



HELLENIC REPUBLIC



MINISTRY OF ECONOMY AND FINANCE

The Greek Privatization Program

October 2008



The Greek Privatization Program 2004 – 2008

Privatization Program 2004 - 2008

- ❑ Privatizations, as a method of reallocating assets and economic activities from the public to the private sector, have emerged as a valuable tool in forming economic policy and promoting structural reforms that are aimed mainly at supporting economic growth and creating opportunities in multiple fields of economic activity.

- ❑ The primary goal of the government elected in March 2004 with regard to privatizations, was the decrease of the state's participation in the free market and the better utilization of state owned property.

- ❑ The main principle that underlies the governmental policy for privatization is the relinquishment of the accounting approach in favour of methods capable of maximizing benefits for the economy and social welfare
 - ✓ It is important to focus on the value maximization of state owned enterprises, before the privatization process commences
 - ✓ The government proceeds first with “mature” enterprises, the value of which is widely recognized in the market.

- ❑ Structuring and implementing the privatization program should not disregard the concurrent market conditions, but on the contrary, should be adjusted accordingly so that the best possible outcome is achieved every single time

Privatization Program 2004 - 2008

- During 2004-2008, total privatization revenues in Greece reached €6,745m, reducing substantially the public debt. More specifically, a series of privatization transactions were successfully carried out in the period 2004–2005 generating revenues of €2,855m, while 2005 was particularly successful in exceeding the target revenues from privatizations by 31.3%
- During 2006, the privatization program focused on further liberalizing financial markets through the reduction of the state's participation in the sector. In particular, with the restructuring and IPO of Postal Savings Bank, the restructuring and further privatization of Agricultural Bank of Greece and the full privatization of Emporiki Bank, the banking sector in Greece was substantially reformed, while the corresponding privatization revenues reached €1,740m exceeding the national budget target of €1,650m
- In 2007, the government proceeded with a further step towards reducing its interest in the banking sector through the sale of 20% of Postal Savings Bank via an accelerated bookbuild offering. In addition, 10.7% in Hellenic Telecommunications Organisation was similarly sold, helping revenues from privatisations reach a total of € 1,694m (very close to the national budget target of €1,700m)

Privatization Program 2004 - 2008

- In 2008 the Hellenic Republic entered into an agreement to sell 3% of its stake in Hellenic Telecommunications Organisation to Deutsche Telekom for a consideration of €431m. The Agreement provides day-to-day management control of OTE to DT, but safeguards important issues for HR through veto rights (including, without limitation, matters of a business and corporate nature)
 - ✓ HR has been granted two put options covering in total 15% of its stake in OTE until 31.12.2011
 - ✓ The strategic partnership established between OTE and Deutsche Telekom is expected to act as a catalyst in the telecommunications market, leading to further enhancing of market competition, improving product and service quality as well as promoting competitive pricing policies and thus securing social welfare
 - ✓ The Agreement is expected to become effective by the end of this year, as in the mean time all relevant approvals, from competent regulatory and competition authorities, are being sought.

