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Greek Motorway Concessions in Distress:

Defining the Problem

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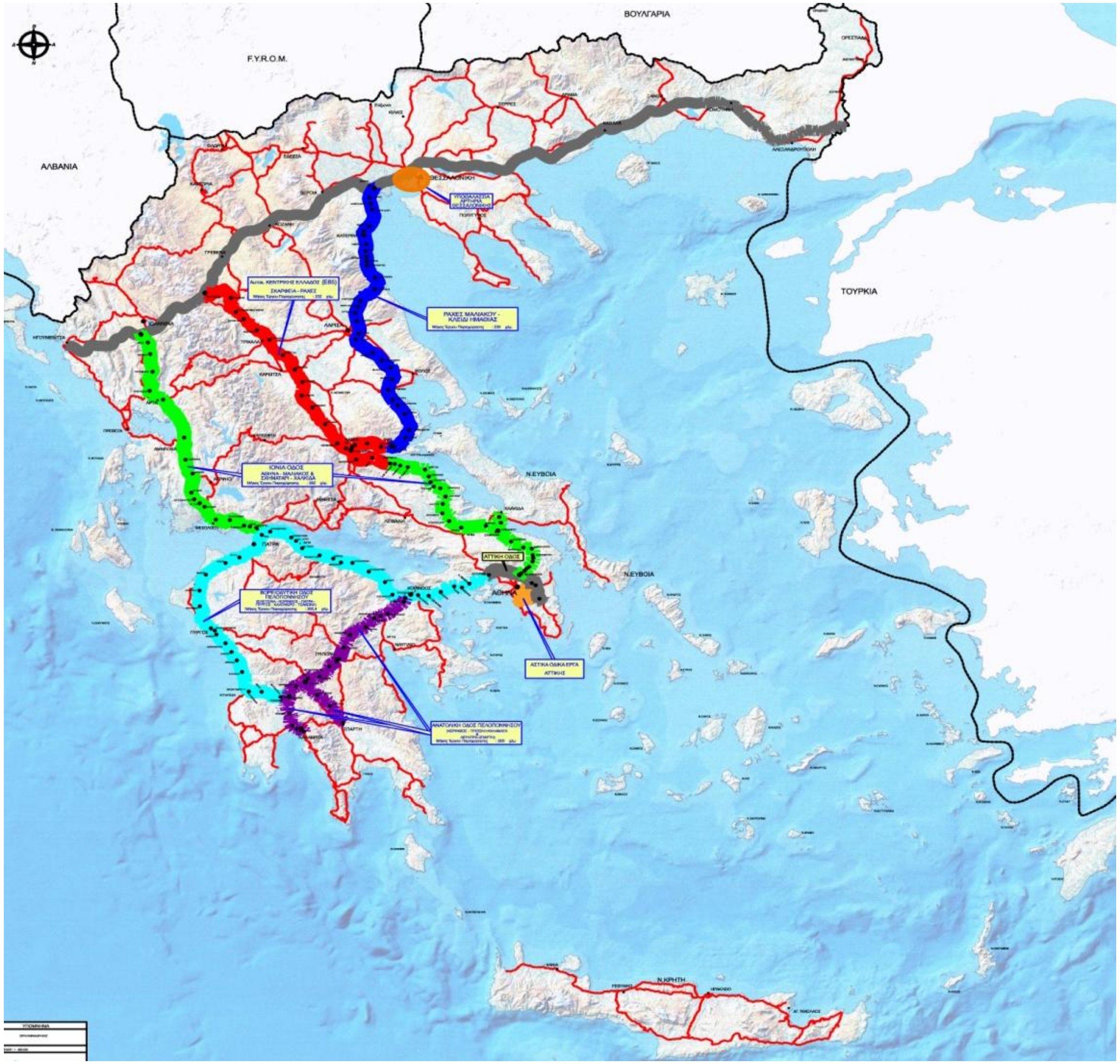
Concept and Rationale

- Aiming at the country's motorway network expansion, the Greek State signed and ratified in 2007-2008 five 30-year motorway concession contracts with total budget of circa 8.7 billion Euro
- Policy principles / Rationale
  - Enhancement of regional cohesion
  - Single network (all motorways) / Section based user payments
  - Cross - subsidy policy

