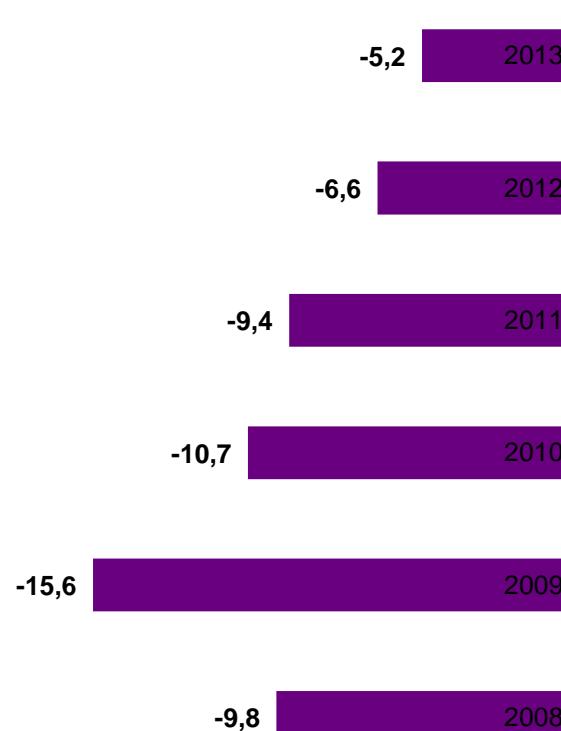


THE 2013 BUDGET DEBATE: ANOTHER LONG WEEKEND FOR GREECE

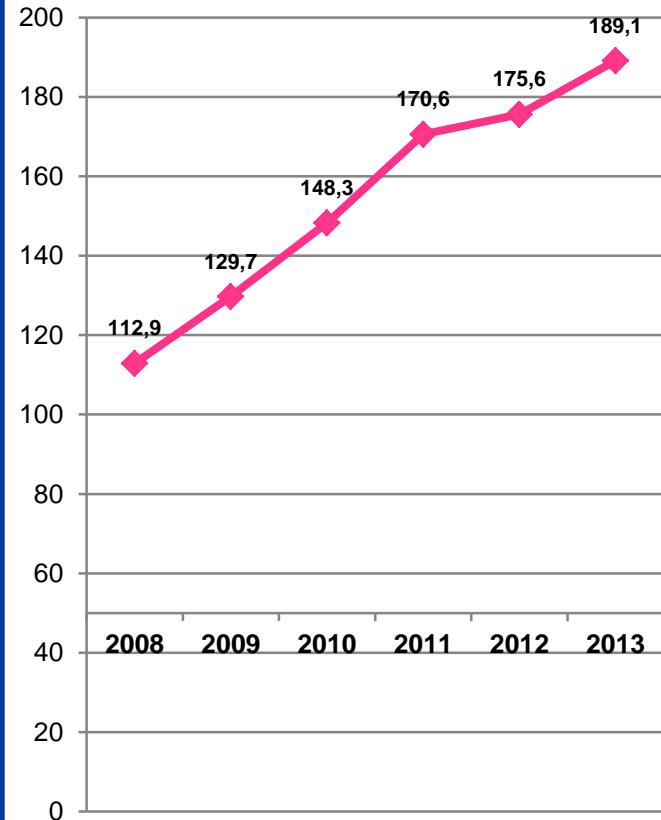
S. TRAVLOS – 12 NOVEMBER 2012 UPDATED VERSION

