MOREAS MOTORWAY: A CONTRACT AMENDEMENT IS UNDER WAY

The MOREAS SA is the concessionaire for the construction and operation of the Korinthos Kalamata Motorway with a length of 205 km and 2 lanes in either direction. The construction project has been completed 91% with the remaining parts delayed by archaeological excavations and legal disputes on the level of expropriation compensation.

The concessionaire has already claimed and received compensation for delays caused by EU related approvals of 68 million euro. More claims in the range of 50 million euro are examined in arbitration.

The term of the Concession Agreement is 30 years. The Concession Agreement was ratified by L. 3559/2007 (published in the Government Gazette issue 102 A/ 14.5.2007), while the decision of the European Commission, on the State Financial Support, was taken on 31.01.2008 (N. 566/2007- EC (2008) 312 Final 30/01/2008).

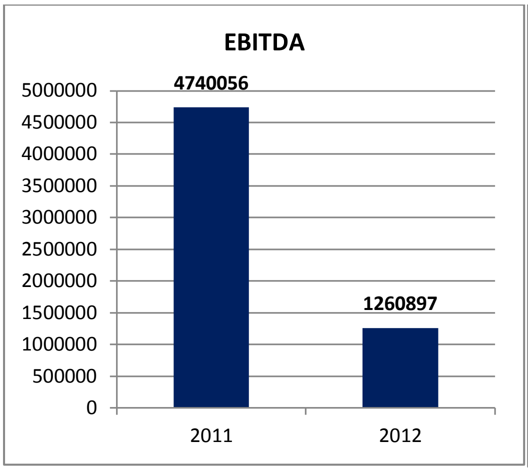
The Project's budget amounts to approximately 1 billion Euros. Public funds finance the project by 30%, while the rest of the funding is assured by the Concessionaire, who collects tolls in return.

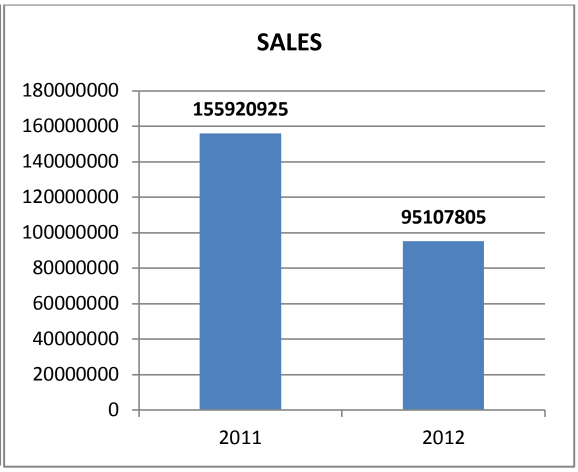
The shareholding structure of the concession company is:

SHAREHOLDER	SHARE CAPITAL	% PARTICIPATION
AKTOR CONCESSIONS	36.295.500	71.67%
INTRACOM HOLDINGS	6.750.600	13.33%
J&P ABAX	7.596.300	15.00%
TOTAL	50.642.400	100.00%

All road concessions have collapsed following the economic crisis with the exception of MOREAS which was already receiving state aid with EU approval. The revised financial models of the other 4 concessions indicate an average decline in revenues of 62% for the remaining years to the end of the concession.

The MOREAS concession run into problems in 2012, when the banking consortium providing finance for the project has decided to discontinue financing due to the diminishing traffic. Sales from 2011 to 2012 have declined by 39% while EBITDA by 73%.





The concessionaire has negotiated a solution with the banking consortium in 2013. But the EIB is contesting the assumptions underpinning the financial model used for the financing of the motorway. EIB considers that the reduction in traffic will lead to a 200 million shortfall during operation and thus the company will be unable to repay loans. The government as an interim measure has granted a full guarantee on the concessionaires' debt. However, a revision of the contract has become inevitable.

The Ministry of Infrastructure has appointed (on the 6th of December 2013) a financial advisor with two tasks:

- To submit a new updated cost benefit analysis
- Elaborate the new Financing proposal to the EU

The concessionaire has already submitted his own revised updated financial model and the financial advisor is expected to take into consideration the assumptions and outcomes of the model in order to produce his own studies.

The Advisor is expected initially to provide the following estimates:

- The funding gap
- The eligible structural fund financing and the level of EU support

- The expected financial ratios of the project **FRR/C, FNPV/C, FRR/K and FNPV/K.**
- The table of financial feasibility of the project (cash flows).
- The socioeconomic ratios of the project **ERR, ENPV, B / C.**

At a later stage and within three months from signing he will submit the full reports. The advisor will also support the government through all the necessary procedures and negotiations especially with European Union authorities.

Upon submission of the reports the Ministry will have to notify the European Commission and get approval for further State Aid. Then it will submit the amended contract to parliament for ratification. The procedure is initially scheduled to be completed by February. However, experience from the other concessions indicates that more time will be required to go through the procedures.

The other concession contracts have been amended in mainly four areas covering the following issues:

- Additional state support to cover the funding gap from EU structural funds and national sources. In the case of MOREAS additional support may not be required as 91% of the project is already completed.
- Additional support during operation from the receivables allocated to the state (recycling) based on the principle of self-sustainability. The upper limit of any support is set at the level of total receivables by the state and any further support from the state budget is ruled out. Some rebalancing of toll tariffs may also take place.
- A possible extension of the duration of the concession contract for up to 3 years to cover losses that have been accumulated due to delays in construction for various reasons not related to the concessionaires' failure.
- Some measures that lead to the speeding up of approvals by the Grantor and the work required by other parties (Utilities responsible for the relocation of networks) in order to curtail delays.

The Parliamentary procedure is important for the legality of the process and the security of the transaction but in terms of the viability of the project has a limited value added. Parliament ratifies an already negotiated contract and it is unable to change it when it takes a decision. The active interest of the EIB and the European Commission in all negotiations guarantees that the viability of the project will be secure based on very conservative estimates of future traffic. However, any major reversal in Greece's economic policy that may lead to a collapse of economic activity will undermine the sustainability of the revised contracts.

S Travlos 10.1.2014