

POST PRIVATISATION OPAP: THE MAIN ISSUES

1. The issue of transfer of shares and management

The main remaining condition precedent before transfer involves the approval of the transaction by the European Competition Authorities. As EMMA DELTA has other ownership interests in other European countries the approval is mandatory. There is no indication that the approval will not be given.

EMMA DELTA has secured financing for the deal but at a high cost. They have issued two separate Luxemburg traded secured notes: The first 4 year bond of 250 mn Euro at 8.5% and the second of 150 mn Euro at 12% but with lower covers.

A formal change in management will take place on the 11th of October. Changes in the board of Directors have already started and several managerial positions have become vacant following resignations. An EMMA DELTA executive, **Kamil Ziegler**, is currently groomed to take over the top management position. He has some experience from other European gaming markets.

2. The issue of monopoly challenges

There are two outstanding challenges: (a) The first pending at the State Council for which the discussion will take place in October regarding the off-site monopoly of OPAP and (b) The second at the European Commission regarding the on-line games submitted by the Remote Gambling Association and the European Gaming and Betting Association as well as other complaints raising issues about VLTs.

As far as the first challenge is concerned, sources close to the current OPAP management and legal experts do not expect any overturn of the off-line monopoly. Since the European Court of Justice has given its guidelines last January, the State has adapted the regulatory framework so that OPAP can retain its monopoly position in the off line part of the market. The regulatory framework is now more restrictive

and intrusive but passes the requirements set by the ECJ. In any case the State Council has been accommodating to the government up to now. The hearing in the State Council is set for the **12th of October**. An idea of what is going to happen will be contained in the report submitted by the judge-rapporteur. Legal sources do not expect any major upset on this issue as the State Council will accommodate the current position of OPAP.

The second challenge presents a more serious threat to the monopoly position of OPAP. It was submitted at the European Commission, Competition Directorate on the grounds of state aid. Market sources believe that there are grounds for referral to the European Court but the process is still at a preliminary stage.

As expected the European Commission - Directorate on Competition has send a formal letter to the government raising issues on the internet based games. The letter dated the 19th of September raises two questions at this stage:

- If the proposed legislative initiatives planned by the Ministry of Finance (they were planning to pass a new amendment on banning internet betting firms trading in Greece) raise a question about the scope of the exclusive rights of OPAP which the Commission approved in October 2012;
- If the future net revenues of OPAP (GGR) of the on line games have been taken into consideration in the price paid by OPAP to the state to acquire the right of monopoly until 2030?

The government has to answer the questions until the 9th of October. Meanwhile, the Directorate General for Competition (DG Competition) of the European Commission sent a further letter to the Greek government on the issue of gaming machines (Video Lottery Terminals, VLTs). The exact phrasing of the letter is not known, but according to market sources, the Commission reportedly raises the question of

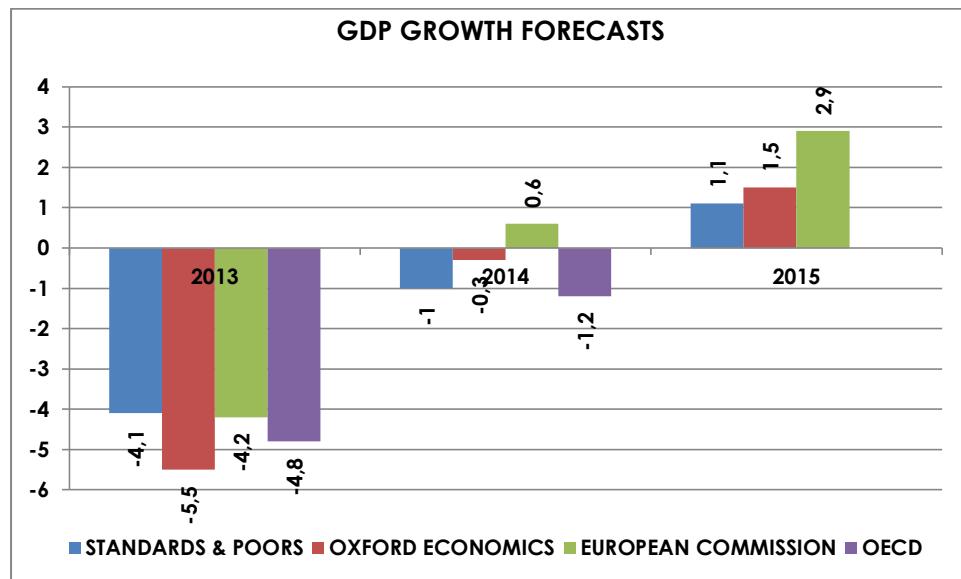
assigning the VLTs licenses to OPAP without competition. Both letters are signed by the new head of the unit F3 (State Aid) GD Competition. In fact, according to sources, the European Commission is expected to send a third letter to the government on the subject of OPAP. It will be dispatched this time by the General Directorate on Internal Market following a number of complaints by competitors. In this letter the European Commission will ask the authorities to submit the official sales contract for the 33% of OPAP to Emma Delta. Well informed sources said that the Commission wants to examine whether the signed contract is accompanied by clauses through which the Greek government provides guarantees for the exclusive rights of OPAP. If so there might be an issue of State aid.

In the meantime an **amendment** is planned to be tabled before parliament strengthening the monopoly position of OPAP in internet based games, revoking 24 provisional licenses issued in 2011 for internet based games and increasing penalties for organizing and promoting illegal games. Whether the amendment will be passed or delayed following the correspondence with EC competition authorities is not yet known.

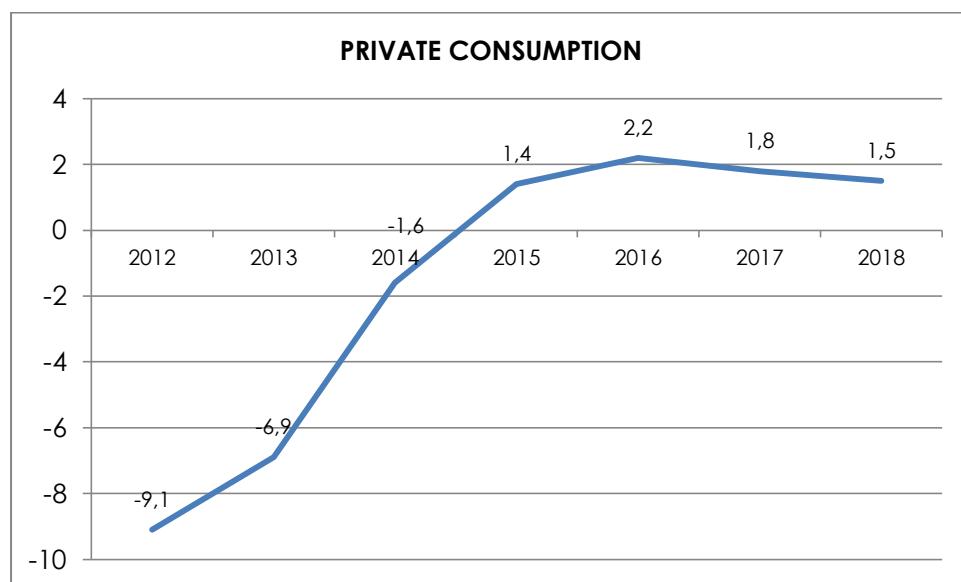
3. The issue of political and macroeconomic risk

The privatization of OPAP has been contested by the main opposition party SYRIZA. Serious accusations of a sell-off have been leveled against the government. Following the sacking of the head of the privatization agency HRADF, Mr. Stavridis, SYRIZA returned on the subject accusing the government of a scandal. However, commentators believe that the SYRIZA rhetoric will not be transformed into concrete policy action if and when they form a government. A reversal of the privatization is unlikely, as any new government will not have the cash to pay back investors. It can off course make life more difficult through stricter regulation.

More positive **macroeconomic developments** counterbalance the threats as 2nd quarter growth of -3.8% shows that the recession is ebbing. However, a return to growth remains elusive as most analysts expect that in 2014 the economy will still remain in recession although a mild one. Growth is likely to start in the third quarter of 2014 and gain some momentum in 2015.



A timed recovery in private consumption will give a boost to OPAP turnover and will turn the introduction of new games to a success story. GDP per capita in 2015 is expected to be only 70% of the 2008 level while consumption is expected to start growing in 2015.



The current round of negotiations with troika has been discontinued while the government will present a draft budget on Monday the 7th. A very thin budget surplus is expected for 2013.

S. TRAVLOS 6/10/2013