Ομιλία κ. Τάκη Αθανασόπουλου

Πρόεδρος Δ.Σ. ΙΟΒΕ

Opening remarks
Takis Athanasopoulos
Chairman of the Board of IOBE
2015 Korean Hellenic Partnership Plaza
Athens, 4 December 2015

Ladies and Gentlemen,

Welcome to the 2015 Korean Hellenic Partnership Plaza, organised by the Foundation for Economic and Industrial Research and the Korea Trade-Investment Promotion Agency. The objective of the Plaza, as the name suggests, is to serve as a networking platform for Korean and Greek enterprises to meet and to explore trade and investment opportunities.

But first, let me note the importance of the Korean experience from the late 1990s for us, the Greek participants in today's event. In 1997, Korea was hit by a severe financial turmoil. A number of large conglomerates failed to meet their financial obligations. With the investors losing confidence in the Korean economy, the stock market fell considerably and the won depreciated sharply. To stabilise its financial system, Korea obtained a 58-billion-dollar loan from the International Monetary Fund.

The IMF loan, as was the case with Greece, came with tough conditions. The government restructured or closed 12 of the country's largest banks. Meanwhile, structural reforms were put in place in an already quite liberal economy, in order to make the financial system more flexible and resilient.

The social cost of the crisis and the subsequent reforms was significant. About 7% of the Korean labour force, or about 1.4 million people, lost their jobs. However, the response of the Korean people was exceptional. Within the first two years of the programme, over 100,000 individuals donated to the Korean treasury more than 20 tonnes of gold, worth over 100 million dollars.

The subsequent turnaround of the Korean economy was truly remarkable. It returned to strong output growth already in 1999. Since then, the GDP of the Korean economy has more than doubled. The Korean economy kept growing even during the recent global financial crisis and the subsequent economic slump, which highlights the outstanding resilience that the Korean economy has achieved as a result of the reforms.

I am eager to hear more about the lessons that we can draw from the Korean experience in Part I of the morning session. Part II of the same session touches upon the investment opportunities in Greece, a topic of great interest, particularly to our Korean guests.

Today's event comes just a few months after Greece embarked on a new programme of reforms, as part of its third bailout agreement with its EU partners. The consistent implementation of the new economic policy programme can restore the business sentiment in Greece, becoming a catalyst for drastic improvement of the conditions in the Greek economy.

Once the business climate is repaired, there will be plenty of investment opportunities in Greece. These opportunities lie in a number of sectors such as Tourism, Real Estate, Energy, Logistics, Food Manufacturing and Pharmaceuticals, sectors which the Foundation for Economic and Industrial Research has systematically analysed in a number of studies related to the new growth model for Greece.

Further, the programme of privatisations and concessions could act as a strong vehicle for attracting private capital to the Greek economy to build the necessary infrastructure in vital sectors. Moreover, the use of the skilful human resources of the country in the fields of new technologies and innovation could create a new generation of export-oriented companies in emerging sectors. Finally, the restructuring of existing firms that possess considerable resources and skills, but lack funds due to the credit crunch, could provide highly profitable investment possibilities. The afternoon B2B session will provide the participants with the chance to exchange insight on specific business prospects along these lines.

Summing up, there is a good chance that Greece is finally approaching the turning point that it so desperately needs. This creates the prospect for solid business opportunities for foreign investors, whose participation is in turn essential if Greece is to return on a path of economic growth and social prosperity. While the risks are certainly not absent, under the conditions mentioned above the upside is very high, as the Korean experience in the years after the 1997 crisis has taught us.

We anticipate the 2015 Korean Hellenic Partnership Plaza to contribute in the direction of economic revival, connecting investors with opportunities, and boosting further the trade and investment cooperation of our two countries.

Thank you for your attention.

Ομιλία Dr. Dongchul CHO

Korean Development Institute, KDI

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Korea-Greece Partnership Plaza December 4, 2015

Overcoming Crisis :

Lessons from Korea

Dongchul Cho

Chief Economist

Korea's Leading Think Tank KDI

Contents

I. The Korean Economy:

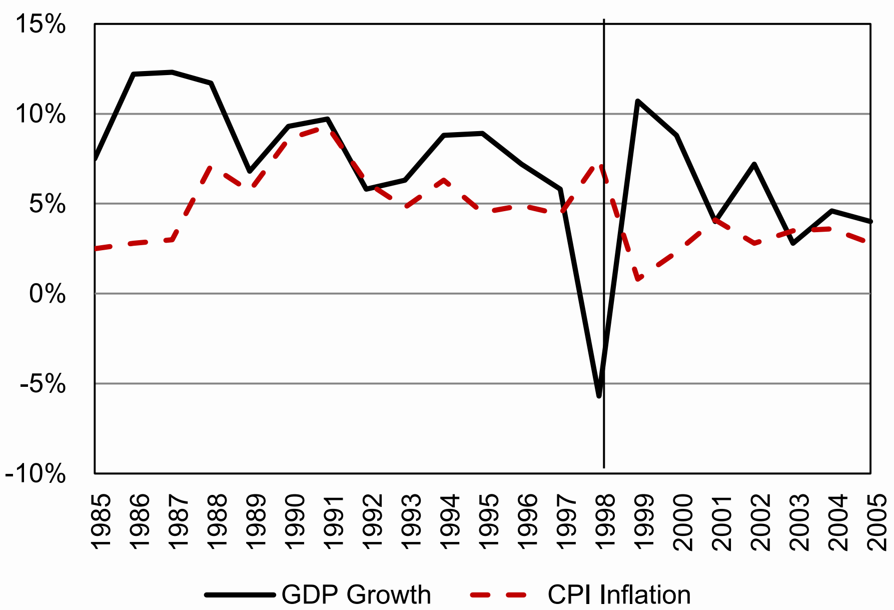
Before and After the Crisis

1. Major Macroeconomic Variables

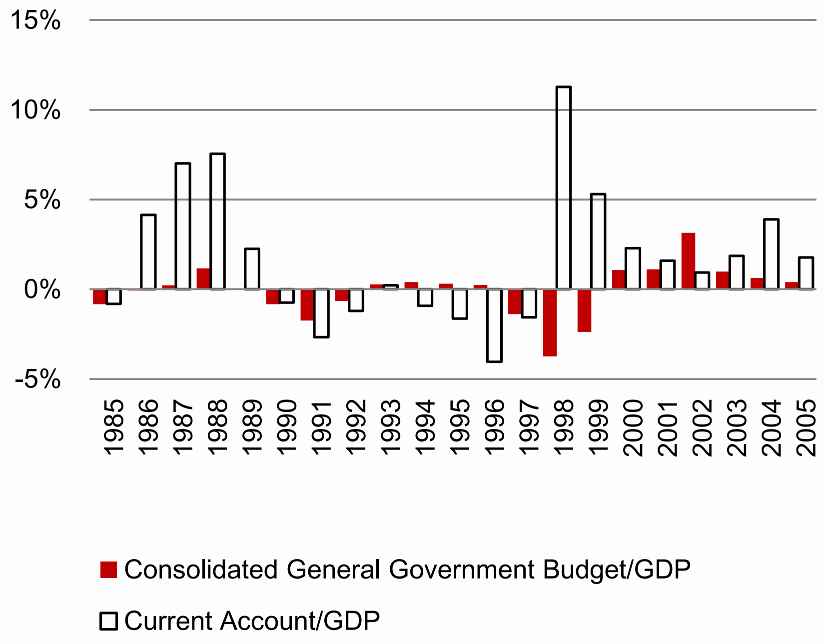
KDI

- **Growth: Quick recovery from 1998 to 1999.**
- **Inflation: Relatively stable.**
- CA: Huge surplus in 1998.
- Budget: Surplus after the 2 years (1998~1999) of deficit.

Growth and Inflation



Current Account and Gov't Budget



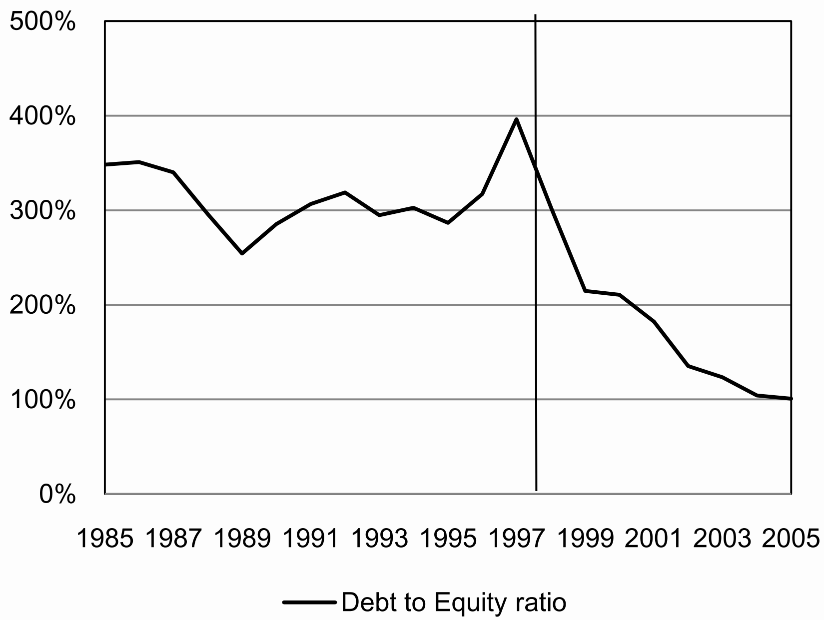
2. Improvement in Financial Structures

KDI

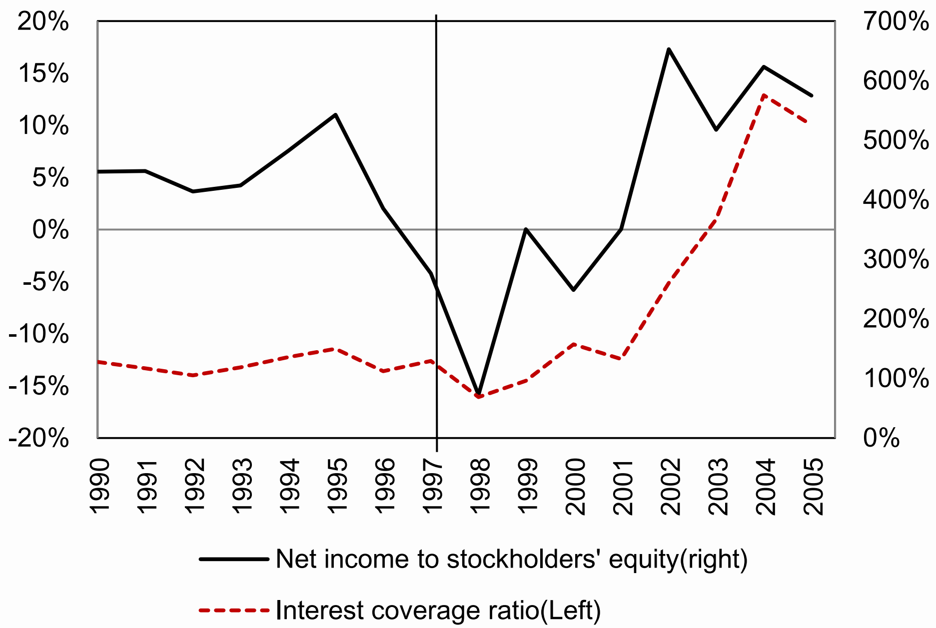
Corporate Sector

- Escape from the debt-ridden financial structure.
- Improved profitability through painful restructuring.

Debt-to-Equity Ratio



Profitability

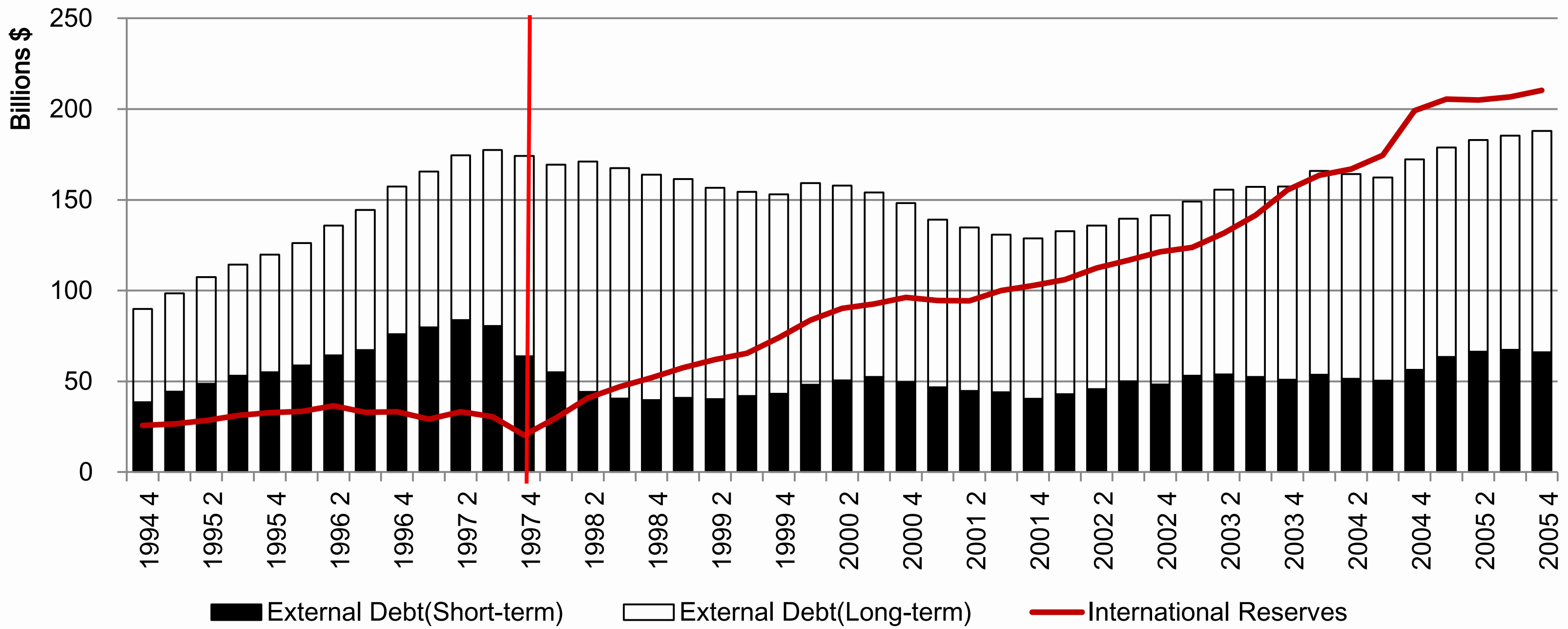


2. Improvement in Financial Structures

External Finance

- Overly accumulated Short-term Foreign Debt before the crisis.
- Improved stability through debt-restructuring and reserve accumulation.

Foreign Debt and Reserve



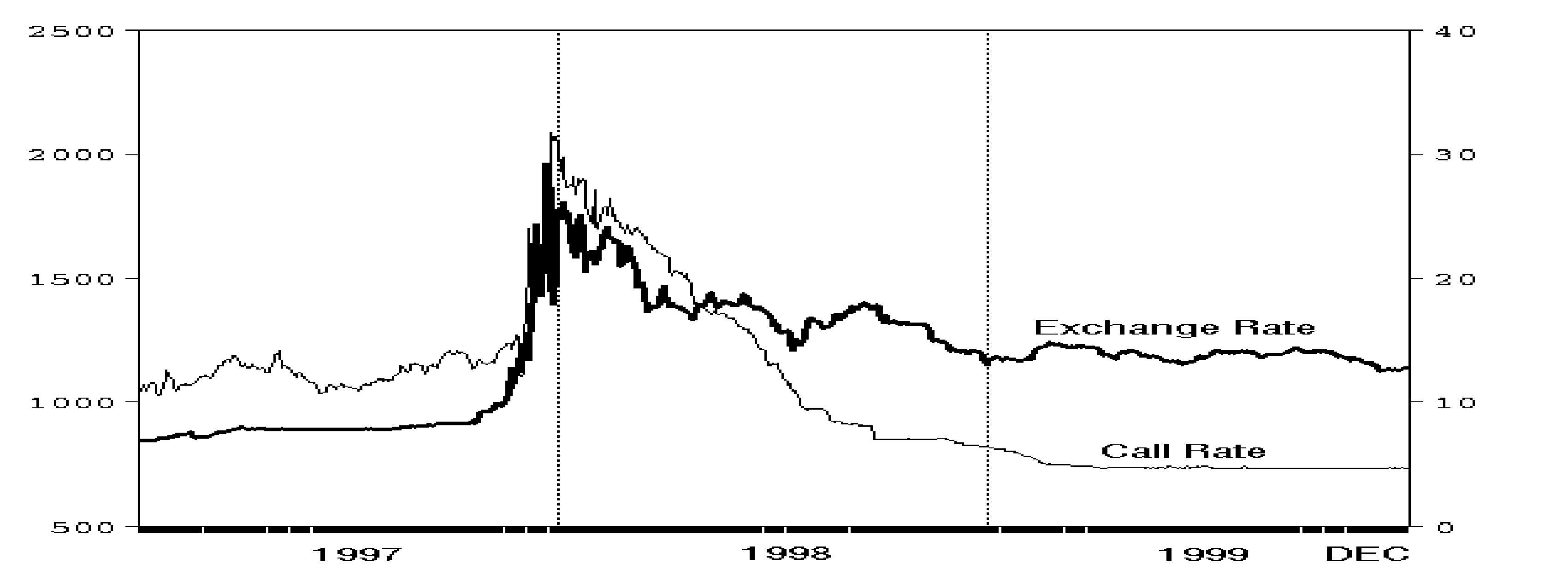
Ⅱ. Policies to Overcome the Crisis

1. Flexible Macroeconomic Policy

KDI

Monetary Policy Autonomy

- **By adopting the floating exchange rate system (Dec., 1997), monetary policy could be liberated from the exchange rate policy ("tri-lemma").**
- **As soon as foreign exchange liquidity situation was stabilized, aggressive monetary policy was taken to support economic recovery.**

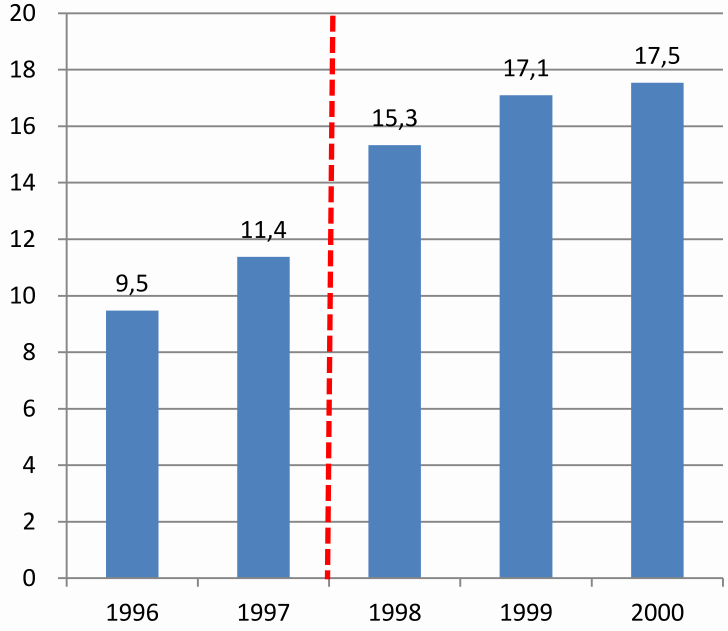


1. Flexible Macroeconomic Policy

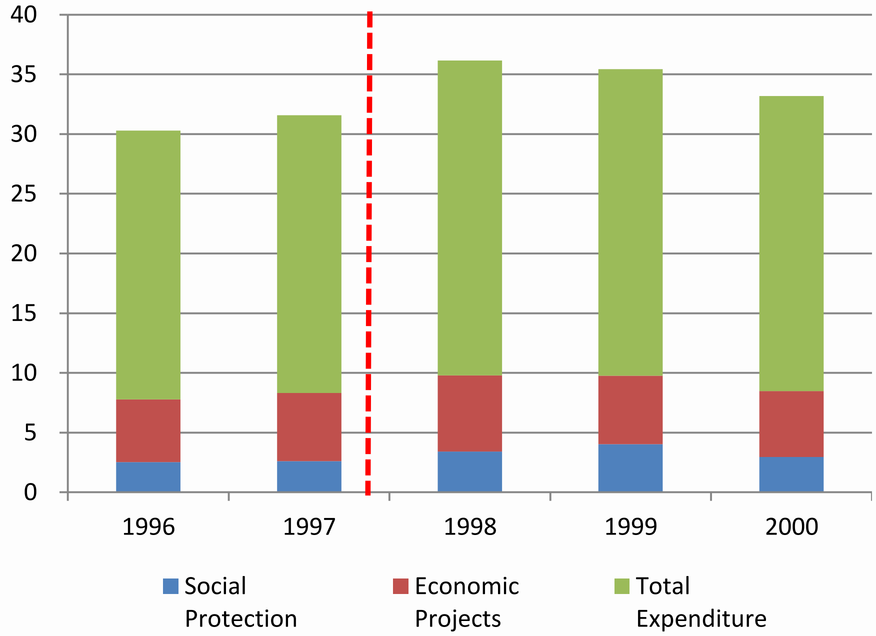
Fiscal Soundness

- **Korea maintained fiscal soundness, which could provide buffers for economic boosting, social safety net, and bank recapitalization.**

Gov't Debt (% of GDP)



Public Expenditure (% of GDP)



2. Bold Corporate Sector Restructuring

KDI

End of the "too-big-to-fail" legacy.

- *Chaebol* were believed to be too-big-to-fail in Korea, which critically nourished moral hazard in the financial market.
- Out of cheap leveraging based on moral hazard, *Chaebol* made aggressive investments.
- When 'aggressive' investments turned out to be 'reckless', the market realized that the government could not rescue them any longer.
- Collapse of 'too-big-to-fail' belief brought about panic.
- Then the government led drastic restructuring in *Chaebol* companies.

  (15 out of top 30 *Chaebol* were let go bankrupt.)

