



REPUBLIC OF CYPRUS
**Ministry of Transport,
Communications and Works**

**Hong Kong – Shanghai
October 2016**

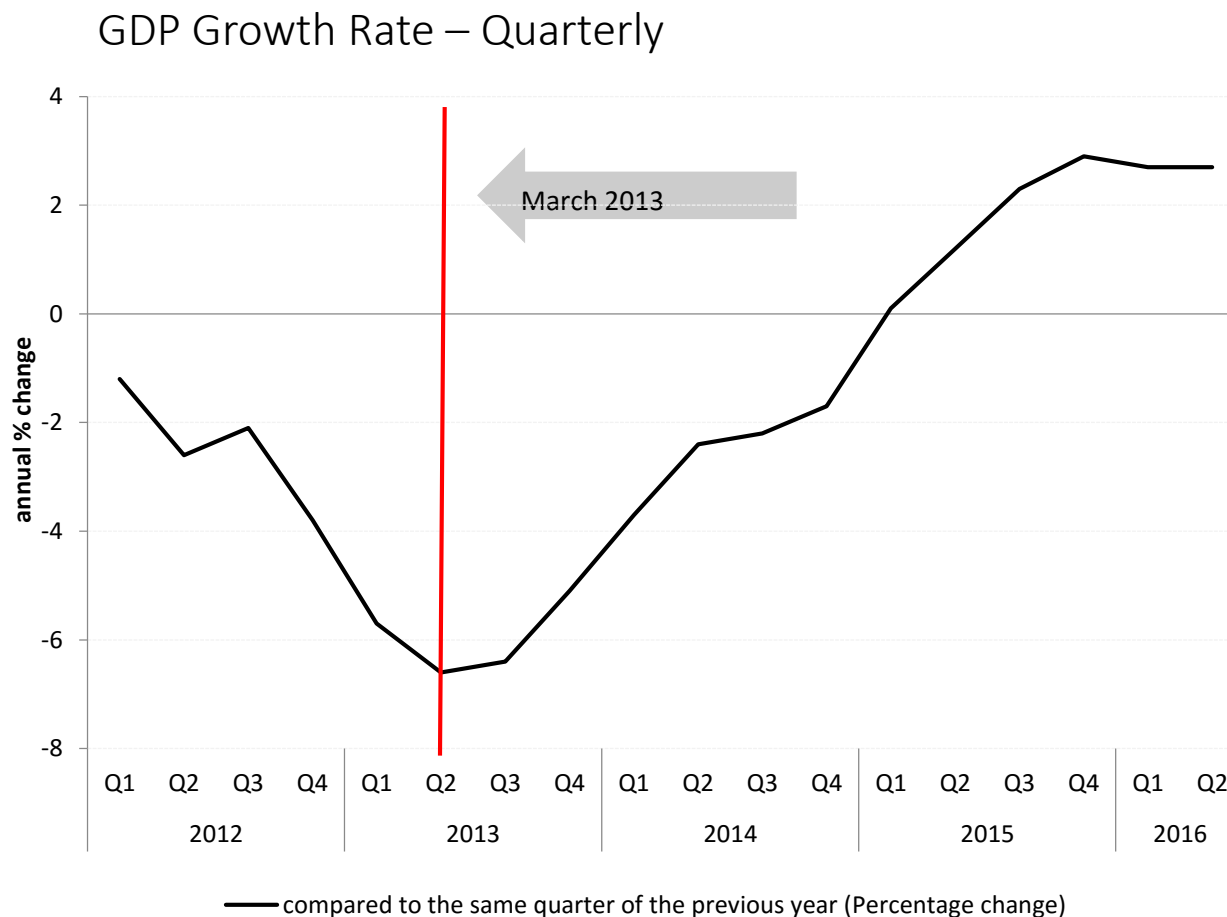
“Cyprus as a gateway to Europe: Shipping & Investment Opportunities”

A small but flexible economy which is recovering
fast from the financial crisis of 2013 ...



