

We invest in winners. That means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

EMMA Delta Finance plc Bond 2013 (17)

Greece is required to privatise state-owned enterprises in return for receiving aid packages from the European Union and the International Monetary Fund. The first big wave of privatisations was implemented on 12 August 2013, and included the government's portion (of 33%) in lottery and betting provider OPAP. It has a strong sales network and is Greece's market leader with a share of 70% (EUR 1.2 billion) in gross annual gaming earnings. EUR 3.7 billion in pools and EUR 2.5 billion in profits paid out during the preceding business year contributed to this outcome. At 67%, the pay-out ratio is stable based on a long-term comparison. The formerly highly-profitable business lost some of its profitability following the introduction of a gaming tax of 30% on gross earnings in 2013. After taxes, the company generated a profit of EUR 145 million. However, the Greek government also protects the earnings base. It has extended OPAP's exclusive operator status for all of its eleven lottery and sports wagers until 2020 and 2030.

The government portion of 105.27 million shares was sold to the Czech-Greek consortium EMMA Delta for EUR 652 million. In turn, it brought in EUR 272 million of equity capital into the transaction company Emma Delta Hellenic Holdings Limited (EDHH). Another EUR 400 million were generated from two very creditor-friendly bonds of EMMA Delta Finance plc. The conditions of the bonds cor-

respond with international law, and can only be changed with the approval of 90% of the creditors. They feature a yield of 8.5% p.a. and 12.0% p.a. until their maturity on 15 October 2017. Distributions are made quarterly. They are financed mainly from the dividends of the debt-free betting provider. The majorities in the board of directors and shareholder group ensure a high pay-out ratio.

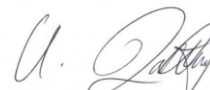
We were interested in the bond that was issued with a denomination of only 250 shares at EUR 1 million each. The issuer has the right to terminate the bond. The redemption amount is staggered in steps that begin on 15 October of a year: 108.5% (2013), 104.5% (2014) and 100% (2015). Redemption below this amount is excluded even in the event of a change in control. The bond is senior secured ("first lien") with the OPAP shares held by EDHH and the attributable dividends. Creditors can accelerate maturity if the loan-to-value exceeds 45% (which corresponds to EUR 5.3 per share). In fact, the current price for an OPAP share is EUR 11.0 (loan-to-value: 22%). Therefore, it is over-secured at a rate of 362%, i.e. our safety margin allows for a price loss of almost 80% to EUR 2.4 per OPAP share.

We purchased the bond at a price of 104%. It offers a yield of 7% p.a. until maturity.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky