

OFFERING CIRCULAR

AEOLOS S.A.

(a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg)

€355,000,000 Floating Rate Asset-Backed Notes due 2019

Issue Price of the Notes: 100 per cent.

Aeolos S.A., a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg (the "Issuer") will issue on 13th December, 2001 (the "Issue Date") Floating Rate Notes (the "Notes") with an initial principal balance (an "Initial Principal Balance") of €355,000,000. The Notes will be in bearer form in the denomination of €1,000 each. Application has been made for the Notes to be listed on the Luxembourg Stock Exchange.

The net proceeds from the offering of the Notes will be used by the Issuer to purchase the Purchased Receivables (as defined below) from the Hellenic Republic pursuant to the Receivables Purchase Agreement (as defined below) and to cover Initial Expenses (as defined below).

Interest will be payable on the Notes semi-annually in arrears on the 31st day of March and the 30th day of September in each year or if such day is not a Business Day (as defined in Condition 4(b) of the Notes), the immediately preceding Business Day (each such day being an "Interest Payment Date"). Interest on the Notes will accrue at an annual rate equal to the Euro-zone inter-bank offered rate ("EURIBOR") for six month euro deposits (or, in the case of the period from (and including) the Issue Date to (but excluding) the Interest Payment Date falling in September, 2002 at a rate obtained upon linear interpolation of EURIBOR for nine and ten month euro deposits) plus a margin of 0.24 per cent. per annum for interest payable up to the Interest Payment Date falling on 31st March, 2012 and 0.48 per cent. per annum for interest payable thereafter. Payments in respect of the Notes will be subject to any applicable withholding taxes and the Issuer will not be obliged to pay additional amounts in relation thereto.

The Notes are direct, secured and (subject to the application of the Available Funds (as defined below) in accordance with the orders of priority set forth below) unconditional limited recourse obligations of the Issuer payable solely out of the assets charged or pledged by the Issuer to secure the Notes. The Issuer will have no other assets or sources of revenue. If these are insufficient to make payments on the Notes no other assets will be available for payment of the deficiency, and following liquidation of the available assets the obligations of the Issuer to pay such deficiency will be extinguished. Payments in respect of the Notes are subject to Condition 2(d) ("Priority of Payments") and Condition 2(e) ("Priority of Payments on Early Redemption Following a Notice").

The Notes will be obligations solely of the Issuer and will not be obligations or responsibilities of, or guaranteed by, any other entity. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, the Lead Manager, the Hellenic Republic, the Trustee, the Principal Paying Agent, the Paying Agent, the Agent Bank, the Cash Manager, the Servicers, or the Transaction Account Bank (each as defined below). The Issuer has the benefit of the Undertaking (as referred to below) from the Hellenic Republic.

Prior to redemption on the Final Maturity Date (as defined below), the Notes will be subject to early redemption in certain circumstances. See "Terms and Conditions of the Notes".

The Notes are expected to be delivered in book-entry form through the facilities of Clearstream, Luxembourg and Euroclear (each as defined below) on or about the Issue Date against payments therefor in immediately available funds.

The Issuer will benefit from an Undertaking from the Hellenic Republic pursuant to which, prior to the delivery of a Notice (as defined below), the Hellenic Republic will pay the Shortfall Amount (as defined below) if, on any Calculation Date or any Interest Payment Date (both as defined below), the Issuer Funds (as defined below) are insufficient to cover the Interest Service Amount, Expenses and any other amount ranking prior to or pari passu with any Interest Service Amount and any Principal Service Amount payable on the Final Maturity Date (as defined below), see "Undertaking" below.

The Notes are being offered and sold by the Lead Manager outside the United States to non-U.S. persons in reliance on Regulation S ("Regulation S") under the United States Securities Act of 1933 (as amended) (the "Securities Act"). The Notes will initially be represented by a temporary global note in bearer form (the "Temporary Global Note") without coupons or talons attached and will be deposited with a common depository for Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") on or about the Issue Date. Interests in the Temporary Global Note will be exchangeable not earlier than 40 days after the Issue Date (the "Exchange Date") upon certification of non-US beneficial ownership ("Certification") for interests in a permanent global note (the "Permanent Global Note"). The Permanent Global Note is expected to be deposited with a common depository for Euroclear and Clearstream, Luxembourg. The expression "Global Note" shall be read and construed to mean the Temporary Global Note or the Permanent Global Note, as the context may require. The Global Note will be exchangeable for Definitive Notes ("Definitive Notes") only in the limited circumstances described in "Description of the Notes" below.

The Notes are expected, on issue, to be assigned an A rating by Fitch Ratings Ltd. ("Fitch") and an A rating by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc. ("Standard & Poor's"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency

See "Risk Factors" for a discussion of certain factors that should be considered in connection with an investment in the Notes.

Arranger and Sole Book Runner

MORGAN STANLEY

Joint Lead Managers

ALPHA BANK

EFG EUROBANK ERGASIAS

Co-Manager
PIRAEUS BANK

The Date of this Offering Circular is 13th December, 2001.

Except as mentioned below, the Issuer, having made all reasonable enquiries, confirms to the best of its knowledge and belief that this Offering Circular contains all information which is material in the context of the issuance of the Notes and that such information is true and accurate in all material respects, not misleading and is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts responsibility accordingly.

The Hellenic Republic accepts responsibility for the information contained in this Offering Circular with regard to it, including without limitation, the sections “Information Regarding Eurocontrol”, “Information regarding the Hellenic Civil Aviation Authority”, “Description of the Eurocontrol Receivables”, “Legislative Background” and “Information Regarding the Hellenic Republic”. To the best knowledge and belief of the Hellenic Republic (which has taken all reasonable care to ensure that such is the case), such is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Notes have not been, and will not be, registered under the Securities Act, or any securities laws and are subject to US tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S).

This Offering Circular does not constitute an offer or an invitation by or on behalf of the Issuer, the Hellenic Republic or any of Alpha Bank A.E., EFG Eurobank Ergasias S.A., Piraeus Bank S.A. and Morgan Stanley & Co. International Limited (together the “**Managers**”) to subscribe for or to purchase any of the Notes. No action has been taken or will be taken to permit a public offering in any jurisdiction where further action would be required for that purpose. The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Hellenic Republic and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see “Subscription and Sale”.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised on behalf of the Issuer, the Hellenic Republic or the Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

In connection with this issue, Morgan Stanley & Co. International Limited may over-allot or effect transactions which stabilise or maintain the market prices of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time and will be undertaken in accordance with all applicable laws and regulations.

In making an investment decision, prospective investors must rely on their own examination of the Issuer, the Hellenic Republic and the terms of this Offering Circular, including the merits and risks involved.

The Notes may not be offered or sold to persons in the United Kingdom except in circumstances that do not constitute an offer to the public within the meaning of the Public Offers of Securities Regulations 1995. All applicable provisions of the Financial Services and Markets Act 2000 must be complied with in respect of anything done in relation to the Notes in, from or otherwise involving the United Kingdom. The Notes must not be offered or sold to the public, nor be subject to a public offer, in the Grand Duchy of Luxembourg or in the Hellenic Republic.

None of the Issuer, the Hellenic Republic or the Managers makes any representations regarding the legality of an investment in the Notes under any laws or regulations. Potential investors should consult their own legal, business and tax advisor for advice regarding an investment in the Notes.

References in this Offering Circular to “**Greece**”, the “**Republic**”, the “**Republic of Greece**”, the “**Greek State**” or the “**State**” are to the Hellenic Republic and all references herein to the “**Government**” are to the Government of the Hellenic Republic.

References in this Offering Circular to “**GRD**”, “**Greek Drachma**” or “**drachma**” are to the euro unit used in the Hellenic Republic.

References in this Offering Circular to “**USD**”, “**U.S. Dollars**” or to “**US\$**” are to the lawful currency of the United States.

References in this Offering Circular to “**€**”, “**euro**” or “**EUR**” are to the single currency introduced at the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community (signed in Rome on 25th March, 1957), as amended by the Treaty on European Union (signed in Maastricht on 7th February, 1992).

As a result of rounding adjustments, the figures or percentages in a column may not sum up to the total for such column.

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OVERVIEW

This executive summary contains information set out elsewhere in this Offering Circular and is supplemented and qualified in its entirety by the section entitled "Summary". It is not complete and should not be read on its own nor should it be relied on in isolation by a potential investor considering investing in the Notes. Potential investors should read the entire Offering Circular carefully, especially the risks of investing in the Notes discussed under "Risk Factors". If you are in any doubt about the contents of this Offering Circular you should consult an appropriate professional advisor.

The Hellenic Republic is a member of the European Organisation for the Safety of Air Navigation ("**Eurocontrol**") which was established by means of the Convention Relating to Co-operation for the Safety of Air Navigation, 1960, as amended by the Brussels Protocol in 1981 (the "**Convention**"). Pursuant to the Multilateral Agreement Relating to Route Charges (the "**Route Charges Agreement**") and its other statutory powers, Eurocontrol charges airlines and collects on behalf of the Hellenic Republic and the other member states certain amounts in respect of the use by airlines of their national airspace. The Convention and the Route Charges Agreement were ratified by Greek Law 1776/1988. Pursuant to the Route Charges Agreement, Eurocontrol accounts for a specified portion of these amounts to the Hellenic Republic and pays them over to the Hellenic Republic every week. The Hellenic Republic will sell from the Issue Date onwards to the Issuer a portion of the receivables payable to it by Eurocontrol.

The Issuer is a special purpose company incorporated in Luxembourg solely for the purposes of this transaction. The Issuer will purchase the receivables from the Hellenic Republic and pay a purchase price therefor consisting of (a) the amounts raised by the Issuer from the issue of the Notes after payment of Initial Expenses as an initial purchase price, (b) part of the amounts that correspond to the purchased receivables payable on the satisfaction of certain conditions as partial deferred purchase price and (c) further amounts by way of deferred purchase price which will be payable under the priority of payments on each interest payment date.

Eurocontrol will pay the amounts payable to the Hellenic Republic under the Route Charges Agreement into an account opened and maintained in the name of the Hellenic Republic with the Bank of Greece. The amounts that correspond to the purchased receivables will be paid from this account into an account of the Issuer in London on a monthly basis and will be used to meet interest and principal repayments under the Notes, to satisfy certain of the Issuer's other liabilities including taxes and to pay partial deferred purchase price and deferred purchase price to the Hellenic Republic.

The Hellenic Republic will undertake to the Issuer that, if the amounts received by the Issuer are insufficient to meet its liabilities under the Notes or any of its other obligations ranking prior to or *pari passu* with the Notes, it will pay to the Issuer, out of its own funds, any shortfall required for the Issuer's liabilities to be fully satisfied.

The Issuer and the Trustee have agreed with the Hellenic Republic that they will neither make any requests from nor exercise any claims against Eurocontrol, other than through the Hellenic Republic acting as their agent. In addition the Hellenic Republic and the Issuer have agreed that the duties and responsibilities of the Hellenic Civil Aviation Authority will continue to be exercised in full compliance with the relevant Greek legislation and in accordance with the Hellenic Republic's international legal obligations, including the Convention.

The Issuer will grant the Trustee security over all of its assets (other than the account where the share capital subscription proceeds are deposited) for the benefit of the Noteholders and the other Secured Creditors.

SUMMARY

This summary contains information set out elsewhere in this Offering Circular. This summary is not complete and does not contain all of the information that a potential investor should consider before investing in the Notes. Potential investors should read the entire Offering Circular carefully, especially the risks of investing in the Notes discussed under “Risk Factors”.

THE PARTIES

- Issuer:** AEOLOS S.A. (the “**Issuer**”), a special purpose vehicle, established under the laws of the Grand Duchy of Luxembourg as a public limited liability company (*société anonyme*), having its registered offices at 7, Val Sainte-Croix, L-1371 Luxembourg. The issued share capital of the Issuer is held by Dahmer Limited and by Liburd Limited on trust for charitable purposes.
- Seller:** The Hellenic Republic, represented by the Deputy Minister of Finance (the “**Hellenic Republic**”).
- Trustee:** HSBC Trustee (C.I.) Limited, a company incorporated under the laws of Jersey, having its registered office in 1 Grenville Street, St. Helier, Jersey JE4 9PF or any other person for the time being acting as trustee pursuant to the Trust Deed (as defined below) (the “**Trustee**”). The Trustee will be appointed pursuant to the Trust Deed to represent the interests of the Noteholders in accordance with the terms thereof. The Trustee will hold the security granted by the Issuer under the Security Documents referred to under “Security” below for the benefit of, *inter alios*, the Noteholders.
- Cash Manager:** HSBC Bank plc, acting through its London branch or any other person for the time being acting as cash manager (the “**Cash Manager**”) pursuant to an agreement expected to be dated the Issue Date between (*inter alios*) the Issuer, the Cash Manager and the Trustee (the “**Cash Management Agreement**”). The Cash Manager will perform certain calculation and cash management services on behalf of the Issuer pursuant to the Cash Management Agreement. The Cash Management Agreement will set out the order of priority of application of the Available Funds.
- Domiciliation Agent:** Luxembourg International Consulting S.A. (the “**Domiciliation Agent**”), a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg having its registered office at 7, Val Sainte-Croix, L-1371 Luxembourg. The Domiciliation Agent will provide corporate administration, domiciliation and secretarial services to the Issuer pursuant to certain agreements expected to be dated the Issue Date between the Issuer and the Domiciliation Agent (the “**Domiciliation Agreements**”).
- Servicers:**
- (i) the European Organisation for the Safety of Air Navigation (“**Eurocontrol**”), in respect of the collection of payments made by the airlines, and
 - (ii) the Hellenic Civil Aviation Authority (“**HCAA**”), in respect of the provision of air traffic control services.
- Swap Counterparty:** Morgan Stanley Capital Services Inc. (“**MSCS**”), a wholly owned subsidiary of Morgan Stanley Dean Witter & Co., is a

Delaware corporation principally engaged in the forward payment business including interest rate swaps, currency swaps and interest rate guarantees with institutional clients.

The Swap Guarantor:

Morgan Stanley Dean Witter & Co. (“**Morgan Stanley**”, in this capacity, the “**Swap Guarantor**”), whose principal office is at 1585 Broadway, New York, New York 10036, will guarantee all of MSCS’ obligations, under the Interest Rate Hedging Agreement. The Swap Guarantor’s long term senior, unsecured, unguaranteed obligations are rated AA- by Standard & Poor’s, AA by Fitch and Aa3 by Moody’s Investors Services Limited.

Provider of the Undertaking:

The Hellenic Republic, represented by the Deputy Minister of Finance.

Principal Paying Agent:

HSBC Bank plc, acting through its London branch or any other person for the time being acting as principal paying agent (the “**Principal Paying Agent**”) and/or agent bank (the “**Agent Bank**”) of the Issuer pursuant to an agreement expected to be dated the Issue Date between the Issuer, the Principal Paying Agent, the Paying Agent, any further or other paying agents and the Trustee (the “**Agency Agreement**”).

Paying Agent:

Kredietbank S.A. Luxembourgeoise (the “**Paying Agent**” and together with the Principal Paying Agent the “**Paying Agents**”).

Receipts Account Bank:

The Bank of Greece (the “**Receipts Account Bank**”). The Receipts Account Bank will hold the Receipts Account (as defined below).

Transaction Account Bank:

HSBC Bank plc, acting through its London branch (the “**Transaction Account Bank**”). The Transaction Account Bank will hold the Transaction Account (as defined below). If, at any time, the Transaction Account Bank’s short term unsecured and unsubordinated debt obligations are rated below F1 by Fitch and below A-1 by Standard & Poor’s, the Transaction Account (as defined below) must be moved, within 30 days, to another institution which is a Qualified Bank and is not rated below F1 by Fitch and below A-1 by Standard & Poor’s, or other arrangements must be made to maintain the then current rating of the Notes.

A “**Qualified Bank**” means any bank whose unsecured, unguaranteed, short term debt is rated F1 or higher by Fitch and A-1 or higher by Standard & Poor’s.

Lead Manager:

Morgan Stanley & Co. International Limited.

PRINCIPAL FEATURES OF THE NOTES

Issue Date:

13th December 2001.

Issue Price:

The Notes will be issued on the Issue Date at 100 per cent. of their Initial Principal Balance.

Initial Principal Balance of the Notes:

On the Issue Date, the Issuer will issue floating rate notes (the “**Notes**” and each a “**Note**”) of an aggregate initial principal amount of €355,000,000 (the “**Initial Principal Balance**”).

Principal Balance:

As of any date after the Issue Date, the “**Principal Balance**” of the Notes will be equal to the Initial Principal Balance *minus* the aggregate amount of repayments of principal in respect of the Notes that have fallen due to be paid and have actually been paid prior to such date.

Form and Denomination:

The Notes (which will be in the denomination of €1,000 each) will initially be represented by a temporary global note (the “**Temporary Global Note**”), which will be in bearer form without coupons or talons. The Temporary Global Note will be exchangeable not earlier than the date that is 40 days after the Issue Date (and upon certification of non-US beneficial ownership) for interests in a permanent global note representing the Notes (the “**Permanent Global Note**” and together with the Temporary Global Note, the “**Global Notes**”). Interest payment on Notes represented by the Temporary Global Note shall be made only after delivery of such certification. A separate certification shall be required in respect of each such interest payment. Any such certification received on or after the day which is 40 days after the Issue Date shall be treated as a request to exchange such Temporary Global Note. Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) will hold the Global Notes in bearer form representing the Notes for the account of Clearstream, Luxembourg accountholders and for the account of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”). Only in exceptional circumstances will definitive notes be issued in exchange for the Permanent Global Note.

Rating of the Notes:

It is a condition precedent to the issuance of the Notes that the Notes be assigned an A rating by Standard and Poor’s Rating Services, a division of the McGraw-Hill Companies Inc. (“**Standard & Poor’s**”) and an A rating by Fitch Ratings Limited (“**Fitch**”) and together with Standard & Poor’s, the “**Rating Agencies**” and each a “**Rating Agency**”).

The rating of the Notes addresses the likelihood that the principal of such Notes will be fully repaid by the Final Maturity Date and that accrued interest thereon will be timely paid as well as the extent of any possible payment shortfall thereof. However, a Rating Agency does not evaluate, and the rating of the Notes will not address, the likelihood or amount of repayment of principal of any such Notes at any time prior to the Final Maturity Date.

Limited Recourse:

The Notes are direct, secured and limited recourse obligations of the Issuer payable solely out of the assets charged or pledged by the Issuer to secure the Notes. These assets include the Purchased Receivables and the Undertaking. The Issuer will have no other assets or sources of revenue. If these are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of the available assets, the obligations of the Issuer to pay such deficiency will be extinguished.

Interest Rate:

Interest on the Notes will accrue on the Principal Balance at a per annum floating rate (the “**Interest Rate**”) equal to the sum of (i) EURIBOR for six month euro deposits (or, in the case of the period from (and including) the Issue Date to (but exclud-

ing) the Interest Payment Date falling in September 2002, at a rate obtained upon linear interpolation of EURIBOR for nine and ten month euro deposits) plus (ii) the applicable Margin (as defined below).

Interest Rate Hedging Agreement

The Issuer will enter into a swap agreement with the Swap Counterparty (the “**Interest Rate Hedging Agreement**”). The documentation will be based on the 1992 ISDA Master Agreement including a schedule and a confirmation (see “The Interest Rate Hedging Agreement”) below.

The operation of the Interest Rate Hedging Agreement will be supported by the Undertaking. If, on any Calculation Date (as defined below), there is a shortfall in the amounts expected to be received by the Issuer from the Swap Counterparty under the Interest Rate Hedging Agreement, and as a result the Issuer Funds (as defined below) will be insufficient to cover the Interest Service Amount (as defined below), the Hellenic Republic, under the terms of the Undertaking, will cover the shortfall. In addition, if the Swap Counterparty fails to pay, in full, any amount required to be paid by the Swap Counterparty pursuant to the Interest Rate Hedging Agreement, the Hellenic Republic will cover the shortfall.

Margin:

The margin (the “**Margin**”) applicable for the calculation of interest on the Notes will vary as follows:

From (and including) the Issue Date to (but excluding) the Interest Payment Date falling in March 2012 (the “**Step-up Date**”), 0.24 per cent. per annum (the “**Initial Margin**”).

From (and including) the Step-up Date, 0.48 per cent. per annum (the “**Step-up Margin**”).

Interest Payment Dates:

Interest will be paid semi-annually in arrears on 30th September and 31st March of each year (or if such a day is not a Business Day, the immediately preceding Business Day) commencing on 30th September 2002 (each such date, an “**Interest Payment Date**”).

Principal Payment Dates:

To the extent that there are sufficient Issuer Funds (as defined below) and prior to a Notice (as defined below) being served, the Notes will be redeemed in part, annually, on each Interest Payment Date falling in the month of March commencing on 31st March, 2003 and ending on the Final Maturity Date (each such date, a “**Principal Payment Date**”).

Principal will be payable on each Principal Payment Date in an amount not exceeding the aggregate of (a) the Principal Repayment Amount (as defined below) for that Principal Payment Date and (b) any Principal Repayment Amounts payable on any previous Principal Payment Date that remain unpaid (such aggregate the “**Aggregate Principal Repayment Amount**”).

To the extent that there are insufficient Issuer Funds to pay the Aggregate Principal Repayment Amount payable on any particular Principal Payment Date, any such unpaid amount shall be payable on the next Principal Payment Date.

The unpaid Principal Balance will be payable on the Final Maturity Date or on such earlier date as specified in any relevant Notice.

Non-payment of Aggregate Principal Repayment Amounts on any Principal Payment Date other than the Final Maturity Date shall not constitute an Event of Default under Condition 9(a).

Business Day:

“**Business Day**” means any day, other than a Saturday or Sunday, on which commercial banks are generally open for business in Athens, Luxembourg and London, and on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (or any successor thereto (the “**TARGET System**”)) is open.

Interest Period:

The “**Interest Period**” for the first Interest Payment Date is the period from and including the Issue Date to but excluding the first Interest Payment Date and for each Interest Payment Date thereafter, the period from and including the previous Interest Payment Date to but excluding such subsequent Interest Payment Date.

Interest Calculation:

The amount of interest due on any Interest Payment Date in respect of the Notes will be equal to the product of (i) the actual number of days in the related Interest Period divided by 360, (ii) the Interest Rate applicable to the Notes and (iii) the Principal Balance on the immediately preceding Interest Payment Date or, in the case of the first Interest Payment Date, the Initial Principal Balance.

Final Maturity Date:

In the absence of an early amortisation due to the occurrence of an Event of Default, a Tax Event or the exercise of the Call Option, the final maturity date for the Notes is 31st March, 2019 (the “**Final Maturity Date**”).

Use of Proceeds:

On the Issue Date, the Issuer will use the net proceeds of the Notes to acquire the Purchased Receivables (as defined below) from the Hellenic Republic pursuant to the terms of the Receivables Purchase Agreement (as defined below).

Taxation:

All payments of principal and interest on the Notes will be made by the Issuer free and clear of any withholding or deduction for or on account of taxes, unless the Issuer is required by applicable law to make such a withholding or deduction. In such event, neither the Issuer nor any of the Paying Agents will be obliged to make any additional payments to Noteholders in respect of any withholding or deduction applicable to payments of principal or interest on the Notes.

TRANSACTION STRUCTURE AND MECHANICS

Principal Repayment Amount:

An amount equal to the scheduled principal payment payable on the Notes on each Principal Payment Date in accordance with the following schedule:

<u>Principal Payment Date</u>	<u>Principal Repayment Amount(€)</u>
31st March, 2003	13,642,618
31st March, 2004	14,335,663
31st March, 2005	15,063,915
31st March, 2006	15,829,161
31st March, 2007	16,633,283
31st March, 2008	17,478,254
31st March, 2009	18,366,149
31st March, 2010	19,299,149
31st March, 2011	20,279,546
31st March, 2012	21,309,747
31st March, 2013	22,222,519
31st March, 2014	23,406,979
31st March, 2015	24,654,571
31st March, 2016	25,968,660
31st March, 2017	27,352,790
31st March, 2018	28,810,693
31st March, 2019	30,346,303

The actual amount of principal to be paid on each Principal Payment Date will, subject to the availability of Issuer Funds, be in an amount up to the Aggregate Principal Repayment Amount.

