

GREECE'S PRIVATISATION PROGRAM: TOO MUCH WORK IN PROGRESS BUT FEW RESULTS TO SHOW

An overambitious privatisations program which was inadequately prepared has led to drastic downscaling and long delays. Troika has reluctantly accepted the revision of the program as it gradually became evident that it was impossible to achieve targets.

A. On the side of the seller there are many obstacles to overcome

Poor planning of the most complex privatisations and the pressure to keep privatisation deadlines in a difficult market are undermining the credibility of the process.

Major changes are introduced to the structure of the transactions government regulation and the market environment until the last minute before the bids.

Inadequate resources at the HRDAF have led to a failure of coordination with financial advisors. As a result progress is slow as the advisors have no guidance as to the preferred structure of deals.

The HRADF government interaction is also with problems as on the side of the government there is no full time co-ordinator to immediately attend and resolve legal framework or administrative issues.

The IMF recognizes that: "In light of more evident political constraints, which come in addition to now more-visible regulatory and judicial barriers, the process for bringing assets to the point of sale are likely to be longer and more drawn out".

The current board of directors of HRDAF is the most professional and determined up to now. However, it will take some time to improve the implementation performance of the Fund and meanwhile morale will remain low within the Agency.

B. The market for Greek assets remains difficult

The country risk factor is still playing a major role in dissuading investors from participating in the privatisations.

Political risk is also a factor as the radical opposition is opposing for a number of reasons major privatisations. As the electoral influence of the opposition remains high in the opinion polls and its rhetoric continues to be radical political risk will adversely affect investors' outlook.

Lack of liquidity has an impact on the process as domestic investors that are knowledgeable about assets cannot raise finance in order to participate in the process.

At this stage the most interested parties come from China (as they see Greece as a point of entry in the EU) and Russia (as they have a strong geostrategic interest) with European or US investors failing to take a keen interest up to now.

The demand for prime real estate assets has been moderate and the full expected potential of the privatisation of state owned land may not be realised.

As Reuters reported today "Greece's first big privatization drew little international interest from major companies on Wednesday, highlighting how steep a challenge the country faces to meet its ambitious bailout targets amid a deep economic crisis". This statement sums up the difficulties facing HRADF over the short to medium term.

C. Specific privatisations may represent an attractive investment

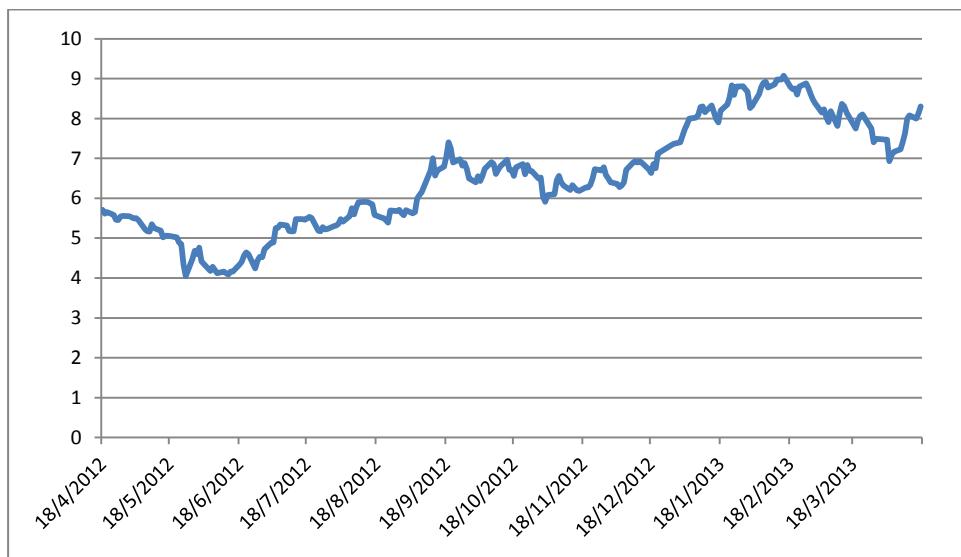
From the forthcoming privatisations a number of infrastructure related operations and very few corporations have a high potential as private investors may manage to exploit hidden value. The following privatisations are likely to attract considerable interest:

- Athens International Airport (Q2-2013): Despite the impact of the crisis remains a highly profitable company relying on foreign arrivals (75%) and less on domestic. However, the resolution of the main remaining

issue regarding the intentions of the existing private investor (ACS-Hochtief) is a prerequisite for the initiation of the process by June 2013. Up to now a Chinese consortium has shown considerable interest.