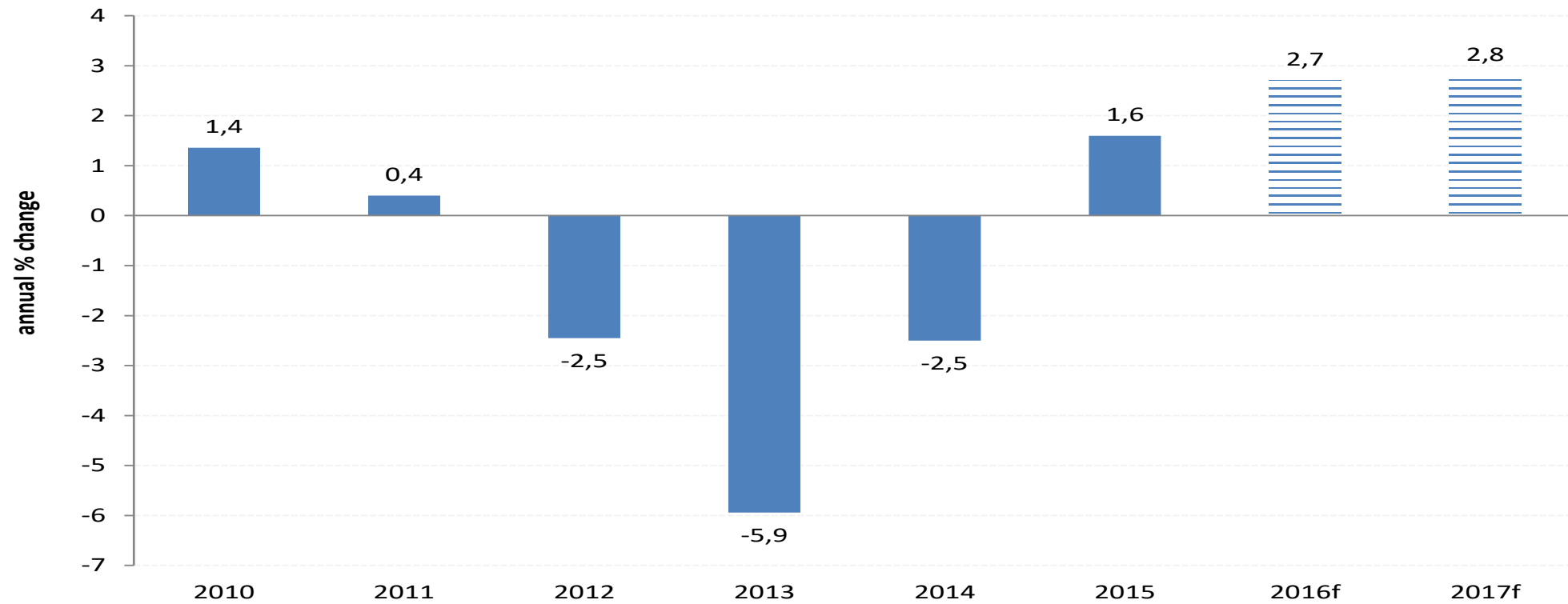
Cyprus Economy proving resilient

- Positive growth in H1-2015 indicating end of recession
- Recession in 2013-2014 less severe than expected
- Economic sentiment and confidence back to pre-crisis levels and over long-term average
- **Percentage change Q2 2016 2,7%**
- Growth driven by Tourism, Financial services and Shipping



