

GREECE: MOTORWAY CONCESSION CONTRACTS

Unfinished Business – Some Basic Facts

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INTRODUCTORY FRAMEWORK

- All concession contracts have been ratified by Parliament.
- For each concession a Special Purpose Company (SPC) has been established.
- The concessions run for about 30 years.
- Poor design of the projects is resulting in major delays possible cancellation of contracts and high penalties against the State.
- The contracts contained a number of key clauses that were impossible to keep as the State had a bad record on preparatory procedures.
- The government has appointed a “Special negotiator” to review each case and redraft contracts. The exercise has been time consuming with deadlines pushed backwards.

CONCESSIONS BASIC FACTS

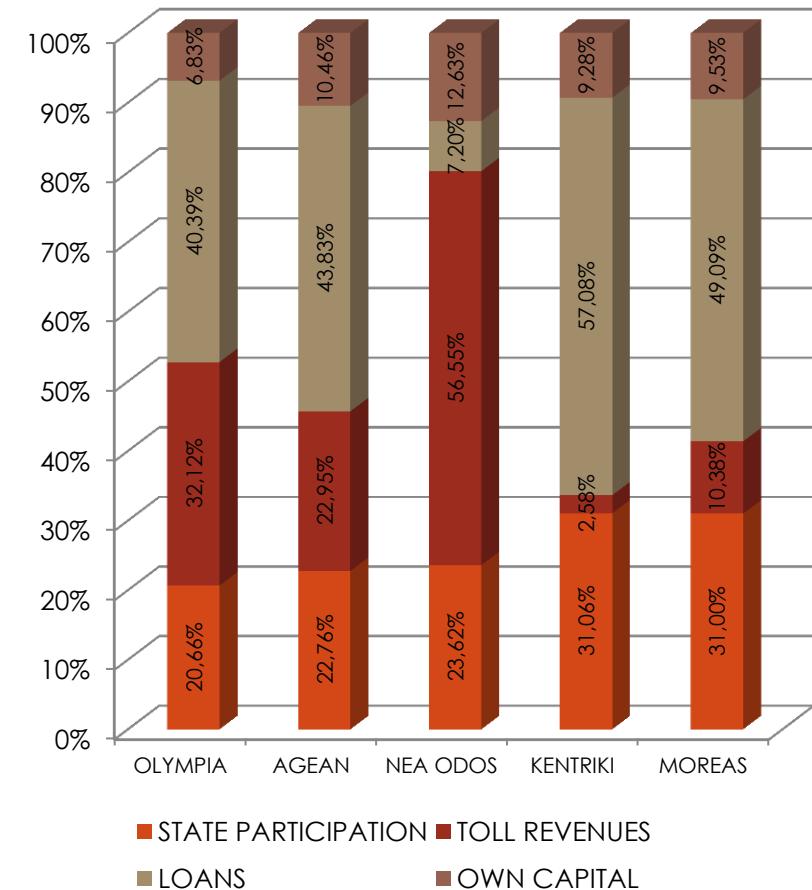
CONSORTIUM	KM	START DAY	DURATION OF CONSTRUCTION	MAXIMUM EXTENSION	CONCESSION PERIOD
AEGEAN	229 KM	5/3/2008	54 MONTHS	16,2 MONTHS	30 YEARS
NEA ODOS	196 KM + 176 KM + 11 KM	19/2/2007	72 MONTHS	21,6 MONTHS	30 YEARS
KENTRIKI ODOS	174 KM	31/3/2008	66 MONTHS	19,8 MONTHS	30 YEARS
OLYMPIA ODOS	365 KM	3/3/2008	54 MONTHS	16,2 MONTHS	30 YEARS
MOREAS	205 KM	4/8/2008	72 MONTHS	21,6 MONTHS	30 YEARS

FINANCING STRUCTURE OF CONCESSIONS

	STATE PARTICIPATION	TOLL REVENUES	LOANS	OWN CAPITAL
OLYMPIA	20,66%	32,12%	40,39%	6,83%
AEGEAN	22,76%	22,95%	43,83%	10,46%
NEA ODOS	23,62%	56,55%	7,20%	12,63%
KENTRIKI	31,06%	2,58%	57,08%	9,28%
MOREAS	31,00%	10,38%	49,09%	9,53%

Own participation generally very low.

Toll revenues during construction significant part of financing.