- Regional airports (Q1-2013): They are valuable assets largely dependent on tourist arrivals therefore they are affected by seasonality. The main issue which might affect investors is the particular grouping of airports and issues of competition that may arise as in some cases neighbouring airports are placed in different groups. The government has not yet defined a clear National Airport Policy and the Regulatory Framework has not been established. Considerable interest from a number of foreign investors has been detected but it remains to be seen whether it will be expressed.
- Hellenic Petroleum (Q2-2013): Remains a very profitable company. Very positive results for 2012 have sustained share. Privatisation is expected to start in Q2 -2013 following the disinvestment of DEPA the Gas Corporation. At this stage there are doubts about the successful privatisation of DEPA and therefore it is difficult to predict whether the timetable will be kept.

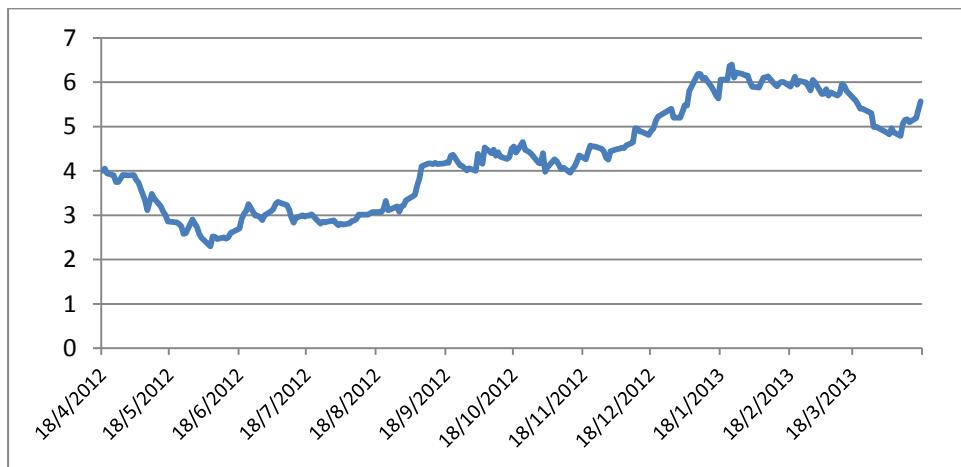
HELLENIC PETROLEUM SHARE PRICE



- Athens Water and Sewage Company (Q2-2013): A valuable asset which is likely to attract considerable interest. The government has to settle the issue of accumulated claims from municipalities and state institutions by September 2013. Certain preparatory moves have been

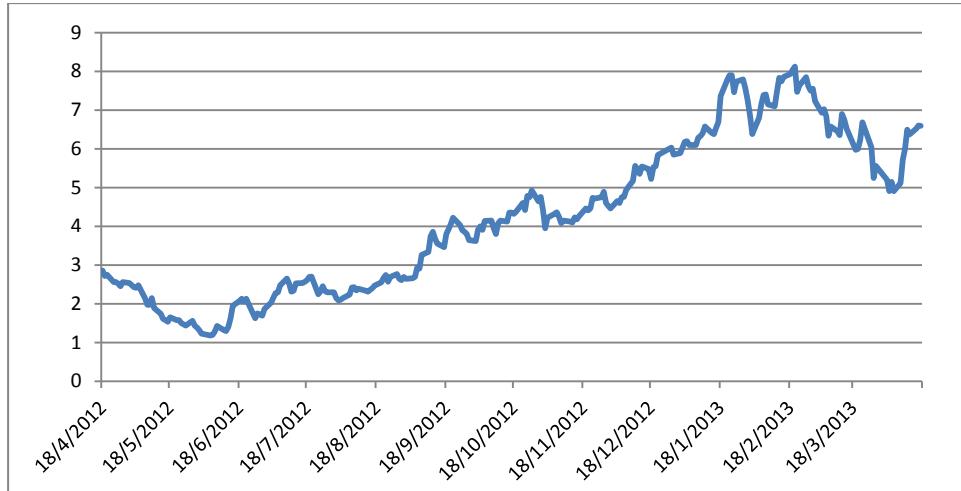
made in order to limit the creation of future claims from municipalities. In anticipation of privatisation share price has recovered.