Source: Ministry of Finance, IMF and EC

GDP Growth Rate Annual

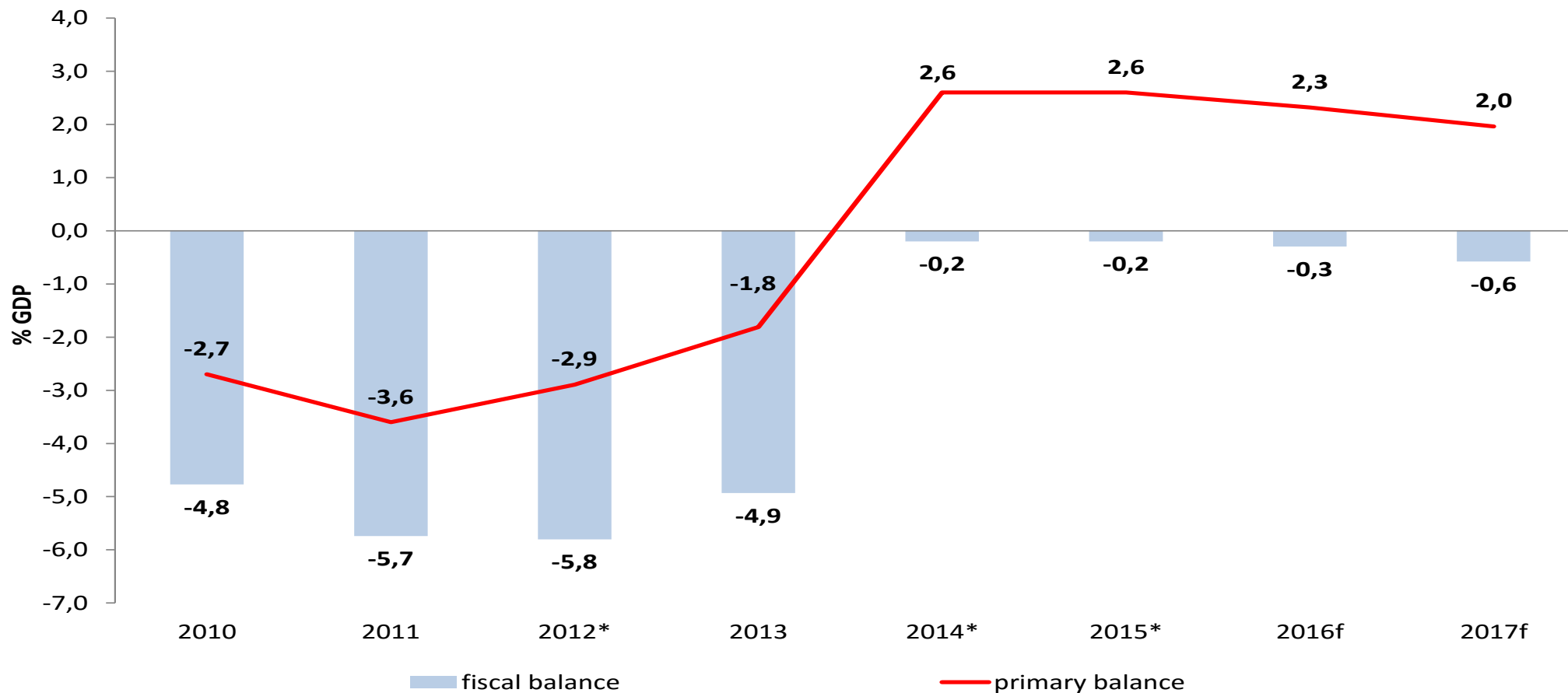


f: forecast

Yield for bond maturing 2020



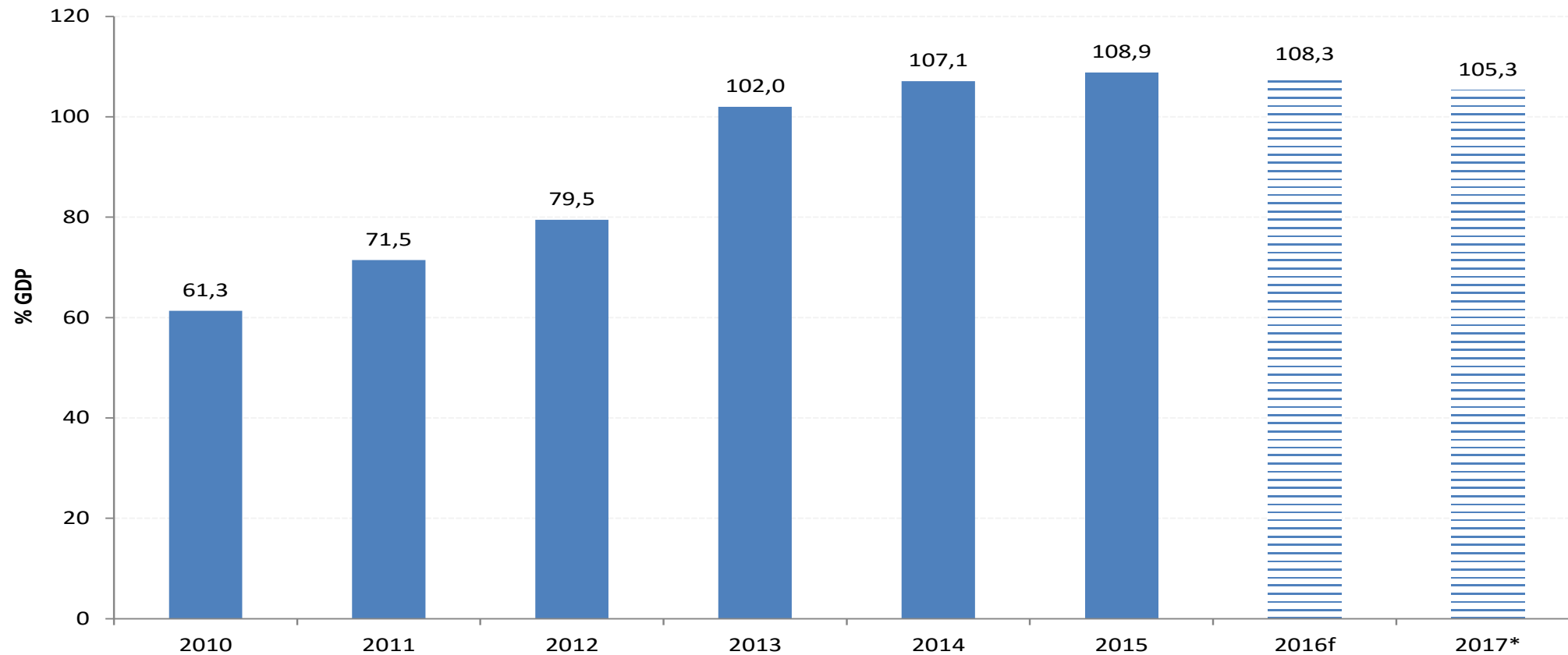
Budget Balances – Deficit below 1%



f: forecast

*Excluding bank recapitalization

Falling Public Debt



An ideal jurisdiction for doing business from...



Cyprus is located among three continents

- Strategic Location and time zone
- Political stability and well developed ties with ME, Central & Eastern Europe
- Advanced infrastructure – reliable telecommunication system, two international airports (Larnaca & Paphos) and two ports (Limassol & Larnaca)
- Robust Legal and Regulatory Framework with a well developed financial services sector – banking, investment and fund management
- Highly educated and multilingual human talent with tertiary education – (39,2% in age group 25 – 64) being higher than EU28 average and one of the highest in the world.

A significant center for international business

- High quality of professional services: Top quality accounting, auditing, tax, business administration, legal
- Good quality of life – A safe country to live and work – A Mediterranean country with an international business environment
- Investment Incentives in a number of sectors, with huge potential for growth e.g. tourism, real estate, natural gas, infrastructure, privatisations, etc.

Attractive fiscal regime

- Well developed and attractive tax system, one of the most favourable in the EU;
- Corporate tax rate at 12,5%;
- Dividend income, overseas PE profits and profits or gains from the disposal of securities are exempt from taxation;
- Favourable IP, Royalty & financing structures regime;
- Extensive network of double tax treaties (currently 60) and ability to use the EU Directives;
- Unilateral credit relief;