Purchased Receivables:

Pursuant to the terms of a receivables purchase agreement to be entered into on the Issue Date between the Hellenic Republic, the Issuer and the Trustee (the “**Receivables Purchase Agreement**” or “**RPA**”), the Hellenic Republic will sell and transfer to the Issuer against payment of the Initial Purchase Price all of the Hellenic Republic’s rights to the Eurocontrol Receivables (as defined below) other than the Excluded Receivables (as defined below) (the “**Purchased Receivables**”) from the 1st January, 2002 until the date of redemption of the Notes.

Following the transfer of the Purchased Receivables to the Issuer pursuant to the terms of the Receivables Purchase Agreement and under the provisions of Article 14 of the Greek Law No. 2801/2000 as amended by Article 36 of the Greek Law No. 2843/2000 (“**Securitisation Law**”), the Issuer’s interests in the Purchased Receivables, in the corresponding Collections (as defined below) and the Undertaking will be segregated by operation of law from the Hellenic Republic’s and the Receipts Account Bank’s other assets and may not be seized or attached in any form by creditors of the Hellenic Republic and the Issuer (other than the Noteholders and the other Secured Creditors (as defined below)), until full discharge by the Issuer of its payment obligations under the Notes or cancellation of the Notes.

Eurocontrol Receivables:

All amounts received and receivable by the Hellenic Republic from Eurocontrol pursuant to the Route Charges Agreement.

Excluded Receivables:

The aggregate of:

- (a) an amount equal to one third ($\frac{1}{3}$) of the Eurocontrol Receivables received by the Hellenic Republic during

each calendar month of each calendar year provided that such amount when aggregated with all other one thirds deducted in respect of previous calendar months of the same calendar year does not exceed GRD8,000,000,000 (EUR23,477,623) (the “**One Third Deduction**”); and

- (b) an amount equal to the product of EUR9 and the Service Units (as defined below) generated in the Hellenic Republic’s airspace during each calendar month (the “**Service Unit Deduction**”).

Purchase Price:

The aggregate purchase price for the Purchased Receivables (the “**Purchase Price**”) will be equal to the Initial Purchase Price, the Deferred Purchase Price and the Partial DPP (each as described below).

Initial Purchase Price:

The initial purchase price for the Purchased Receivables payable to the Hellenic Republic (the “**Initial Purchase Price**”) will be equal to the proceeds from the issuance of the Notes *minus* the Initial Expenses payable as at the Issue Date.

Expenses:

Certain expenses payable by the Issuer in relation to the issuance of the Notes, the execution and implementation of the Transaction Documents, the corporate existence of the Issuer and the tax liability of the Issuer (the “**Expenses**”). The Expenses payable as at the Issue Date are the “**Initial Expenses**” which will be met by amounts standing to the credit of a reserve in the Transaction Account (the “**Initial Expenses Reserve**”) using the proceeds from the offering of the Notes on the Issue Date. After 1st March 2002 amounts standing to the credit of the Initial Expenses Reserve will be paid to the Hellenic Republic.

Deferred Purchase Price:

Prior to the serving of a Notice (as defined below), the “**Deferred Purchase Price**” will, on each Interest Payment Date, be an amount equal to the Issuer Funds (as defined below) on such Interest Payment Date less the Debt Service Amount payable on such Interest Payment Date.

“**Debt Service Amount**” means, in respect of an Interest Payment Date, the sum of the amounts payable under items (i) to (viii) (inclusive) of the Priority of Payments to be paid on the relevant Interest Payment Date.

“**Interest Service Amount**” means, in respect of an Interest Payment Date, the sum of the amounts payable under items (i) to (vi) (inclusive) of the Priority of Payments to be paid on the relevant Interest Payment Date.

Prior to the serving of a Notice (as defined below) if, on the last Business Day of any calendar month (a “**Partial DPP Payment Date**”) during a Collection Period (as defined below), the Issuer Funds (as defined below) exceed the Debt Service Amount payable on the succeeding Interest Payment Date, the amount equal to such excess will be paid to the Hellenic Republic by way of a partial deferred purchase price (“**Partial DPP**”) on such Partial DPP Payment Date (or if such a day is not an Athens Business Day, on the next Athens Business Day) and an amount equal to any further amount remitted to the Transaction Account (as defined below) during such Collection Period

will be paid to the Hellenic Republic by way of Partial DPP on each subsequent Partial DPP Payment Date during such Collection Period (or if such day is not an Athens Business Day, on the next Athens Business Day) provided that on each such subsequent Partial DPP Payment Date there are sufficient funds remaining in the Transaction Account (as defined below) to meet the Debt Service Amount payable on the succeeding Interest Payment Date, save that no Partial DPP will be paid on an Interest Payment Date. For the purposes of this paragraph, “**Athens Business Day**” means a day on which banks are open for business and settle payments in Athens.

Limited Recourse:

The Notes are direct, secured and limited recourse obligations of the Issuer payable solely out of the assets charged or pledged by the Issuer to secure the Notes and any other assets of the Issuer. The Issuer will have no other assets or sources of revenue. If these assets (which include the Purchased Receivables and the Undertaking) are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency, and following liquidation of the available assets, the obligations of the Issuer to pay such deficiency will be extinguished.

Limited rights against Eurocontrol:

It will be a term of the Receivables Purchase Agreement that neither the Issuer nor, following the receipt of a Default Notice (as defined below), the Trustee or any person deriving interest from any of them will have the right to exercise any of the rights under the Receivables Purchase Agreement in respect of the Purchased Receivables directly against Eurocontrol. All such rights will continue to be exercised by the Hellenic Republic on behalf of the Issuer or the Trustee as the case may be.

Servicing:

Eurocontrol, as “**Collection Servicer**”, will be responsible for, *inter alia*, establishing and collecting charges levied on users of air navigation services in accordance with the Route Charges Agreement, on behalf of the Hellenic Republic.

The HCAA, as “**Air Traffic Servicer**”, will be responsible for, *inter alia*, providing air traffic control services in the Athens Greek Flight Information Region in accordance with international standards (as defined in Representations and Warranties/Undertakings) and for ensuring the installation and operational functionality of the infrastructure necessary to support the provision of these services.

Both Eurocontrol and the HCAA already provide the services which they will continue to provide as Collection Servicer and Air Traffic Servicer respectively. No further documentation will be entered into to formalise these roles.

UNDERTAKING

Undertaking:

The Hellenic Republic will give an irrevocable and unconditional undertaking (the “**Undertaking**”) in favour of the Issuer and the Trustee to enable the Issuer to meet its obligations in respect of or, as the case may be, for the Trustee to apply funds it receives to pay any Interest Service Amount payable on any Interest Payment Date, the Debt Service Amount payable on the Final Maturity Date and, if a Notice has been given, the Principal Balance of the Notes and all other amounts required

to be paid with, or in priority to, the Notes on the date of their redemption pursuant to such Notice.

If, on any Calculation Date (as defined below) prior to the receipt of a Notice, the Issuer Funds (as defined below) are insufficient to cover the Interest Service Amount payable on the following Interest Payment Date, the Hellenic Republic will pay on the fifth Business Day following such Calculation Date (each such fifth Business Day an “**Undertaking Payment Date**”) to the Issuer or following the receipt of a Default Notice (as defined below) to, or to the order of, the Trustee, without set-off or deduction of any nature whatsoever, an amount in euro equal to such shortfall (the “**Interest Service Shortfall Amount**”).

If the Swap Counterparty fails to pay, in full, any amount required to be paid by the Swap Counterparty on an Interest Payment Date pursuant to the Interest Rate Hedging Agreement, the Hellenic Republic will, on or before the sixth Business Day following such Interest Payment Date (the “**Counterparty Default Payment Date**”) pay to the Issuer or following the receipt of a Default Notice (as defined below) to, or to the order of, the Trustee, without set-off or deduction of any nature whatsoever, an amount in euro equal to such shortfall (the “**Counterparty Default Amount**”).

“**Calculation Date**” means the day which is 5 Business Days after the end of the relevant Collection Period (as defined below).

If on the Calculation Date preceding the Final Maturity Date the Issuer Funds (as defined below) are insufficient to cover the Debt Service Amount payable on the Final Maturity Date, the Hellenic Republic will, on the Undertaking Payment Date preceding the Final Maturity Date, pay to the Issuer or after the receipt of a Default Notice (as defined below) to, or to the order of, the Trustee, without set-off or deduction of any nature whatsoever, an amount in euro equal to such shortfall (the “**Debt Service Shortfall Amount**”).

If, following the receipt of a Notice, the Issuer Funds (as defined below) are insufficient to cover the Principal Balance of the Notes and all other amounts required to be paid with, or in priority to, the Notes on the date of their redemption pursuant to such Notice, the Hellenic Republic will, two Business Days prior to the redemption date of the Notes, pay to the Issuer or after the receipt of a Default Notice (as defined below) to, or to the order of, the Trustee, without set-off or deduction of any nature whatsoever, an amount in euro equal to such shortfall (the “**Final Shortfall Amount**” and either the Final Shortfall Amount, the Interest Service Shortfall Amount or the Debt Service Shortfall Amount shall be the “**Shortfall Amount**”).

SECURITY

Security for the Notes:

The Notes will be obligations of the Issuer only. The Notes will be secured:

- (i) pursuant to a deed of charge (the “**Deed of Charge**”) to be dated the Issue Date, which will be governed by English Law, by:

- (A) a first ranking fixed security interest over all the Issuer's rights, title, interest and benefit, present and future, in, to and under each of the Receivables Purchase Agreement (other than the provisions governed by Greek law), the Undertaking (other than the provisions governed by Greek law), the Cash Management Agreement, the Trust Deed, the Transaction Account Bank Agreement, the Agency Agreement, the Subscription Agreement and the Interest Rate Hedging Agreement;
 - (B) a first fixed security interest over the Issuer's interest in the Transaction Account (as defined below) and any other bank account of the Issuer from time to time other than the Operational Account (as defined below) and its right to any amount standing to the credit thereof; and
 - (C) a floating charge over the whole of the undertaking, property, assets and rights of the Issuer (other than the Operational Account (as defined below)) not subject to the fixed security described in paragraph (i) (A) above;
- (ii) pursuant to a pledge agreement in respect of the Receivables Purchase Agreement (the "**RPA Pledge Agreement**") to be dated the Issue Date, which will be governed by Greek law, by a first ranking pledge of all the Issuer's interests in the Purchased Receivables under the provisions of the Receivables Purchase Agreement governed by Greek law; and
 - (iii) pursuant to a pledge agreement in respect of the Undertaking (the "**Undertaking Pledge Agreement**" and, together with the RPA Pledge Agreement, the "**Pledge Agreements**") to be dated the Issue Date, which will be governed by Greek law, by a first ranking pledge of all the Issuer's interests to, in and under the provision of the Undertaking governed by Greek law.

The fixed and floating charges under the Deed of Charge and the pledges under the Pledge Agreements described above together comprise the "**Note Security**".

The "**Secured Creditors**" who benefit from the Note Security are the Noteholders and the Issuer's other creditors as identified in the Deed of Charge. The Deed of Charge will set out the order of priority of application of the monies available for distribution following the enforcement of the Note Security.

CASH FLOW

Receipts/Collections:

The Hellenic Republic, acting through the HCAA, will ensure that Eurocontrol will pay any amounts payable in respect of the Eurocontrol Receivables (the "**Receipts**") (including amounts payable in respect of the Purchased Receivables (the "**Collections**")) into an account opened and maintained in the name of the Hellenic Republic with the Receipts Account Bank (the "**Receipts Account**").

At the end of each calendar month, the Hellenic Republic and HCAA will obtain from the Receipts Account Bank a Receipts

Account statement showing all credits to the Receipts Account during that calendar month and the Hellenic Republic shall deliver a copy of such statement to the Cash Manager.

Transfer to Transaction Account:

By the end of each calendar month, the HCAA will advise the Receipts Account Bank, the Hellenic Republic and the Cash Manager of the amount to be deducted from the Receipts Account in respect of the Service Unit Deduction for the previous calendar month. On receipt of this information from the HCAA, the Cash Manager will calculate the One Third Deduction and the amount in respect of Purchased Receivables which must be remitted to the Issuer in respect of the previous calendar month (the “**Monthly Amount**”) and which will be equal to the total amount received in the Receipts Account during such calendar month *less* the amount of Excluded Receivables in respect of such calendar month. The Cash Manager will notify the Hellenic Republic of the Monthly Amount and the Hellenic Republic will instruct the Receipts Account Bank to remit this amount into an account opened and maintained in the name of the Issuer with the Transaction Account Bank (the “**Transaction Account**”).