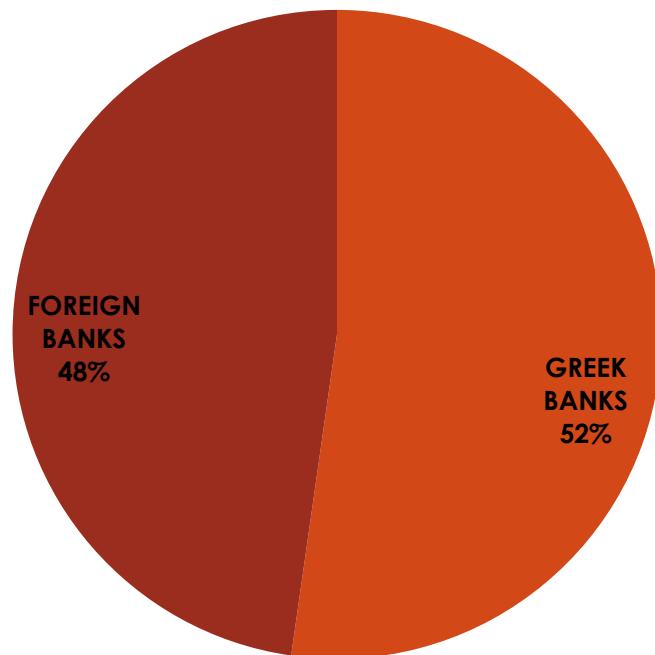


OLYMPIA ROAD

SHAREHOLDERS CONTRACTORS	%	CONSTRUCTION CONSORTIUM	%
VINCI	29,9%	VINCI	30%
HOCHTIEF PPP	17%	HOCHTIEF PPP	15%
AKTOR CONCESSIONS	17%	AKTOR CONCESSIONS	17%
J&P AVAX	17%	J&P AVAX	17%
ATHINA	2,1%	ATHINA	4%
GEK TERNA	17%	GEK TERNA	17%

Construction discontinued since November 2010 as traffic declined by almost 30% and bank financing was withdrawn. Major problems encountered involve delays in expropriation, spill over effects from railway construction in 200 points, delays in archaeological surveys and environmental permitting in certain areas. Current revenues do not cover maintenance work and safety services. The southern part of the motorway is at risk due to environmental issues. (2,2 BILLION COST).

STRUCTURE OF BANK FINANCING

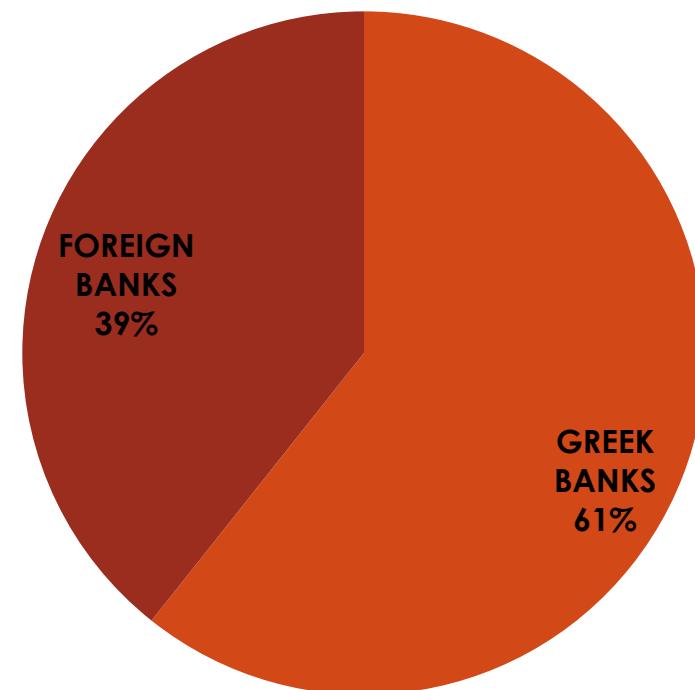


KENTRIKI ODOS - E65 ROAD

SHAREHOLDERS CONTRACTORS	%	CONSTRUCTION CONSORTIUM	%
CINTRA CONCESSIORES	33,34%	FERROVIAL	33,33%
GEK	33,33%	DRAGADOS	33,33%
IRIDIUM CONCESSIORES	1,33%	TERNA	33,33%
DRAGADOS	32%		

About 15% completion towards the end of 2010 when it was discontinued. Major problems include the delay due to a High Court injunction in 2010 to stop construction in the 35km Kalabaka – Egnatia part of the road on environmental grounds which was rejected two years later and the expropriations delays.