THE BUDGET: A FORMIDABLE CONSOLIDATION BUT THE DEBT IS UNCONTROLLABLE

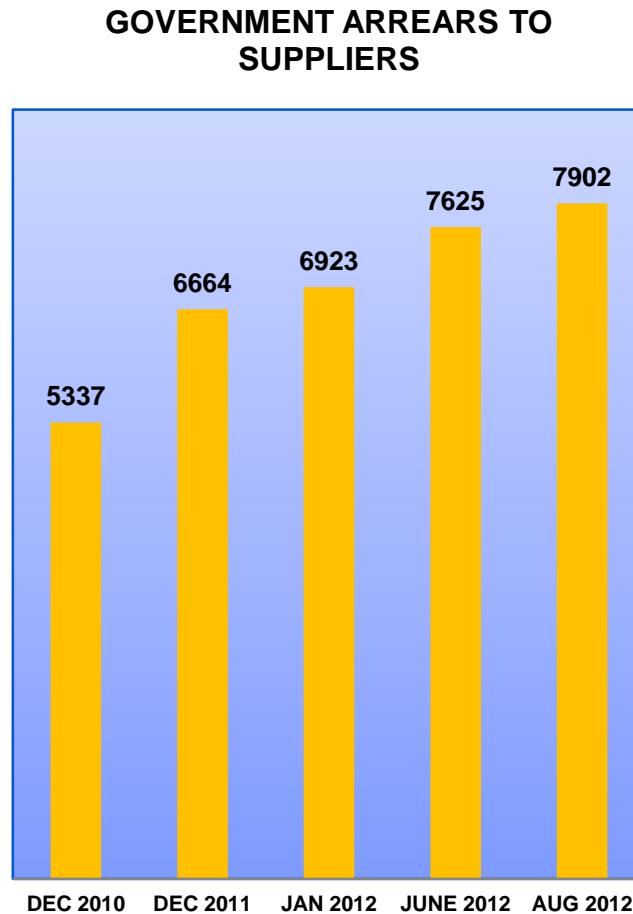
GENERAL GOVERNMENT DEFICIT
% GDP



GENERAL GOVERNMENT DEBT
%GDP



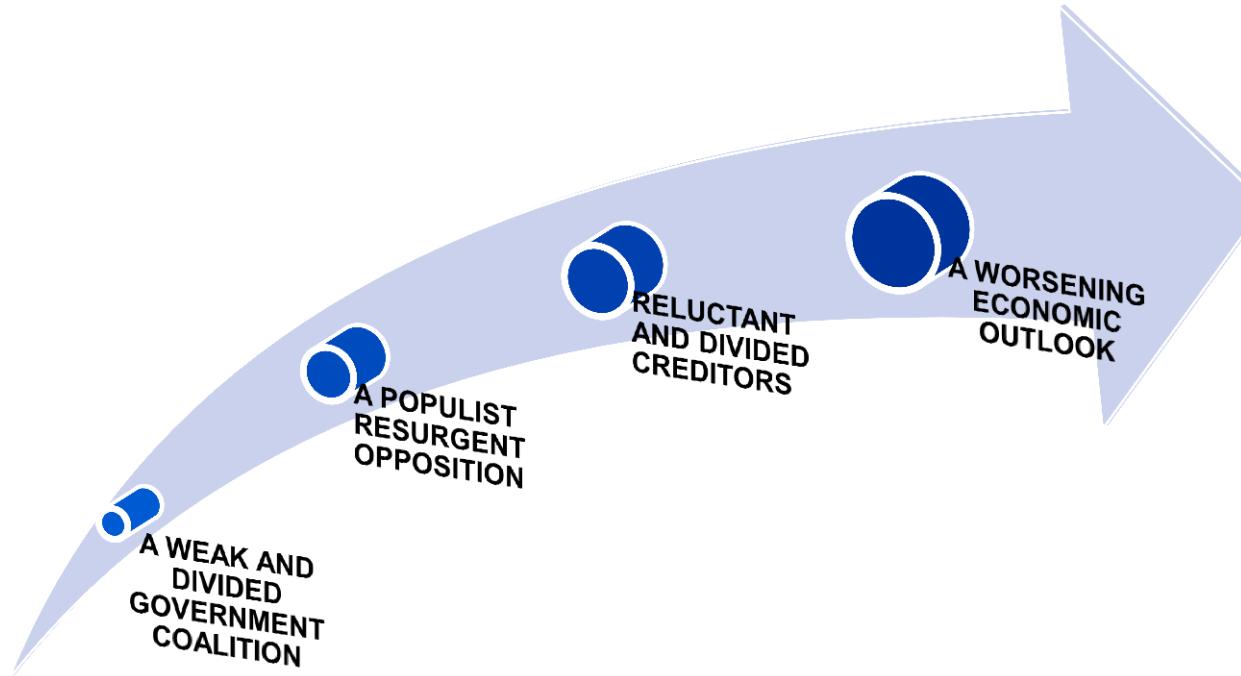
THE TWIN BLACK HOLES THREATEN THE BUDGET AND THE REAL ECONOMY



Extreme liquidity conditions have affected the functioning of the economy:

- **Government arrears to suppliers have reached almost 9 billion in October 2012.**
- **But cumulative tax arrears have reached the staggering level of 53.8 billion Euro by September 2012 undermining government efforts to improve revenue.**

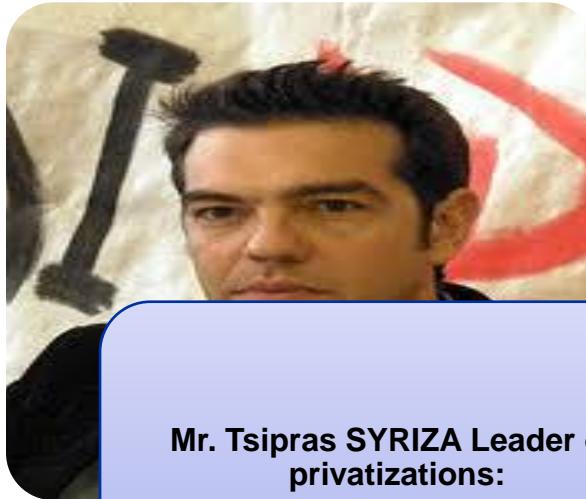
A NEW POLITICAL ENVIRONMENT: TENSIONS MOUNT



GREECE ON THE BRINK

UNDERMINING GREECE: IS NOT IMPORTANT WHAT YOUR ARE SAYING BUT HOW AND WHEN

FROM WITHIN



Mr. Tsipras SYRIZA Leader on
privatizations:

“No serious investor will spend his
money when he knows that the
days of these government are
numbered”.

Interview in ‘Die Zeit’ 9/11/12

FROM OUTSIDE



Mr.
Schäuble

“We in the Eurogroup
and in the IMF want to
help Greece but we will
not let ourselves be put
under pressure”

Welt am Sonntag 11/11/12



Mr. Weidman

“How can you objectively
assess the completion of
a program, if you are too
afraid of the
consequences of a
negative conclusion?”

Rheinische Post 11/11/12

SOME POSITIVE SIGNS ARE WORTH NOTING

A NEW FUND FOR GREECE

The steep sell-off in Greek assets is tempting some investors – including hedge funds - to wager the crisis-hit country's bond and stock markets offer a bargain.

Dromeus Capital, which specializes in emerging markets, has launched a fund to bet on the country by buying government debt and the bonds and shares of companies it believes will best weather a recession that has cut the economy by a fifth.

Achilles Risvas, Dromeus' chief executive, said on Friday this was "the ideal environment" for bargain hunters.

REUTERS 9/10/12

EIGHT INVESTORS FOR A CROWN JEWEL

Eight potential investors, including a Chinese conglomerate and private equity funds, have expressed interest in buying a major stake in Greek gambling monopoly OPAP...

Among the firms responding to a Nov. 9 deadline to express interest was a unit of Fosun International, one of China's largest business groups...

Other potential bidders include private equity firms BC Partners and TPG Capital LP. Estonia-based Playtech ...

REUTERS 10/11/12

TROIKA HAS ADOPTED A POSITIVE VIEW OF DEVELOPMENTS AND EFFORTS

The Troika report will commend the Coalition government for its efforts. A high level executive from IMF is quoted as saying: “Mr. Samaras and Stournaras have taken brave decisions and they are worth our respect”.

KATHIMERINI 11/12/12

“Nonetheless, there has been a significant catching-up over the past few months. The government soon took a clear stance confirming the objectives of the program and the key measures already adopted with a view to bringing the program back on track. With its action it managed to perceptibly improve the overall compliance with the conditionality throughout the last summer”.

From “The Second Economic Adjustment Program for Greece – First Review November 2012” – DRAFT Document.