“**Collection Period**” means, for any Interest Payment Date, the period from and including the 14th Business Day prior to the preceding Interest Payment Date, or in the case of the first Interest Payment Date the Issue Date, to but excluding the 14th Business Day prior to such Interest Payment Date.

Reports on the Purchased Receivables detailing, *inter alia*, the amounts received into the Transaction Account in respect of the Purchased Receivables and amounts, if any, drawn under the provisions of the Undertaking (the “**Reports**”), will be prepared by the Cash Manager and sent to the Trustee on a semi-annual basis.

Principal Reserve:

Subject to the Priority of Payments, the Issuer Funds (as defined below) will be used on each Interest Payment Date which is not also a Principal Payment Date to build up a reserve (the “**Principal Reserve**”) held in the Transaction Account to be used towards payment of the Aggregate Principal Repayment Amount payable on the next Principal Payment Date. The Principal Reserve will not exceed the Aggregate Principal Repayment Amount payable on the next Principal Payment Date. All amounts held in the Principal Reserve will be credited to the principal reserve ledger (the “**Principal Reserve Ledger**”).

Expenses Reserve:

Subject to the Priority of Payments, the Issuer Funds will be used on each Interest Payment Date to build up an expenses reserve (the “**Expenses Reserve**”) held in the Transaction Account to be used, in the circumstances set out below, towards payment of any additional Expenses. All amounts held in the Expenses Reserve will be credited to the expenses reserve ledger (the “**Expenses Reserve Ledger**”) which will not exceed €150,000 (the “**Maximum Expenses Reserve Amount**”) at any time. In the event that, on any date, the amounts standing to the credit of the Transaction Account (excluding the Expenses Reserve) are insufficient to cover any Expenses payable, the Expenses Reserve will be used on such date to make up such shortfall, or, where such shortfall is greater than the funds

standing to the credit of the Expenses Reserve Ledger, that part of such shortfall which is equal to the funds standing to the credit of the Expenses Reserve Ledger, and the Expenses Reserve Ledger will be debited with the amount so used.

To the extent that the Expenses Reserve is reduced from the Maximum Expenses Reserve Amount, the Cash Manager will, subject to the Priority of Payments, on the next Interest Payment Date(s), credit the Expenses Reserve Ledger with the funds necessary to build the Expenses Reserve up to the Maximum Expenses Reserve Amount.

Operational Account:

The account of the Issuer with Banque et Caisse d'Epargne de l'Etat into which the proceeds of the subscription moneys for the Issuer's issued share capital will be paid.

Cash Management:

Pursuant to the terms of the Cash Management Agreement, the Cash Manager, on behalf of the Issuer, will operate the Transaction Account and will maintain the Expenses Reserve Ledger and the Principal Reserve Ledger.

Available Funds:

"Available Funds" means, on any Calculation Date, the sum of:

- (i) the amount standing to the credit of the Transaction Account on the last day of the immediately preceding Collection Period (which, for the avoidance of doubt, includes the Principal Reserve and the Expenses Reserve);
- (ii) any amounts to be paid to the Issuer by the Swap Counterparty on the next Interest Payment Date in respect of the relevant Interest Period pursuant to the terms of the Interest Rate Hedging Agreement,

(the aggregate of items (i) and (ii) above together referred to as the **"Issuer Funds"**); and

- (iii) any Shortfall Amount payable by the Hellenic Republic pursuant to the terms of the Undertaking.

Priority of Payments:

Prior to the delivery of a Notice (as defined below), the Available Funds shall be applied by the Cash Manager (on behalf of the Issuer) on the Interest Payment Date immediately succeeding the relevant Calculation Date in the following order of priority (the **"Priority of Payments"**) (and payments of or towards, or retentions in respect of, an item of lower priority shall only be made to the extent that the items of a higher priority have been paid or retained, as the case may be, in full):

- (i) *first*, in or towards payment of the Issuer's tax liability (if any) and any Expenses to be paid in order to preserve the corporate existence of the Issuer or to maintain it in good standing;
- (ii) *secondly*, in or towards payment of the amounts payable by the Issuer to the Trustee under the Trust Deed and under the other Transaction Documents (as defined below);
- (iii) *thirdly*, in or towards payment, *pro rata*, of the amounts due and payable to the Paying Agents in respect of amounts properly paid by them to the Noteholders and

not reimbursed by the Issuer and the fees and Expenses due and payable by the Issuer to the Paying Agents, the Agent Bank, the Cash Manager, the Transaction Account Bank, the Domiciliation Agent, and all amounts payable by the Issuer to third parties (other than those referred to in this order of priority) pursuant to the Transaction Documents;

- (iv) *fourthly*, in or towards payment of the amounts due and payable to the Swap Counterparty (other than payments to be made by the Issuer as a result of the termination of the Interest Rate Hedging Agreement);
- (v) *fifthly*, in or towards retention of the funds necessary to build the Expenses Reserve (as defined below) up to, but not exceeding, the Maximum Expenses Reserve Amount (as defined below), save that on the Final Maturity Date (as defined below) no Expenses Reserve will be built up;
- (vi) *sixthly, pro rata and pari passu*, in or towards payment of (A) interest due and payable on the Notes for the relevant Interest Period and (B) any termination payments due and payable to the Swap Counterparty under the Interest Rate Hedging Agreement;
- (vii) *seventhly*, but only on an Interest Payment Date which is not also a Principal Payment Date, in or towards retention of the funds necessary to build up the Principal Reserve (as defined below) to the amount which is equal to the Aggregate Principal Repayment Amount payable on the next Principal Payment Date;
- (viii) *eighthly*, but only on an Interest Payment Date which is also a Principal Payment Date, in or towards payment of the Aggregate Principal Repayment Amount then payable;
- (ix) *ninthly*, in or towards payment of the Deferred Purchase Price to the Hellenic Republic; and
- (x) *tenthly*, to pay the surplus, if any, to the Issuer.

All Counterparty Default Amounts paid by the Hellenic Republic prior to the delivery of a Notice (as defined below) shall also be applied by the Issuer or the Trustee, as the case may be, on the Counterparty Default Payment Date in accordance with the Priority of Payments or the Priority of Payments on Early Redemption following a Notice (and payments of or towards, or retentions in respect of, an item of lower priority shall only be made to the extent that the items of a higher priority have been paid or retained (as the case may be) in full.

EARLY AMORTISATION

Optional Redemption for Tax Reasons by the Issuer:

The Notes will be subject to redemption in full on the next Interest Payment Date at the option of the Issuer, to be exercised only at the direction of the Hellenic Republic, in an amount equal to their Principal Balance plus accrued interest and any other amounts payable in accordance with the Priority of Payments on Early Redemption Following a Notice following the occurrence of certain events as more fully set out in Condition 5(c) including if the Issuer or any of the Paying Agents on its behalf is obliged to make any withholding or

deduction on account of tax changes in the Grand Duchy of Luxembourg from payment in respect of the Notes (a “**Tax Event**”). A notice by the Issuer that a Tax Event has occurred and the Notes will be redeemed in full is a “**Tax Notice**”.

Notwithstanding the foregoing, if the proposed EU Directive on the Taxation of Savings is implemented and a withholding in respect of the Notes is required pursuant to that directive, the Notes will not be subject to redemption in accordance with Condition 5(c) and such withholding will not be a Tax Event.

Optional Redemption on Step-up Date by the Issuer:

The Notes will be subject to redemption in full on the Step-up Date or on any Interest Payment Date thereafter at the option of the Issuer (the “**Call Option**”), to be exercised only at the direction of the Hellenic Republic, and as more fully set out in Condition 5(d), in an amount equal to the aggregate of the Principal Balance, accrued interest on the Notes and any other amounts payable in accordance with the Priority of Payments on Early Redemption Following a Notice. A notice by the Issuer that it wants to exercise the Call Option and that the Notes will be redeemed in full is a “**Call Notice**”.

Event of Default under the Notes:

Following the occurrence of an Event of Default (as set out in Condition 9), the Trustee may, in its sole and absolute discretion and, if so requested by the Noteholders of at least 25% of the Principal Balance or by extraordinary resolution of the Noteholders, shall, subject in each case to it being indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing, give written notice (the “**Default Notice**”) to the Issuer declaring the Notes to be due and repayable. Upon such a declaration, the Notes shall immediately become due and payable at their principal amount outstanding, together with accrued interest and any other amounts payable, in accordance with the Priority of Payments on Early Redemption Following a Notice.

Notice:

Any of a Default Notice, a Tax Notice or a Call Notice.

Priority of Payments on Early Redemption following a Notice:

Following the delivery of a Notice, the monies received by the Issuer or the Trustee, as the case may be, shall be applied by the Issuer or the Trustee, as the case may be, in the following order of priority (the “**Priority of Payments on Early Redemption Following a Notice**”) (and payments in or towards an item of lower priority shall only be made to the extent that the items of a higher priority have been paid in full):

- (i) *first*, in or towards payment, *pro rata*, of the amounts payable by the Issuer to the Trustee under the Trust Deed and under the other Transaction Documents and to any receiver appointed in respect of the Issuer;
- (ii) *secondly*, in or towards payment, *pro rata* and *pari passu*, of the amounts due and payable to the Paying Agents in respect of amounts properly paid by them to the Noteholders and not reimbursed by the Issuer and the fees and expenses due and payable by the Issuer to the Paying Agents, the Agent Bank, the Cash Manager, the Transaction Account Bank, the Domiciliation Agent and all amounts payable by the Issuer to third parties (other than

those referred to in this order of priority) pursuant to the Transaction Documents;

- (iii) *thirdly*, in or towards payment of the amounts due and payable to the Swap Counterparty (other than payments to be made by the Issuer as a result of the termination of the Interest Rate Hedging Agreement);
- (iv) *fourthly*, in or towards payment, *pro rata* and *pari passu*, of (A) all amounts of interest then due and payable (or overdue) on the Notes and (B) any termination payments due and payable to the Swap Counterparty under the Interest Rate Hedging Agreement;
- (v) *fifthly*, in or towards payment of the Principal Balance (as defined below) and any other amount which may be outstanding under the Notes;
- (vi) *sixthly*, in or towards payment of the Deferred Purchase Price; and
- (vii) *seventhly*, to pay the surplus, if any, to the Issuer.

REPRESENTATION AND WARRANTIES/UNDERTAKINGS

Representations and Warranties:

Under the terms of the Receivables Purchase Agreement, the Hellenic Republic will represent and warrant to the Issuer as follows:

- (i) the Hellenic Republic has the power and authority to enter into the Receivables Purchase Agreement, to sell the Purchased Receivables to the Issuer pursuant to the terms of the Receivables Purchase Agreement and to exercise the rights expressed to be granted to it therein and to perform the obligations expressed to be assumed by it under the Receivables Purchase Agreement;
- (ii) all authorisations, approvals, consents, filings and registrations (if any) currently required in or by the laws of the Hellenic Republic to enable the Hellenic Republic lawfully to enter into the Receivables Purchase Agreement, to exercise the rights expressed to be granted to it therein and to perform transactions contemplated thereby and the obligations expressed to be assumed by it therein have been duly obtained;
- (iii) there is no deduction or withholding on account of tax or otherwise imposed by the Hellenic Republic or any political subdivision thereof (a) on or by virtue of the execution or delivery of the Receivables Purchase Agreement or any of the other Transaction Documents, or (b) on or by virtue of the transfer of the Purchased Receivables to the Issuer;
- (iv) the Hellenic Republic does not enjoy any right of immunity under the laws of the Hellenic Republic from suit in respect of its obligations under the Receivables Purchase Agreement;
- (v) under the laws of the Hellenic Republic, the rights expressed to be granted to the Issuer and the obligations expressed to be assumed by the Hellenic Republic in the Receivables Purchase Agreement are legal and valid

rights and obligations enforceable in accordance with their respective terms;

- (vi) under the laws of the Hellenic Republic the Receivables Purchase Agreement constitutes valid and binding obligations of the Hellenic Republic to transfer the Purchased Receivables to the Issuer;
- (vii) the Hellenic Republic is not in breach of or in default under any agreement to which it is a party or which is binding on it or any of its assets or revenues to an extent or in a manner which would have a material adverse effect on any of the Transaction Documents;
- (viii) except as otherwise disclosed in the Offering Circular, there are no suits or proceedings pending or (so far as the Hellenic Republic is aware) threatened in any court or arbitral tribunal or before any regulatory commission, board or other administrative agency against or affecting the Hellenic Republic which relate to the transfer of the Purchased Receivables under the Receivables Purchase Agreement or which, if adversely determined, would have a material adverse effect on the Receivables Purchase Agreement;
- (ix) the Hellenic Republic has not previously transferred any right, title or interest, or agreed to transfer any right, title or interest in respect of the Purchased Receivables to any person and no encumbrance exists over any of the Purchased Receivables;
- (x) the execution and delivery of the Receivables Purchase Agreement by the Hellenic Republic, the exercise by the Hellenic Republic of its rights set out in the Receivables Purchase Agreement and the performance of its obligations thereunder:
 - (a) have not resulted nor will result in the existence of, and have not obliged nor will oblige the Hellenic Republic to create, any encumbrance; and
 - (b) do not constitute, and will not result in, any breach of any law of the Hellenic Republic or any agreement or instrument or treaty to which the Hellenic Republic is a party; and
- (xi) it is not necessary under the laws of the Hellenic Republic, (a) in order to enable the Issuer to exercise or enforce its rights under the Receivables Purchase Agreement or any other party to exercise or enforce its rights under any of the Transaction Documents (as defined below) to which it is a party or (b) by reason of such person being a party thereto, or by reason of the performance by any such person of its obligations thereunder, that any such person should be licensed, qualified or otherwise entitled to carry on business in the Hellenic Republic, nor will any such performance violate any laws applicable in the Hellenic Republic.