- Low or zero withholding taxes; and
- New incentives since 2015.

Cyprus has launched an ambitious
privatization program....



Programme asset perimeter



- Cyprus Telecommunications Authority ('CYTA')



- National Lottery



- Troodos mountain assets

- Cyprus Stock Exchange

- Real Estate assets*

- Larnaca Port and Marina*

**Project managed by the competent Ministries.*

Cyprus Telecommunications Authority (“CYTA”)

Incumbent four-play telecom utility of Cyprus (and former monopoly) with operations in Greece

- Solid business profile with strong growth opportunities.
- Market-leading position in Cyprus across products/ services offered (market shares 2015: fixed voice 77.5%, mobile telephony 61.8% and fixed internet 61.5%).
- Revenues 2015: Cyprus €372 million, Greece €108 million.
- Extensive network with international connectivity (including undersea cables) and network hub status.
- Significant strategic value in Greece – extensive own optical network / the second quad-play operator.
- Launch of the transaction phase for the identification and selection of a suitable Strategic Partner/ Investor subject to the decisions of the Council of Ministers and the approvals of the Parliament.

Other entities/ assets

National Lottery Operations

- Instant lottery tickets are exclusively conducted under a State monopoly.
- For the year 2015, the National Lottery activities, comprising mainly scratchcard instant lotteries, recorded revenues of €28 million and net contribution of €11 million.
- Potential upside includes the untapped tourism market – estimate of 3 million tourists for 2016, nearly 4 times the local population.
- Aiming to identify and analyse all feasible private sector ownership options in order to present them to the Interministerial Committee for their decision/approval within 2016.

Specific real estate assets in the area of the Troodos' mountain

- Comprises State owned land areas, residences, properties and buildings at Troodos, Cyprus' largest and highest mountain area located in the centre of the island.
- 160 residences and more than 30 buildings of various uses and recreation facilities.
- First transaction targeted within 2017.

Other entities/ assets (cont'd)

Cyprus Stock Exchange (“CSE”)

- Operates a Regulated Market and a Non-Regulated Market in the form of Multilateral Trading Facility as well as the Central Depository and Central Registry (CSD).
- Sound regulatory framework, experienced staff, scope for introduction of new products.
- Launched an open international tender process for the appointment of an independent advisor
 - ✓ Initially to develop a strategic plan that will include the optimal strategy and way forward for the CSE
 - ✓ Identify, analyse and present the optimal ownership option for implementation of the strategic plan
 - ✓ If applicable, prepare and execute a transaction subject to the relevant decision and approval of the Interministerial Committee for Privatisations and/or the Council of Ministers

Large Real Estate assets throughout Cyprus

- Owned directly by the State or through state-owned entities.
- Mainly large plots located at prime locations, suitable for sizable developments.
- 30 assets included in the Exploitation Programme prepared by independent advisors.

The Larnaca and Marina port project follows the successful commercialization of the main commercial port of the island

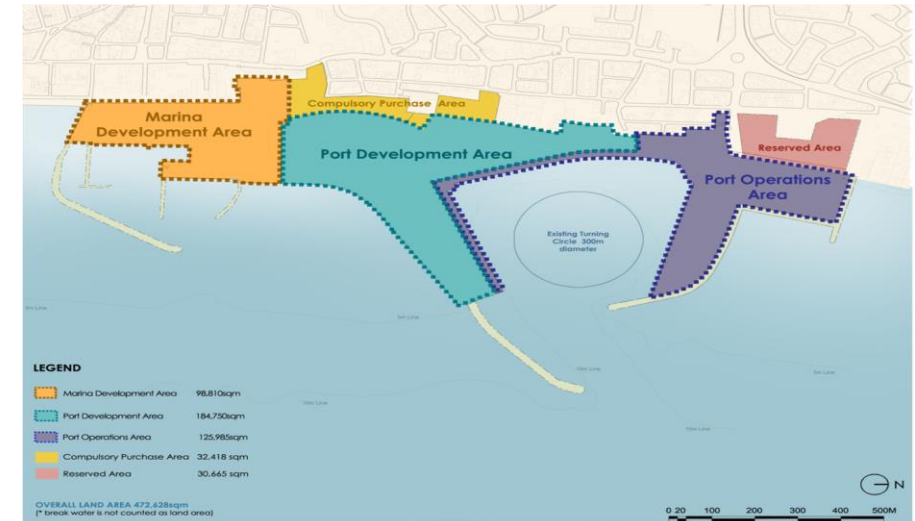
- Larnaca is the third largest city on the southern coast of Cyprus.
- Close to the main airport of the island.
- The Port of Larnaca is situated very close to the main touristic and commercial area of the city of Larnaca with only 3,5kms away from the Larnaca International Airport.
- The area of Larnaca is 40kms away from the Cyprus capital Nicosia and 45kms to the Ayia Napa area, one of the most sea touristic areas in Cyprus.
- Process follows successful commercialization of Limassol Port which attracted two internationally recognized port operators DPW and Eurogate



Re-development of the Larnaca Port and Marina Area -Development Plan

Main Features

- Integrated, high-specification and high-quality development
- Real Estate including a mix of residences, retail/leisure, offices and hospitality facilities
- A high end marina (up to 600 berths for yachts up to 50m long)
- Mega and Giga yacht berthing in the port (20-25 berths)
- Accommodation of a cruise vessel with LOA up to 300m
- Cargo operations (limited)
- Yacht dry storage facilities
- Yacht maintenance and repair facilities



Re-development of the Larnaca Port and Marina Area

- Implementation Plan

Tendering Process

- Launch of the “Expressions of Interest” EoI Stage in early November 2016
- Prequalification on the basis of personal, financial and technical criteria
- “Request for Proposals” RfP Stage (from prequalified bidders)
- Target to achieve transaction close by summer 2017

The process is backed up by market research, global sector trends analysis, market sounding and investors’ marketing, as carried out by our Lead Transaction Advisors.

Cyprus has developed as a major shipping centre within the EU with a wide number of tools that can be used from or for the shipping industry

Cyprus has developed over the last few years as a major shipping center within the EU

- Well established and quality Registry with Merchant Fleet exceeding 22 million gross tonnage
 - 3rd in tonnage in EU; and
 - 10th in tonnage worldwide.
- Major base for international shipping operations with a strong resident cluster
 - Leading Shipmanagement centre globally with more than 50 ship management companies controlling a fleet of 2200 vessels are operating from Cyprus; and
 - Wide range of shipping and shipping related activities, maritime cluster.

Cyprus has an Ideal environment for Ship Registration and Shipping Operations

- Strong international presence with offices in Limassol, Hamburg, London, Piraeus, Rotterdam, New York City and Brussels.
- Strong local expertise both at technical and professional level.
- 365 days per year service.
- Competent officers & surveyors available 24hours/day.
- Efficient, qualitative and reliable services to the shipping industry
- Strong involvement in international shipping fora (IMO,ILO and EU).
- Ideal time zone for running international operations.

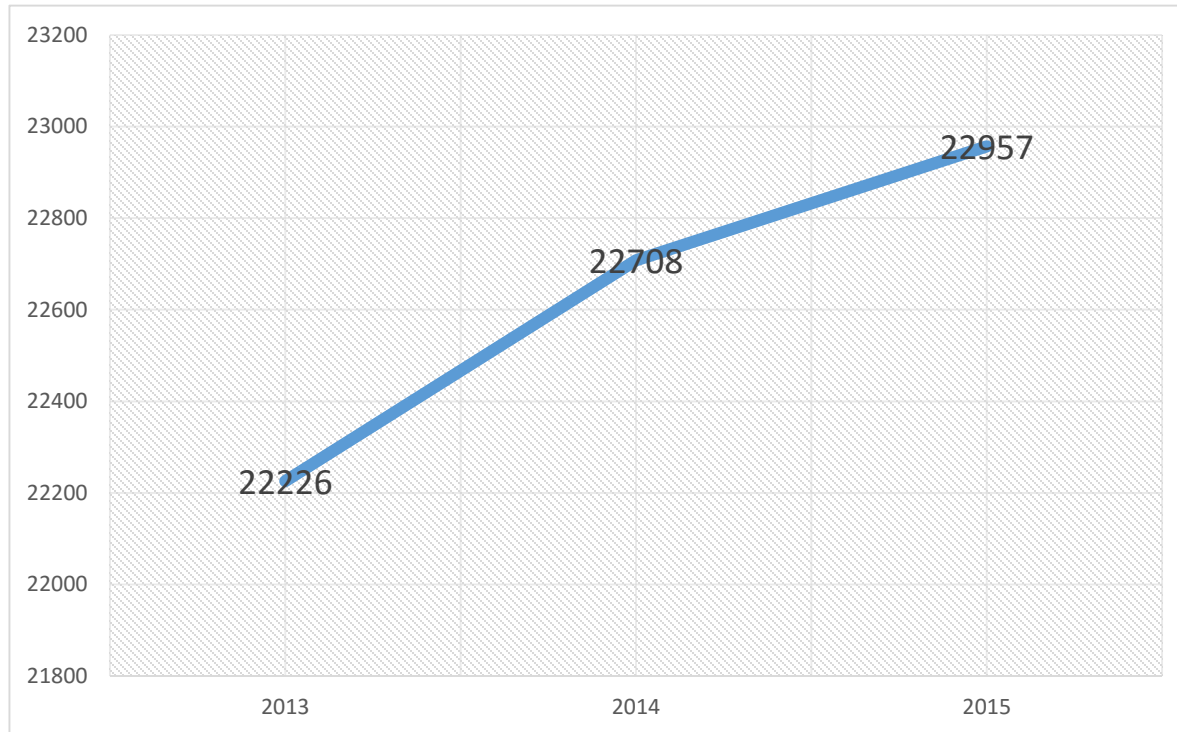
Quality Flag with Competitive Advantages

- A sovereign flag member of the European Union.
- Listed in the White List of Paris and Tokyo MOUs.
- Signatory to all international maritime conventions on safety, security and pollution prevention, giving full and complete effect to their provisions.
- Anti-Piracy Law: Comprehensive and pioneer legislation for the protection of Cyprus ships from piracy and other unlawful acts.
- No crew/officers nationality restrictions.
- Web services for the registration of Seafarers and recognition of Certificates of Competency.
- Bilateral Agreements on Merchant Shipping with 27 countries.
- Full protection for financiers and mortgagees.
- Competitive ship registration costs and fees.