※ Failures of top-30 *chaebol*

Order	*Chaebol*	Total Asset (Billion KRW)	Debt to Equity Ratio (%)	Net Income (Billion KRW)	Bankruptcy (Workout) Date
1	Hyundai	53,597	459	125	
2	Samsung	51,651	459	174	
3	LG	38,376	373	308	
4	Daewoo	35,466	316	350	1999/8 Workout
5	SK	22,927	391	255	
6	Ssangyong	16,457	387	-127	1997~1998 Selling Major Subsidiaries
7	Hanjin	14,309	598	-161	
8	Kia	14,287	518	-129	1997/7 Bankruptcy
9	Hanwha	10,967	789	-212	
10	Lotte	7,774	196	53	
11	Kumho	7,495	552	-40	
12	Halla	6,640	1,986	23	1997/12 Bankruptcy
13	Dong Ah	N/A	659	N/A	1998/6 Workout
14	Doosan	6,370	692	-108	
15	Daelim	6,177	371	-6	

Order	*Chaebol*	Total Asset (Billion KRW)	Debt to Equity Ratio (%)	Net Income (Billion KRW)	Bankruptcy (Workout) Date
16	Hansol	4,346	433	2	
17	Hyosung	4,131	370	35	
18	Dongkuk Steel	3,956	376	119	
19	Jinro	3,951	3,619	-154	1997/9 Bankruptcy
20	Kolon	3,910	389	8	
21	Kohab	3,690	579	30	1998/7 Workout
22	Dongbu	N/A	464	N/A	
23	Tongyang	3,445	638	-119	
24	Haitai	3,398	658	36	1997/11 Bankruptcy
25	New Core	2,798	1,224	23	1997/11 Bankruptcy
26	Anam	2,659	486	12	1998/11 Workout
27	Hanil	2,599	578	-122	1998/9 Broken/up
28	Keopyong	2,477	615	20	1998/5 Broken/up
29	Daesang	2,238	412	-30	
30	Shino	2,158	486	-5	1998/10 Workout

3. Bold Financial Sector Restructuring

KDI

Swift Recapitalization of Banks along with Drastic Restructuring.

- In order to protect the financial market from possible bank-runs, the government provided guarantees for bank deposits.

  * Initially, guarantees were provided for all bank deposits, which were later reduced for the deposits up to 50 million Korean won (approximately annual household income) per account.

- The government mobilized a huge amount of public money* to recapitalize banks whose capital bases were wiped out by the skyrocketed non-performing loans due to *Chaebol* failures.

  * 64 trillion won (almost 13% of GDP) was mobilized in 1998.

  * 40 trillion won (almost 7% of GDP) was added in 2000.

※ Restructuring of Financial Institutions

KDI

	Total No. of Institutions (end-1997) (A)	Type of Resolution					New Entry	Total No. of Institutions (end-2004)
		License Revoked	Merger	Others[1]	Subtotal (B)	Ratio(%) (B/A)		
Banks	33	5	10	-	15	45.5	1	19
Merchant Bank Corporations	30	22	7	-	29	96.7	1	2
Securities Companies	36	5	4	3	12	33.3	18	42
Insurance Companies	50	10	6	3	19	38.0	19	50
Investment Trust Companies	30	6	2	-	8	26.7	25	47
Mutual Savings Banks	231	102	27	1	130	56.3	12	113
Credit Unions	1,666	2	108	499	609	36.6	9	1,066
Leasing Companies	25	10	2	1	13	52.0	6	18
Total	2,101	160	166	507	835	39.7	91	1,357

1) Includes dissolution and asset transfers to bridge institutions

4. Continued Efforts for Fiscal Soundness

Case of Credit Card Use

- The government made various efforts to restore fiscal soundness despite its active roles during the crisis period.
- Exemplary was the efforts to enlarge tax-bases through vitalizing credit card use.

* Income tax deduction for credit card use was introduced in 1999 in order to bring out underground transactions (of self-employed in particular) mostly in the industries of food and beverages, lodging, and retails (including high-income self-employed lawyers, medical doctors, etc).

➔ Greatly contributed to enhancing transparent and fair taxation as well as increasing tax revenue.

※ Increase in VAT

	1999	2009
Credit Card Transaction / Private Consumption (%)	14.7	57.0
Number of VAT Reporting Taxpayers (million)	3.0	5.1
Ratio of Businesses with VAT Exemption (%)	42.1	29.8
VAT Base (trillion won) (% of GDP)	1,172 (203)	3,198 (278)
VAT (trillion won) (% of GDP)	20.4 (3.5)	47.0 (4.1)

Source: Kim and Hong (2012), Korea Institute of Public Finance.

Ⅲ. Lessons for Greece

1. No Easy Way Out

KDI

Would external debt negotiation resolve the crisis?

- External debt negotiation only provides more time to restructure.

  * The successful negotiation on short-term foreign debt (Jan. 1998) provided a breathing space for Korea at the verge of default.

Bold restructuring is the only way to resolve crisis ultimately.

- No ‘free lunch.’

  * Unsound decisions in the past (excessive consumption/reckless investment) should be paid off in the future (drastic current account adjustment).

- The most important element in crisis resolution is to ensure that the bad practices in the past should not be repeated.

  * Bold restructuring of Korea was focused on the elimination of the moral hazard problems that prevailed the Korean economy before the crisis.

2. Difficult Position of Greece

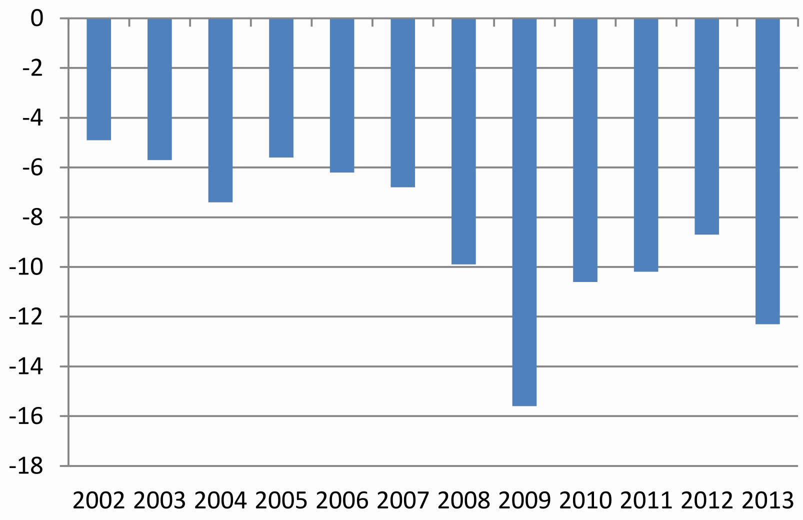
KDI

Virtually no macroeconomic policy options are available.

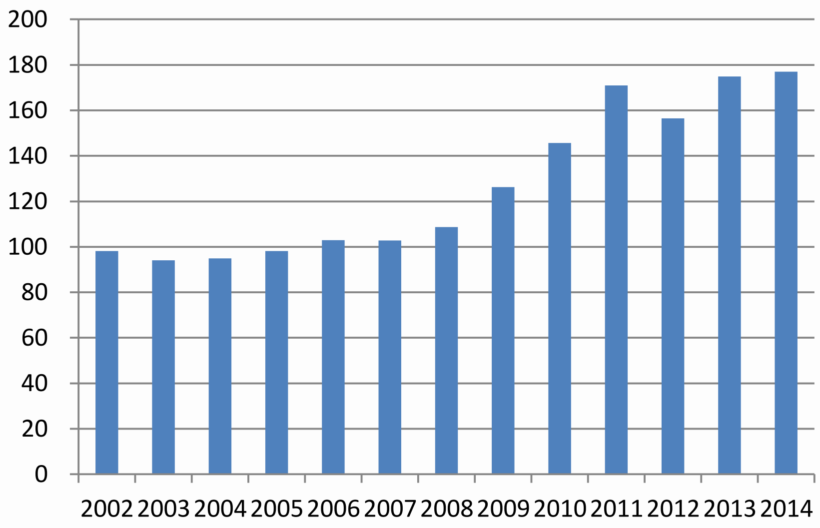
- No independent currency ➔ No monetary and exchange rate policy
- Fiscal space is almost non-existent.

➔ Takes more time to achieve necessary macroeconomic adjustments.

Fiscal Deficit (% of GDP)



Gov't Debt (% of GDP)

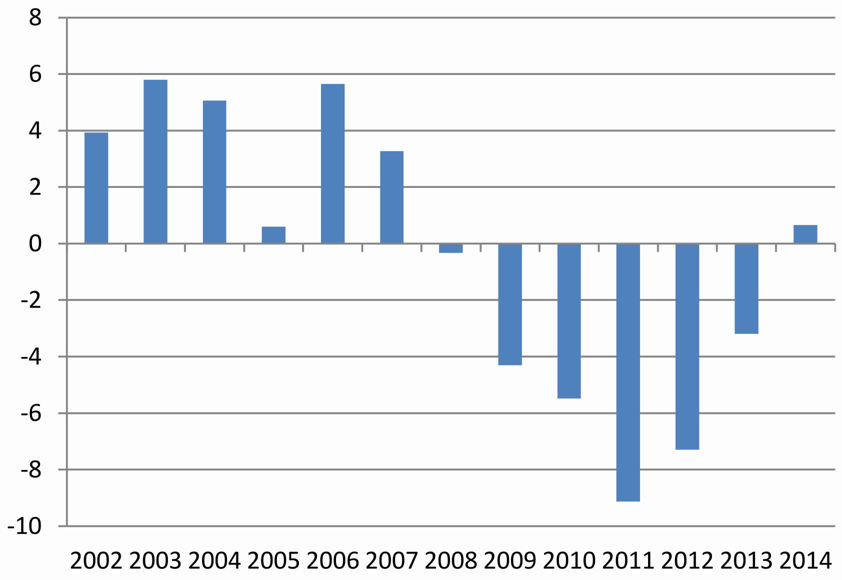


3. Is the Worst Over?

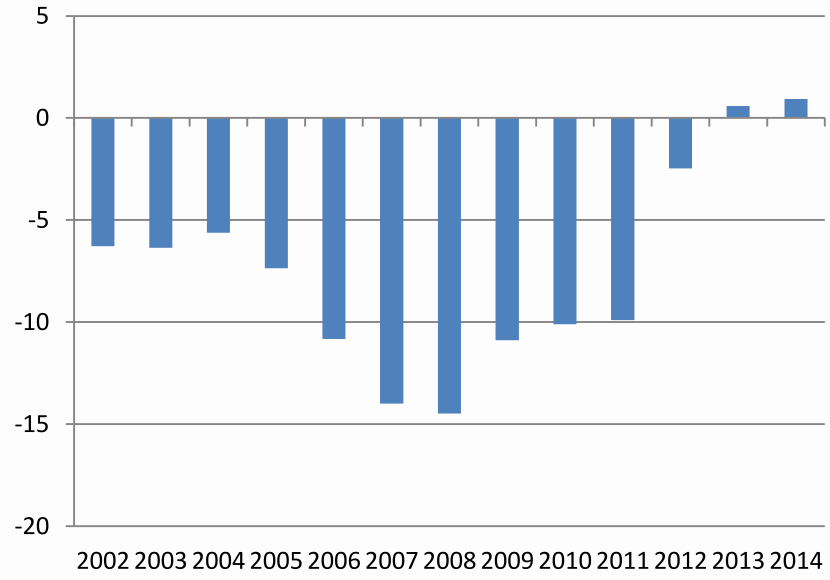
Some Indicators of Recovery after the Long Painful Recession.

- Continued economic contraction appears to be over.
- Continued current account deficit is turning around.

GDP Growth Rate (%)



Current Account (% of GDP)



4. Continued Efforts Needed

KDI

Financial instability will linger as long as debt problems remain.

- External debt remains over 200% of GDP.
  - ➔ Current account surplus (spending < income) needs to be continued.
- Government's debt remains 150% of GDP.
  - ➔ Generous government expenditure needs to be restructured.

Expanding tax-base is definitely a step forward.

- It can contribute to social integration as well as tax revenue .
  - * Policy efforts to bring out underground economy (e.g., vitalizing credit card use in Korea) are strongly recommended.

Thank you.

Ομιλία κ. Νίκου Βέττα

Γενικό Διευθυντή Ι.Ο.Β.Ε.

Greece: Economic crisis and prospects

Nikos Vettas

General Director of IOBE

Professor, Athens University of Economics and Business

(vettas@iobe.gr, www.iobe.gr, http://www.aueb.gr/users/vettas)

Korean Hellenic Partnership Plaza – Athens, December 4, 2015

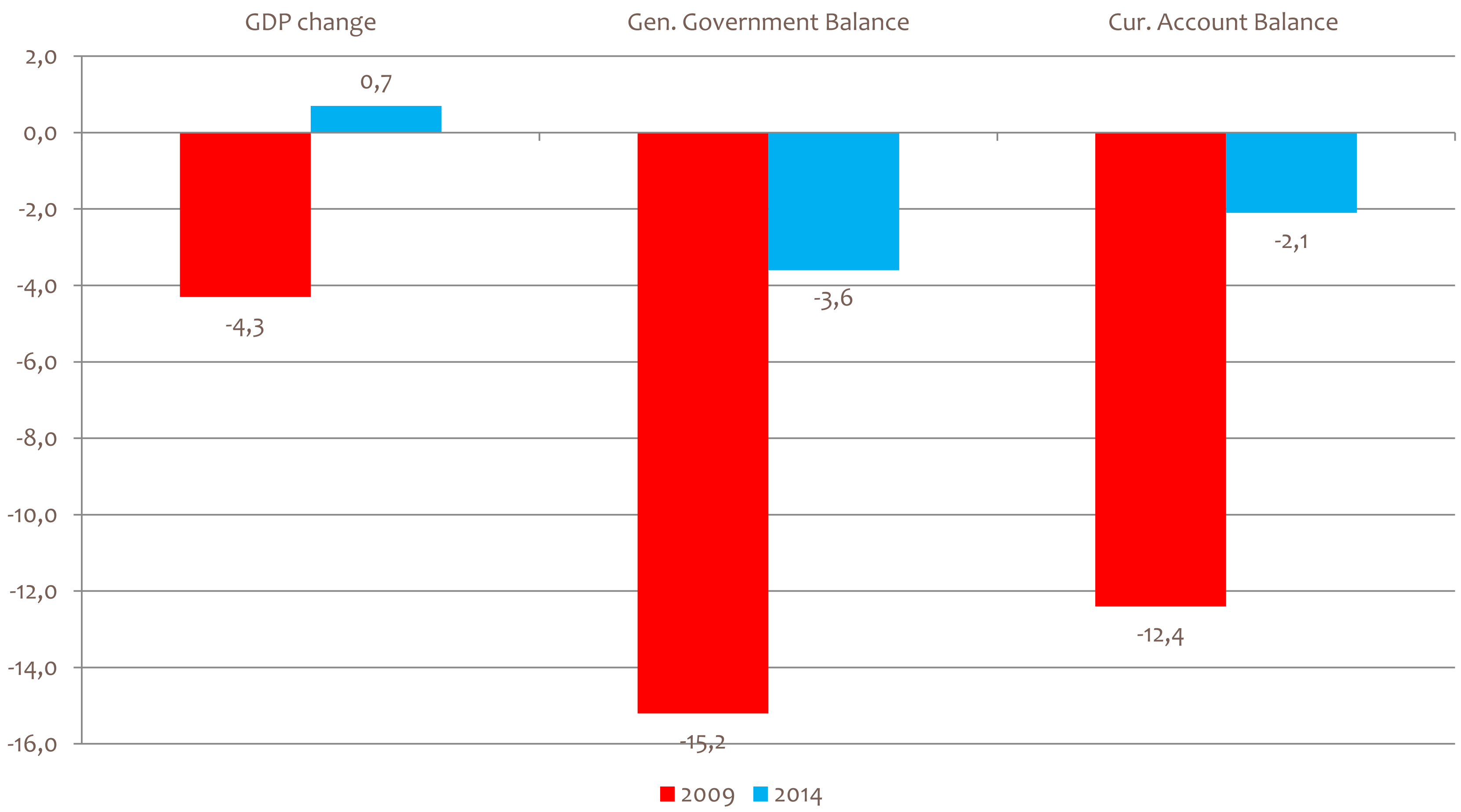
Successes and failures of the post 2010 policies

- Very significant success in the areas of government budget and balance of payments ('twin deficits').
- Very weak performance for investments and exports.
- The economy has adjusted primarily via an extremely deep recession.
- Increase in competitiveness mainly via a reduction in labor unit cost.

Successes and failures (cont'd)

- Lack of wide enough political support and social consensus for structural reforms, despite some important efforts.
- Public sector has been shrinking but administrative burden and inefficiency remains a key issue.
- Accumulated debt remains a significant problem.
- Return to growth in 2014 (after a 6-years long recession) mainly based on increase of revenue from services exports and stabilization in domestic consumption. Return to recession for 2015, 2016.
- Uncertainly and challenges remain significant, but so does potential.

Key Figures – 2014 vs. 2009



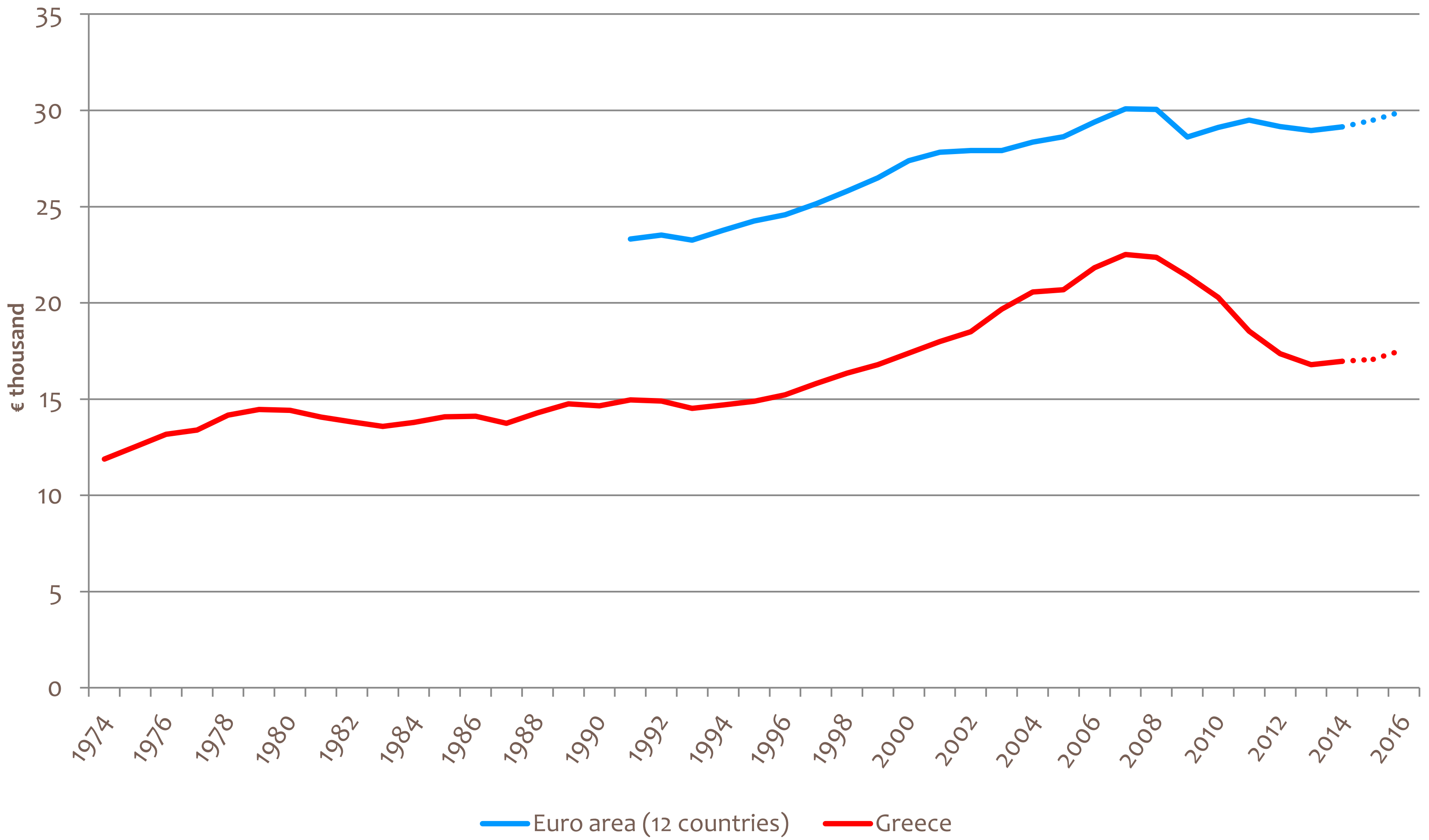
Sources: Eurostat/European Economic Forecast, autumn 2015, European Commission

Key Macroeconomic and Financial Figures

Key Macroeconomic Figures	2009	2013	2014	2015*
GDP	-3.1	-3.2	0.7	-1.5
Unemployment	9.5	27.5	26.5	25.4
General Government Balance[1]	-15.6	-12.4	-3.6	-4.3
Current Account Balance	-14.4	-2.1	-2.9	0.8
Harmonised Inflation	1.3	-0.9	-1.4	-1.6
Gross Fixed Capital Formation	-13.7	-9.4	-2.8	-12.0

[1]Including State aid to the banking sector impact on the deficit
* IOBE/FEIR projections
Sources: Eurostat/European Economic Forecast, autumn 2015, European Commission