ATHENS WATER COMPANY SHARE PRICE



- Public Power Corporation (Q3 2013): The privatisation has been delayed. The government has to state clearly its energy objectives and prepare a restructuring plan for the Corporation. The initial plan is to break up the current PPC into two independent companies. A smaller company with 30% of existing assets will be immediately privatised. Then the HRAFD will sell the 17% of shares in the remaining company and hence the management will be transferred to the private investors. The Independent Power Transmission Operator is also expected to be privatized as is currently 100% owned by PPC by the end of 2013. The privatization was supposed to start in September 2013 but it is difficult to complete preparations before the year end.

PUBLIC POWER CORPORATION SHARE PRICE



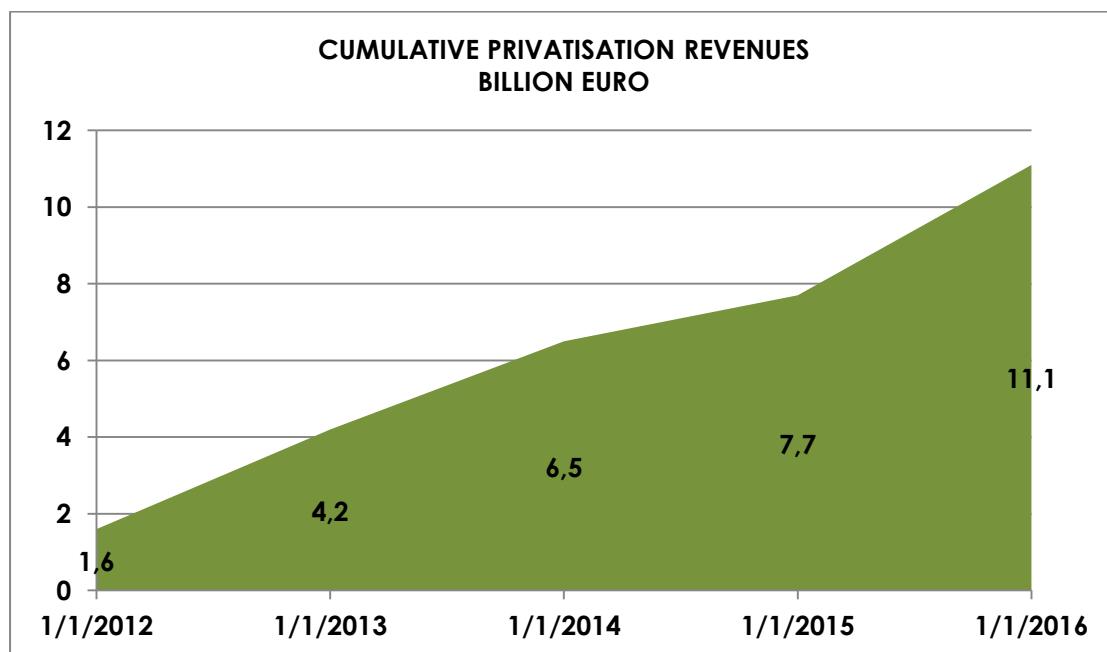
D. Effect of privatization on Greek debt resolution

Expected proceeds from privatization for 2012–20 have been revised downwards from 50 billion euro to €45 billion and then to €22 billion. The impact on debt reduction is now modest but still considerable if revenues are consistently above 1% of GDP.

Billion euro	2010	2011	2012	2013	2014	2015	2016
PRIVATISATION REVENUES	0	1	0,1	2,5	1,9	2	2
GDP	222	208,5	194	183	185	191	200
FINANCING SOURCES	60,8	59,2	127,1	17,5	15,6	15,3	15
PR%GDP	0	0,5%	0,1%	1,4%	1,0%	1,0%	1,0%
PR%FS	0	1,7%	0,1%	14,3%	12,2%	13,1%	13,3%

SOURCE: IMF COUNTRY REPORT 13/20, JANUARY 2013, AND OWN CALCULATIONS.

The IMF expects to cover a considerable amount of financing from privatization revenues.



E. The Outlook

The short to medium term outlook remains difficult:

- Investors that take a real interest on Greek assets are few and reluctant to submit firm bids under tight schedules.

- Heightened implementation risks and regulatory uncertainty are expected to further depress demand for privatized assets, weighing on sales volumes and prices.
- Some reversals in on-going privatisations that have encountered difficulties in terms of process are possible. The GAS corporation privatisation remains in doubt.
- A further revision of the timetables is expected to better reflect market conditions and the difficulties in preparing assets for sale.
- A small number of assets have great potential and may attract specialised investors' interest even under difficult conditions.

S. Travlos 18/4/2013