BUT CONSIDERABLE RISKS REMAIN ACCORDING TO TROIKA

- “The key risks concern the overall policy implementation, given that the coalition supporting the government appears fragile and some components of the program face political resistance, despite the determination of the government”.
- “Moreover, the impact on the weakened economy of the pronounced fiscal consolidation in 2013 may be stronger than currently foreseen, even though it could also be mitigated by the liquidity injection from clearance of government arrears”.
- “Important budgetary measures are likely to be challenged in courts, which could lead to the need to fill a fiscal gap emerging as a consequence”.
- “Should product and services market reforms not accelerate as foreseen under the program, positive economic growth could not return in 2014 as foreseen”.

From “The Second Economic Adjustment Program for Greece – First Review November 2012” DRAFT Document.

THE PARLIAMENTARY DEBATE

• "I want to reassure you about the disbursement of the tranche. There is no fear. I convey to you Mr. Juncker's interview to a German news agency that "the Eurozone will fulfill its obligations and Greece will meet its commitments and I have no doubt about this."

Mr. Y. STOURNARAS
MINISTER OF FINANCE



• "There was no agreement on the tranche and what you have been saying was thin air. Greece has become a punching bag among a surrendered coalition, Germany and the IMF. Greece in such governance has absolutely no future".

Mr. LAFAZANIS
SYRIZA MP.



• The delay in addressing the pending tranche is slow death and the ensuing social and political explosion will not be a solely Greek problem but a European one as well. The domino effect will occur, which will affect all countries in the aid program and the Eurozone as a whole".

Mr. V. VENIZELOS
LEADER OF PASOK



THE LAST DAY OF THE DEBATE WAS HIGHLY CHARGED

“Two words for my dear Mr. Tsipras. You are not the future or even the present or the past of Greece; you are the remains of retrogression and of the vested interests which have collapsed. You are representing the drachma lobby. To poison the Greek people cultivating despair, speculating in desperation, wishing the worst, has a limit.“

Prime Minister Mr. A. Samaras

“Some want the tranche of aid without the obligations that accompany it. They are sadly deluded and lure others as well. The tranche, as I have stated, will be disbursed as soon as possible and I can not understand the gloat with which the opposition talks about the alleged delay. Do they take satisfaction out of the agony of the Greek people?“

Minister of Finance, Mr. Y. Stournaras

“Merkel wants Greece to be a debt colony and southern Europe a zone of uninsured work”... “The government adopts the famous strategy of a good and obedient student, but who got a grade below the base”... “We have to abolish all the MOU related laws and then sit on equal footing at the negotiating table”.

Mr. A. Tsipras, Leader of ZYRIZA.

THE VOTE OUTCOME AS EXPECTED

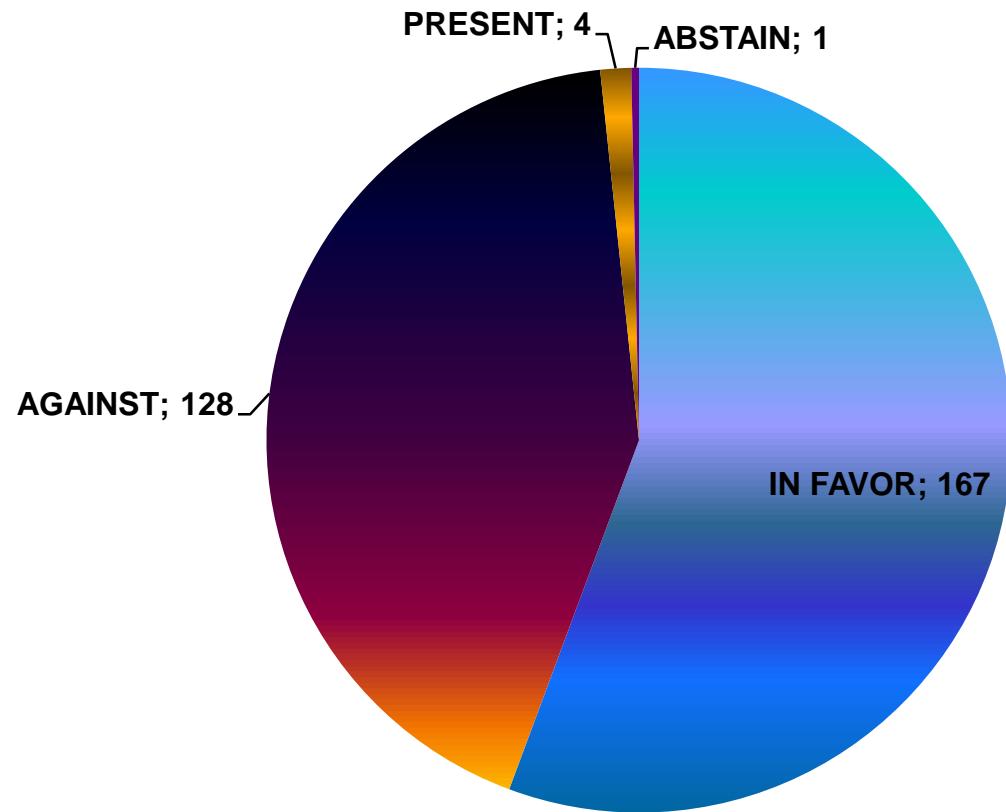
On the positive side:

- The government majority as expected held and increased compared to the Wednesday vote.
- The votes in favor of the 2013 Budget was 167, against 128 with 4 present and 1 abstaining.
- The vote is an indication of the existing parliamentary power of the Coalition.

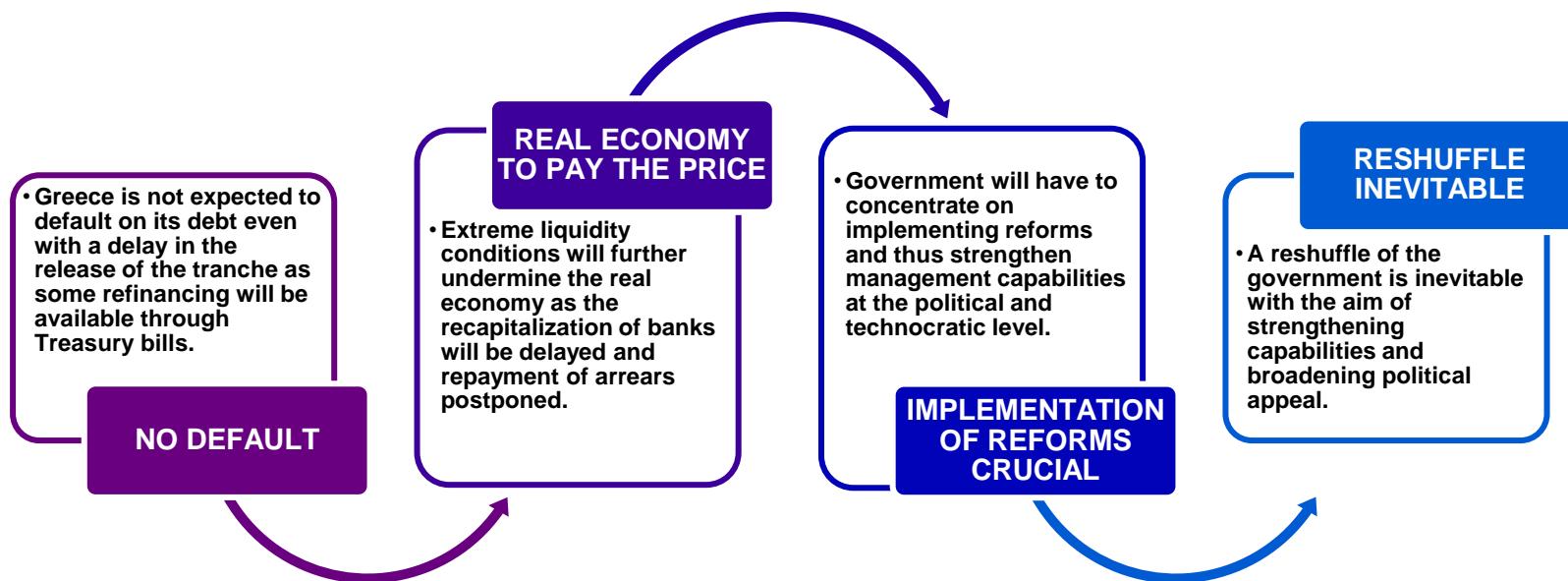
On the negative side:

- A number of Coalition MPs are heavily criticizing the government and some have indicated that they will vote for the last time in favor of difficult measures.
- Opposition has again taken an intransigent position leaving little room for establishing a 'national understanding' at a time of worsening crisis and an unfriendly international environment.
- The political system continues to be in a state of crisis.