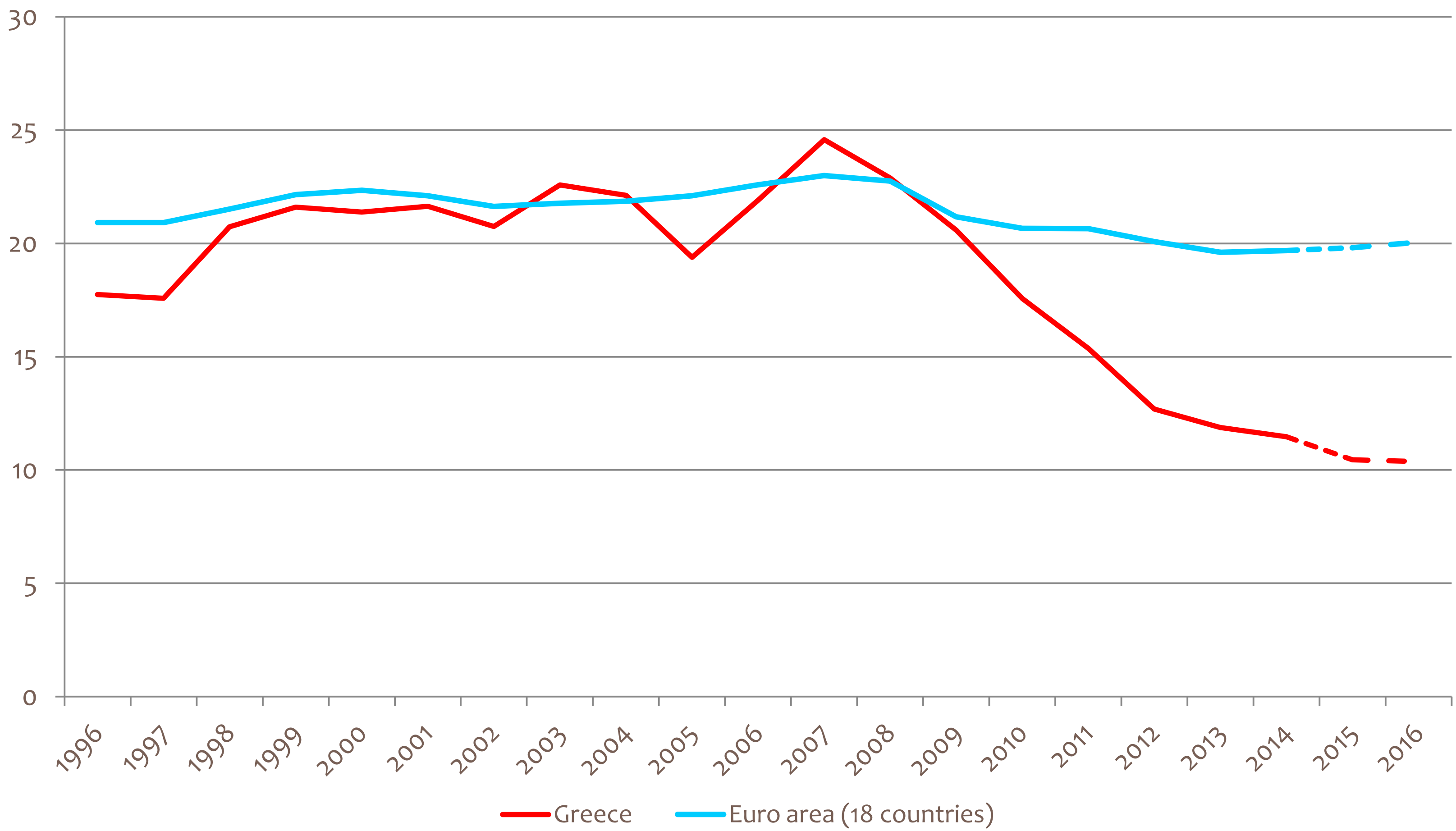
GDP per capita



Source : AMECO

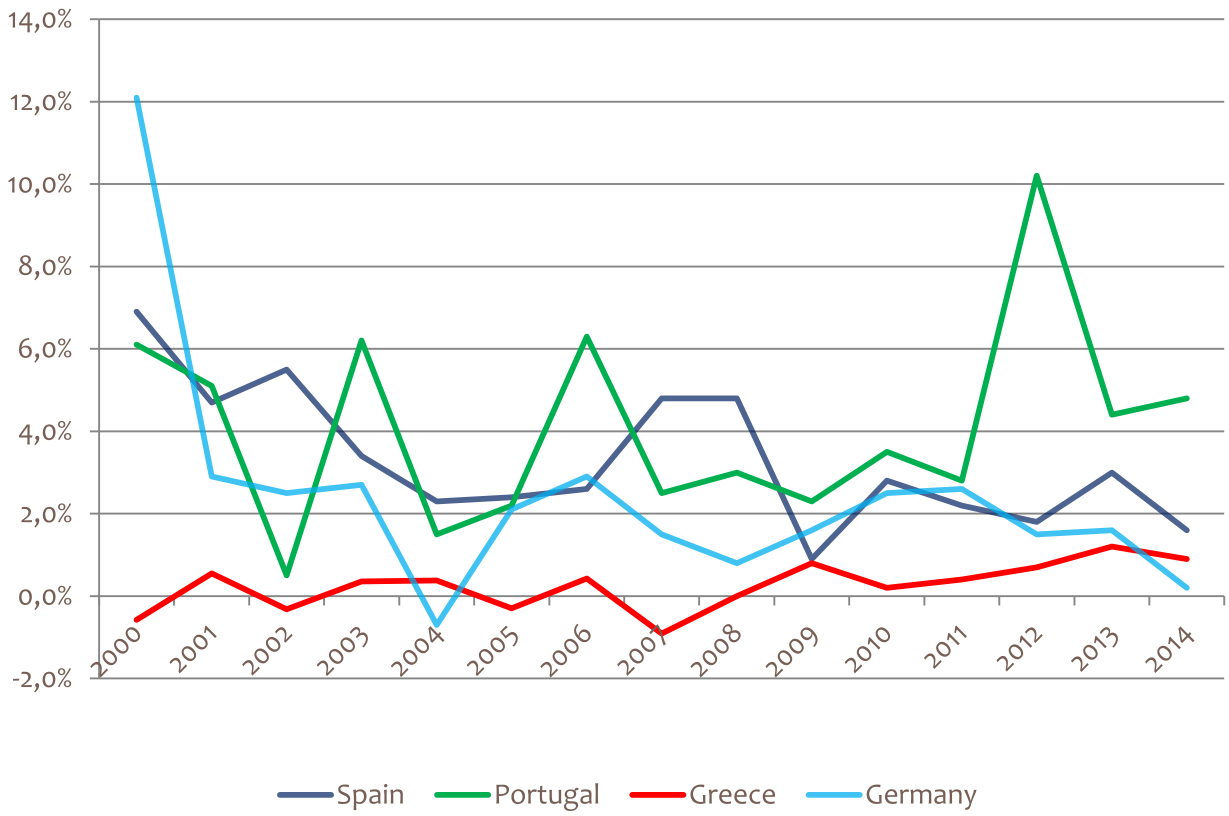
Investments

Gross Fixed Capital Formation (% of GDP)



Sources: Eurostat / European Economic Forecast, autumn 2015, European Economic Forecast

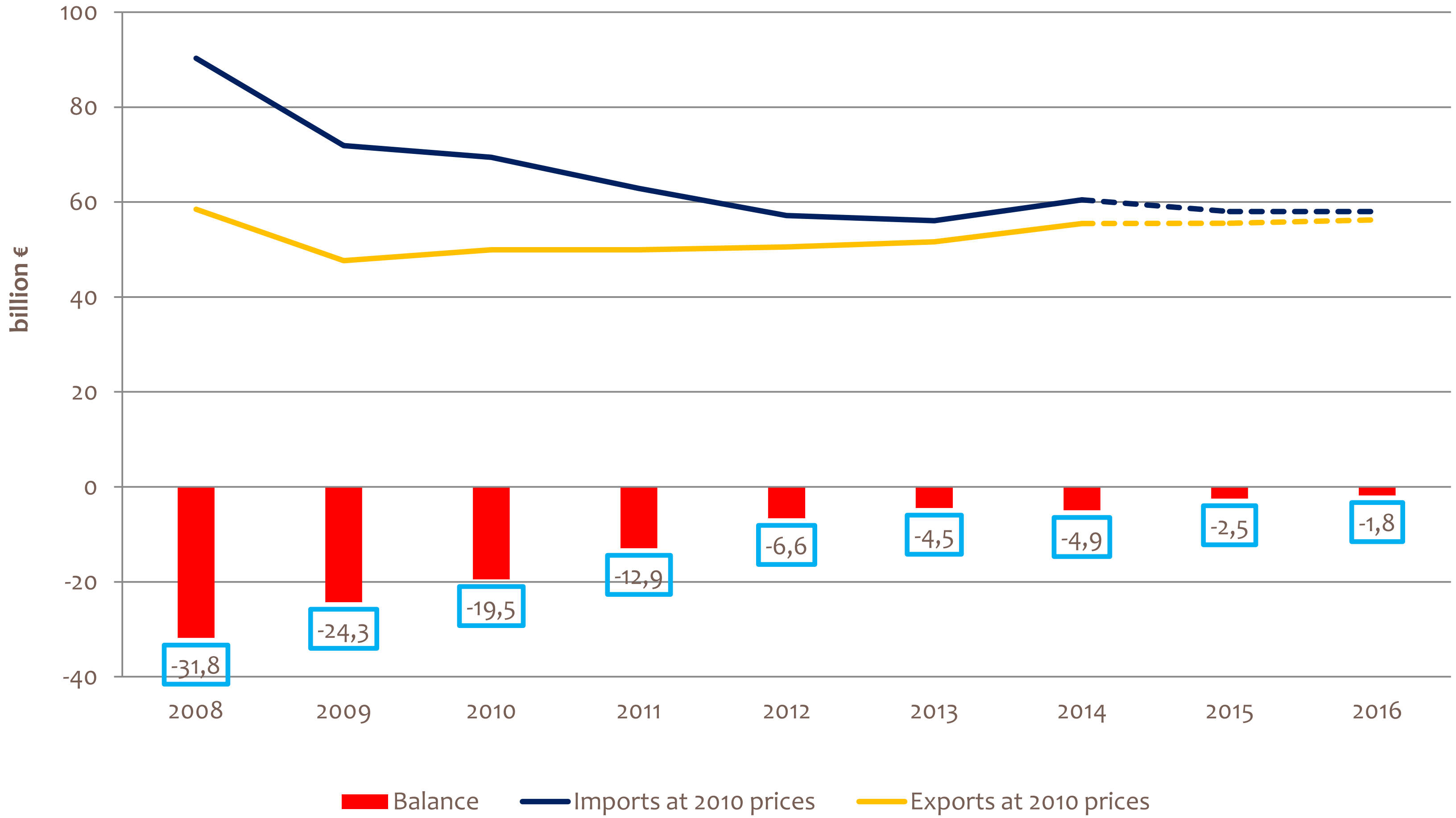
Foreign Direct Investment (% of GDP)



FDI as a % of GDP		
	2000-2008	2009-2014
Greece	0.0%	0.7%
Portugal	3.7%	4.7%
Germany	3.0%	1.7%
Spain	4.2%	2.1%

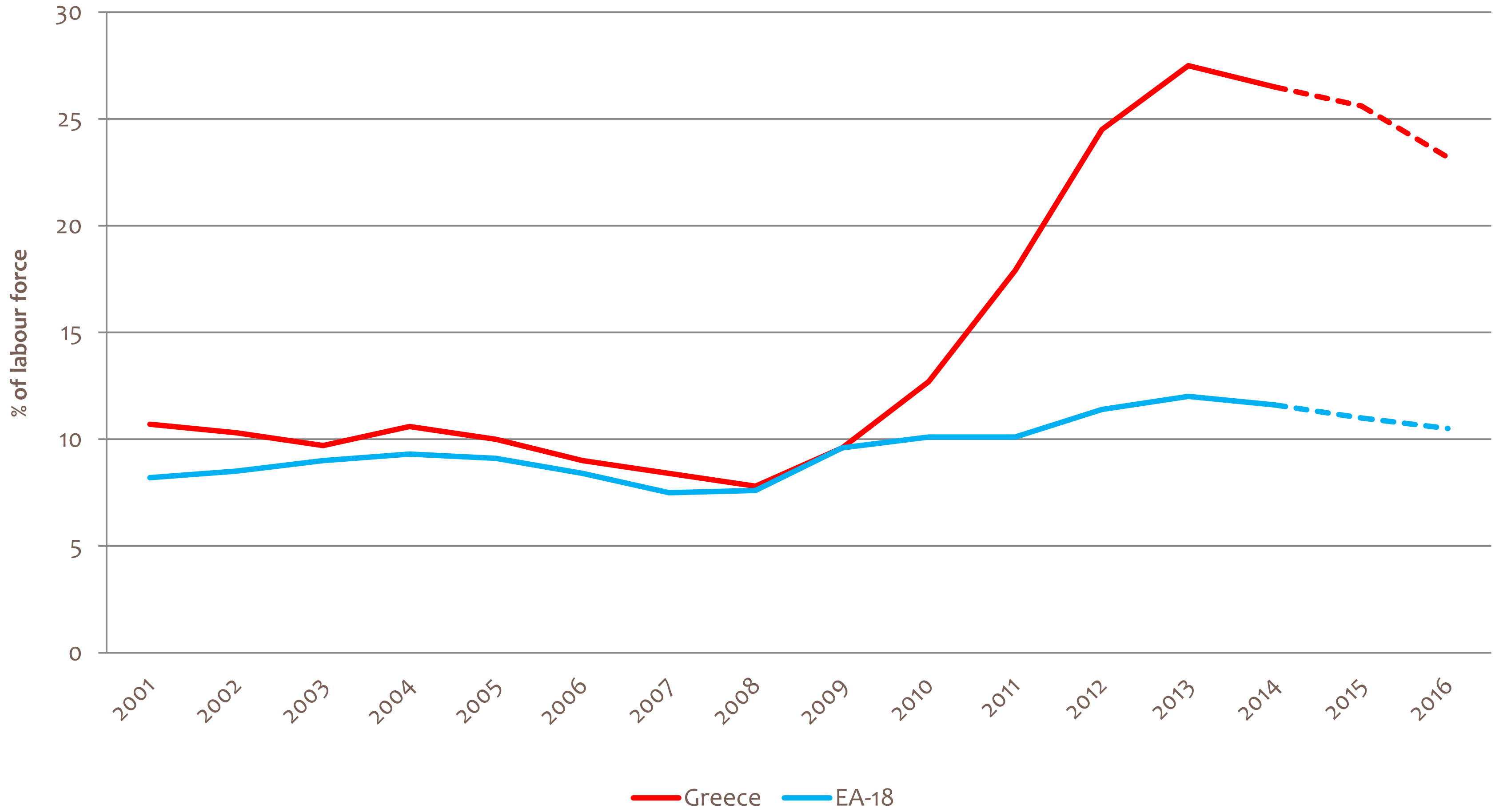
Source: Eurostat

Trade balance (Goods and Services)



Sources: ELSTAT/European Economic Forecast, autumn 2015, European Commission

Unemployment



Sources: Eurostat/European Economic Forecast, autumn 2015, European Commission

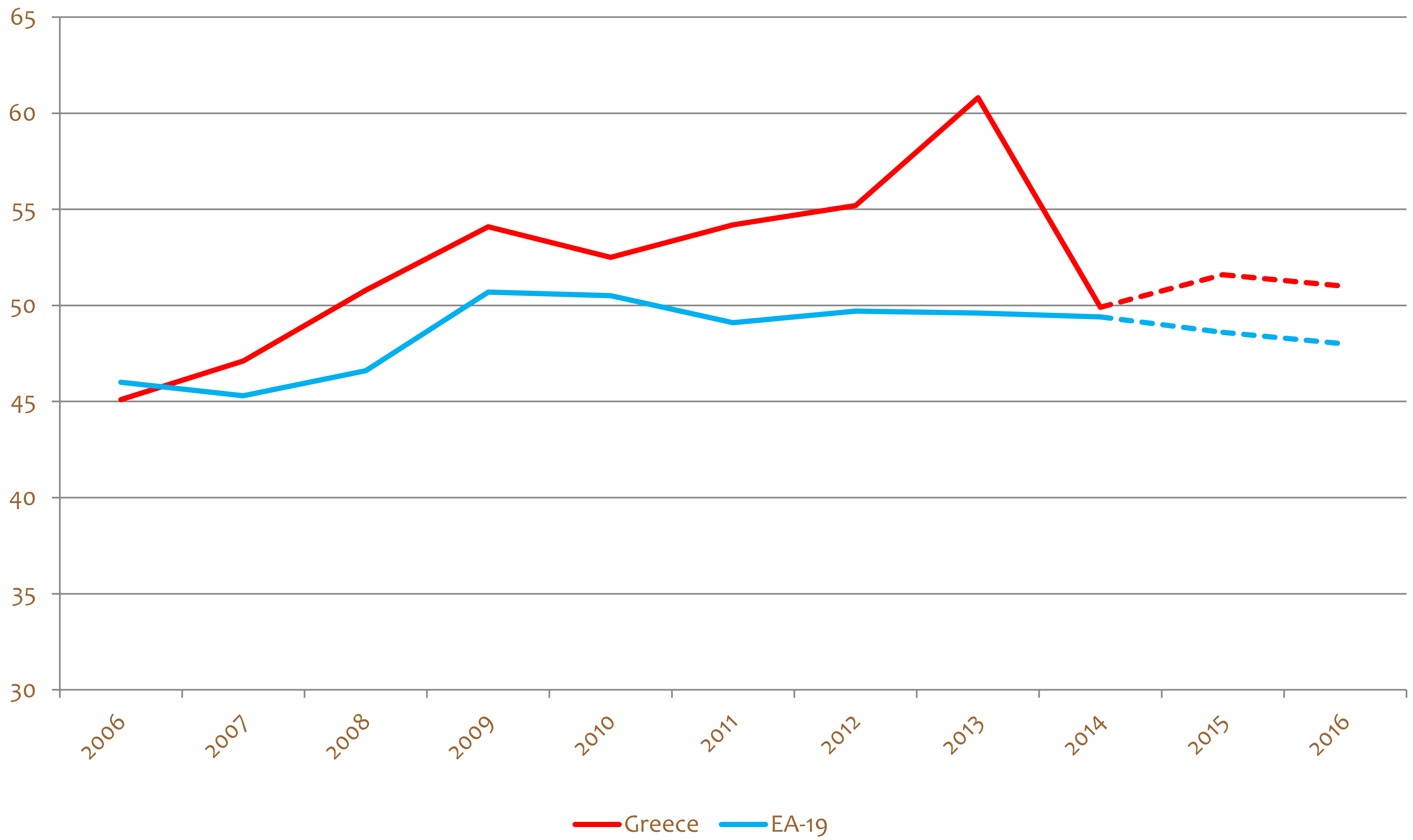
Harmonized Inflation

Sources: Eurostat/European Economic Forecast, autumn 2015, European Commission

Budget Primary Balance (% of GDP)

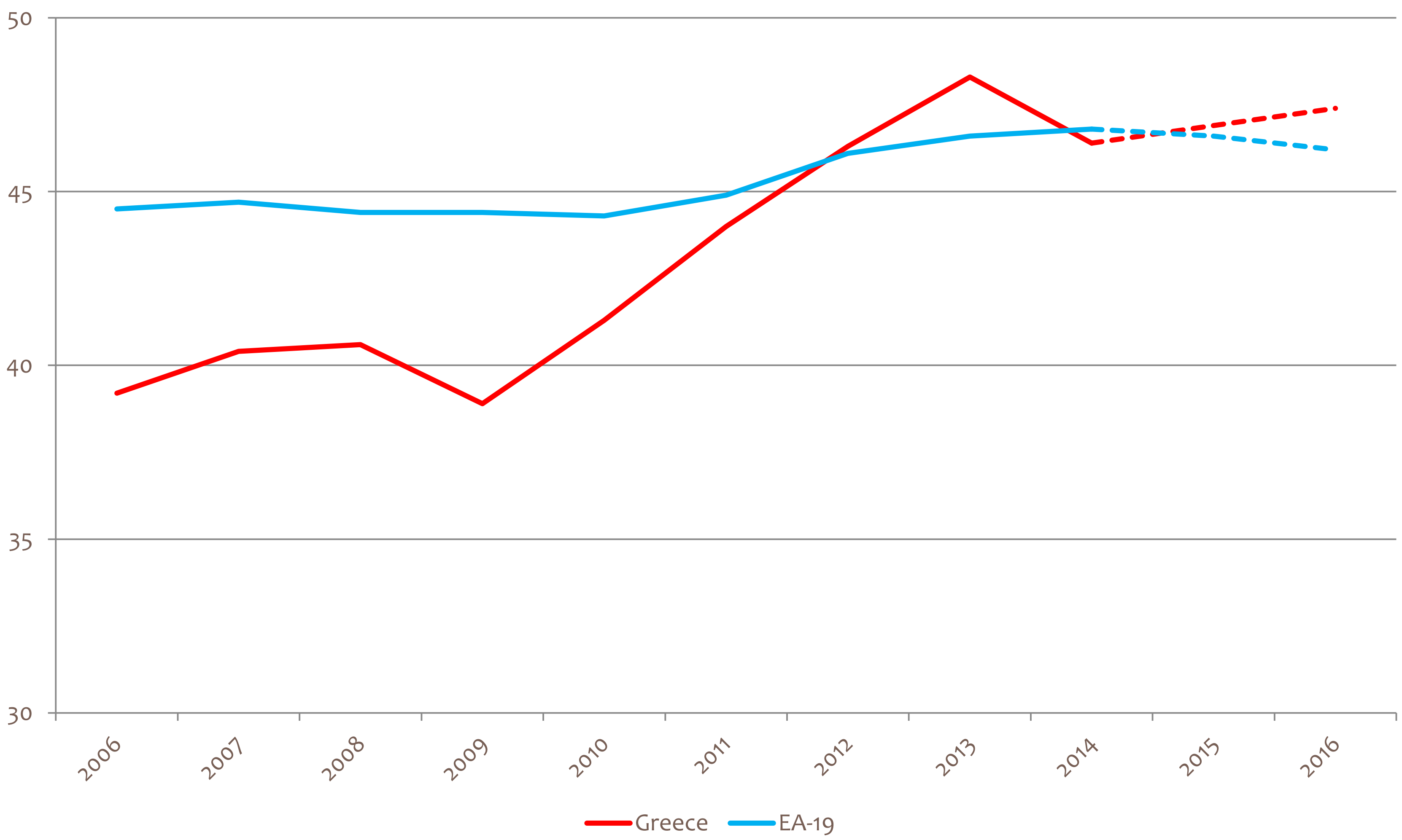
Source: Statistical Annex, European Economic Forecast, autumn 2015, European Commission

Gen. Government Expenditure (% of GDP)