STRUCTURE OF BANK FINANCING

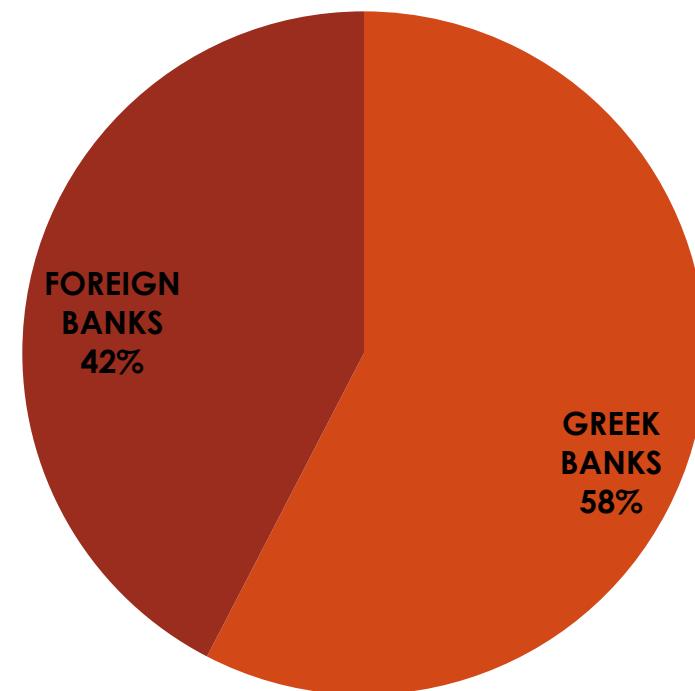


NEA ODOS- IONIAN ROAD

SHAREHOLDERS CONTRACTORS	%	CONSTRUCTION CONSORTIUM	%
CINTRA CONCESSIORES	33,34%	FERROVIAL	33,33%
GEK	33,33%	DRAGADOS	33,33%
IRIDIUM CONCESSIORES	1,33%	TERNA	33,33%
DRAGADOS	32%		

The project has been frozen since the end of 2010. Certain segments have been completed such as the 35 km Agrinion bypass the 15 km Arta bypass and other smaller parts of the motorway. Major issues delaying progress involve the expropriations and environmental permitting.

STRUCTURE OF BANK FINANCING

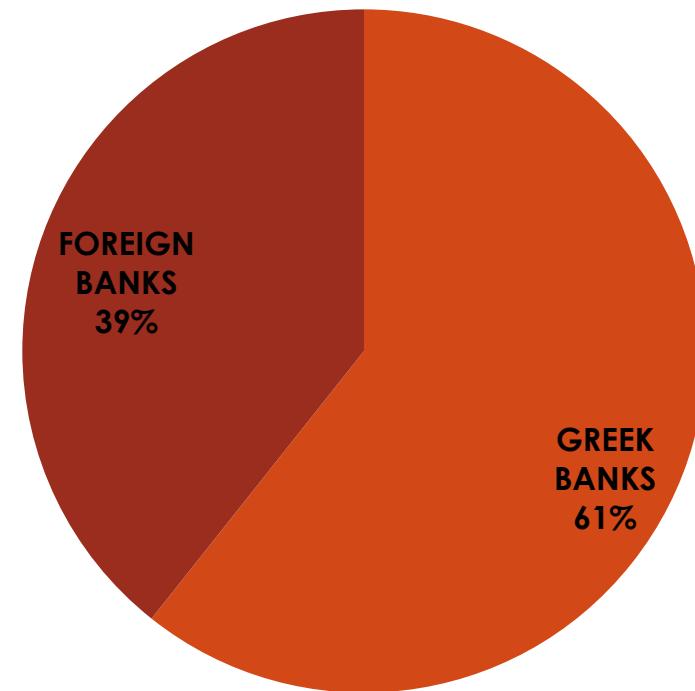


MOREAS ROAD

SHAREHOLDERS CONTRACTORS	%	CONSTRUCTION CONSORTIUM	%
AKTOR CONCESSIONS	71,67%	AKTOR	71,67%
INTRACOM HOLDINGS	13,33%	INTRAKAT	13,33%
J&P AVAX	15%	J&P AVAX	15%

Expected to be completed by 2013 as archaeological findings have delayed construction in places. The Korinthos Tripoli upgrade (new tunnels) completed in 2010, the Tripoli Paradisia segment completed in 2011 and the Tripoli Kalamata in 2012. The Lefktro Sparti part about 63% completion. Delays in the Megalopoli bypass.

