels

The state will sell or grant concession agreements for the management of individual or groups of Xenia hotels. The resulting corporate entities may be listed on the Athens Stock Exchange, while maintaining a 51% or 34% holding.

The state will create a number of portfolios of "quality" tourism real-estate assets, by bringing them under the management of private companies through concession agreements. The resulting corporate entities may be listed on the Athens Stock Exchange. The state would maintain a 51% or 34% holding.

The state also plans to set-up special purpose vehicles (SPVs) to manage and capitalize on large state-owned real estate assets such as Ellinikon and Tatoi.