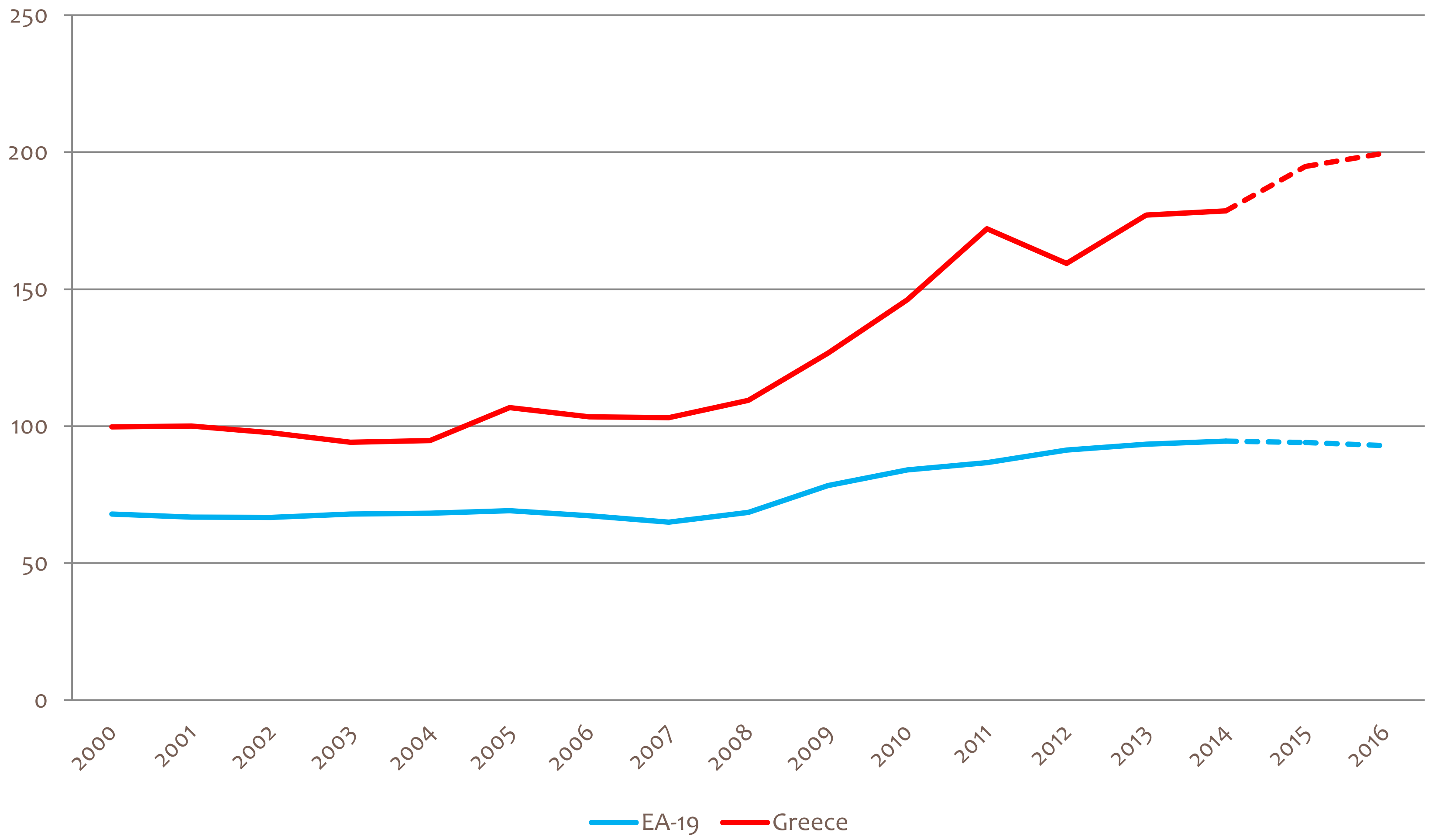
Source: Statistical Annex, European Economic Forecast, spring 2015, European Commission

Gen. Government Revenue (% of GDP)



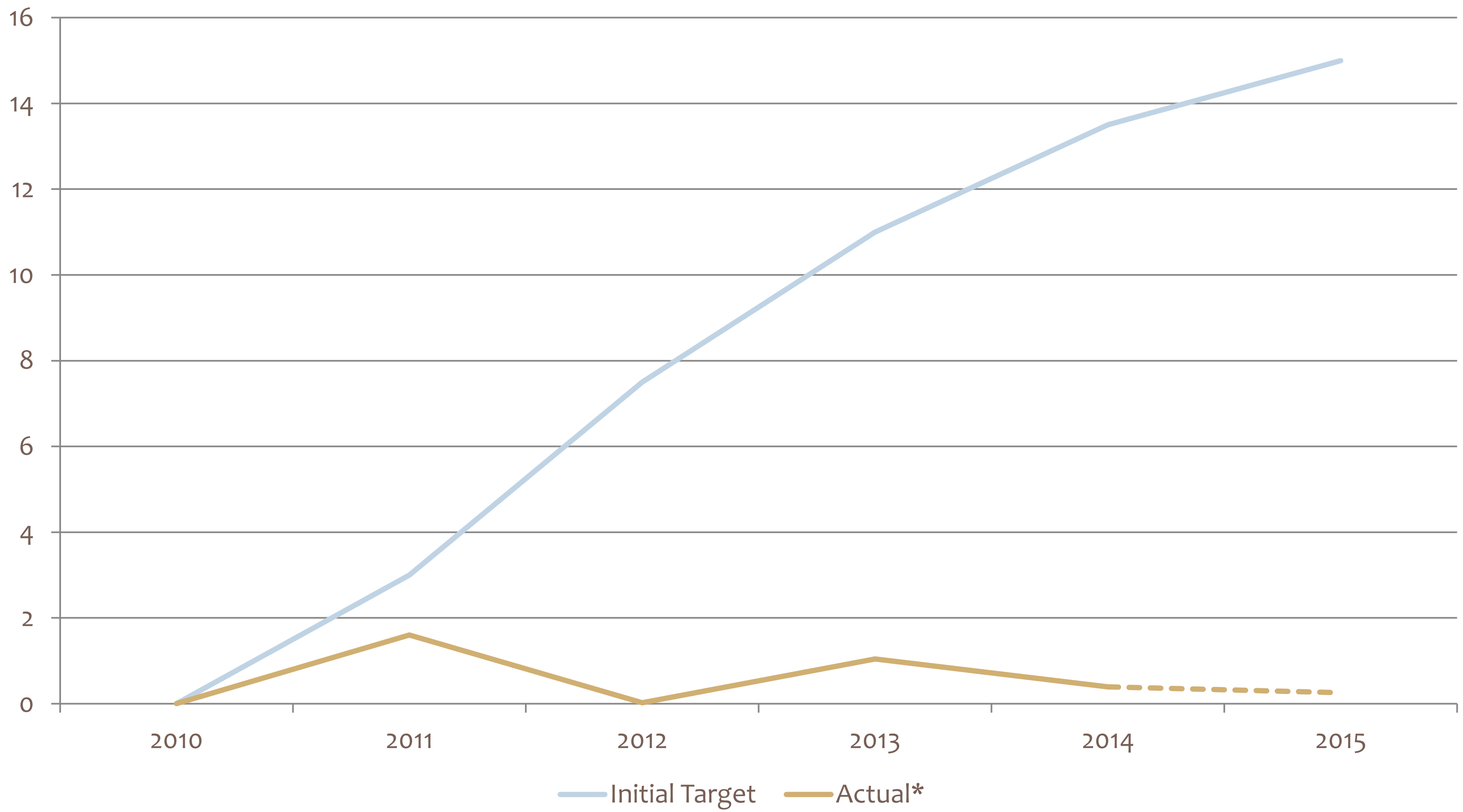
Sources: Eurostat/European Economic Forecast, spring 2015, European Commission

Government Debt (% GDP)



Source: Statistical Annex, European Economic Forecast, autumn 2015, European Commission

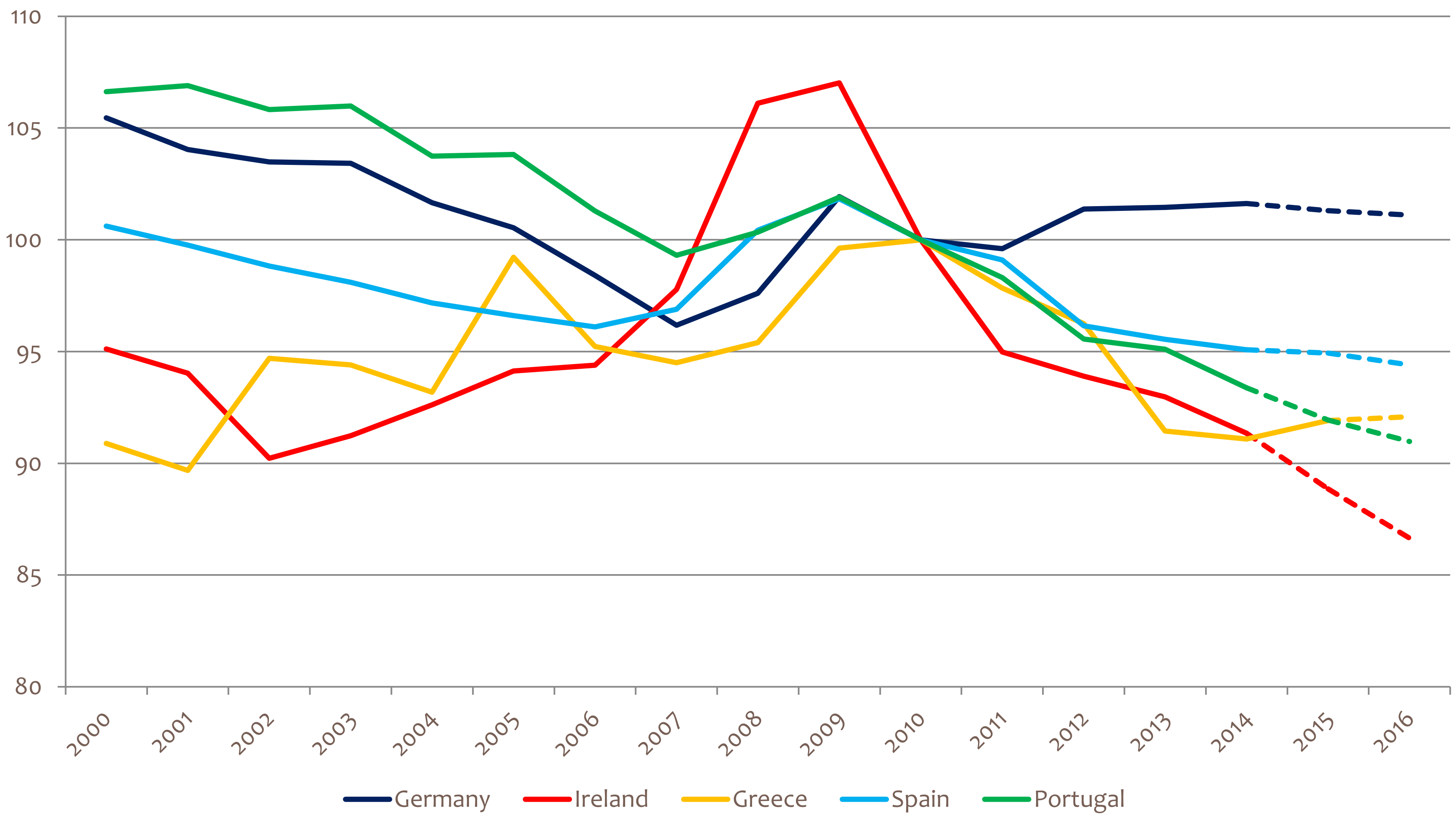
Privatization Receipts per annum (€ bn)



*Forecasts for 2015, 2016 Budget, November 2015, Ministry of Finance

•**Sources: 1)** Targets: Greece, Fourth Review Under the Stand-by Arrangement, IMF, July 2011 **2)** Actual 2011-2012: Medium-Term Fiscal Strategy Framework 2015-2018, Ministry of Finance, April 2014 3) Actual 2013-2014: 2016 Budget, November 2015, Ministry of Finance

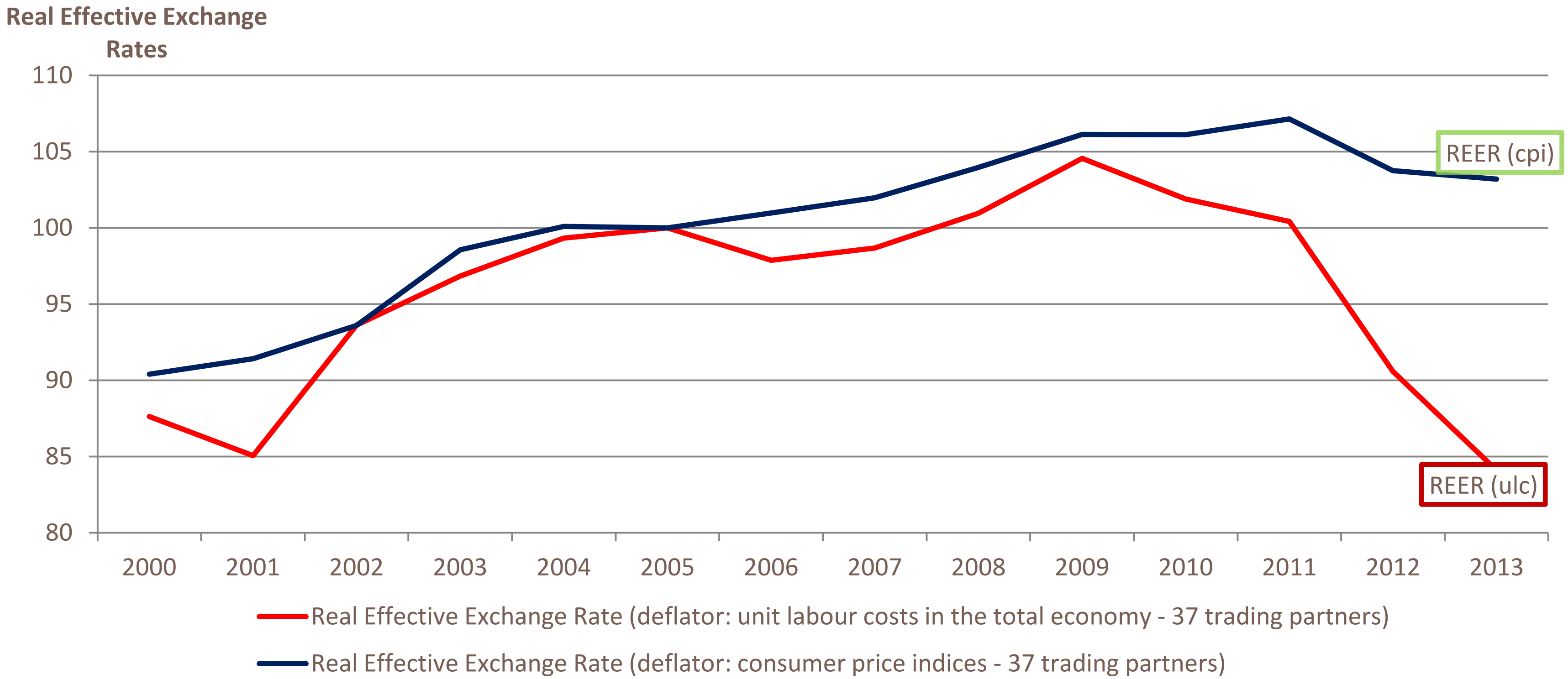
Unit Labour Cost* (in real terms)



*Ratio of compensation per employee to nominal GDP per person employed at 2010 prices

Source: AMECO, (2010=100)

Real Effective Exchange Rates & Exports



Sources: AMECO

- **Significant improvement of competitiveness in terms of labour cost between 2009-2013 (-19.6%)**
- **Limited results in terms of CPI (-2.8%)**

NEER (Nominal Effective Exchange Rates): Weighted geometric average of the bilateral exchange rates against the currencies of 37 competing countries.
REER (Real Effective Exchange Rates): Country's price or cost competitiveness relative to its principal competitors (37) in international markets. NEER deflated by nominal unit labour costs (ulc) and consumer prices (CPI).

2014 picture

- Consolidation of public finances (primary budget surplus), balance in the external sector.
- Improved stability in the banking system.
- Domestic consumer confidence gradually restored and foreign demand for goods and especially for services increased.
- Shift to ‘new growth model’ has been slow.
- Progress in public administration, justice, education: slow.
- Continuing uncertainty (since summer 2014 euro-elections).

2014 to 2015 developments

- Extensive delay in reaching an agreement regarding the review of the Greek Economic Adjustment Program.
- Program was supposed to end on 31.12.2014
- Since the start of the 2015, decrease in investment, deterioration of lending terms for individuals and corporations, delays in tax collection and difficulties with the implementation of the budget.
- Economic sentiment, tracked monthly by IOBE for the EC, showed considerable diversion between households and businesses for 4 months.

2015 – the political and economic picture

- January general elections: new government, negotiations
- July referendum – 3rd adjustment program in July (ESM), for 3 years
- September general elections, new government. Political risk low (?)
- Ability to implement reforms and pro-growth policies?
- Taxation appears to be a priority. Continuing fiscal tightening
- Public vs. private sector
- Effects of capital controls?

Policy priorities

- Recapitalization of banks
- Non-performing loans
- Greek public property fund (50 billion Euros)
- Social security system reform
- Debt negotiations with partners and creditors
- Tax system

Prospects

- Positive scenario: gradually increased consensus and clarity, new investment, new growth model, positive interaction with EU environment improvements.
- Negative scenario: lack of ability to implement reforms, low liquidity and investment, lingering uncertainty, external effects.
- Overall evaluation: significant successes and failures – **high uncertainty deters investment and postpones the start of a virtuous growth cycle**.

Ομιλία Dr. Dongsoo KOH

Korea Institute for Industrial Economics and Trade, KIET

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Regulatory reform and corporate restructuring after the financial crisis in Korea

2015. 12. 04

KIET Korea Institute for Industrial Economics & Trade

CONTENTS

KIET Korea Institute for Industrial Economics & Trade

I Reason for financial crisis

Ⅰ. Reason for financial crisis

1 Structural reason

Lost competitiveness under the economic structure of high-cost and low-efficiency

- **Underdeveloped financial system, government-directed financing, competition for size of firms by borrowing, excessive overlap investment, and so on.**

- **While the world entered into the era of infinite competition, every economic player in Korea including government, firms, and households still held outdated views of the previous era.**

- **Government still adhered to growth policy while continuing regulations and protection of its industries. Government-directed financing became the norm and delayed the exit of shaky companies.**

Ⅰ. Reason for financial crisis

< Table 1 > Index showing the vulnerabilities of Korean economy during financial crisis

	Korea	Japan	Taiwan	US
increase rate of rating of labor (1985~1995)	6.0%/year	-0.5%/year	3.5%/year	_
yield of three-year corporate bond (1996)	11.9%	3.0%	7.1%	_
logistics cost/sales (1994)	16.7%	7.5%	8.8%	_
debt ratio in manufacturing industry	approximately 400% (1997)	193.2% (1996)	85.7% (1995)	153.5% (1996)

Ⅱ Regulatory reform by government

Ⅱ. Regulatory reform by government

1 Background

- (Government-driven growth policy) While Korea maintained a government-driven growth policy since the 1960s, the government was involved directly in distributing resources through regulation.

- (Regulation acted as obstacle) While the role of the private sector increased as the scale of economy expanded, regulations began to act as obstacles decreasing national competitiveness.

- (Measures to overcome financial crisis) As one of the measures to restore global credibility of Korea and its companies while experiencing the financial crisis in 1997, the need for full-fledged regulatory reform was emphasized.

- (Reform from government) Dae-Jung Kim, who was elected as president right after the financial crisis, strongly pushed towards regulatory reforms, claiming that “Reforms must start from the government” in order to overcome the financial crisis.

Ⅱ. Regulatory reform by government

2 Goal of Regulatory Reforms and Strategies

(1) Goal of Regulatory Reform

Nation with a Conducive Environment for Business and Life

(2) Properties of Korean Regulations

① Unofficial regulation and interference not based on legal systems

② Regulations' ambiguous standards and complex procedures

③ Low compliance rates due to too many unrealistic regulations

④ Most are 'Principally Prohibited, Exceptions Permitted' Regulations

⑤ Overlapped regulations by multiple government departments

II. Regulatory reform by government

(3) Need for Regulatory Reforms

① Strengthen national competitiveness through competition

② Maximizing autonomy and creativity of private sectors

③ Improve quality of life

④ Elimination of corruption and fraud

⑤ Global standard for regulation

(4) Propel of Regulatory Reforms

Reexamination of Existing Regulations

▶ Re-examine approximately 11,000 regulations as of 1998 at a zero-base by reviewing the legitimacy, adequacy and purposefulness.

- Regulations that hinder free competition or do not meet the global standards are drastically eliminated

I. Reason for financial crisis

< Table 2 > Major Areas of Regulatory Reforms of 1998

Areas	Detailed measures
1. Foreign Direct Investment	• Decrease the Number of Restricted Sectors for Foreign Investment - Permit Land Purchase for Foreigners - Improve Financial Environment for FDI
2. Business Activities	• Mitigation of Regulation for Corporate Land Use - Liberalize Rules for Plant Location
3. Finance, Retail, Trade	• Deregulation of Entry Barriers for Financial Sectors - Liberalize Trade Policy
4. Civic Life	• Deregulation of Automotive, Construction, Environment, and Firefighting Policies - Ensure Transparency

Decrease new establishments and reinforcement of regulations

- **(Pre-screening) Newly established and reinforced regulations are mandatorily pre-screened by the Regulatory Reform Committee**

- **(Regulation Impact Analysis) When establishing new important regulations, make sure that a quantitative analysis is done to assess the benefits and costs of the regulated subjects, and that the alternative means of regulation and factors for limiting the competition are put into consideration.**

3 Performance of Regulatory Reforms

(1) Performance during 1998~1999

▶ In 1998, out of existing 11,125 regulations, 5,430 regulations were repealed.

< Table 3 > Result of Regulatory Reform Modification in 1998

	No. of Regulations	Repeal	Remaining Regulations in 1998	
			Reformed	Retained
Results	11,125	-5,430 (48.8%)	2,411 (21.7%)	3,284 (29.5%)

▶ In 1999, out of 6,811 regulations that were retained, 503 regulations were repealed

< Table 4 > Regulatory Reform Modification Results of 1999

<table>
<tr><th>Remaining Regulations(1998)</th><th colspan="3">1999 Modified</th><th colspan="3">1999 Modification Results</th><th>Remaining Regulations(1999)</th></tr>
<tr><td></td><td>New</td><td>Omitted</td><td>Others</td><td>Subject of Modification (A+B)</td><td>Repealed</td><td>Modified</td><td></td></tr>
<tr><td rowspan="2">5,695
(A)</td><td>+608</td><td>+274</td><td>+234</td><td rowspan="2">6,811</td><td rowspan="2">-503
(7.4%)</td><td rowspan="2">570
(8.4%)</td><td rowspan="2">6,308</td></tr>
<tr><td colspan="3">1,116 (B)</td></tr>
</table>

II. Regulatory reform by government

(2) Increase in Foreign Direct Investment

- In order to encourage foreign direct investment, the government
  i) expanded the number of industries allowing foreign direct investment,
  ⅱ) eased land acquisition restrictions for foreigners,
  ⅲ) mitigated regulations for foreign M&A of domestic corporations.