Undertakings:

Under the terms of the Receivables Purchase Agreement, the Hellenic Republic will be obliged to comply with the following undertakings:

- (i) the Hellenic Republic will use all reasonable endeavours to ensure that all authorisations, approvals, licences, consents, filings and registrations (if any) required in or by the laws of the Hellenic Republic from time to time to enable the Hellenic Republic to perform the obligations expressed to be assumed by it therein in the Receivables Purchase Agreement, are duly obtained;
- (ii) the Hellenic Republic will ensure that (a) the Receivables Purchase Agreement remains in full force and effect and (b) the Hellenic Republic is the absolute owner of the Purchased Receivables immediately prior to and on the transfer to the Issuer;
- (iii) the Hellenic Republic will ensure that the HCAA will continue to be regulated and monitored by the Hellenic Republic or by another authority of the Hellenic Republic and will continue to perform the services in accordance with the standard set by Eurocontrol and the Convention and the Route Charges Agreement and any other relevant legislation;
- (iv) the Hellenic Republic will ensure that the Receipts Account remains the only account into which Eurocontrol is instructed to pay the Eurocontrol Receivables;
- (v) the Hellenic Republic will deliver a notice to Eurocontrol regarding the transfer of the Purchased Receivables in such a form as is necessary to constitute an effective assignment pursuant to the provisions of Greek law;
- (vi) the Hellenic Republic will, upon becoming aware of a Tax Event or an Event of Default or upon becoming aware of any condition, event or act which with the giving of notice and/or lapse of time and/or the issue of a certificate would constitute a Tax Event or an Event of Default, immediately notify the Issuer and the Trustee accordingly;
- (vii) the Hellenic Republic will promptly provide the Cash Manager and the Trustee with any information reasonably requested and required by them; and
- (viii) the Hellenic Republic will provide (or procure the provision of) a notice to the Bank of Greece which confirms that the Receipts Account is subject to the Securitisation Law.

Furthermore, the Hellenic Republic will undertake that it will not, save as otherwise provided in the Transaction Documents, sell, assign, pledge or otherwise encumber the Purchased Receivables.

MISCELLANEOUS

Listing:

Application has been made to list the Notes on the Luxembourg Stock Exchange.

Governing Law:

The Notes and the Transaction Documents, other than certain clauses of the Receivables Purchase Agreement and the Under-

taking, the Pledge Agreements and the Domiciliation Agreements, will be governed by and construed in accordance with English law.

The Pledge Agreements and certain clauses of the Receivables Purchase Agreement and the Undertaking will be governed by and construed in accordance with Greek law.

The Domiciliation Agreement will be governed by and construed in accordance with Luxembourg law.

Sovereign Immunity Clause:

The Hellenic Republic will waive any right to claim sovereign immunity as to jurisdiction in connection with any of the Transaction Documents to which it is a party to the extent allowed by Greek law, as construed by the Greek Courts. As regards any right to claim sovereign immunity as to execution against assets located in Greece or abroad, the Hellenic Republic will waive such immunity to the extent permitted under the applicable Greek law as construed by competent Greek courts. Notwithstanding the foregoing, under the laws of the Hellenic Republic, a final judgement against the Hellenic Republic will be recognised in Greece, but the Hellenic Republic is entitled to immunity from execution and attachment or similar process and therefore this waiver given by the Hellenic Republic does not mean that the Trustee or holder of any Notes will be able to enforce any judgement against the property of the Hellenic Republic either in the Hellenic Republic or against any diplomatic property outside the Hellenic Republic.

USE OF PROCEEDS

The Issuer will use the net proceeds from the offering of the Notes to meet all expenses in connection with the issue of the Notes and to purchase from the Hellenic Republic the Purchased Receivables pursuant to the terms of the Receivables Purchase Agreement.

The proceeds of the offering of the Notes, net of the fees, commissions and up-front expenses of the issue, are expected to be approximately €350,673,090.

On the Issue Date an amount equal to €1,100,000 from the proceeds of the offering of the Notes will be credited to the Transaction Account and maintained as a reserve (the “**Initial Expenses Reserve**”). Amounts standing to the credit of the Initial Expenses Reserve may only be used to meet Initial Expenses until 1st March, 2002. Any amount standing to the credit of the Initial Expenses Reserve after 1st March, 2002 will be paid to the Hellenic Republic.

RISK FACTORS

The following is a summary of certain aspects of the issues of Notes and related transactions about which prospective Noteholders should be aware. This summary is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this Offering Circular. Investment in the Notes is only suitable for investors who have the requisite knowledge and experience in financial and business matters, and access to, and knowledge of, appropriate analytical resources to evaluate the information contained in this Offering Circular. Before making an investment decision, prospective purchasers of Notes should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information set forth in this Offering Circular and, in particular, the considerations set forth below. If you are in any doubt about the contents of this Offering Circular you should consult an appropriate professional advisor.

The Issuer is a Special Purpose Vehicle with Limited Resources

The Issuer is a special purpose vehicle in the form of a public limited liability company (*société anonyme*) formed under the laws of the Grand Duchy of Luxembourg on 26th November, 2001. The business of the Issuer is restricted to certain activities described in “The Issuer” below. The assets of the Issuer will consist of the Purchased Receivables (which may not be sufficient to meet all claims under the Notes and the Transaction Documents) and its rights under the Undertaking.

Liability under the Notes

The Notes will be obligations solely of the Issuer and will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, the Lead Manager, the Trustee, the Hellenic Republic, the Domiciliation Agent, the Servicers, the Cash Manager, the Principal Paying Agent, any Paying Agent, the Agent Bank, the Receipts Account Bank or the Transaction Account Bank. None of these persons shall accept any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes. The Issuer has the benefit of the Undertaking (referred to below) from the Hellenic Republic.

The Issuer will rely solely on the payments made by the Hellenic Republic under the terms of the Receivables Purchase Agreement, payments made by the Swap Counterparty under the Interest Rate Hedging Agreement and the payment of any Shortfall Amounts and any Counterparty Default Amounts by the Hellenic Republic under the Undertaking to enable it to make payments in respect of the Notes. If proceeds received by the Issuer or, following the occurrence of any Event of Default, the Trustee for the benefit of the Noteholders are insufficient to make payments in respect of the Notes no other assets will be available for payment of the deficiency and, following liquidation of the available assets, the obligations of the Issuer to pay such deficiency will be extinguished. Payments in respect of the Notes are subject to the Priorities of Payments set out in Condition 2.

Upon enforcement of the Note Security, the Trustee will have recourse only to the assets charged pursuant to the Security Agreements. Payments in respect of the Notes following an Event of Default will be subject to the Priority of Payments on Early Redemption Following a Notice. Other than as provided in the Receivables Purchase Agreement and the Undertaking, the Issuer will have no recourse to the Hellenic Republic or any other entity including, but without limitation, in the event that the Issuer suffers a shortfall of funds in respect of the Purchased Receivables.

Credit Risk and Reliance on the Hellenic Republic

Although the obligations of the Issuer may be met from the Purchased Receivables, the amounts and timing of receipts of Purchased Receivables are uncertain and there can be no assurance that receipts of Purchased Receivables in any given period will by themselves be sufficient to enable the Issuer to meet its liabilities. In the event that the Issuer Funds are insufficient to cover the Interest Service Amount, Expenses and any other amount ranking prior to or *pari passu* with any Interest Service Amount or any Principal Service Amount payable on the Final Maturity Date or such earlier date as may be satisfied in the Notes, the ability of the Issuer to make payments in respect of interest, principal and any other amounts due under the Notes will depend ultimately upon the due performance by the Hellenic Republic of its obligations under the Undertaking to pay the Shortfall Amount and/or any Counterparty Default Amount. Any failure on the part of the Hellenic Republic to pay amounts under the Undertaking as and when demanded could result in a default in payment of interest, principal or other amounts under the Notes.

Credit Risk on the Swap Counterparty

The ability of the Issuer to meet its payment obligations in respect of the Notes partly depends on the payments made by the Swap Counterparty under the Interest Rate Hedging Agreement. If, on any Calculation Date, there is a shortfall in the amounts expected to be received by the Issuer from the Swap Counterparty, and as a result the Issuer Funds are insufficient to cover the Interest Service Amount, the Hellenic Republic will be obliged, under the terms of the Undertaking, to cover the extent of such shortfall and ensure that there are sufficient Available Funds to meet the Interest Service Amount. If the amount received by the Issuer from the Swap Counterparty on any Interest Payment Date is less than the amount anticipated on the immediately preceding Calculation Date, the Hellenic Republic will be obliged, under the terms of the Undertaking, to cover such shortfall, but this payment by the Hellenic Republic will be made after the Interest Payment Date in question as set out in the Undertaking.

Notification to Eurocontrol

Eurocontrol's approval of the transaction described in this Offering Circular is not considered by the Hellenic Republic to be necessary and has not been sought. However, the Hellenic Republic has notified Eurocontrol of the proposed assignment of the Purchased Receivables and of the other main features of the transactions contemplated by the Transaction Documents (as defined below). A notice of the assignment to the Issuer of the rights of the Hellenic Republic to receive the Purchased Receivables pursuant to the Receivables Purchase Agreement and of the pledging of these rights by the Issuer in favour of the Trustee will be delivered by the Hellenic Republic to Eurocontrol within one calendar month of the Issue Date (the "**Eurocontrol Notice**"). The Eurocontrol notice will comply with the requirements of the laws of the Hellenic Republic for notification to debtors of assignments of receivables. The Eurocontrol Notice will also include a brief description of the transaction and its compliance with the principles of the Convention and the Route Charges Agreement. The Eurocontrol Notice will also make reference to the contractual agreement of the parties that the rights of the Issuer and, following a Default Notice, the Trustee will be exercised through the Hellenic Republic and never directly by the Issuer or Trustee as the case may be.

Political and Economic Developments in the Hellenic Republic and in the European Union

The financial condition, results of operations and prospects of the Hellenic Republic may be adversely affected by events outside its control, namely:

- European law generally;
- conflicts in the region (including South Eastern Europe and the Middle East), such as the recent military action and political instability in the former Yugoslavia; or
- taxation and other political, economic or social developments in or affecting the Hellenic Republic and South Eastern Europe generally.

Sovereign Immunity of the Hellenic Republic

Under the Transaction Documents, the Hellenic Republic has irrevocably waived any sovereign immunity from jurisdiction and execution or attachment of judgement to the extent permitted by applicable law. Notwithstanding the foregoing, under the laws of the Hellenic Republic, a final judgement against the Hellenic Republic will be recognised in Greece, but the Hellenic Republic is entitled to immunity from execution and attachment or similar process and therefore this waiver given by the Hellenic Republic does not mean that the Trustee or holder of any Notes will be able to enforce any judgement against the property of the Hellenic Republic either in the Hellenic Republic or against any diplomatic property outside the Hellenic Republic. Therefore, any judgement obtained against the Hellenic Republic may not be capable of enforcement. This right of immunity has been challenged before the Greek courts on the grounds that it is not compatible with the European Convention for Human Rights (ratified by Legislative Decree 53/1974) and the International Convention for the Individual and Political Rights (ratified by Law 2462/1997). Since 1999, the Greek courts have held on several occasions that the Hellenic Republic no longer enjoys sovereign immunity. However, this issue has not yet been the subject of a final decision by the Greek Supreme Court (*Areios Pagos*). Pursuant to a new provision (Article 94 paragraph 4) of the recently amended Greek Constitution, judicial decisions may be executed against the Hellenic Republic in accordance with the provisions of specific legislation. However, this

legislation has not yet been adopted. According to the interpretation of Article 112 of the Greek Constitution, in the absence of specific legislation mentioned above, the previous regime would be deemed to be in force.

Taxation

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges that may be applicable to any payment to it in respect of the Notes, see “Taxation” below. The Issuer will not pay any additional amounts to Noteholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes by the Issuer or any Paying Agents.

However, in the event that the Purchased Receivables or the payments under the Undertaking or payments made by the Swap Counterparty under the Interest Rate Hedging Agreement will be subject to withholding or deduction for, or on account of, any present and future taxes, duties, assessments or governmental changes of whatever nature imposed or levied by or on behalf of the Hellenic Republic and as a result the Issuer Funds are insufficient to cover the Interest Service Amount, Expenses and any other amount ranking prior to or *pari passu* with any Interest Service Amount or Principal Service Amount payable on the Final Maturity Date, the Hellenic Republic is obliged to pay an amount equal to the Shortfall Amount in accordance with the Undertaking.

Proposed EU Directive on Taxation of Savings

On 18th July, 2001 the European Commission published the EU Directive on Taxation of Savings. It is proposed that, subject to a number of important conditions being met, Member States will be required to provide the tax authorities of another Member State with details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States (including Luxembourg but not including the United Kingdom) to opt instead for a withholding system for a transitional period in relation to such payments. The EU Directive on Taxation of Savings is not yet final, and may be subject to further amendment and/or clarification.

In the event that the EU Directive on Taxation of Savings is implemented and were to result in a withholding being made in respect of any payments on the Notes, neither the Issuer nor any other person would be obliged to pay additional amounts in relation thereto. However, in such event, the Issuer will endeavour to maintain a Paying Agent in an EC member state that will not be obliged to withhold or deduct tax pursuant to the EU Directive on Taxation of Savings.

Market for the Notes

Prior to the issue of the Notes there has been no public market for the Notes. Application has been made for the Notes to be listed on the Luxembourg Stock Exchange. There is no assurance that a market for the Notes will develop in the United Kingdom or elsewhere or, if it does develop, that it will continue. Accordingly, the purchase of the Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes.

Rating Downgrade of the Hellenic Republic

The rating of the Notes is dependent on the rating of the Hellenic Republic as a result of the Undertaking. The Transaction Documents do not provide for any remedy, such as a deferment of the Deferred Purchase Price payable to the Hellenic Republic or the provision of collateral, in the event of a downgrade of the long-term unsecured, unguaranteed and unsubordinated rating of the Hellenic Republic for borrowing in foreign currency.

Commercial and Legal Aspects of the Transaction

No investigations, searches or other enquiries have been made by or on behalf of the Issuer in respect of the Hellenic Republic, or the Purchased Receivables, and no representations or warranties are being given or have been given by or on behalf of the Issuer in respect thereof. The Issuer and the Trustee will rely on representations and warranties given by the Hellenic Republic in the Receivables Purchase Agreement and security by the Issuer in favour of the Trustee pursuant to the Security Agreements. Any

prospective purchasers of the Notes should take their own tax, legal, accounting and other relevant advice as to the structure and viability of their investment.

Regulatory treatment

A statement in respect of the BIS risk weighting of the Notes for capital adequacy purposes has been sought from the Bank of Greece and other Central Banks in Europe. Investors are to make their own investigation of the BIS risk weighting of the Notes attributed by the Bank of Greece and any other regulators which may alter from time to time due to the introduction or variation of applicable law or official interpretation or application of any such laws. The regulatory treatment of the Notes could affect the value of the Notes.

The inability of the Issuer to pay interest or repay principal on the Notes may occur for reasons not related to the risk factors identified above. The Issuer does not represent that the risk factors relating to the holding of Notes described above are exhaustive.

SUMMARY OF TRANSACTION DOCUMENTS

The following description summarises certain provisions of certain Transaction Documents and is qualified by reference to the detailed provisions of the relevant Transaction Document, to which prospective investors must refer for detailed information.

Receivables Purchase Agreement

Transfer of Portfolio

Pursuant to the terms of a receivables purchase agreement to be entered into on or before the Closing Date between the Hellenic Republic, the Issuer and the Trustee (the “**Receivables Purchase Agreement**” or “**RPA**”), the Hellenic Republic will sell and transfer to the Issuer the Purchased Receivables against payment of the Initial Purchase Price.

The “**Purchased Receivables**” will consist of the Hellenic Republic’s rights to amounts received or receivable from Eurocontrol pursuant to the Route Charges Agreement (the “**Eurocontrol Receivables**”) from the 1st January, 2002 until the date of redemption of the Notes in full less the aggregate of:

- (a) the One Third Deduction made in each calendar month during such period; and
- (b) the Service Unit Deduction made in each calendar month during such period.

Following the transfer of the Purchased Receivables to the Issuer pursuant to the terms of the RPA and under the provisions of Article 14 of Greek Law No. 2801/2000, as amended by Article 36 of Greek Law 2843/2000, the Issuer’s interests in the Purchased Receivables and in the corresponding Collections will be segregated by operation of law from the Hellenic Republic’s and the Receipts Account Bank’s other assets and may not be seized or attached in any form by creditors of the Hellenic Republic and the Issuer (other than the Noteholders and the other Secured Creditors), until full discharge by the Issuer of its payment obligations under the Notes or cancellation of the Notes.

The Purchase Price

The aggregate purchase price for the Purchased Receivables (the “**Purchase Price**”) will be equal to the sum of the Initial Purchase Price, the partial DPP and the Deferred Purchase Price (as described below).

The initial purchase price for the Purchased Receivables payable to the Hellenic Republic on the Issue Date (the “**Initial Purchase Price**”) will be equal to the proceeds from the issuance of the Notes *minus* the Initial Expenses.

Prior to the delivery of a Notice, the “**Deferred Purchase Price**” will, on each Interest Payment Date, be an amount equal to the Issuer Funds on such Interest Payment Date less the Debt Service Amount payable on such Interest Payment Date.

After the delivery of a Notice, the “**Deferred Purchase Price**” will be an amount equal to the Purchased Receivables received and any balance standing to the credit of the Transaction Account following redemption in full of the Notes and payment of the *first to fifth* items of the Priority of Payments on Early Redemption Following a Notice (as set out in Condition 2(e)).

Prior to the delivery of a Notice if, on the last Business Day of any calendar month (a “**Partial DPP Payment Date**”) during a Collection Period, the Issuer Funds exceed the Debt Service Amount payable on the succeeding Interest Payment Date, the amount equal to such excess will be paid to the Hellenic Republic by way of a partial deferred purchase price (“**Partial DPP**”) on such Partial DPP Payment Date (or if such a day is not an Athens Business Day, on the next Athens Business Day) and an amount equal to any further amount remitted to the Transaction Account during such Collection Period will be paid to the Hellenic Republic by way of Partial DPP on each subsequent Partial DPP Payment Date (or if such day is not an Athens Business Day, on the next Athens Business Day) provided that on each such subsequent Partial DPP Payment Date there are sufficient funds remaining in the Transaction Account to meet the Debt Service Amount payable on the succeeding Interest Payment Date, save that no Partial DPP will be paid on an Interest Payment Date.

Appointment of the Hellenic Republic as the Eurocontrol Agent

In accordance with the terms of the RPA, the Issuer (and, following a Default Notice, the Trustee) will appoint the Hellenic Republic to act as its agent (the “**Eurocontrol Agent**”) to represent it in respect

of all matters relating to the Purchased Receivables to Eurocontrol. For the duration of the appointment of the Hellenic Republic as Eurocontrol Agent, the Hellenic Republic will have the power, authority and right to do or cause to be done any and all things which it reasonably considers necessary or convenient in connection with or incidental to the exercise of such rights, powers and discretions or the performance of such duties.

The Hellenic Republic will agree that, in exercising the rights of the Issuer as Eurocontrol Agent, it will exercise such care and skill as if it had remained the owner of the Purchased Receivables and acted in respect of such Purchased Receivables as a prudent owner of such Purchased Receivables would act, having regard to the concerns and demands which the Issuer might reasonably have made in this regard.

The Issuer will agree that it will not approach, address or make claims of any kind to Eurocontrol other than through the Eurocontrol Agent in accordance with the provisions of the RPA.

In addition, the Hellenic Republic and the Issuer will agree that the duties and responsibilities of the HCAA will continue to be exercised in full compliance with the relevant Greek legislation and in accordance with the Hellenic Republic's international legal obligations, including the Convention.

Representation and Warranties

The Hellenic Republic will make a number of representations and warranties under the RPA in relation to itself and the Purchased Receivables. These will include the following:

- (i) the Hellenic Republic has the power and authority to enter into the RPA, to transfer the Purchased Receivables pursuant to the terms of the RPA and to perform the obligations and exercise the rights granted to it under the RPA;
- (ii) it is vested with full title to the Purchased Receivables and no security interest exists in respect of the Purchased Receivables other than that to be created by the Security Agreements, and the RPA is effective to transfer to the Issuer all right, title, benefit, estate and interest of the Hellenic Republic in the Purchased Receivables;
- (iii) all authorisations, approvals, consents, filings and registrations currently required in the Hellenic Republic in relation to the entry into and the performance by it of the RPA have been duly obtained; and
- (iv) the RPA, the Undertaking, the Pledge Agreements, the Cash Management Agreement and the Deed of Charge have been duly authorised, executed and delivered by the Hellenic Republic and constitutes its valid and legally binding obligations.

Undertakings

The Hellenic Republic will give a number of undertakings under the RPA in relation to itself and the Purchased Receivables. These will include the following:

- (i) the Hellenic Republic will not change any direction or standing order, terminate or otherwise alter the Receipts Account without the prior permission of the Issuer and the Trustee;
- (ii) the Hellenic Republic will ensure that all authorisations, approvals, licences, consents, filings and registrations (if any) required in or by the laws of the Hellenic Republic from time to time to enable the Hellenic Republic to perform the obligations expressed to be assumed by it in the Receivables Purchase Agreement are duly obtained; and
- (iii) the Hellenic Republic will ensure that the Receivables Purchase Agreement and the Undertaking remain in full force and effect.

Undertaking

The Hellenic Republic will give to the Issuer the Undertaking, which is an unconditional and irrevocable undertaking of the Hellenic Republic to the Issuer and the Trustee to pay sufficient funds to the Issuer to enable the Issuer to make up any shortfall in (i) the Issuer Funds, as determined by the Cash Manager on each Calculation Date, in order for the Issuer to effect payment in respect of the Interest Service Amount on the next Interest Payment Date and (ii) the Issuer Funds, as determined by the Cash Manager on the Calculation Date preceding the Final Maturity Date, in order for the Issuer to effect payment in respect of the Debt Service Amount on the Final Maturity Date and (iii) the amounts received from the Swap Counterparty on each Interest Payment Date, as determined by the Cash Manager on the

Business Day immediately succeeding such Interest Payment Date, in order for the Issuer to effect payment of the Counterparty Default Amount on the Counterparty Default Payment Date. Additionally, the Undertaking provides that if a Notice has been given, the Hellenic Republic will pay sufficient funds to allow the Issuer or the Trustee (as the case may be) to distribute funds available in satisfaction of the Principal Balance of the Notes and any other amounts required to be paid with, or in priority to, the Notes.

Deed of Charge and Pledge Agreements

On the Issue Date, pursuant to the Deed of Charge, the Issuer will pledge, charge, convey, transfer and assign to the Trustee by way of a first ranking fixed charge for the discharge and payment of its obligations to the Noteholders and other Secured Creditors all its right, title, interest and benefit, present and future, in, to and under each of the Receivables Purchase Agreement (other than the provisions governed by Greek law), the Undertaking (other than the provisions governed by Greek law), the Cash Management Agreement, the Trust Deed, the Transaction Account Bank Agreement, the Agency Agreement, the Subscription Agreement, the Interest Rate Hedging Agreement and the Transaction Account and any other bank account of the Issuer from time to time other than the Operational Account and its right to any amount standing to the credit thereof in favour of the Trustee (on behalf of the Noteholders and other Secured Creditors). In addition, the Issuer will charge by way of a floating charge (ranking after the fixed security referred to above) the whole of the undertaking, property, assets and rights of the Issuer (other than the Operational Account) not subject to the fixed security referred to above in favour of the Trustee (on behalf of the Noteholders and other Secured Creditors).

Further, on the Issue Date, pursuant to the Pledge Agreements, the Issuer will pledge to the Trustee its interests in the Purchased Receivables under the provisions of the Receivables Purchase Agreement governed by Greek law and its interest in the provisions of the Undertaking governed by Greek law.

The Note Security granted pursuant to the Deed of Charge and the Pledge Agreements will become enforceable upon the Trustee giving a Default Notice (as defined in Condition 9(a)) declaring the Notes due and payable in accordance with Condition 9 of the Notes, provided that the Trustee may not give notice declaring the Notes due and payable upon an Event of Default pursuant to sub-paragraphs (ii), (ix), (x), (xi) or (xii) of Condition 9(a), unless the Trustee shall have certified to the Issuer that the relevant event is, in its opinion, materially prejudicial to the interests of the Noteholders. Upon the Note Security becoming enforceable all amounts received or recovered by the Issuer and/or the Trustee under the Note Security (including without limitation all amounts standing to the credit of the Transaction Account) will be applied in accordance with Condition 2(e).

Cash Management Agreement

HSBC Bank plc, acting through its London branch, will be appointed by the Issuer as the Cash Manager pursuant to the Cash Management Agreement in respect of amounts standing from time to time to the credit of the Transaction Account and any other account of the Issuer.

The Cash Manager's duties will include (i) calculating the One Third Deduction and the Monthly Amount and notifying them to the Hellenic Republic, (ii) determining, on each Calculation Date, the Debt Service Amount or the Interest Service Amount, as the case may be, in respect of the next Interest Payment Date, (iii) determining the Issuer Funds on each Calculation Date and whether such amount is sufficient to cover the Interest Service Amount on the immediately following Interest Payment Date, (iv) notifying the Hellenic Republic of any demand made under the Undertaking (such notices to take a pre-agreed form), (v) determining the Available Funds on a Calculation Date, (vi) ensuring that money is credited to the specified account of the Principal Paying Agent on each Interest Payment Date, (vii) making payment on each Interest Payment Date to any other parties who are due sums and keeping a record of those amounts so paid, (viii) determining whether the Interest Service Amount payable on an Interest Payment Date was paid, in full, on such Interest Payment Date (or, if not, whether such non-payment was due to an administrative error which was being immediately remedied) and notifying the Hellenic Republic of any Counterparty Default Amount payable under the Undertaking (such notices to take a pre-agreed form), and (ix) providing such information as is necessary for an annual audit of the Issuer to take place or such other information as the Directors of the Issuer may require. In return for these services, there will be a fixed fee payable by the Issuer in arrears to the Cash Manager.

The Cash Manager may engage the services of other reliable and carefully selected third parties for the performance of its duties under the Cash Management Agreement although the Cash Manager will continue to retain full liability for the performance of such third parties.

The Cash Manager will only be liable for losses that result from its failure to meet the standard of care which it would customarily exercise in the conduct of its own affairs.

The Interest Rate Hedging Agreement

The Issuer will enter into a swap agreement (the “**Interest Rate Hedging Agreement**”) with Morgan Stanley Capital Services Inc. (the “**Swap Counterparty**”). The documentation will be based on the 1992 ISDA Master Agreement including a Schedule and a Confirmation.

The Interest Rate Hedging Agreement will hedge the Issuer against interest rate exposure on the Notes for the period 30th September, 2004 to 31st March, 2012 through a swap of two amounts calculated by applying the following rates:

- (a) EURIBOR for six month euro deposits; and
- (b) a fixed rate,

to the notional amount for a given calculation period (the “**Swap Notional Agreement**”) as set out in the Interest Rate Hedging Agreement.

If rate (a) exceeds rate (b), the Swap Counterparty will be required to pay to the Issuer, on the relevant Interest Payment Date, the difference between the amounts calculated by applying the two rates to the Swap Notional Amount. If rate (b) exceeds rate (a), the Issuer will be required to pay the difference to the Swap Counterparty on the relevant Interest Payment Date.

In the event of a withholding tax being imposed on payments due to be made under the Interest Rate Hedging Agreement, neither the Issuer nor the Swap Counterparty will be obliged to gross up such payments.

The operation of the Interest Rate Hedging Agreement will be supported by the Undertaking. If, on any Calculation Date, there is a shortfall in the amounts expected to be received by the Issuer from the Swap Counterparty under the Interest Rate Hedging Agreement, and as a result the Issuer Funds will be insufficient to cover the Interest Service Amount or, on the Calculation Date immediately prior to the Final Maturity Date, the Debt Service Amount, or, if a Notice has been given, and there is a shortfall in the amounts expected to be received by the Issuer from the Swap Counterparty under the Interest Rate Hedging Agreement, and as a result the Issuer Funds will be insufficient to cover the Principal Balance of the Notes and all other amounts required to be paid with, or in priority to, the Notes on the date of their redemption pursuant to such Notice, the Hellenic Republic will be obliged, under the terms of the Undertaking, to cover the Shortfall Amount. In addition, if the Swap Counterparty fails to pay, in full, any amount payable by the Swap Counterparty on an Interest Payment Date pursuant to the Interest Rate Hedging Agreement, the Hellenic Republic will be obliged, under the terms of the Undertaking, to cover the Counterparty Default Amount.

INFORMATION REGARDING EUROCONTROL

Eurocontrol is the European Organisation for the Safety of Air Navigation. It was originally established by means of the Convention Relating to Co-operation for the Safety of Air Navigation, 1960, which came into force on 1st March, 1963. Its powers were prolonged and extended by a Protocol signed in Brussels on 12th February, 1981 which substantially amended the 1960 Convention (as amended by the 1981 Protocol, the “**Convention**”). The Convention was further amended and consolidated by a protocol signed in Brussels on 27th June, 1997 (the “**1997 Protocol**”) but the 1997 Protocol has not come into force yet. Eurocontrol is a regionally-oriented international organisation, which aims to develop a seamless, European-wide air traffic management system. Eurocontrol is comprised of 30 member states, including Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Malta, Moldova, Monaco, Netherlands, Norway, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, FYROM, Turkey, and the United Kingdom.

Eurocontrol is currently made up of a permanent commission for the safety of air navigation (the “**Commission**”), a Provisional Council and an agency for the safety of air navigation (the “**Agency**”). Once the 1997 Protocol is ratified, a General Assembly, a Council and an Agency will be responsible for formulating and carrying out Eurocontrol policies. While the 1997 Protocol is not ratified, the Commission fulfils the functions that the General Assembly will fulfil on ratification and the Provisional Council fulfils the functions that the Council will fulfil on ratification. The Commission (to be replaced by the General Assembly on ratification of the 1997 Protocol) is a legislative body responsible for defining general policy and is comprised of several representatives of contracting states, including the Ministers of Transport, allowing for the representation of civil and military interests. The Commission co-operates with the Council whose primary objective is the supervision of the Agency’s activities and is comprised of the member states’ Directors General of Civil Aviation. The executive arm of Eurocontrol, the Agency, is responsible for overseeing the activities of the national providers of air traffic services in the various member states while providing staff and facilities to ensure the proper operation of the Commission.

Eurocontrol strives to achieve its goal of managing European air traffic harmonisation through the provision of gate-to-gate air navigation service operations. Eurocontrol provides strategic and tactical flow control, controller training, and regional control of airspace services while conducting research and development in the field of air traffic management. In addition to providing these services, Eurocontrol has a centralised, uniform system for the collection of air navigation charges incurred in the airspace of its member states. These services, involving more than 2,000 international officials, are provided through an International Upper Area Control Center in Maastricht, a Training Institute in Luxembourg, a Research and Development Center in Bretigny-sur-Orge, France, and a Central Flow Management Unit (“**CFMU**”) and a Central Route Charges Office (“**CRCO**”) in Haren, Belgium. Eurocontrol carries out, on behalf of its member states, tasks aimed at contributing to the maintenance and improvement of air navigation safety. Under article 2(1)(l) of the Convention one of Eurocontrol’s tasks is to establish and collect charges levied on users of air navigation services in accordance with the Route Charges Agreement on behalf of the contracting states and of non-member states parties to the Route Charges Agreement.

The CRCO

In 1969, the Eurocontrol member states adopted the basic principles underlying the implementation of a harmonised regional en-route charges system which came into operation in November 1971. In 1981, the contracting states entered into a new Multilateral Agreement relating to Route Charges (the “**Route Charges Agreement**”) to consolidate existing systems and to allow the possibility of membership of the route charges system to extend beyond membership of Eurocontrol. As a result, the Eurocontrol Route Charges System is open to all European states wishing to participate and Eurocontrol currently operates bilateral agreements relating to the collection of air navigation charges with the following states which are not members of Eurocontrol: Belarus, Bosnia and Herzegovina, Latvia, Lithuania, Moldova, Morocco, the Ukraine, and Uzbekistan.

The Eurocontrol Route Charges System is governed by the Commission and the enlarged Committee, consisting of senior representatives of the member states. The enlarged Committee convenes three times a year in order to supervise the operation of the Route Charges System and to facilitate consultation with the member states. The Eurocontrol Route Charges System is operated by the CRCO which is headquartered in Haren, Belgium. The main objective of the CRCO is to provide the Eurocontrol member states with an efficient cost-recovery system, enabling them to fund investment in air navigation

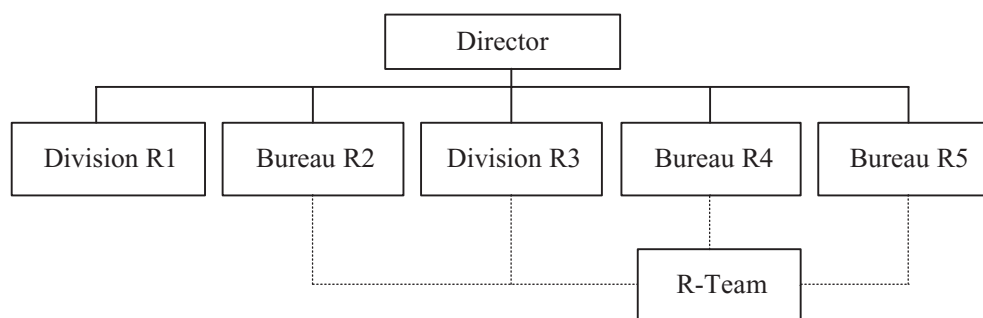
facilities and services, thus driving developments in air traffic management. The primary function of the CRCO is the collection and disbursement of en-route charges on behalf of its member states.

The CRCO is comprised of five units:

- **Division R1**, in co-operation with the member states, establishes the amount charged by each member state for an aircraft of a certain standard weight to traverse a fixed distance within its airspace, otherwise known as the “national unit rate”. This unit rate is then applied to the calculation of the en-route charge for each flight that utilises the airspace of a given member state. Division R1 also participates in the administrative management of the CRCO and efficient integration of new states into the system.
- **Bureau R2** develops and implements the data-processing systems critical to the operation of the CRCO and the Route Charges System, conducting quantitative and qualitative control of the data generated by the respective national authorities of the member states.
- **Division R3** is responsible for the implementation of the flight data transmission system from the member states and the maintenance of relevant flight databases. It also prepares and dispatches the charges bills, processes claims and provides information to users of the Route Charges System.
- **Bureau R4** oversees the collection of levied route charges, interest on late payment of charges and value added tax (“VAT”) on route charges. It also co-ordinates any enforced recovery of overdue en-route charges, conducting negotiations with aircraft owners and lessors when necessary. Bureau R4 refers cases to the Agency’s legal service if the recovery of charges requires court proceedings or recourse to the administrative recovery system available in certain member states.
- **Bureau R5** is responsible for all accounting, treasury activities, investment of funds and disbursement of receipts to the member states, including payments to third parties at the states’ request.
- **The R-team** conducts these functions on behalf of those non-member states that have entered into bilateral agreements with Eurocontrol.