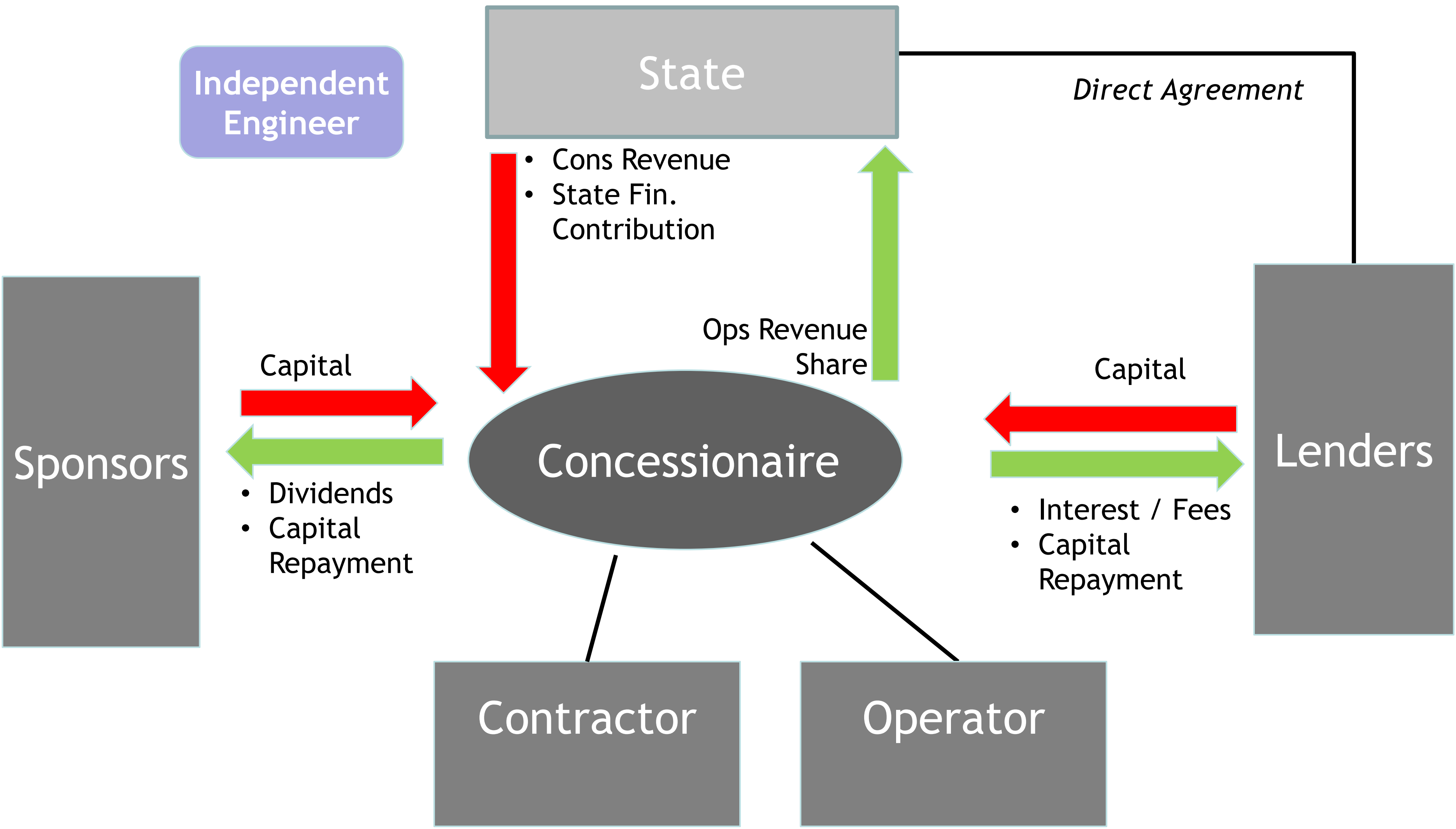
Construction of new sections	720 km
Upgrade of existing sections	530 km