- The government sold its assets to foreign investors for privatization.

- Foreign direct investment increased continuously from $6.8 billion in 1997, amounting to a total of $49 billion in 1999.

II. Regulatory reform by government

< Table 5 > Results of Privatization

(Unit : Billion Won)

Corporation	1997 Sales	1997 Profit	Time of Privatization	Sale of Shares	Sale Revenue	Note
National Textbook	520	40	1998.11	Govt. 40% Ind. Bank 46.5%	460	Transition of Competition System (2002)
Technology Banking Corporation	4,380	20	1999.01	Govt. 10.2% Ind. Bank 2.0%	116	Repeal KTB Law (Feb 1999)
Korea Oil Pipeline	340	(440)	2000.04	Govt. 36.7%	1,669	Prohibit Restriction of Competition (Aug 2001)
Pohang Iron & Steel Co.	97,180	7,290	2000.10	Govt. 3.1% Ind. Bank 23.6%	27,801	Introduce Professional Management System centered on Board of Director (2000.03)
Korea General Chemical	150	(570)	2001.12	Failure of Sales	-	Repeal 「Korea General Chemical Industry Act」 (Dec 2001)
Korea Heavy Industry and Construction	30,080	450	2000.12	Ind. Bank 31.2% KEPCO 40.5%	4,290	-
Korea Telecom	77,840	800	2002.05	Govt. 71.2%	126,999	Revision of 「Telecommunications Business Act」, Repeal 「Korea Telecommunications Corporation Act」 (Dec 2000)
Korea Tobacco	42,430	2,260	2002.10	Govt. 28.8% Ind. Bank / Corp. Bank / IMEX Bank 52.2%	30,513	Revision of 「Tobacco Business Act」 (Mar 2001)

III Reform for Corporate Restructuring

III. Reform for Corporate Restructuring

1 Guidelines and principles of corporate restructuring

(1) Guidelines of corporate restructuring

- **Fulfill the agreement with IMF faithfully**
- **Present transparent and objective criteria that meet global standards**
- **Seek out the way of restructuring based on market system**
- **Make creditor financial institutions initiate restructuring, and encourage shaky companies left out of the market in the early stage and self-effort by companies**
- **Restore price mechanism in the market and improve environment for foreign investment.**

III. Reform for Corporate Restructuring

(2) Differentiate the way of restructuring by corporate size

① 5 Big conglomerates restructure mainly through‘Financial Structure Improvement Contract’ with creditor financial institutions and ‘BIG DEAL’ considering their self-restructuring ability

② 6~64 conglomerates and middle-sized companies restructure by ‘WORKOUT’ initiated by financial institutions considering low self-restructuring ability and poor liquidity

③ Small and medium sized companies restructure by criteria of survivability, emphasizing stabilization of management such as liquidity facility and prevention of chain of bankruptcy

III. Reform for Corporate Restructuring

2 Institutional Reform for Corporate Restructuring

(1) Enhance transparency in enterprise management

(2) Prohibition of cross-repayment guarantee by conglomerates

(3) Financial structure improvement

(4) Establishing core business by inducing restructuring plan such as mergers and abolition of affiliates included in the financial structure improvement contract

(5) Enhancing responsibility of controlling shareholder and management

(6) Enactment of ‘Foreign Investment Promotion Act’ and approvement of M&A by foreigners (1998.2.14.)

(7) Enactment of ‘Corporate Restructuring Promotion Act’ (September 2001)

(8) Enactment of ‘Debtor Rehabilitation and Bankruptcy Act’ to improve legal system related to withdrawal

IV Case of Corporate Restructuring

IV. Case of Corporate Restructuring

1 'Big Deal'(Business exchange): Restructuring to focus on core business

(1) Need for 'Big Deal'

- **Till December 1998, more than 20,000 small and medium sized companies went bankrupt and about half of 6~30 conglomerates were almost dismantled from financial crisis**

  - However, Self-restructuring of 5 big conglomerates was not satisfactory

- **Loan of 5 big conglomerates, which exceeded 30% of the total loan of Korean companies, did not decrease**

  - Excessive size of loan was considered potential detonator for financial instabillity and Korea's credit rating remained 'non-investment grade.'

  - Foreign investment by 5 big conglomerates was sluggish

IV. Case of Corporate Restructuring

(2) Agreement for 'Big Deal'by government and business circles

- On July 4. 1998, President and business circles announced 9 agreements, that mentioned Big Deal officially for the first time.
- Government explained economic effect of Big Deal as follows:
  - ① Elimination of excessive overlapping investment
  - ② Elimination of excessive overlapping labor force
  - ③ Improvement of financial structure
  - ④ Specialization on core business and economy of scale

(3) Federation of Korean Industries announced 'Big Deal'plan of 7 industries

- On September 3, 1998, Federation of Korean Industries announced business restructuring plan of 7 industries for Big Deal.
- However, Big Deal was delayed due to conflicts over selection of subjects in charge of management, until final agreement for business restructuring was announced on October 7, 1998.

IV. Case of Corporate Restructuring

< Table 6 > Big Deal in the 7 industries

Industry	Big Deal Plan
Semiconductor	- The company that evaluated highly would be in charge of management. (7:3)
Petrochemistry	- Hanhwa chemical and Daelim Industrial are merged into Yeochun NCC and exchange business
Aircraft	- Hyundai Aerospace, Samsung Aerospace and Aerospace Business Unit from Daewoo Heavy Industries are merged into Korea Aerospace Industries. - Korean Air still continued business.
Railway Vehicle	- Hyundai Precision Industry, Daewoo Heavy Industry and railway vehicle business from Hanjin Heavy Industry are merged into The Korea Rolling Stock Technical Corporation.(ROTECO)
Oil Refinery	- Oil refinery business from Hanwha Energy were sold into Hyundai Oil Refinery. - SK, LG, Ssangyong still continued business.
Marine Engine	- Marine Engine business from Samsung Heavy Industry was transferred into Korea Heavy Industry. - Marine engine business from Hyundai Heavy Industry still continued business.
Power Generation Facility	- Power generation facility of Samsung Heavy Industry and Hyundai Heavy Industry were transferred into Korea Heavy Industry.

(4) Process of Big Deal in the Semiconductor

Situation of Semiconductor Industry

- Samsung, Hyundai and LG, which claim 40% of worldwide market, expanded facility investment to increase market share; however, Hyundai and LG accumulated deficit from 1997 to June 1998.

< Table 7 > Ordinary profit and debt ratio of Samsung, Hyundai and LG semiconductor

	ordinary profit (billion won)			debt ratio (%)		
	1996	1997	1998.6.	1996	1997	1998.6.
Samsung	223.6	156.1	319.8	211	296	245
Hyundai	81.8	-181.1	-330.5	335	688	935
LG	91.1	-289.7	-249.2	235	487	617

IV. Case of Corporate Restructuring

Opposition of LG semiconductor

- On December 27, 1998, LG semiconductor did not accept evaluation results of Arthur D. Little claiming lack of fairness, objectiveness, and professionality and announced to file a law suit.
- In response, the government announced to place financial restraints such as withdrawal of overdue loan by creditor banks group if LG did not accept big deal.

Agreement of LG semiconductor

- On January 7, 1999, Chairman of LG announced agreement to Big Deal after meeting with the president.
- October 14, 1999, Merger of Hyundai Electronics and LG Semiconductor

IV. Case of Corporate Restructuring

After Big Deal

- In August 2001, Hynix declared default because of excessive debt of 11.05 trillion won and recession of semiconductor industry.
- Government, which initiated Big Deal, tried to evade responsibility claiming creditor group to settle the problem, and creditor group wrote off debt by infusing additional funds and debt-equity swap.
- From March 2000, Hynix received public funds of 13.7802 trillion won in total, including privileged financial support of 8.9017 trillion won and debt management of 4.8785 trillion won.

(5) Evaluation of Big Deal

- Policy briefing session of Kim Dae-jung Government was held on January 17, 2003 and admitted that 5 out of 23 economic policies were insufficient and one of them was Big Deal policy.

- Policy evaluation committee concluded that direct involvement by government into private company's business structure like Big Deal could prevent free market activity, so it needs to be minimized.
  - The committee also concluded that government's direct involvement with insufficient information about companies was ineffective.

2 Corporate Restructuring by Daewoo Conglomerate (Failure Case)

(1) Introduction of Daewoo Conglomerate

- Daewoo conglomerate was Korea's no. 2 chaebol with 36 domestic subsidiaries and 253 foreign subsidiaries as of the end of April, 1999.

< Table 8 > Daewoo Conglomerate as of 1998

Total Asset	76.3 trillion won	17% of Korea's current price GDP
Sales	61.3 trillion won	13.6% of Korea's current price GDP
Export	17.64 billion dollar	13.3% of Korea's total export (132.3 billion dollar)
Number of employees	- affiliates : 105,000 - business partner : approximately 320,000	–

IV. Case of Corporate Restructuring

(2) Cause of Daewoo Conglomerate's low liquidity

- **(Continuing risky business expansion) While having weak financial structure, Daewoo did not restructure by selling subsidiaries or assets,**
  - **Instead, Daewoo Group increased financial loan to cope with insufficient funds during the financial crisis period, thereby causing the collapse.**

< Table 9 > Number of Daewoo Group's subsidiaries

(unit : number of subsidiaries)

	95. 4.(A)	96. 4.	97. 4.	98. 4.	99. 4.	Increase (B-A)
Domestic	21	25	31	36	36	15
Foreign	117	147	219	239	253	136
Total	138	172	250	275	289	151

IV. Case of Corporate Restructuring

- (Rapid increase of short-term borrowings) Daewoo issued a large amount of corporate bonds and commercial paper to cope with insufficient liquidity, which caused a vicious circle of finance.
  - Daewoo issued corporate bonds of 22.039 trillion won and commercial paper of 8.719 trillion won from 1998 until June 1999. (too big to fail)

< Table 10 > Financial loan of domestic subsidiaries in Daewoo group

(unit : billion won)

	97.12.(A)	98. 8.	98. 12.	99. 3.	99. 6.(B)	B-A
total loan	28,712	46,243	43,907	44,250	43,389	+ 14,677
bank	8,614	9,141	8,231	8,434	8,609	- 5
secondary banking institution	8,115	6,273	3,989	4,017	4,022	- 4,093
corporate bond	8,414	14,322	19,702	19,703	22,039	+ 13,625
commercial paper	3,569	16,507	11,985	12,096	8,719	+ 5,150

(3) Restructuring and Workout of Daewoo Group

- (December 19, 1998) Daewoo group signed 'Contract for Financial Structure Improvement' with main creditor bank
  - (Reduce subsidiaries) From 36 as of December 1998, down to 10 until December 1999
  - (Lower debt ratio) Lower debt ratio down to 199.5% until the end of 1999 by 15 trillion won with self-help efforts

- However, Daewoo Group's debt was already increased 17 trillion from the end of 1997 until the end of 1998, with a debt ratio of 474% in 1997 to 527% in 1998
  - Result of self-help efforts from the end of 1998 until 1st quarter of 1999 was 1.2 trillion, which was only 18.5% of the goal

IV. Case of Corporate Restructuring

< Table 11 > Self-help efforts of 5 big conglomerates from 1998 to 1999

(unit : trillion won)

	Hyundai	Daewoo	Samsung	LG	SK
Goal	7.3	6.5	6.4	6.2	0.9
Result	7.5	1.2	6.2	6.1	1.1
Implementation rate	102.7%	18.5%	96.1%	97.6%	114.5%

- **(August 26, 1999) Creditor group decided 'Workout' program on 12 subsidiaries of Daewoo Group.**
  - In the end, Daewoo Group could not restructure by itself; in turn, creditor groups took over the initiative.

IV. Case of Corporate Restructuring

4 Corporate Restructuring by Doosan Group (Success Case)

(1) Background of Doosan Group's Restructuring

- **(Crisis in beer market) OB Beer, major affiliate of Doosan, faced market share drop and diminishing profits.**
  - At the time, debt ratio of Doosan Group already exceeded 600%.

< Table 12 > Market share of beer in Korea

	1993	1994	1995	1996	1997	1998
OB	69.6%	60.7%	48.7%	40.4%	38.0%	35.0%
HITE	30.4%	33.8%	39.2%	42.5%	44.5%	47.5%
JCBC	0.0%	5.5%	12.1%	17.1%	17.5%	17.5%

< Table 13 > Ratio of OB Beer's sale in Doosan Group

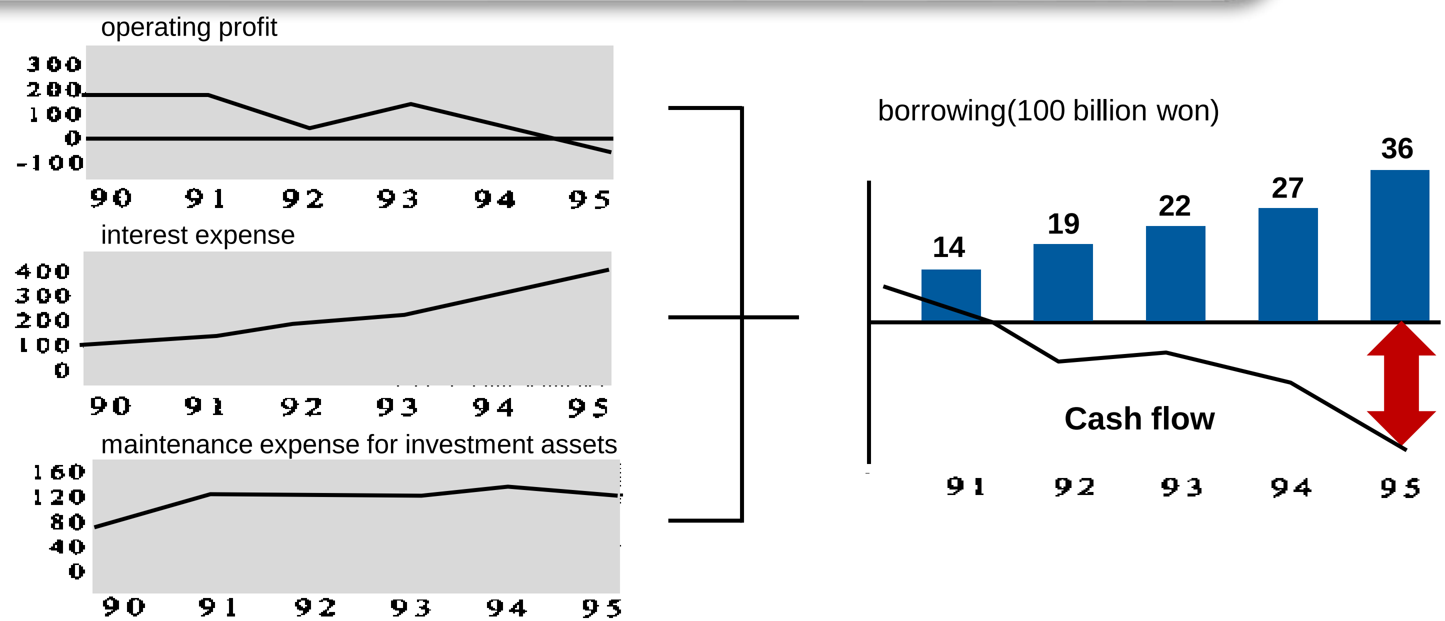
	1993	1994	1995	1996
Doosan Group	4,374	5,021	5,048	4,883
OB Beer(share)	1,376 (31%)	1,373 (27%)	1,196 (24%)	1,515 (31%)

IV. Case of Corporate Restructuring

▶ (Dramatic increase of borrowing) Aggravated cash flow

- Doosan's operating profit continuously decreased due to lowered competitiveness and Doosan went in the red in1995.
- In the end, cash flow of Doosan was continuously aggravated and the borrowing also had to increase to cope with this, creating a vicious circle.

< Figure 1 > Borrowing increase of Doosan Group



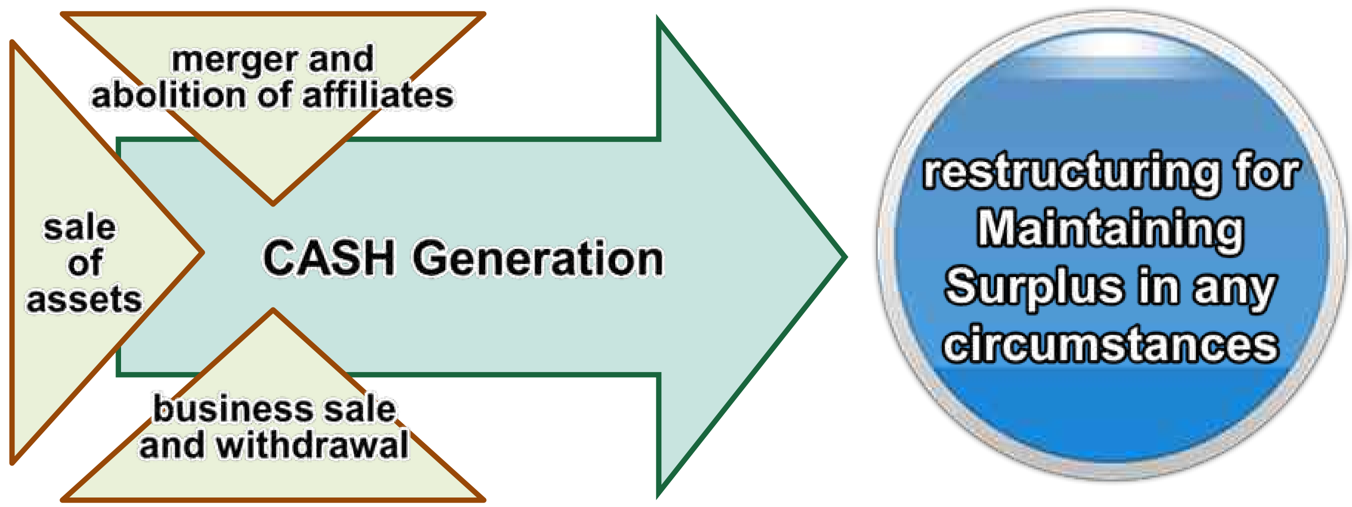
IV. Case of Corporate Restructuring

(3) Restructuring of Doosan Group

First Restructuring : December 1995 ~ December 1997

- Emphasized cash inflow by sale of assets, merger and abolition of affiliates, business sale and withdrawal
  - Aimed to ensure cash inflow rather than high growth and high profit rate

< Figure 2 > Summary of first restructuring



IV. Case of Corporate Restructuring

- **Sale of assets**
  - Steading of OB Beer's factory sold to Seoul City
  - Sold stock without right of management : 3M, Kodak, Nestle

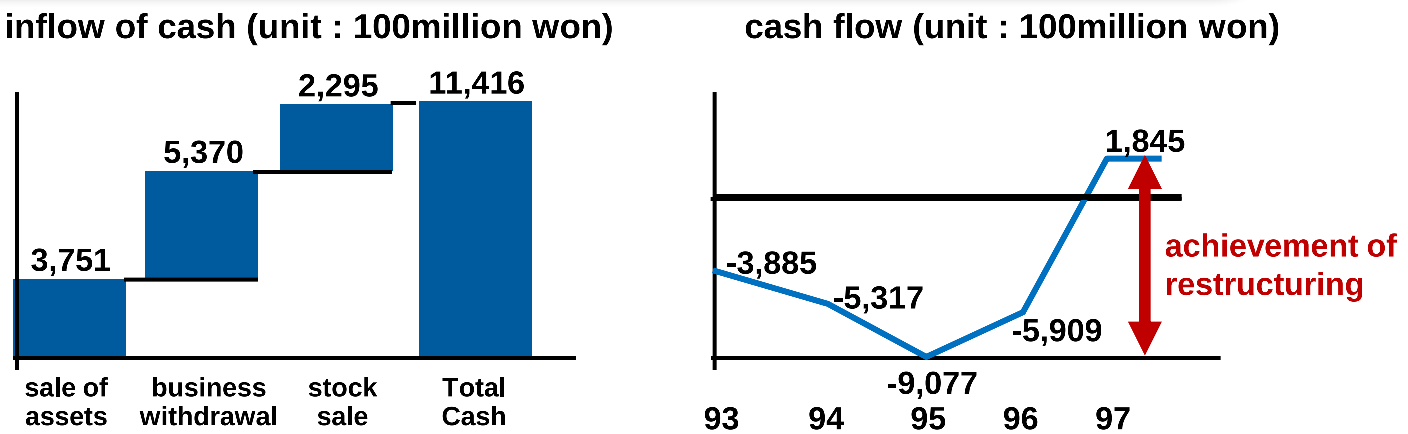
- **Merger and abolition of affiliates :**
  - 29 affiliates in 1995 reduced to 23 in 1997.

- **Business sale and withdrawal**
  - Sold marginal firms such as dairy and marine business
  - Sold Coca-cola, which was its net company, to headquarters of Coca-cola in the US

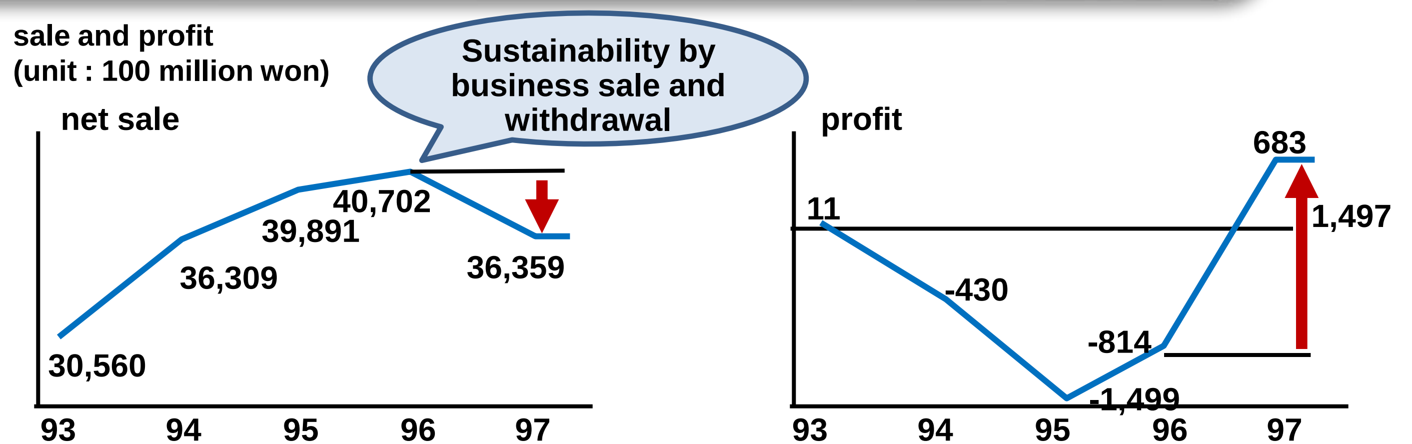
- **After the first restructuring, total cash inflow of Doosan Group was 1,141.6 billion won with 375.1 billion won by assets sale, 537 billion won by business withdrawal and 229.5 billion won by stock sale.**
  - Cash flow improved from minus 907.7 billion won in 1995 to plus 184.5 billion won in 1997

IV. Case of Corporate Restructuring

< Figure 3 > Achievement of first time restructuring (1)



< Figure 4 > Achievement of first restructuring (2)



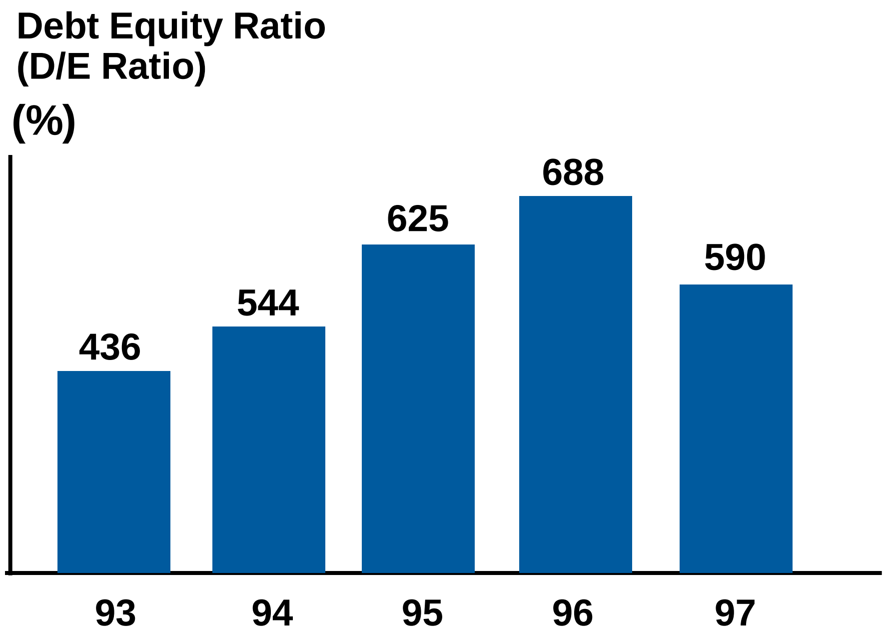
IV. Case of Corporate Restructuring

Second Restructuring : December 2, 1997 ~ September 1, 1998

▶ **Financial crisis encroached the achievement of first time restructuring**

- **While first time restructuring was successful, Doosan Group still had a high debt ratio of almost 600%.**

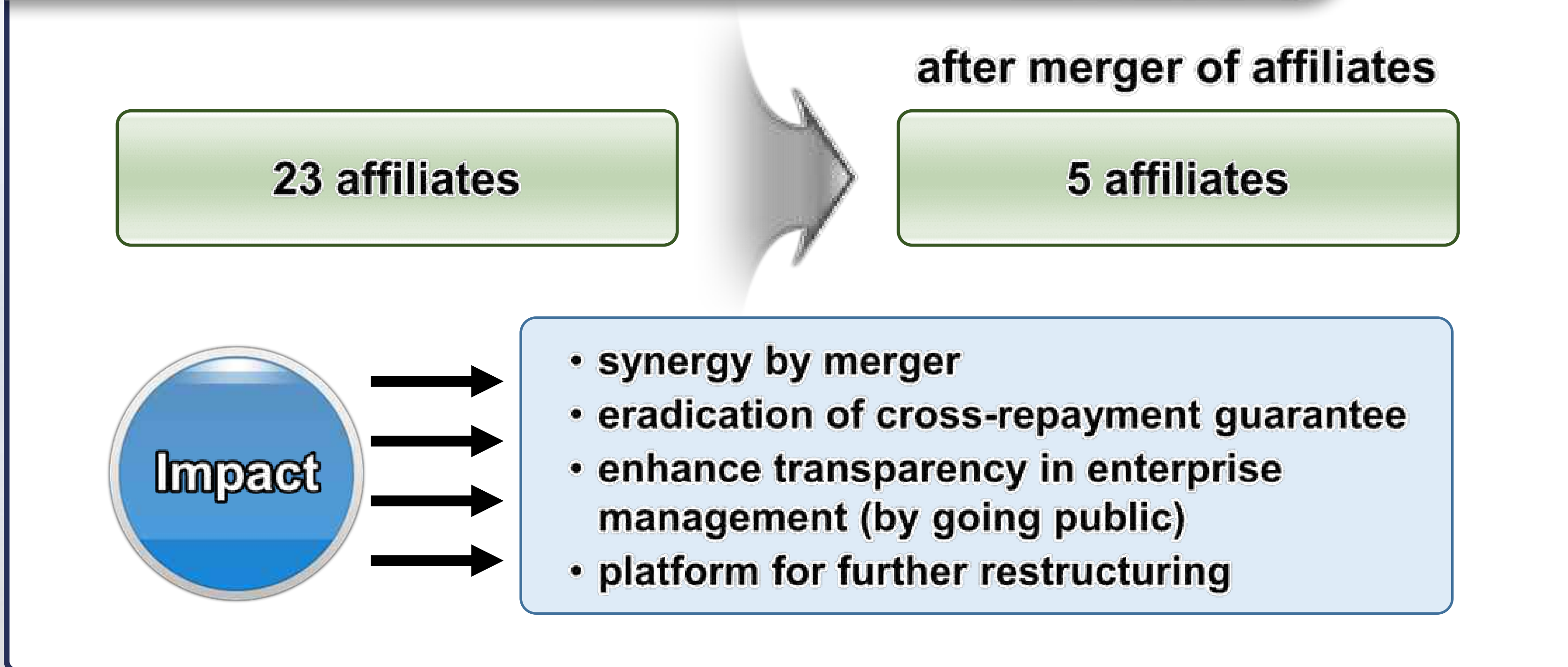
< Figure 5 > Debt ratio of Doosan Group



IV. Case of Corporate Restructuring

- **Second restructuring aimed at financial structure improvement for survival under the financial crisis.**
  - Merger and abolition of affiliates, additional assets sale, foreign direct investment

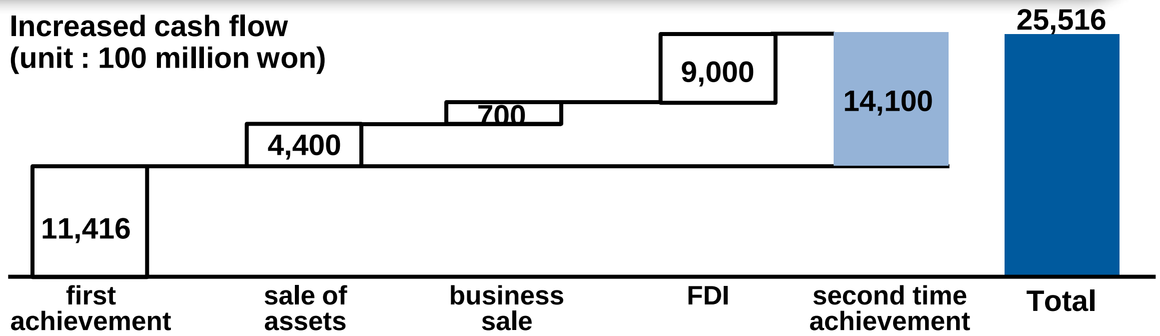
< Figure 6 > Merger of affiliates



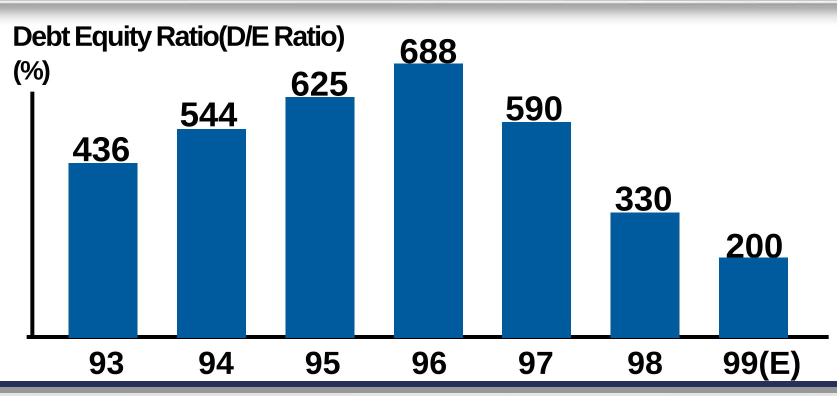
IV. Case of Corporate Restructuring

- After the second restructuring, total cash inflow of Doosan Group was 1,410 billion won with 440 billion won by assets sale, 70 billion won by business withdrawal and 900 billion won by foreign direct investment.

< Figure 7 > Achievement of second restructuring (1)



< Figure 8 > Achievement of second restructuring (2)



V Evaluation and Tasks of Corporate Restructuring

V. Evaluation and Tasks of Corporate Restructuring

- Various evaluations exist – positive vs. negative

1 Positive evaluations

- Overcame financial crisis in the early stage and built foundation for stable economic growth

- (Efforts to remove structural vulnerabilities) Efforts, not limited to prepare short-term measures to escape from financial crisis, but to fundamentally eliminate structural vulnerabilities of high-cost and low-efficiency in our economy.

- (Based on legal systems) Restructuring program and reform was in most cases based on laws and regulations that need legislative consent. This means the people's consensus was achieved.

2 Negative evaluations

- **(Government's excessive involvement) Most negative criticism on restructuring policy comes from the fact that the government was involved too much in restructuring while advocating a market economy.**

- Restructuring is a dynamic process in which firms or financial companies adjust to the changing economic environment.

- In a normal situation, it is proper that firms that cannot adjust to changing economic environment should be left out of the market.

- However, at the time of financial crisis, market systems collapsed and did not function well. Most firms did not have the capacity or will to adjust to a dramatic change, so it is undesirable to call for government's non-involvement.

V. Evaluation and Tasks of Corporate Restructuring

3 Difficulties in restructuring

- **(Degrees of government's involvement) The most difficult thing in corporate restructuring was not to decide if the government should be involved, but to decide in what degree the government should involve in corporate restructuring.**

  - This comes from low reliability of accounting caused by accounting fraud.

- **(Fairness) It is uncertain that fair rules of the game were applied in the process of leaving companies out of the market.**

  - There could have been bankrupt companies that could have survived if financial support was given, and surviving companies that were luckily given support despite having bad financial structure.

  - This issue is also related with accounting fraud.

4 Policy implication : Establish order to ensure fair competition market

- The reason why the existing order should be changed is to gain more societal and national benefits through the changes.
- However, there are some who gain and others who lose when the existing order changes.
- Those who oppose the change are the people with vested rights who would lose their vested powers for gaining.
- Therefore, the opposition of the people with vested rights needs to be overcome if existing order should change by restructuring or reform.
- To make this possible, social transparency should be enhanced so that not only stakeholders but also all the people may gain enough information.
- In conclusion, the biggest task of our society is to establish order to ensure a fair competition market and to enhance transparency for its support.

감사합니다

Ομιλία Mr.Keewon PARK

Korea Trade – Investment Promotion Agency, KOTRA

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Korea Trade-Investment
Promotion Agency

KOREAN – HELLENIC INDUSTRIAL COOPERATION

2015.12.04.

KOTRA

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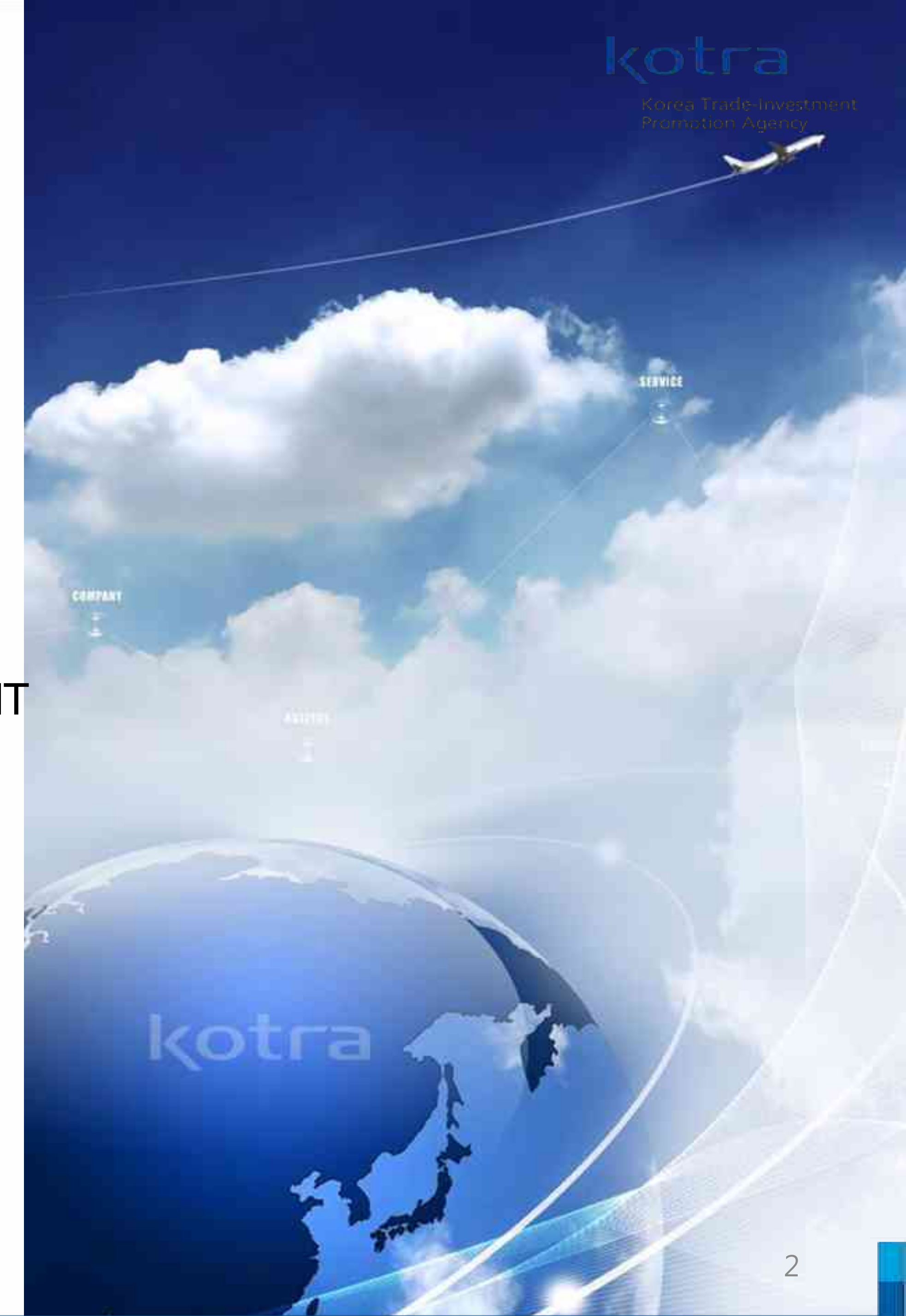

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KOREAN ECONOMIC DEVELOPMENT STRATEGY

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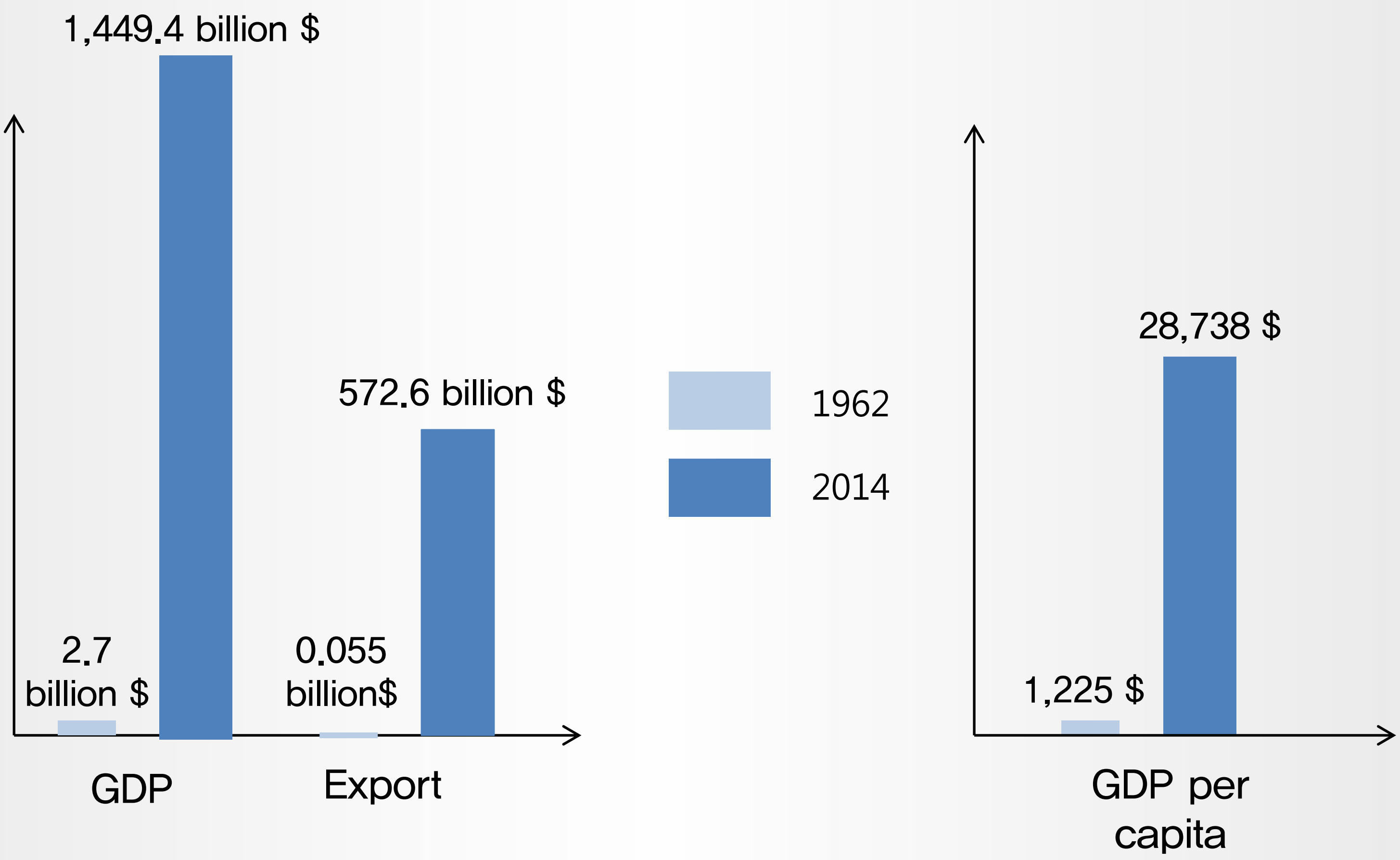
Korea Trade-Investment Promotion Agency

Export is the only way + National movement " We can do it "



KOTRA's role in Korean Economy

To go abroad SME's need

Foreign Trade & Investment Promotion Activities

kotra
Korea Trade-Investment Promotion Agency

KOTRA Now 83 Countries, 123 representations
worldwide network

Main events
directions

Global partnering | Investment | Market research | Sales trip support | Specialists training | Trade delegations | Exhibitions

KOTRA Athens Office
since 1973

Korean – Hellenic Economic Relations

1 TRADE

2 INVESTMENT

3 PROSPECT

(Unit: Mil US$)

	2012	2013	2014	2015.10
Export	1,908	884	1,048	1,230
Import	247	272	411	223
Total	2,155	1,156	1,459	1,453

Korea to Greece
13 cases : 10mil$ (2015.11)

Greece to Korea
9 cases : 11mil$ (2015.11)

Big Potential

Big Possibility

Together for the Future

kotra
Korea Trade-Investment Promotion Agency

What hinders mutual cooperation

Together for the Future

Industrial Cooperation

1 Shipbuilding and Shipping	2 ICT	3 Tourism & Culture
Korea-Hellas Shipbuilding Cooperation Meeting Korea-Hellas Shipping Cooperation Day	Information Communication E-ticketing E-government Border control etc.	Korean Drama Advertising Greece in show of 꽃보다 할배 " Grandpa over flowers "

Together for the Future

Industrial Cooperation

4 Green Energy & Environment

5 Agricultural & Food

6 Infrastructure

Solar
Wind
Energy
Smart Green

Korean Food
Consumption

(import )

Exhibition Seoul Food

Korean-Hellenic
Chamber of
Commerce
(since 2006)

THANK YOU

Korea Trade-Investment Promotion Agency

HELLENIC REPUBLIC ASSET DEVELOPMENT FUND

Why Privatisations

Privatisations provide both direct and indirect benefits to the country and the society as a whole.

Not only will they have **significant financial benefits**, as their proceeds will help to reduce the public debt burden, but they will also attract much needed **investments to re-launch the Greek economy**, benefiting the society and touching the everyday life of the citizens.