STRUCTURE OF BANK FINANCING

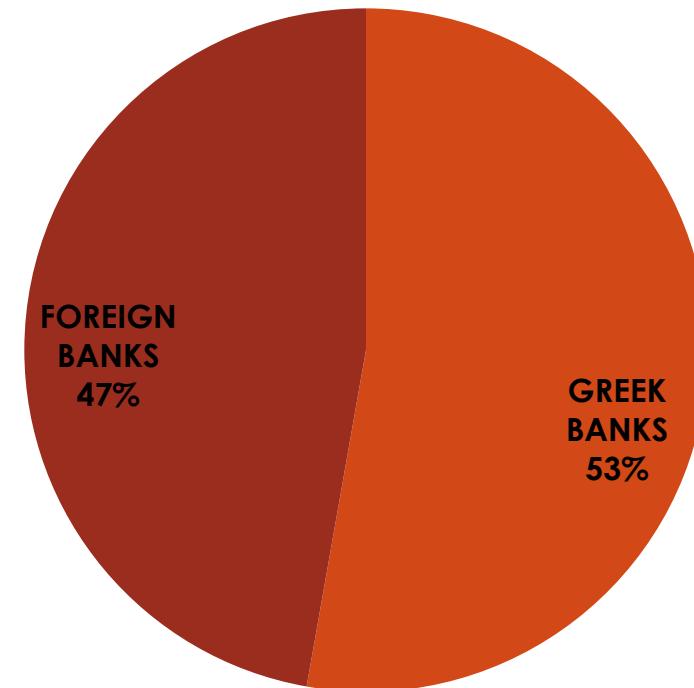


AEGEAN ROAD

SHAREHOLDERS CONTRACTORS	%	CONSTRUCTION CONSORTIUM	%
HOCHTIEF PPP	35%	HOCHTIEF PPP	39,5%
ELLINIKI TECHNODOMIKI	20%	AKTOR	19,3%
J&P AVAX	16,25%	J&P AVAX	15,7%
VINCI	13,75%	VINCI	10,5%
AEGEK	10%	AEGEK	10%
ATHINA	5%	ATHINA	5%

The completion of the road is close to 66%. The upgrade of the existing road has been completed while for the new segments completion is 33%. The project has been delayed due to expropriations and underfunding. The major part of the construction involves new tunnels. (construction budget 1.3 billion euro). Non payment initially around 10% now much lower. Impact of crisis around 25% in 2011.

STRUCTURE OF BANK FINANCING

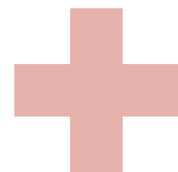


AN OVERVIEW OF PROBLEMS

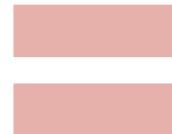
- Existing Concessions have been facing a number of serious problems:
 - Some motorways contain parts where the cost of construction cannot be justified by the level of traffic volume.
 - The construction of the whole network motorways was scheduled to be completed in a short period of time. This has increased the need for loans as the program was frontloaded increasing the overall funding risks.
 - In several cases the payment of tolls was imposed on unfinished parts of the network in order to reduce borrowing (eg Corinth - Patras).
 - The failure to separate network segments per contract. This leads to uneven contracts in terms of borrowing requirements of projects for implementation.
 - Contracts contained commitments on behalf of the State which were almost impossible to keep, eg hand over the areas required for construction within 12 months of signing, issuing of environmental permits in 4 months. This has resulted in high demands for compensation against the State.
 - The technical design of the road projects requires major improvements.
 - Expropriations are costing the State about 10% of the value of projects as opposed to 3-4% in other European Countries.

COLLAPSE OF FUNDING

NON
COMPLIANCE
OF
CONTRACTUAL
OBLIGATIONS
BY THE STATE



MATERIAL
CHANGES IN
SOCIAL AND
ECONOMIC
CONDITIONS



SUSPENSION OF
BANK FINANCE
IN 4 OUT OF 5
PROJECTS

NON COMPLIANCE OF STATE

Failure to hand over land for projects on time and within 12 months of signing.

Failure to move public utilities physical network from construction sites.

Failure to coordinate archaeological services in order to speed up site inspections.

Long delays in the refund of VAT.

Delays in environmental permit process.

DELAYS IN EXPROPRIATION

CONCESSION	PROGRESS IN EXPROPRIATIONS 30 MONTHS AFTER THE SIGNING OF CONTRACTS
OLYMPIA	Overall expropriations have been implemented at below the 50% level: Heleusis – Korinthos 45%, Korinthos – Patras 55%, Patras – Pyrgos 54% and Pyrgos – Tsakona 0%.
ATHENS SALONICA	The 65% of expropriation has been accomplished.
IONIAN ROAD	Expropriation not uniform across segments: S1 83%, S2 61% and S3 21%.
E65	Expropriation has been implemented on the 70% of the road but additional actions will be required as in certain areas a new road plan will be adopted.
MOREAS	High level of expropriations achieved: Korinthos Tripoli 98%, Tripoli – Paradisia 100%, Tsakona – kalamata 77% and Lefktro – Sparti 98%.

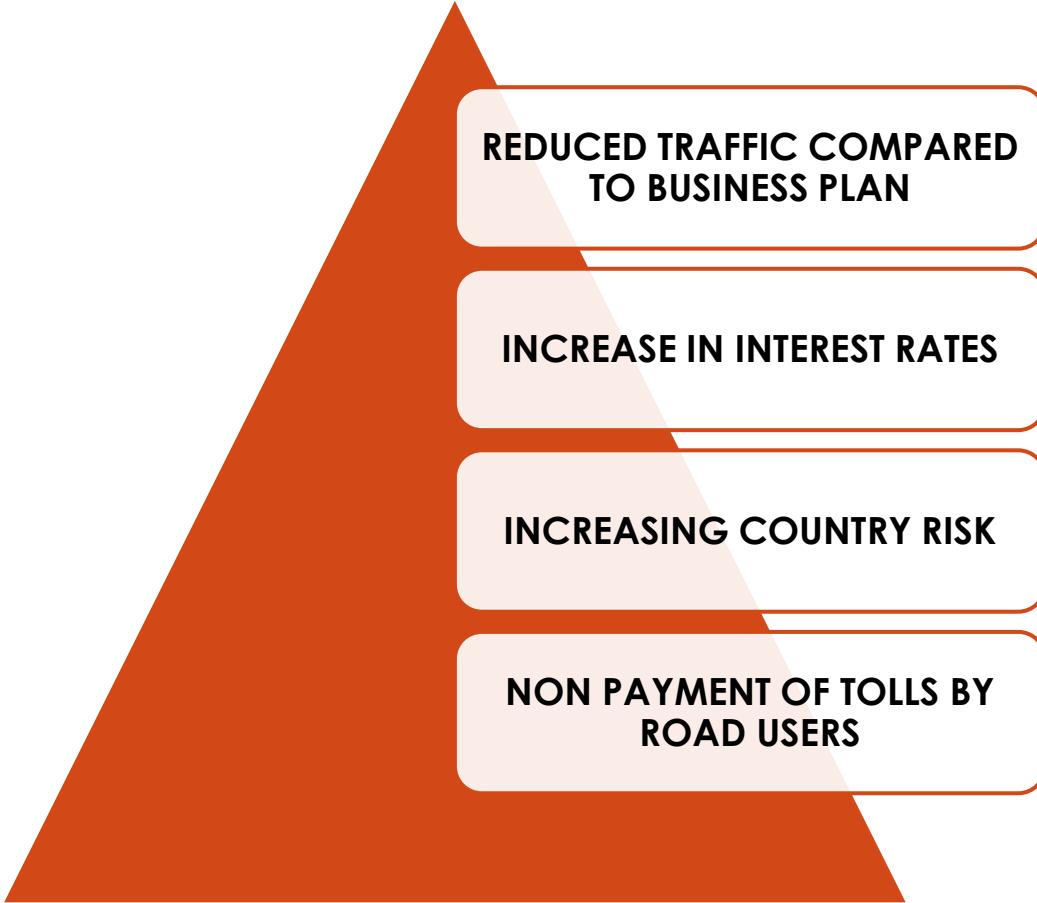
ARCHAEOLOGICAL INSPECTIONS

- A memorandum of Co-operation is to be signed between the Archeology Services and the Ministry of Infrastructure on speeding up procedures.
- The archaeological works will be restricted to retrieving assets on site and not surveying inspections.
- A possible solution is to establish special archaeological units per project so that they concentrate on the specific area.