The Projects

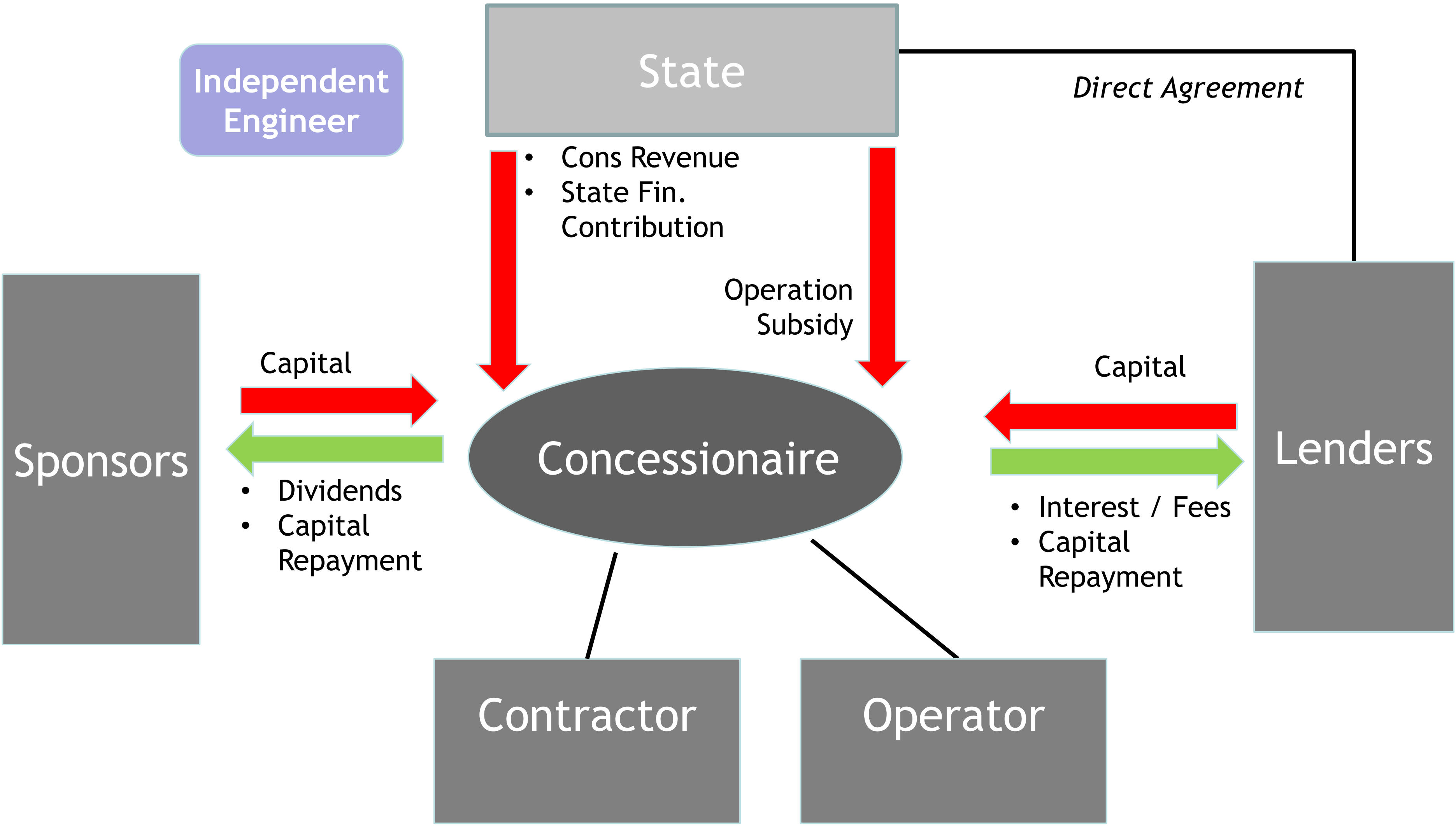
Project	Contractual Completion date
OLYMPIA ODOS	3/8/2014
MOREAS MOTORWAY	3/9/2012
IONIA ODOS	18/12/2013
CENTRAL GREECE MOTORWAY (E65)	30/9/2013
AEGEAN MOTORWAY	5/9/2012



Contractual Structure



Contractual Structure – Subsidized Operation



Funding

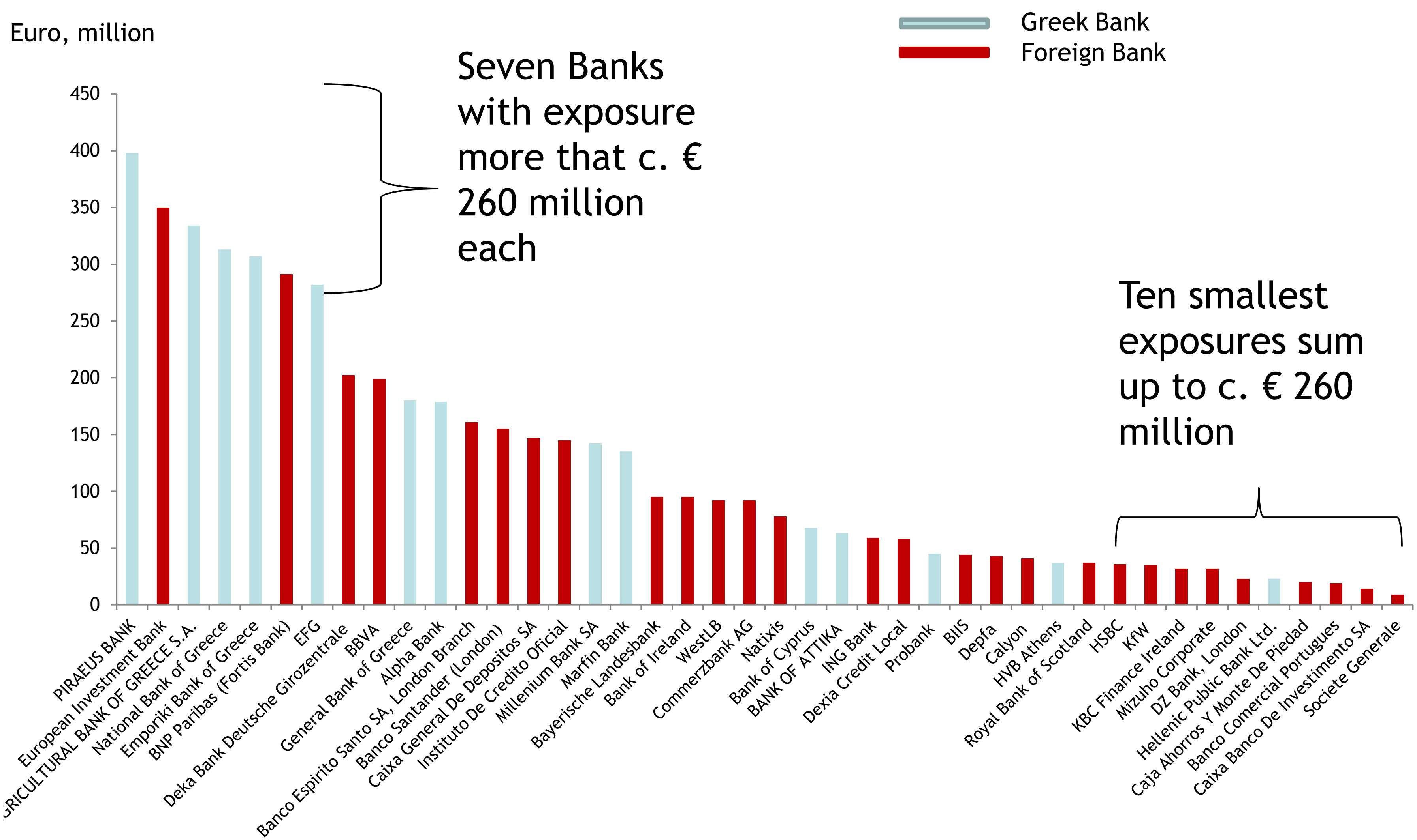
The main sources of funding of the projects during the construction period, as foreseen at the respective Concession Commencement Dates were approximately the following:

State Financial Contribution	26%
Toll Revenues	26%
Debt Funding	39%
Sponsors Investment	9%

Stakeholders

	Greek	Foreign
Sponsors	6	6
Construction Contractors	6	4
Commercial Lenders	11	31
E I B		

Lenders



Euro, million
Greek Bank
Foreign Bank
Seven Banks with exposure more that c. € 260 million each
Ten smallest exposures sum up to c. € 260 million
450
400
350
300
250
200
150
100
50
0
PIRAEUS BANK
European Investment Bank
AGRICULTURAL BANK OF GREECE S.A.
National Bank of Greece
Emporiki Bank of Greece
BNP Paribas (Fortis Bank)
EFG
Deka Bank Deutsche Girozentrale
BBVA
General Bank of Greece
Alpha Bank
Banco Espirito Santo SA, London Branch
Banco Santander (London)
Caixa General De Depositos SA
Instituto De Credito Oficial
Millenium Bank SA
Marfin Bank
Bayerische Landesbank
Bank of Ireland
WestLB
Commerzbank AG
Natixis
Bank of Cyprus
BANK OF ATTIKA
ING Bank
Dexia Credit Local
Probank
BIIS
Depfa
Calyon
HVB Athens
Royal Bank of Scotland
HSBC
KfW
KBC Finance Ireland
Mizuho Corporate
DZ Bank, London
Hellenic Public Bank Ltd.
Caja Ahorros Y Monte De Piedad
Banco Comercial Portugues
Caixa Banco De Investimento SA
Societe Generale

Commercial Structure

- Project Financing and Demand Risk (partial / total) borne by the concession companies

- Operation period revenues:
  - three of these concessions would share their revenues with the State which would receive its portion at a priority;
  - for the other two projects, the State would subsidize the concession companies in case of traffic revenue dropping below pre-agreed levels.

State Revenues

- The State’s net revenues during the full operations period and for all five motorways, were originally estimated at:
  - €22 billion in nominal terms; or
  - €4 billion in Net Present Value terms.

Inherent Complicating Factors

- Low projected traffic sections;
- Front loaded loan program;
- Designs open to improvement;
- Toll payment in non-completed sections;
- Tight commitments for the State (site delivery);
- Open toll collection system.

Implementation Problems – Delays

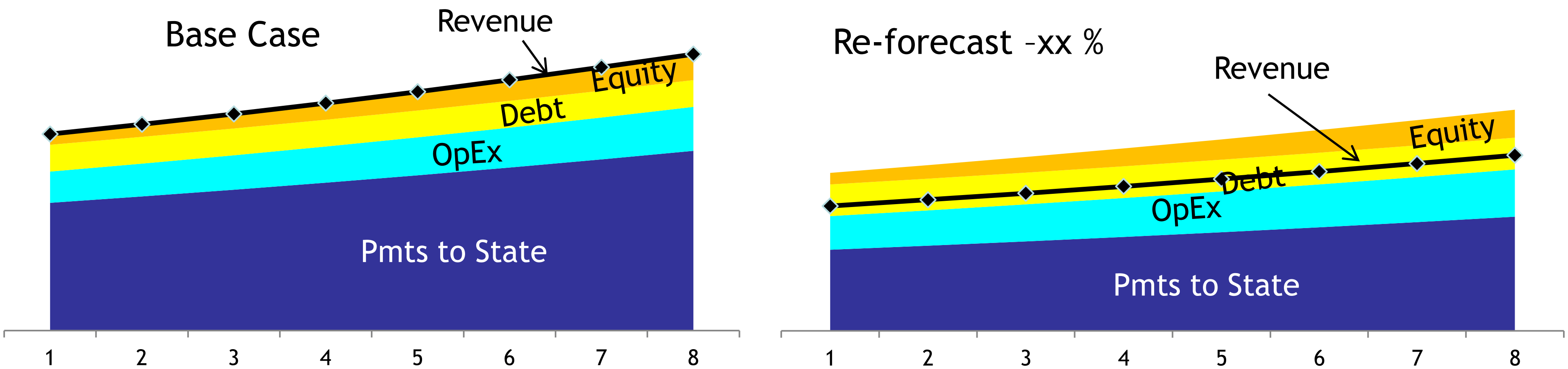
- Design completion;
- Environmental permitting;
- Capacity mobilization;
- Site delivery of projects sites;
- Public Utilities Network Relocation;
- Antiquities;
- VAT refunds.

Implementation Problems - Macroeconomics

- Additionally, in the last two years, the fiscal and economic conditions in the country changed dramatically impacting the motorway concessions in ways such as:
  - Traffic volume decline
  - Lower credit quality of the sovereign, banks and sponsors
  - Credit tightening (increased interest cost, shorter tenors, lower appetite)

Implementation Problems – Outcome

- The above factors in combination with delays in construction progress led, in mid 2010 to draw-stop on the loans in four out of the five projects and shortly after to suspension of construction works.
- Projected Impact on Cash Flows (illustrative)



Implementation Problems – Outcome

- The State is faced with the following options:

  - Assess what support it can offer so that it ensures the projects restart funding and construction works

OR

  - Allow for termination of the contracts to take place

Implications

The impact if the projects are not completed is significant:

- Loss of 6 billion Euro investments – GDP multiplier effect
- Loss of direct and indirect jobs 40,000 +
- Increased transportation costs (money and time)
- Road safety

Implications

- Sponsors / Lenders in distress
- Negative precedent for attracting FDI
- Lower NSRF funds absorption
- Termination compensation between 1 and 2 billion Euro

Thank you