HRADF

- The Hellenic Republic Asset Development Fund was **established** in July 2011 (Law 3986), with a share capital of 30m and with the sole objective to implement the privatization program of the Hellenic Republic. It's **mission** is to maximize the value brought to the Greek Sate by the development and/or sale of assets transferred to it

- HRADF is **directed** by a 5-member BoD appointed by the Hellenic Republic. Two observers, without voting rights, participate into the BoD's meetings, appointed by the member-states of the Eurozone and the European Commission. The decisions of the Board of Directors take into account the opinion of the Council of Experts, a 7 persons committee with broad experience and strong academic qualifications

- The **assets** transferred to the Fund can be grouped in three categories:
    - company shares
    - rights
    - real estate

- More than 80,000 properties have been initially accessed so far and more than 3,000 properties have been pre-selected for development

- Implemented electronic auction e-publicrealestate.gr for medium and small real estate assets

Why HRADF

- Efficiently runs the largest privatizations program in the world
- Sole agent embedded with attracting FDI in the country
- Fully transparent procedures at all stages
- Highly sophisticated team
- Results-oriented approach
- Collaboration with top international Advisors throughout the process
- Full coordination with governmental policy
- One-stop shop approach: Pre-privatization preparation; implementation of the privatization plan
- Successful track record in big privatizations

Effective and Transparent Decision-making process

Hellenic Republic

- Strategic directions
- Assets transfer
- Legislation

Financial, legal, technical advisors

HRADF
Members of the Board of Directors
+
Observers appointed by the International Institutions (EC, ECB, ESM and IMF)

HRADF's staff

Council of Experts

Independent Evaluator

Privatisation procedures

Preferred Bidder

Control of procedures

Court of Auditors

Approval

CONTRACT

Transparency and effectiveness in the decision-making process are safeguarded by the active involvement of 3 independent parties:

- Council of Experts
- Independent Evaluator
- Court of Auditors

Outline of HRADF's Typical Privatisation Process

Preparation	Expression of Interest	Prequalification	Invitation to Tender	Binding Offers	PREFERRED BIDDER	APPROVALS	COMPLETION
▪ Appointment of Advisors ▪ Asset Maturity Process (Legal issues, regulatory issues, EU Issues, tax Issues) ▪ Premarketing ▪ Tender Preparation	▪ EoI Preparation ▪ EoI Publication (Media, website)	▪ Prequalification ▪ Due Diligence	▪ Tender Documents Preparation ▪ Tender Documents-Final drafts preparation (SPA,SHA) ▪ VDR	▪ Binding Offers Submission ▪ Bid Review	▪ Council of Experts ▪ Board of Directors Approval	▪ Court of Auditors ▪ Regulatory Authorities ▪ EU Authorities	▪ Financial Closing ▪ Transfer of Proceeds ▪ Dispute Resolution
				▪ Independent Evaluator			

20 weeks	6 weeks	14-20 weeks	8-12 weeks

HRADF

Hellenic Republic

The Program is part of HRADF's core structure

Privatization Program Coordination

- Program management
- Progress review and follow up
- Management and progress reports

Shares and Rights Division

- Sale of shares
- Sale of rights
- Restructurings / company preparation
- Drafting/monitoring advisory contracts
- Legal due diligence of asset development contracts
- Legal follow up of asset development processes

Real Estate Division

- Preparation of real estate
- Sale of real estate
- Real estate development and concession projects
- Drafting/monitoring advisory contracts
- Legal due diligence of asset development contracts
- Legal follow up of asset development processes

Long-term benefits to the country

- Jobs creation
- Contribution to state budget by their direct and indirect taxation
- Introduction of guidelines promoting environmental principles in investments
- Provision of better services for the citizen
- Less regulatory burdens in day-to-day transactions of the citizen with the State – flexible public administration
- Improvement of living conditions of local communities
- Repositioning of Greece on the international tourism map as premium destination
- Promotion of Greece as an alternative tourism destination (e.g. through spas, ski resorts etc.)
- Introduction of corporate governance rules
- Enhancement of visibility of Greek islands through promotion of their infrastructure

Vital Reforms by the Government in support of Privatisations

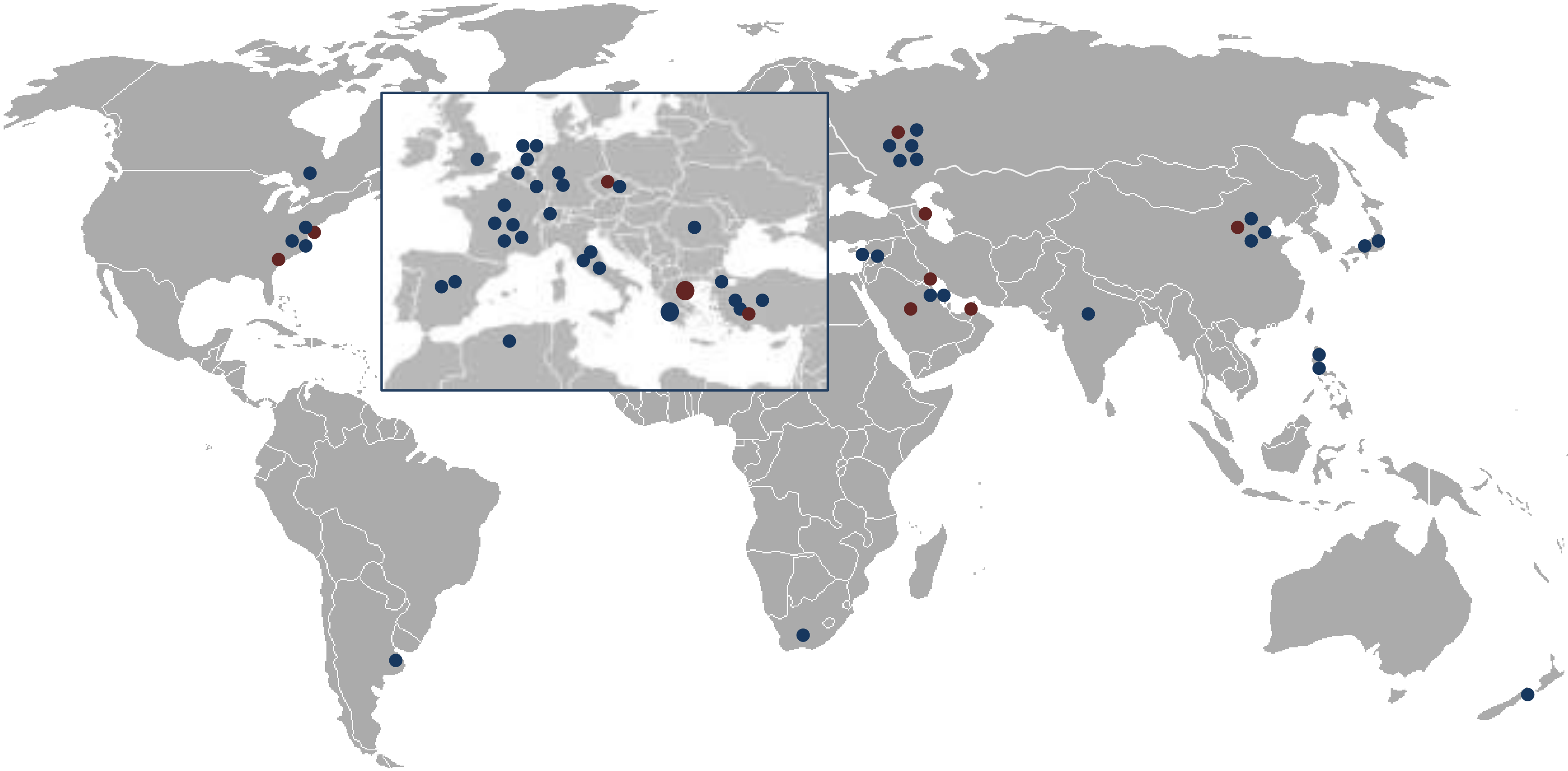
More than 100 major regulatory and legislative actions have been settled

Some key reforms

- Creation of Independent Regulatory Authorities
  - Management of Water and Sewerage
  - Ports
  - Airports
  - Motorways
- Elimination of obligatory participation in the BoD of the representatives of the employees in companies like HELPE,DEPA/DESFA,EYATH,OLP etc
- Surface right and urban planning maturity Creation of Spatial Development of Public Real Estate (ESHADA), for the speed up of provision of license
- Law for annulment of the minimum percentage that the Hellenic Republic has to hold in companies like HELPE,DEPA/DESFA,EYATH,OLP etc

These reforms have been long awaited by the Hellenic Republic and are vital both for the privatisation program and for the public interest

Investors Interest



Preferred Investor

Interest Expressed

PORTFOLIO

CORPORATE

INFRASTRUCTURE

REAL ESTATE ASSETS

LARGE PORTFOLIO OF ASSETS

CORPORATE – CATEGORIES OF ASSETS

Listed Shares

- Energy, Power and Utilities
- Gaming
- Transportation & Logistics

Unlisted Shares

- Defense
- Mining & Minerals
- Transportation & Logistics
- Energy, Power and Utilities

Rights

- Gaming
- Transportation & Logistics

Corporate – 7 Assets

OPAP

ODIE

HELPE

STATE LOTTERIES

ΕΛΤΑ
Hellenic Post

ELTA

DEPA

DESFA

KEY CORPORATE ASSETS

HELLENIC GAS TRANSMISSION SYSTEM OPERATOR (DESFA)

DESFA, DEPA's wholly-owned subsidiary, owns and operates the regular high pressure gas transport network and LNG re-gasification facilities in Greece

- HRADF concluded in August 2013 the sale of 66% of the National Natural Gas System Operator (DESFA) shares to Azerbaijani firm SOCAR for a total consideration of €400 m
- HELPE sold 35% of DESFA shares and HRADF 31%
- The Hellenic Republic will remain as the shareholder of 34% of DESFA shares

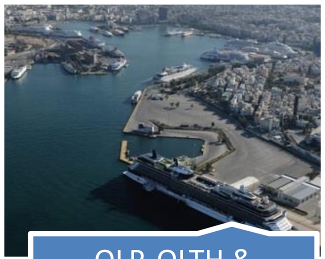
INFRASTRUCTURE – CATEGORIES OF ASSETS

Listed Shares
- Energy, Power & Utilities

Unlisted Shares
- Transportation & Logistics

Rights
- Transportation & Logistics
- Energy, Power & Utilities
- Communication

Infrastructure – 10 Assets



OLP, OLTH & Regional Ports

EYATH

MARINAS

PPC

REGIONAL AIRPORTS

EYDAP

S. KAVALA NATURAL GAS STORAGE

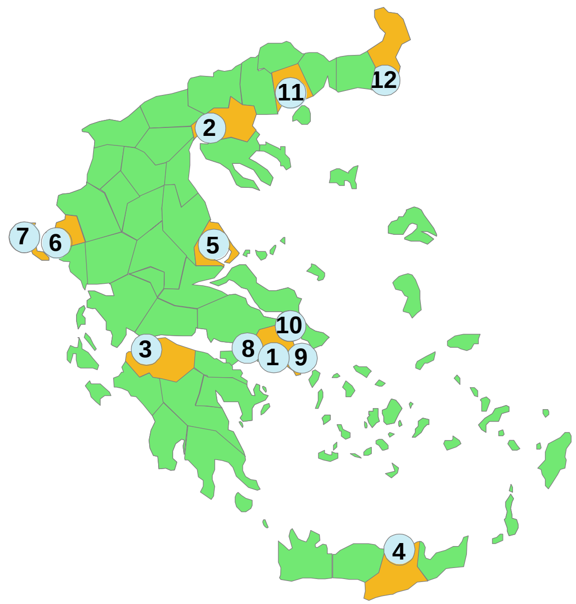
EGNATIA MOTORWAY S.A.

AIA

TRAINOSE & ROSCO

KEY INFRASTRUCTURE ASSETS

12 Ports including OLP & OLTH



#	Port	Container	General Cargo	Dry Bulk	Car Terminal	Ferry	Cruise
1	OLP	✓	✓	✓	✓	✓	✓
2	OLTH	✓	✓	✓		✓	✓
3	Patra		✓	✓		✓	
4	Heraklion	✓	✓	✓		✓	✓
5	Volos	✓	✓	✓		✓	✓
6	Igoumenitsa					✓	✓
7	Corfu					✓	✓
8	Elefsina		✓	✓		✓	
9	Lavrion		✓			✓	
10	Rafina					✓	
11	Kavala		✓	✓		✓	✓
12	Alexandroupolis		✓	✓		✓	

HRADF owns

- *approx 74% of the share capital in listed OLP & OLTH*
- *100% of the share capital in the remaining ports*

Port Status

- *The Hellenic Republic is the owner of port zones*
- *All twelve companies have long-term concessions with the Hellenic Republic for the use and exploitation of the respective port zones*

Port Activity

- *Piraeus Port is by far the largest Greek port in terms of passenger and container traffic*
- *Thessaloniki Port has stronger focus on cargo*
- *Corfu and Igoumenitsa Ports have significant presence in cruise and ferry traffic respectively*
- *Most of other ports are predominantly passenger ports (cruise traffic), with limited cargo traffic as well*

KEY INFRASTRUCTURE ASSETS

39 Regional Airports

- 28 on islands
- 11 with mixed civil/military use
- Currently, all regional airports are state-owned without any corporate structure and supervised by the Hellenic Civil Aviation Authority (HCAA)

- Two clusters of 7 regional airports each are currently under privatization through long-term concession (40+10 years)

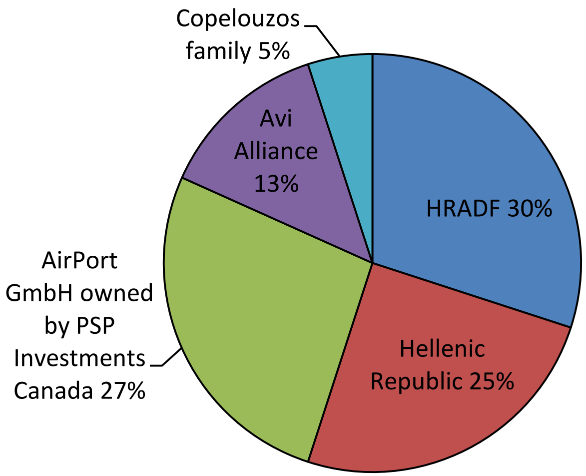
Cluster A	Cluster B
Thessaloniki	Skiathos
Kavala	Mytilini
Corfu	Samos
Aktion	Mykonos
Kefalonia	Santorini
Zakynthos	Kos
Chania	Rhodes

KEY INFRASTRUCTURE ASSETS

Athens International Airport

Asset Description

- HRAF owns 30% of AIA shares and has the right to extend the duration of the existing concession agreement for 20 more years (2026-2046)
- AIA is one of the most profitable airports in Europe and handled during the last year:
  - ✓ 15.7 million passengers,
  - ✓ 152,716 thousand flights
  - ✓ 51. thousand tons of cargo and mail
- State of the art facilities (capacity of 21m passengers/year, able to serve the largest passenger aircraft operating today A380, B747-8)
- Award-winning service levels for passengers and airport users
- Robust financials – high dividend distribution
- Attractive concession contract
- Strong management team

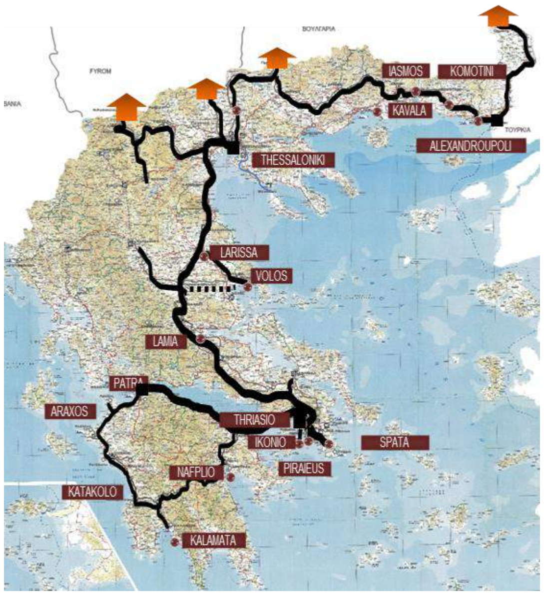


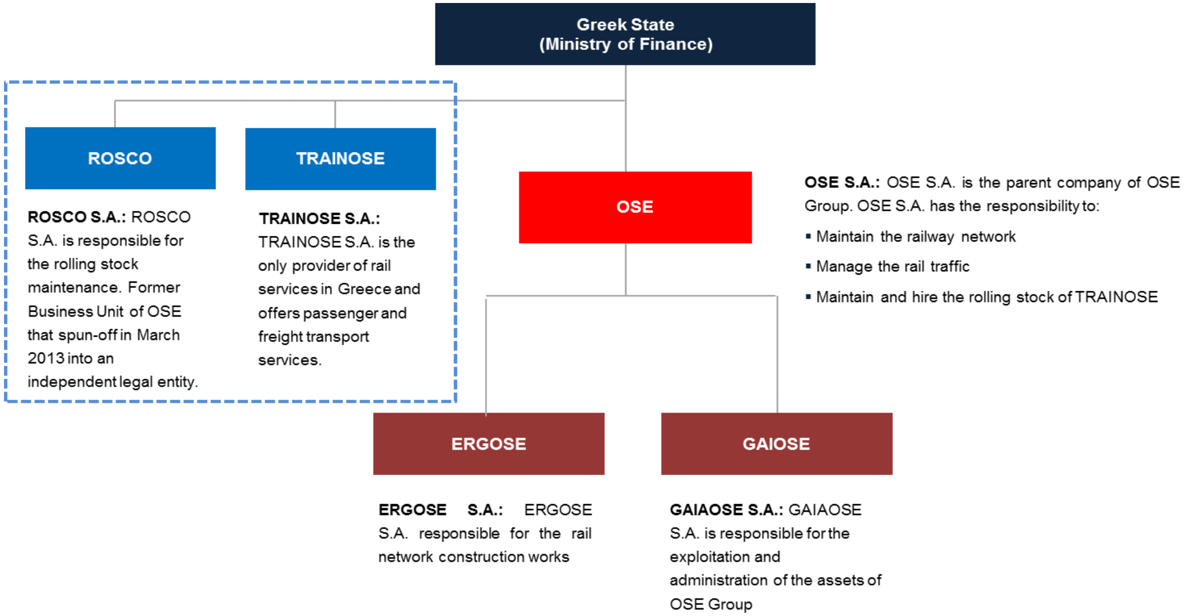
Status

- HRADF is in the process of evaluating its options in consultation with its fellow-shareholders

KEY INFRASTRUCTURE ASSETS

Railways (TRAINOSE & ROSCO)





Asset Description

- HRADF owns 100% of TRAINOSE and ROSCO share capital
- Privatisations of the Train Operator Company and the Rolling Stock
- Maintenance Company
- Interconnectivity of ports, roads and airports in Greece, SEE and Central Europe

Preparation

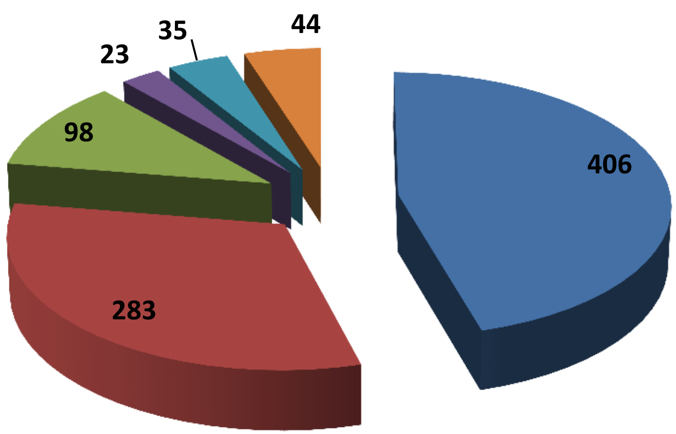
- Rationalization and restructuring of the Train Railway Operator
- New Railway Regulator
- Service agreements between related parties

Status

- Sale of the entire HRADF’s shareholding
- The tenders are currently in the second phase
- The prequalified investors are:
  - ✓ for TRAINOSE:
    - SNCF
    - Russian Railways RZD & GEK TERNA
    - Romanian Railways (GFR)
  - ✓ for ROSCO
    - Alstom
    - Russian Railways RZD & GEK TERNA
    - SIEMENS S.A

HRADF's Real Estate portfolio

HRADF Properties are grouped into the following Categories based on their main future use*:



- Tourism-Recreation
- Residential Uses
- Commercial uses
- Infrastructure
- Agricultural uses - Renewable Energy Sources
- Thematic Development

* The properties that have already been exploited by HRADF are not included

These first five main Categories include the following sub Categories:

Residential Uses

- Luxurious residents
- Urban regeneration
- Apartments

Commercial Uses

- Big Boxes
- Business Parks
- Shopping centers - Malls
- Shops
- Offices
- Parking
- Show centers

Infrastructure

- Warehouses
- Logistics
- Small Industries

Tourism - Leisure

- Hotels
- Historical hotels - Boutique hotels
- Vacation homes
- Sports & Leisure

Agricultural uses / Renewable Energy Sources

- Renewable Energy Sources
- Agricultural uses
- Livestock
- Aquaculture

Furthermore, HRADF has identified the following thematic clustering possibilities:

Thematic Development / Tourism - Leisure

- Golf
- Wellness Spring - Spa
- Ski Centers
- Boutique Hotels
- Olympic Assets
- Camping

The Hellinikon Privatisation

Current Status

Post Development

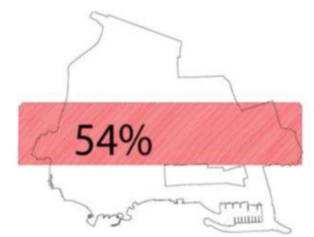
Asset Description

- Total area of 6.20 million sq.m. (620 hectares)
- 3.5 km of coastline
- 8 km from the center of Athens
- Largest sea-front urban development in Europe
- Estimated value of c. €7bn of investments
- Expected tax proceeds of c. €2 bn
- 15.000 jobs in the development stage and 35.000 jobs thereafter

Status

- LAMDA Development together with Abu Dhabi, Chinese and European funds announced preferred bidder
- Total consideration of €915mn
- €6 bn guaranteed investments
- The process is currently in the approval phase

Hellinikon vs Central Park



PROGRAM OVERVIEW

HELLENIC REPUBLIC ASSET
DEVELOPMENT FUND

POR

98

Real E

Asset Category

PRO

SEPTEMB

Privatisation Tenders

Completed

In progres

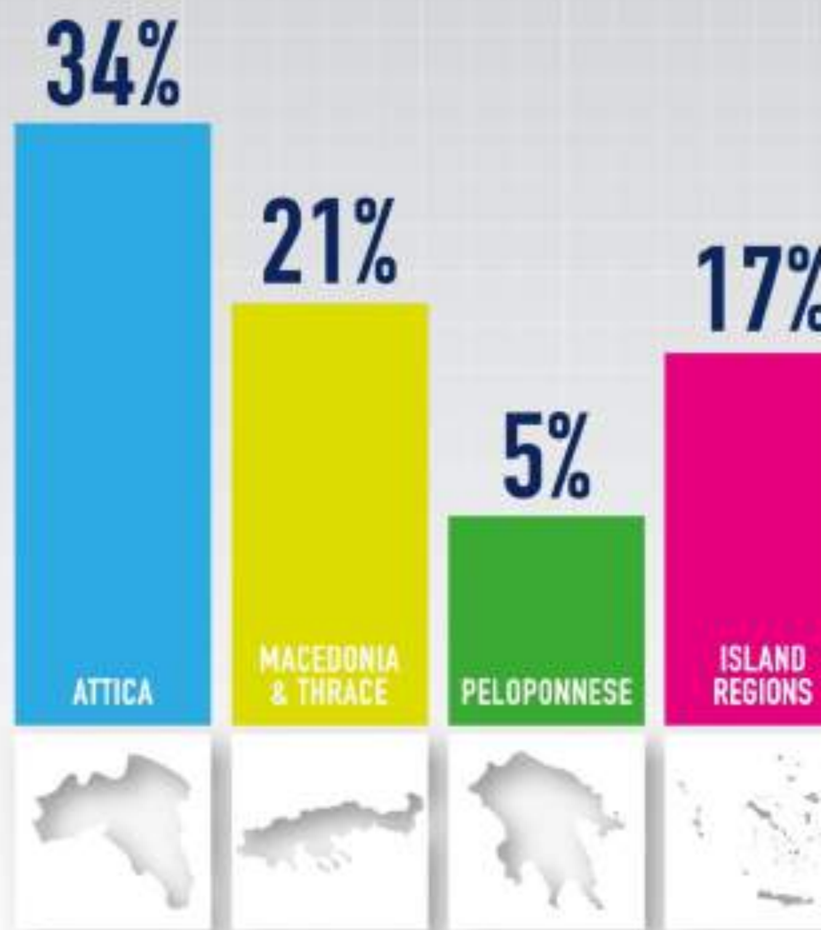
Under pre

PORTFOLIO OVERVIEW

€2,4 bil.