BUSINESS PLANS

- The business plans were overoptimistic.
- Traffic is down by as much as 30% in certain segments affecting revenue.
- Non payment of tolls has been greatly reduced from a maximum of 10% towards the end of 2010 (estimated now at less of 1%) as the movement has petered out and an amendment in the law has increased the power of the Consortiums.

CHANGES IN SOCIAL AND ECONOMIC CONDITIONS



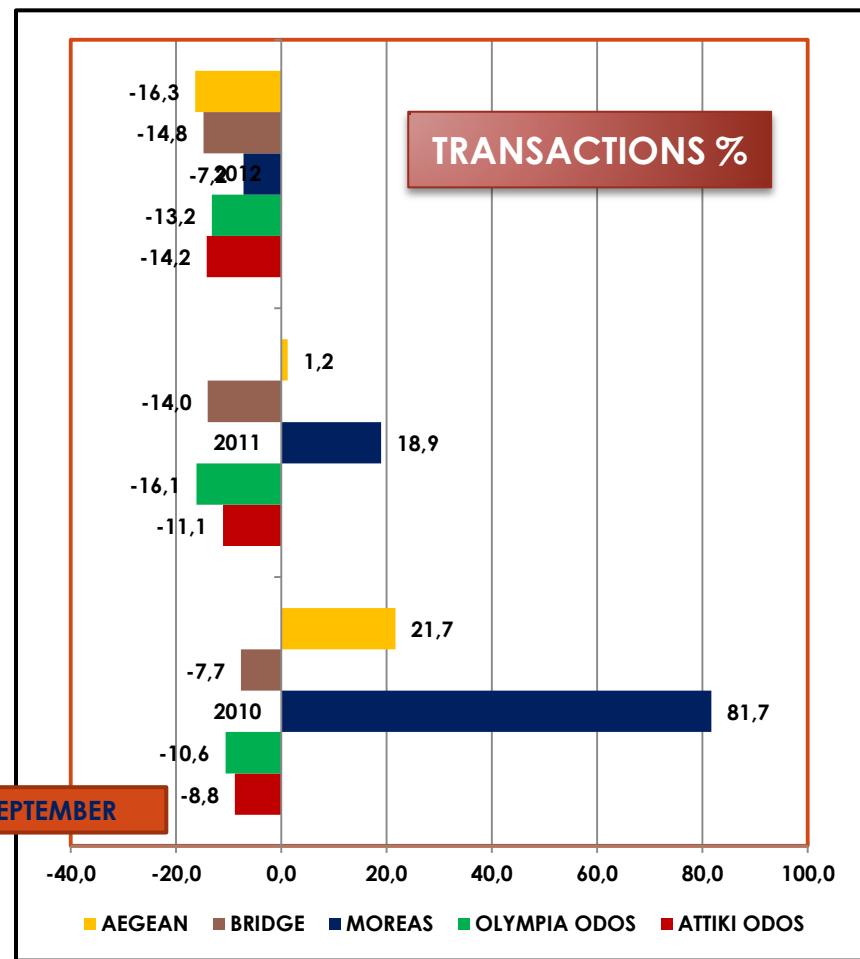
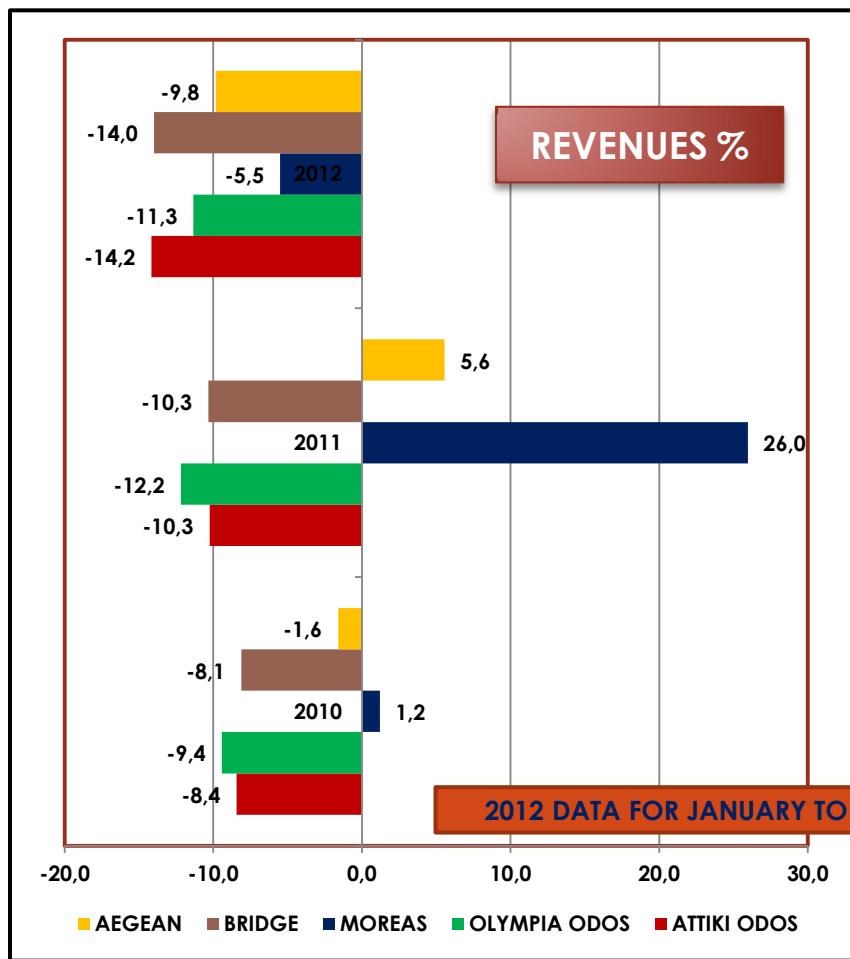
**REDUCED TRAFFIC COMPARED
TO BUSINESS PLAN**