Privatization Program 2004 - 2008

PRIVATIZATION REVENUES 2004 - 2008					
Company	Date of Transaction	% share sold	Privatization Method	Amount raised by the State (m €)	Currently under State control
Hellenic Petroleum	Aug 2004	8,21%	Trade sale	192	35,50%
National Bank of Greece	Nov 2004	7,46%	Accelerated Bookbuilding	562	0,00%
Total 2004				754	
Football Prognostics Organisation	Jul 2005	16,44%	Secondary offering (fully marketed)	1.266	34,00%
Hellenic Telecommunications Organisation	Sep 2005	10,00%	Accelerated Bookbuilding	835	38,70%
Total 2005				2.101	
Postal Savings Bank	Feb 2006	--	Recapitalisation	400	--
Agricultural Bank of Greece	May 2006	7,18%	Accelerated Bookbuilding	328	77,30%
Postal Savings Bank	May 2006	10,00%	Trade sale to ELTA ⁽¹⁾	15	90,00%
Hellenic Post	May 2006	10,00%	Trade sale to PSB	21	90,00%
Postal Savings Bank	May 2006	34,84%	Initial public offering	612	55,16%
Commercial Bank of Greece	Aug 2006	11,01%	Trade sale to Credit Agricole through public offer	364	0,00%
Total 2006				1.740	
Postal Savings Bank	Jan 2007	--	Payment of second installment by ELTA for the 2006 acquisition of 10% stake in PSB ⁽²⁾	61	---
Hellenic Telecommunications Organisation	June 2007	10,70%	Accelerated Bookbuilding	1.123	28,03%
Postal Savings Bank	July 2007	20,00%	Accelerated Bookbuilding	510	34,37%
Postal Savings Bank	Dec 2007	--	Payment of third installment by ELTA for the 2006 acquisition of 10% stake in PSB ⁽³⁾	25	
Total 2007				1.719	
Hellenic Telecommunications Organisation	May 2008	3,00%	Trade sale to Deutsche Telekom ⁽⁴⁾	431	
Total 2004-2008				6.745	

(1), (2), (3) The total transaction value amounts to €159m and is payable until Dec 2010

(4) The amount of €431m is expected to be received by the end of 2008 following the completion of the transaction and the sale of shares to Deutsche Telekom

Privatization Program 2004 - 2008

- ❑ Through the implementation of the governments privatization policy, Greece is reappearing in the international investment chart with roughly 77% of privatization revenues in the 2004-2008 period coming from foreign capital
- ❑ Both empirical and theoretical studies support the fact that privatization increases profitability and efficiency in the microeconomic level. Furthermore, in the case of Greece, it is evident that the privatization program had a positive impact on the reduction of public debt, on the attraction of foreign investment, and on the increase of the liquidity and capitalization of the stock market

Privatization Pipeline and Future Plans

Privatization Pipeline and Future Plans

Despite the considerable progress made so far, in the field of privatizations, and the adverse market conditions, the government continues the implementation of its privatization program which includes the following:

❑ Touristic Development Company (TDC)

Privatisation of important assets owned by the Touristic Development Company (TDC) amongst which one can find the Corfu Casino, the Golf Club of Afandou in Rhodes, an extended unutilized area in Anavissos as well as Xenia hotels in Vitina and Skiathos, while the privatisation processes of Faliro Marina and Xenia hotel in Tsagkarada are being completed

❑ Tachymetafores – Hellenic Post

The search for a strategic partner for Tachymetaphores, the Hellenic Post courier subsidiary. The international competitive bidding process is at its final stage

Privatization Pipeline and Future Plans

□ Piraeus Port Authority and Thessaloniki Port Authority

The tender processes for assigning container terminal management contracts regarding Piraeus and Thessaloniki ports are at the final stage of negotiations with the preferred concessionaires

□ Olympic Airlines

In addressing the complex issue of Olympic Airlines, the Interministerial Privatization Committee has decided to launch three tender processes for the selection of private investors who will acquire the companies that will undertake the flying operations, ground handling operations as well as maintenance and repair operations

Privatization Pipeline and Future Plans

Moreover and depending on the market conditions, the privatizations program may additionally be strengthened through:

- ❑ The more efficient use of state owned property through the implementation of Law 3581/2007 regarding Sale & Leaseback, as well as through the implementation of the regulatory framework for PPPs and PFIs
- ❑ The identification of the most efficient ways of maximizing the value of the Hellenic Republic's stake in Public Gas Corporation (DEPA) following the legal unbundling of its activities and pursuant to the relevant legislation regarding Gas Market Deregulation
- ❑ The analysis of the most efficient ways of maximizing the value of the Hellenic Republic's stake in Athens International Airport (AIA) through an IPO with appropriate timing and according to market conditions
- ❑ Attracting private investment with the aim of better utilizing regional state airports that service commercial flight schedules and are under the supervision of the Hellenic Civil Aviation Authority (HCAA), improving their infrastructure and promoting the subsequent development thereof
- ❑ Bringing out the value of state participations in other listed and non listed companies