Attractive fiscal regime

- Approved tonnage tax scheme by the EC with no direct link to corporate tax.
- Special Taxation for Shipping companies applicable for Ship Owners, Charterers and Ship managers.
- No tax on income derived from the operation of the ship(s) or from the sale of the ship.
- No tax on dividends paid to shareholders out of profits made from the operation or sale of the ship(s).
- No tax on the interest earned on working capital of the ship.
- No tax on the salary or other benefits of the master, the officers and crew members of the ship.
- No stamp duty on ship mortgage deeds or other security documents.
- No estate duty on the inheritance of shares in a ship owning company.

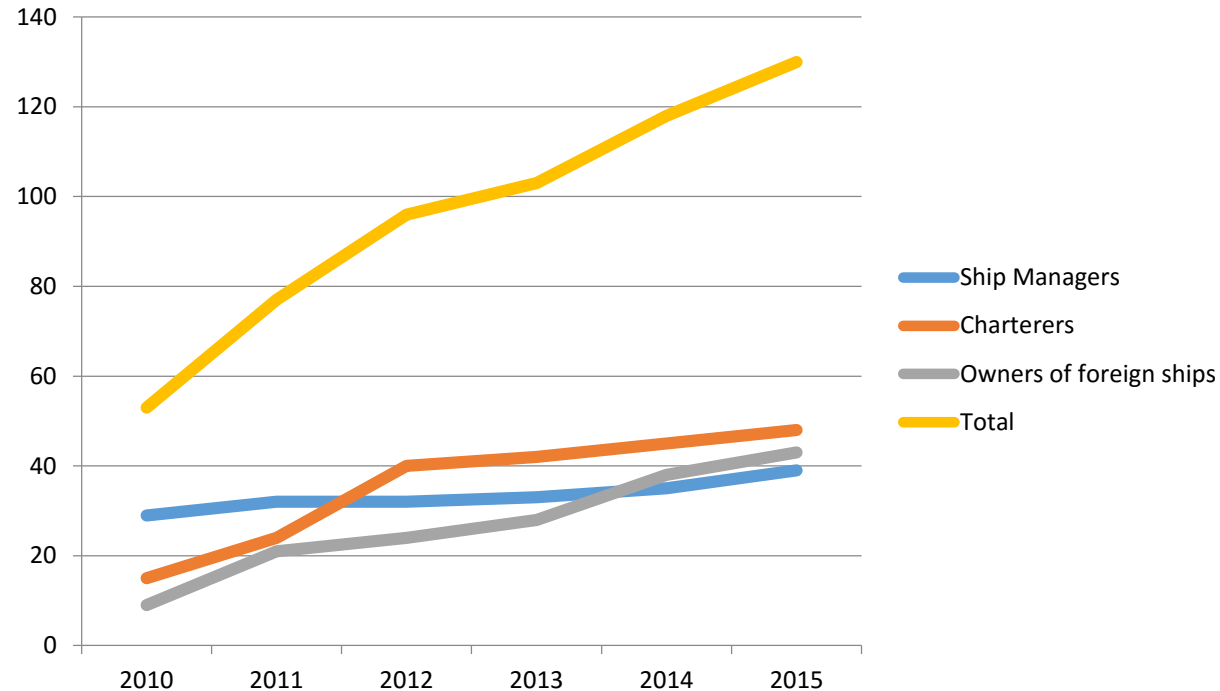
Cyprus fleet currently ranks tenth in the World



- Cyprus registry rationalized upon entry in the EU;
- Currently recognized as a high quality flag (included in all White lists);
- Growth in number of ships slowed down during the last few years due to external reasons.

Growth in Gross Tonnage during the last three years

Growth in number of companies under the tonnage tax system has been exponential



Source: Department of Merchant Shipping

- One of the top ship management centres in the World, 20% of third party ship management;
- Number of companies increased exponentially during last years and this is predicted to continue;
- Growth expected to continue as incentives for locally based companies increase;
- Benefited also from regional developments.

Typical organizational structure