INCREASE IN INTEREST RATES

INCREASING COUNTRY RISK

**NON PAYMENT OF TOLLS BY
ROAD USERS**

DECLINE IN TRANSACTIONS AND REVENUES



BLEAK ECONOMIC OUTLOOK

	2012	2013	2014	2015	2016
GDP	-6,5	-4,5	0,2	2,5	3,5
PRIVATE CONSUMPTION	-7,7	-7,0	-1,6	1,3	2,3
PUBLIC CONSUMPTION	-6,2	-7,2	-3,1	-1,9	-3,0
INVESTMENT	-15,0	-3,7	3,0	7,0	10,0
EXPORTS	0,0	2,6	4,5	5,3	6,0
IMPORTS	-10,1	-5,2	-0,4	2,0	3,1
INFLATION	1,1	-0,8	-0,4	0,6	1,1
EMPLOYMENT	-7,9	-2,1	1,0	2,0	3,0
UNEMPLOYMENT	22,4	22,8	21,4	19,7	17,1

GDP expected to decline further in 2013 while private consumption will not recover before 2015 and then it will remain almost stagnant.

RESOLVING MAJOR PROBLEMS

ENVIRONMENTAL PERMITTING

- With the new law **4014/2011** on “Environmental licensing of projects and activities” a number of new processes are introduced including the following innovations:
 - Simplified and streamlined procedures for environmental licensing of projects and activities that greatly reduce the time required to issue decisions.
 - A reduction in the number of projects and activities that require submission and review of an Environmental Impact Study (EIS) in order to be licensed.
 - Extension of the validity of decisions approving environmental conditions to 10 years or 12 years for projects with ISO.
 - The abolition of overlapping permits for the same activity.

EXPROPRIATION COMPENSATION

- With the new law **4070/2011** regarding expropriation of land and real estate required for the execution of large infrastructure projects that are co-financed with the EU or are concessions a number of procedural simplifications have been introduced with the aim of:
 - Reducing the time to complete the process of expropriation.
 - Streamlining the cost of compensation.
 - Strengthening the legal framework and shifting the balance in favor of the State.
 - Simplifying the procedures in order to facilitate both the citizen and the administration in the implementation of expropriation.

RENEGOTIATING THE CONTRACTS

- The government through the Hellenic Republic Asset Development Fund has appointed a chief negotiator who is currently discussing major issues with contractors.
- Major issues involve the revision of business plans especially IRR calculations, revision in costs, cutting down the project scope, timetables etc.
- Banks are waiting to see the outcome of negotiations with contractors and complete the re-capitalization of their portfolios. EIB is expected to play a major role in financing. Increased state participation a possibility.
- Overall little progress has been achieved up to now.
- The HRAFD, following agreement with contractors and banks, will examine the possibility of securitization of future proceeds. They have appointed as advisors Barclays and Ernst Young.