A BETTER DAY FOR THE COALITION



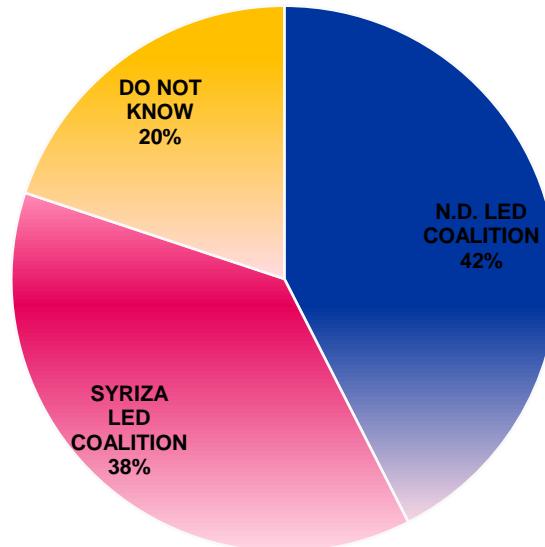
THE DAY AFTER



THE LATEST POLLS GIVE LITTLE ROOM FOR CELEBRATIONS TO BOTH SIDES IN GREECE

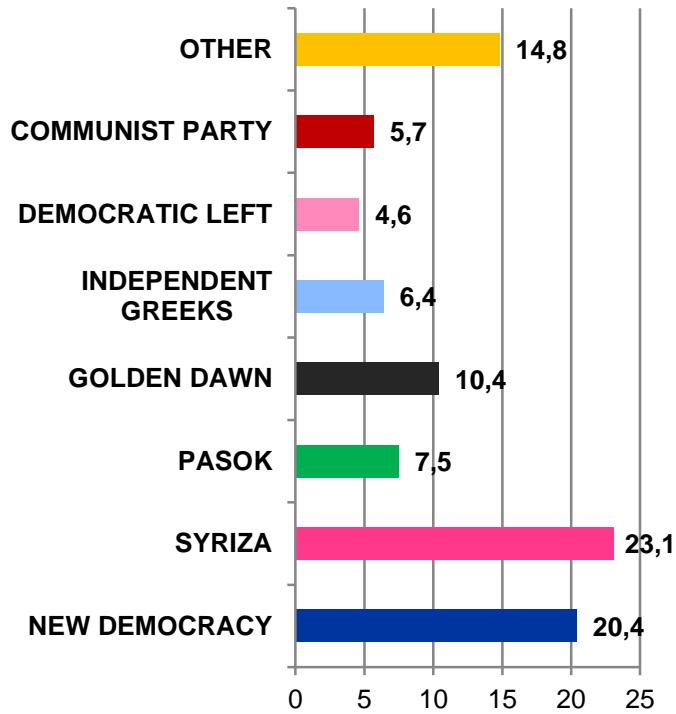
PEOPLE STILL TRUST MORE THE COALITION OF THE ESTABLISHED PARTIES

Which government do you trust?



SYRIZA IN FRONT BUT WITH WEAK LEAD OVER NEW DEMOCRACY

SYRIZA has a 2.7% lead.



Source: KAPPA RESEARCH for the VIMA newspaper 11/12/2012

WHAT THE FUTURE HOLDS FOR GREECE?

The governing Coalition has consolidated its position following a strong vote in Parliament. But the difficulties that lie ahead including the limited additional help that Greece may get from European partners will test its long term viability. Any further delay in restarting the economy will be detrimental for Greece and fatal for the government.

An economic collapse or accident will reverse the dynamics in favor of a SYRIZA based Coalition government on the way out of EURO.

The current opinion polls still indicate considerable support for the New Democracy based Coalition and for remaining in the Euro.

SYRIZA will have its chance if failures in reform implementation and continuous policy slippage undermine recovery in Greece. Following an election they can master a governing coalition by attracting Democratic Left and possibly a 'modified' PASOK under a new leadership.