985
PROPERTIES

HRADF currently holds 985 properties of estimated value amounting to €2,4 bil.



PORTFOLIO OVERVIEW

HRADF PORTFOLIO'S PROPERTIES
CAN BE GROUPED INTO THE FOLLOWING MAIN CATEGORIES BASED ON THEIR
DEVELOPMENT POTENTIAL

LAND FOR TOURISM DEVELOPMENT

HOTELS

INFRASTRUCTURE

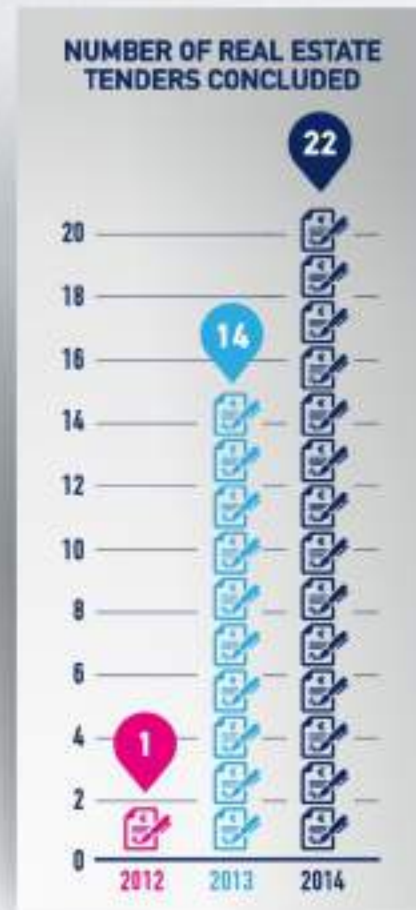
SPAS

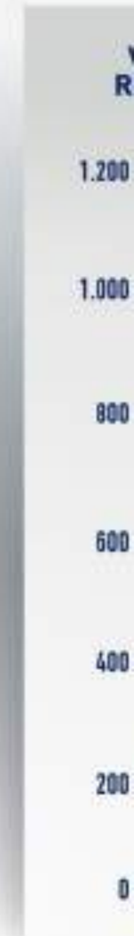
URBAN PROPERTIES

LISTED BUILDINGS

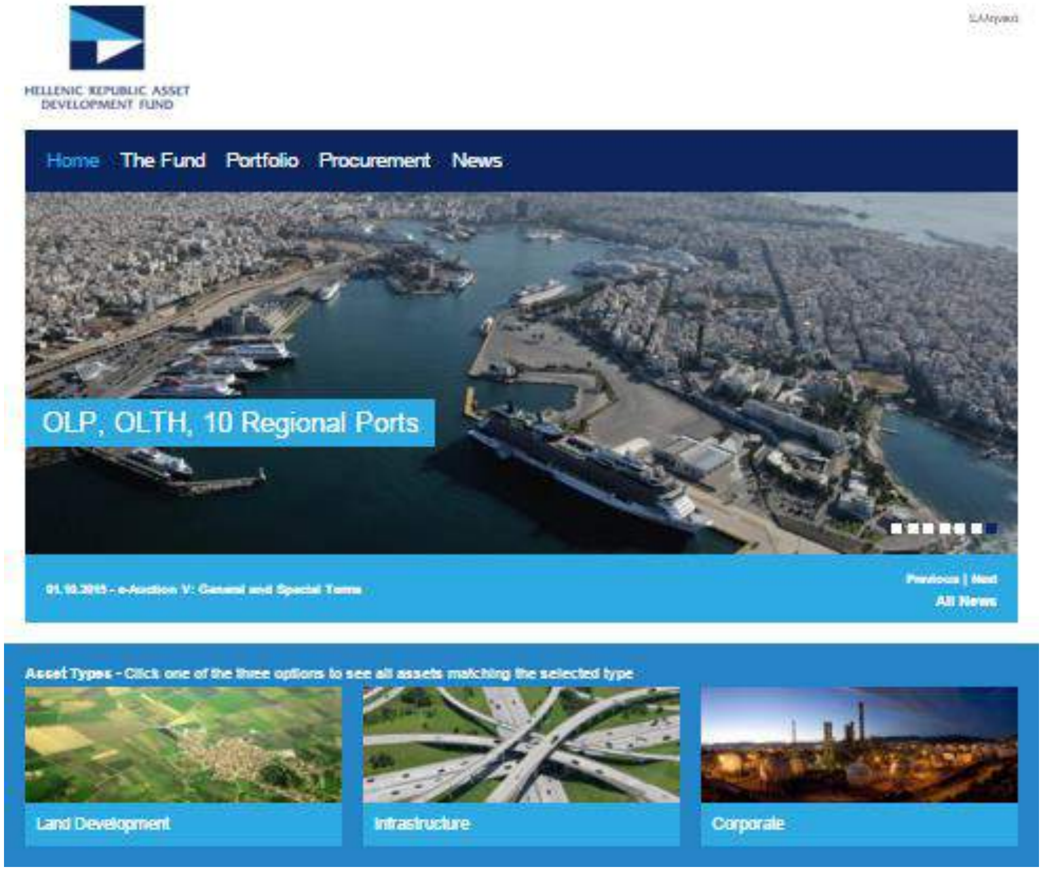
SYNOPSIS OF PROGRAMME IMPLEMENTATION'S RESULTS

INTERNATIONAL TENDERS





For more information visit HRADF at www.hradf.com



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Ομιλία κ. Παντελή Λάμπρου

Director, Strategic Communication & Market Analysis

The Greek Capital Market
as a tool for the economic turnaround and development

2015 Korean Hellenic Partnership Plaza
The Foundation for Economic & Industrial Research (IOBE) and the Korea Trade-Investment Promotion Agency (KOTRA)

"Eugenides Foundation", 4/12/2015

Pantelis LAMPROU
Director, Strategic Communication & Market Analysis

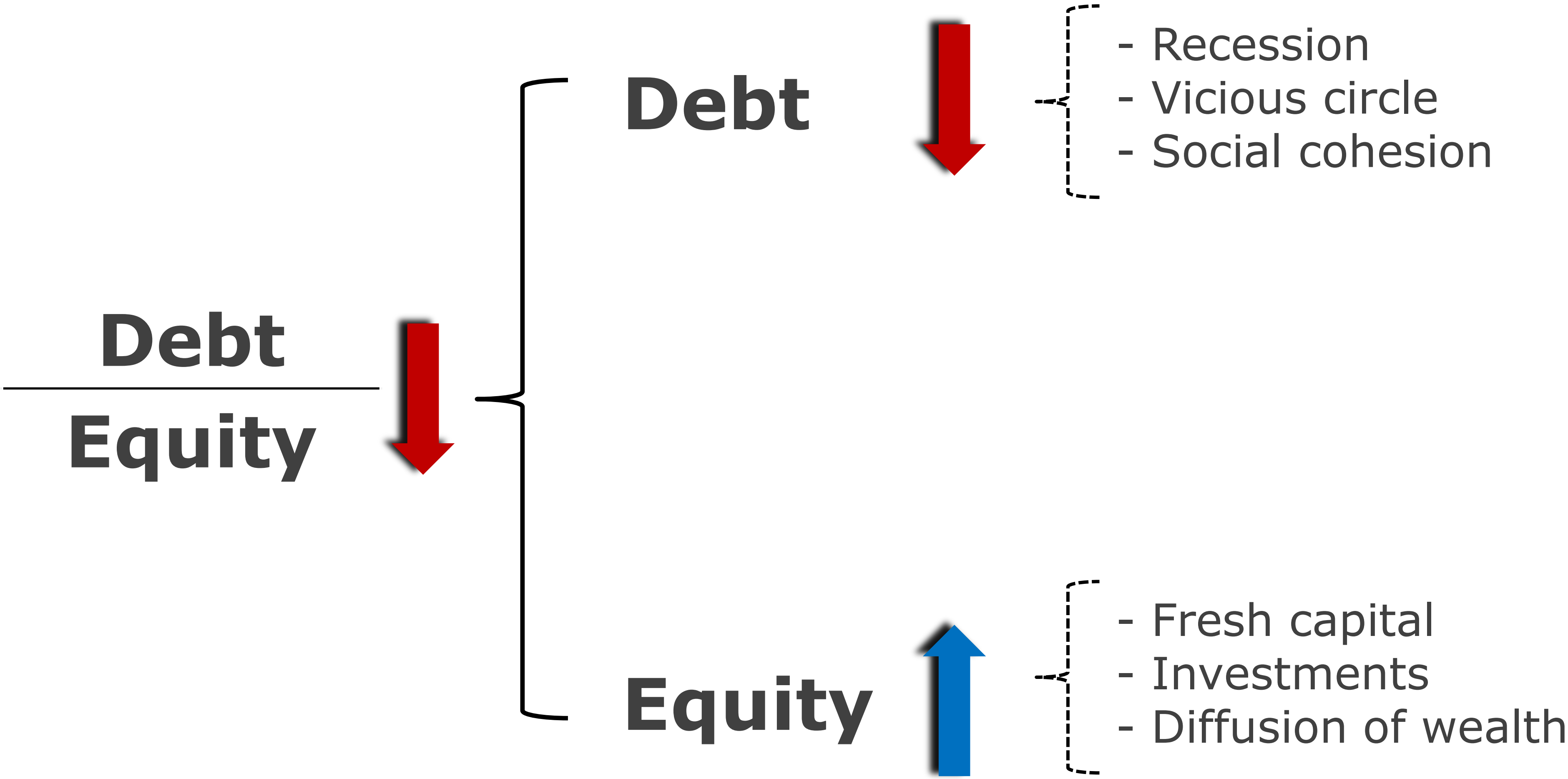
Don’t throw the crisis to the waste

Lessons learnt

- Less **leverage**
- **Financial Engineering** … <u>YES</u> - *but* …
- Financial **sophisticated products** … <u>YES</u> - *but* …
- Corporate **Governance**, **Risk** Management, **Compliance** and of course Market **Supervision** … <u>YES</u> - *in order for* …

Competitiveness → **Sustainability**

Deleveraging …



The market choice

Recent crisis

- Critical **inefficiencies**
- Lack of **effectiveness**

→ Need for a **new production** and **development paradigm**

- **Revitalization** of the economic system
- **Exploitation** of real estate and hidden intangible assets

Need for **equity** ↔ Global **liquidity**

Win-win between the **buy** & the **sell** side

Direct OR Indirect investments

It doesn't matter whether a cat is white or black, as long as it catches mice.

Deng Xiaoping

Investments through market → **Early wins**

Available tools and solutions

Exchange's core business - **traditional instruments**

- **Capital** increase and **debt** issuance.
- **Dispersion** of **risk** (floatation process by the main shareholders).
- **Hedging** and **leverage** tools by the exploitation of **derivatives** products.

New instruments – appropriate for the current timing

- **Listed investment funds**.

  Funds' attraction and transfer into Greek production system by using investment instruments that will be traded on regulated markets.
- **Project financing**.

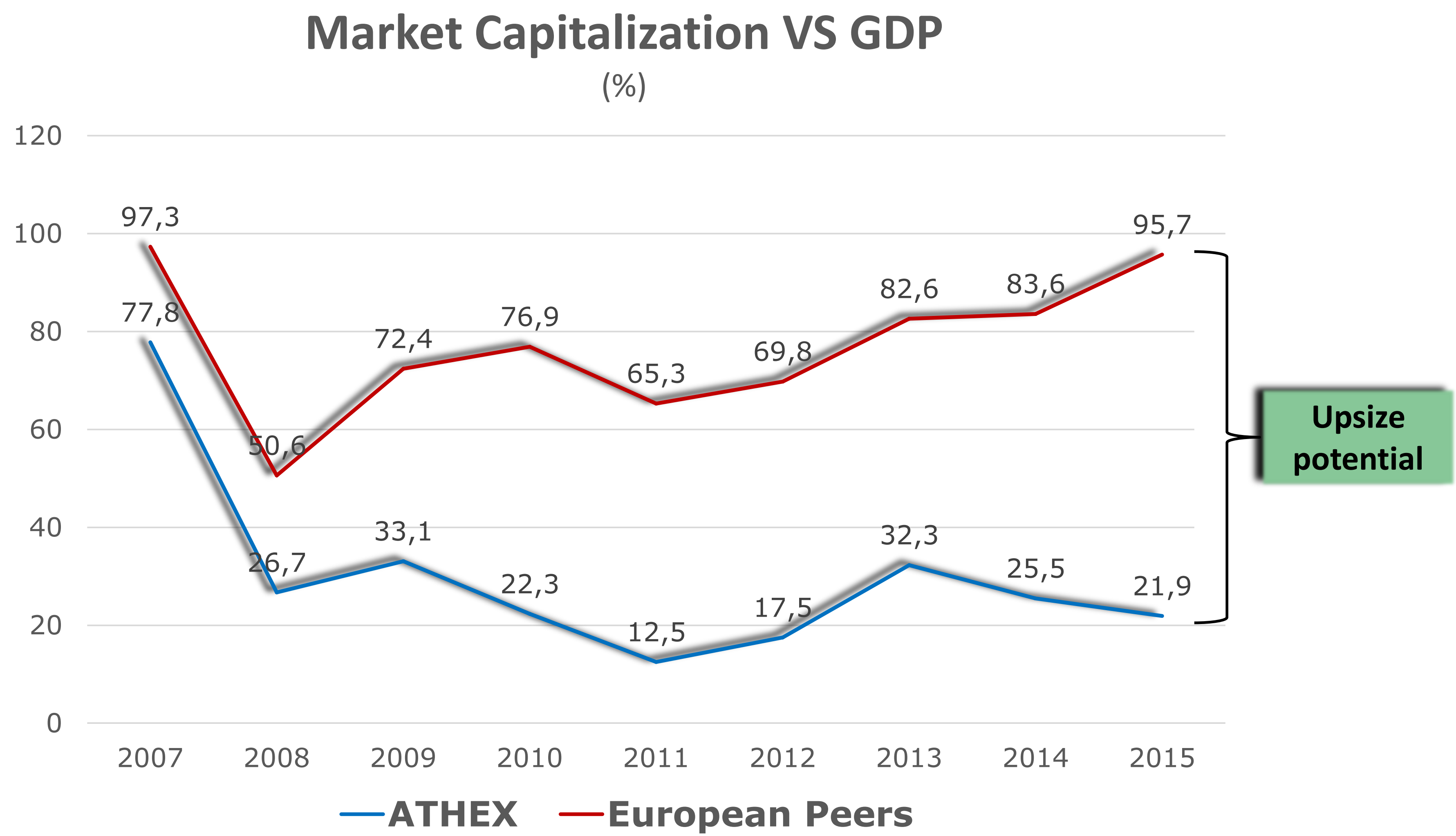
  For the development of projects that are looking for alternative, cheaper or complementary financing. In this context, the big infrastructure projects could be financed by the issuance of project bonds.
- **Start-up companies**.

  Introduction to the stock exchange platform of the newly established companies (start-ups) and support of alternative financing.

New architecture

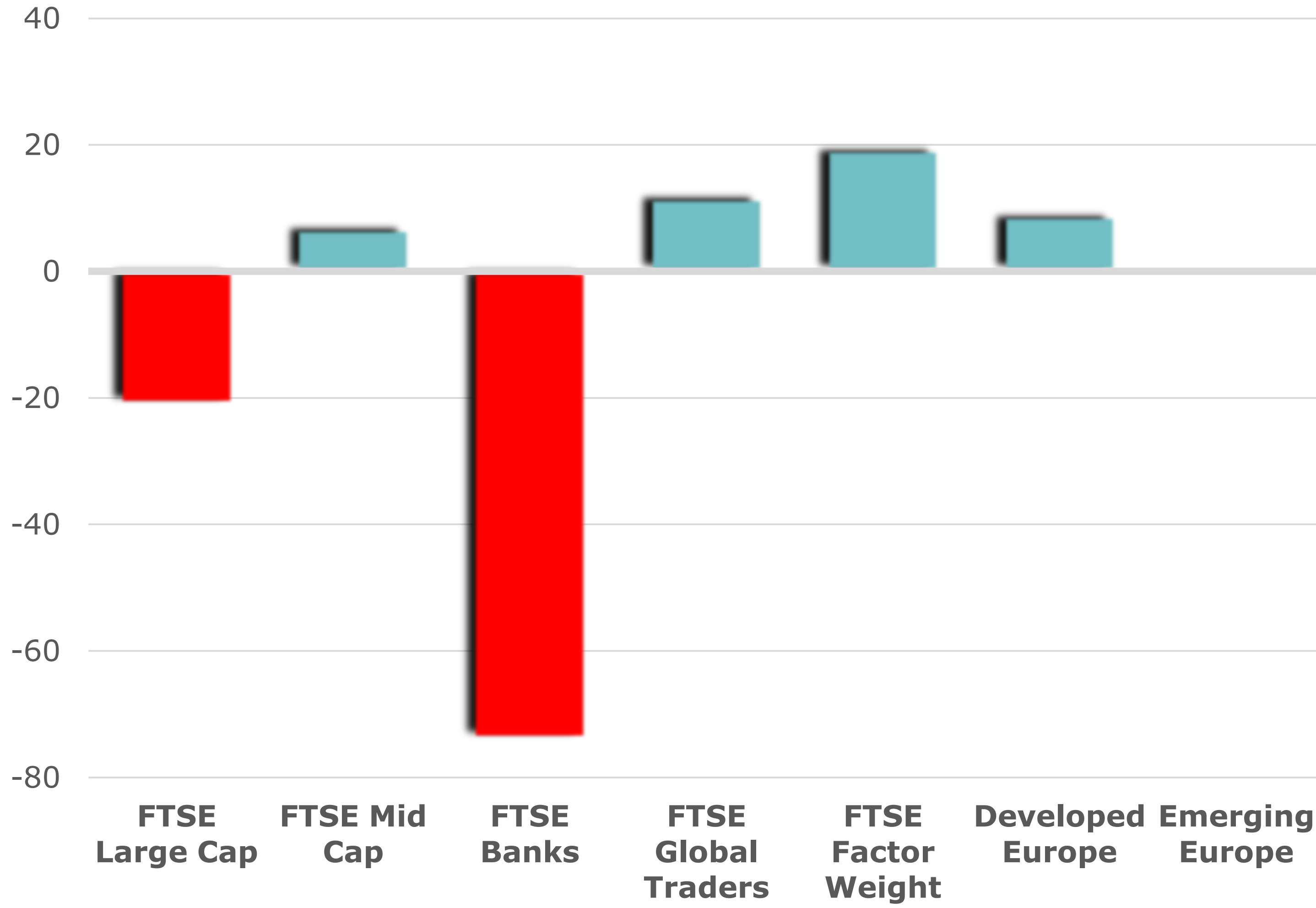
- A **large number** of participants.
- A **fewer** number of **dominant** players.
- More **freedom** and **competition**, **less control** and **protectionism**.

With upside potentials



Source: FESE 30/09/2015, ATHEX 30/10/2015

The “extrovert” always wins …



Source: ATHEX 30/10/2015

A visible and accessible market …

International investors **participation** in ATHEX Cash Market, % of Total:

- ✓ Market **Capitalization:** **57,29%**
- ✓ **Trading** Activity**:** **61,50%**

Source: ATHEX 30/10/2015

Our approach

Investors

Companies

360^{0}

Business & Institutional Environment

Economy & Society

Contact Info

Pantelis LAMPROU

Director, Strategic Communication & Market Analysis

Email: P.Lamprou@athexgroup.gr

HELLENIC EXCHANGES - ATHENS STOCK EXCHANGE SA

110 Athinon Ave., 104 42 Athens, Greece

Tel: +30 210 3366616

Fax: +30 210 3366333

www.Athexgroup.gr

ISIN: **GRS395363005** Bloomberg: **EXAE GA**

OASIS: **EXAE** Reuters: **EXCr.AT**

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Useful Links

ATHEX Market Profile - ATHEX Highlights A 2 page summary description of our market and our Group.	http://www.Athexgroup.gr/web/guest/profile-of-our-market-our-group
ATHEXGROUP pricing policy -ATHEX Resolution 24 (trading) -Fees table (post-trading) -Summary fee schedule tables	http://www.Athexgroup.gr/web/guest/Athexgroup-price-policy
ΑξΙΑ Securities (Axia numbers) ATHEX publication showing investor activity in the cash market.	http://www.Athexgroup.gr/web/guest/info-markets-activity-publications-axianumbers-sec
Federation of European Securities Exchanges The site contains useful statistics on most major European Exchanges, updated monthly.	www.fese.eu
World Federation of Exchanges The site contains useful statistics, updated monthly.	www.world-exchanges.org
Hellenic Capital Market Commission The site of the regulator.	www.hcmc.gr/pages/index.asp