Table 1

CRCO Organisational Chart



Establishment of Route Charges

Member states provide air traffic control facilities and services to ensure the safe, efficient, and expeditious flow of air traffic through their air space. The recovery of the costs of providing these facilities and services is achieved by levying route charges on users of their airspace. A charge is established for each flight that passes within the Flight Information Region (the “FIR”) of the member states. This charge is calculated by aggregating the individual charges of each of the member states flown over in the course of the aircraft’s flight path. Each member state, in co-operation with Eurocontrol, must establish its unit rate, in euros, which is then applied to the calculation of the charge levied on each flight according to a common formula. This calculation is described further in the section “Description of the Purchased Receivables” below.

Although all users flying under Instrument Flight Rules (“IFR”) are liable to pay route charges, certain categories of flights are exempt from the payment of route charges, including:

- flights performed under Visual Flight Rules (“VFR”);
- flights performed by aircraft with a maximum take-off weight not exceeding two metric tons;

- circular flights terminating at the airport from which the aircraft has taken off and during which no intermediate landing has been made;
- state flights; flights performed exclusively for the transport, on official mission, of the reigning Monarch and his/her immediate family, heads of state, heads of government, and government ministers; and
- search and rescue flights authorised by the relevant search and rescue (“SAR”) body.

In addition, a member state may exempt the following flights from the payment of any route charges incurred in its FIR:

- military flights of any state;
- training flights performed exclusively for the purpose of obtaining a licence or for obtaining a rating for a cockpit flight crew; and
- test flights performed for the purpose of checking or testing equipment used or intended to be used as ground aids to air navigation.

Where exemption is granted, the member state bears the cost which would otherwise be chargeable to the exempted flight.

Billing and Collection

The CRCO issues one bill per flight or series of flights, irrespective of the number of member states flown over. The bills are calculated by the CRCO using flight messages sent by the member states’ national or regional air navigation offices. The national Route Charges Office (“RCO”) in the member state in whose territory the airport of departure is located, or via whose airspace the aircraft first enters the Eurocontrol charging area, is responsible for sending a flight message to the CRCO within ten days after the day of the flight. The flight messages received by the CRCO are automatically processed by computer and are checked against CRCO computer files to identify any discrepancies. Rejected messages are handled internally within the CRCO or, if necessary, are returned to the national RCO for verification. Messages which clear these checks are ready for route charges calculation.

The CFMU provides the CRCO with the route description, based on the last filed flight plan, provided by the aircraft operator. This enables the CRCO to calculate the distance flown in each member state’s airspace and to bill the relevant parties on behalf of the member states. Within two to three weeks following the month during which a flight is performed, users of Eurocontrol’s airspace are issued with a bill, a pro forma statement of flights, and an account statement detailing all movements in the aircraft operator’s account. In addition, aircraft operators may receive credit notes and bills for interest on late payment as well as VAT invoices on behalf of member states where this is applicable to route charges.

Recovery Activity

The user of Eurocontrol’s airspace must pay a monthly issued bill within 30 days from the date shown on the bill. Interest is charged on all amounts that are not paid by the latest day of payment. The medium-term recovery rate (defined as the recovery rate at 31st December of year N for amounts billed in year N-1), for 1999 was 98.89% as shown in Table 2. The quarterly recovery rates at latest dates for payment and after 30 days reflect the speed of recovery of route charges collected by the CRCO, averaging 86% and 97% respectively over the past eight quarters, as shown in Table 3.

Table 2

Medium-Term Recovery Rates

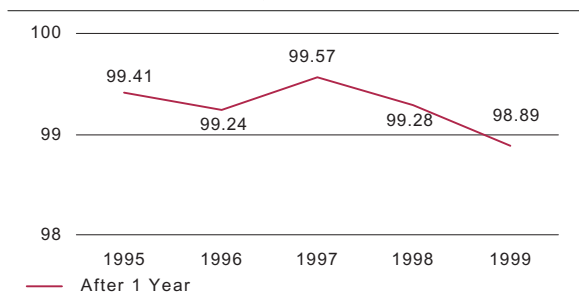
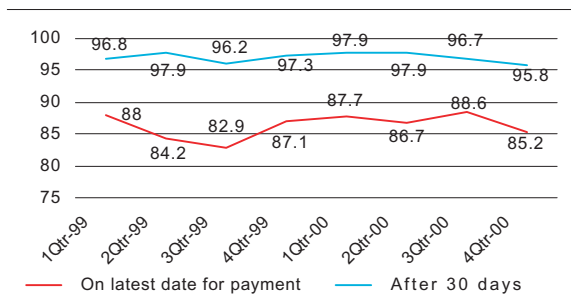


Table 3

Quarterly Recovery Rate



The Route Charges Agreement empowers the CRCO to take legal action against defaulting users in any of the member states. According to Article 11 of the Route Charges Agreement, “where a debtor has not paid the amount due, measures may be taken to enforce recovery”. According to Article 12, those measures, which can be judicial or administrative, can be instituted either by Eurocontrol or, at Eurocontrol’s request, by a member state. The Route Charges Agreement also defines the extent to which Eurocontrol and the participating states may pursue claims for unpaid route charges. Article 13 says that recovery proceedings may be commenced in the courts of any of the participating states. The debtor must have either its registered office, place of business, assets or headquarters within that participating state. According to Article 14, where a debtor has no business location or assets in the participating states, Eurocontrol has the capacity to institute proceedings elsewhere. Instances where Eurocontrol has pursued aircraft operators for unpaid charges include:

- against Lufttransportunternehmen GmbH in 1972 in Belgian courts;
- against Bavaria Fluggesellschaft and Germanair in 1974 in Belgian courts; and
- against SAT Fluggesellschaft in 1992 again in Belgian courts.

Users of the airspace of Eurocontrol’s member states are entitled to make claims to the CRCO. Each claim is investigated by the CRCO and, upon acceptance of a claim, the CRCO issues a credit note for the total amount of the disputed flight which is then re-billed after correction. In the event that a claim is rejected, a confirmation note is issued to the user, detailing the reasons for this action.

Disbursement

Route charges income is disbursed weekly to the member states. Interest earned on the short-term investment of funds as well as interest on late payment is also paid out to the states. Table 4 indicates the bank interest disbursed from short-term investments and interest on late payment disbursed to the Hellenic Republic during the last ten years.

Table 4

Interest Disbursed to the Hellenic Republic for Late Payments and on the Amounts standing to the credit of the Bank Account (euro)

<u>Year</u>	<u>Bank Interest</u>	<u>Interest on Late Payment</u>
1990	212,046	0
1991	153,111	0
1992	181,834	0
1993	155,631	0
1994	164,271	0
1995	100,490	0
1996	0	72,254
1997	62,016	59,673
1998	23,387	95,941
1999	30,736	41,909
2000	37,287	42,183

Financial Audit

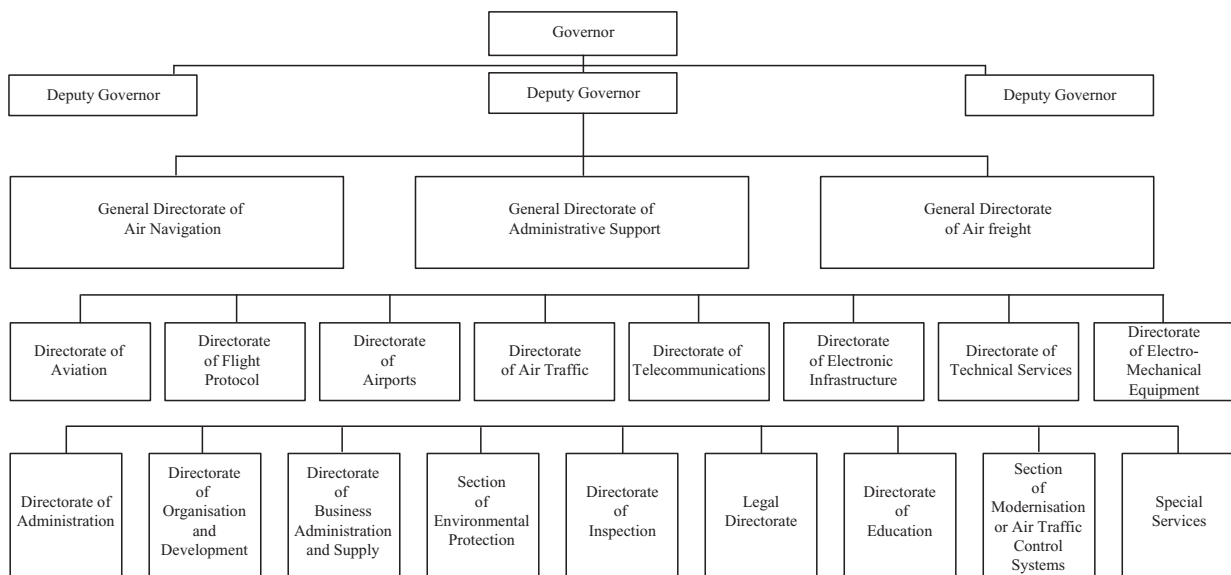
The financial regulations under which the CRCO operates require an independent audit of CRCO’s accounts by a control board consisting of representatives from each contracting state’s national audit offices.

INFORMATION REGARDING THE HELLENIC CIVIL AVIATION AUTHORITY

The HCAA is a public authority (*dimosia ipiresia*) of the Ministry of Transportations and Telecommunications, supervised by the Minister of Transportations and Telecommunications and administered by its Governor and three Deputy Governors and it does not have separate corporate existence from the Hellenic Republic. The purpose of the HCAA is to organise, develop and control Greek air transportation and submit policy proposals to the Minister of Transportation and Telecommunications concerning the activities of civil aviation and air transportation in general. The powers and duties of the HCAA include: (a) the consideration of proposals for policy on national air transportation, aviation works, private aviation, aviation contracts and agreements and international aviation relations; (b) the implementation and monitoring of policy set by the Directorate of Air Transportation of the Ministry of Transportations and Telecommunications; (c) the drafting, proposal and implementation of standard texts and regulations on the operation of aircraft, aviation materials and industrial aviation units; (d) the granting of civil aviation degrees and licences; (e) the organisation and exploitation of the Greek air space (Athens FIR), the monitoring of air traffic, the installation and operation of aeronautical telecommunications and the transmission of aeronautical information; (f) the organisation, operation and administration of the airports of Greece, the procurement of studies on the development and enhancement of the airport network of Greece and of the execution of civil aviation works in general; (g) the execution of emergency works, as well as maintenance and enhancement works up to an amount of GRD 800,000,000 and GRD 1,000,000,000 for building works for aircraft flying directly to Athens Airport; (h) the organisation of supplies of electronical and electrical materials independent of cost; (i) the submission of proposals for civil aviation legislation; (j) the training of its personnel and other persons on matters relating to civil aviation; (k) supporting technical, financial and procurement activities and (l) the development and management of the financial resources of the HCAA and the drafting of its budget. The delegation of the above authorities to the various directorates of the HCAA is described below and is effected through the Personnel and Employee Regulation of the HCAA, which was enacted through Presidential Decree 56/1989, as amended by Presidential Decrees 439/1989 and 35/1993.

Table 1

HCAA Organisational Chart



The Governor of the HCAA has the following functions:

- overseeing the operations of the HCAA and ensuring that decisions are made in accordance with Greek law, with the regulations of the HCAA and with the decisions of the Minister of Transportations and Telecommunications;
- approving airport directives that regulate the operations and safety of the Greek airports and imposing fines in the event that these directives are not implemented.

The Deputy Governors of the HCAA assist the Governor in the execution of his duties.

Directorate of Aviation

The Directorate of Aviation is divided into three divisions that are primarily responsible for implementing agreements with the national air carrier as well as bilateral aviation agreements. It also deals with issues arising from the approval of scheduled, chartered, and emergency flights as well as other categories of usage of Greek airspace by foreign air carriers. This directorate forges policy with respect to multilateral aviation agreements and is responsible for ensuring their implementation. Furthermore, it takes necessary steps to ensure that European Union decisions with regard to Civil Aviation are taken into consideration in determining the policies of the HCAA.

Directorate of Flight Protocol

The Directorate of Flight Protocol is primarily responsible for establishing the rules and regulations relating to flight worthiness, the maintenance of civil aircrafts and the certification of maintenance crews. It also determines the relevant criteria to be applied to the provision and renewal of piloting licences. One of its divisions is responsible for conducting studies on the prevention of air traffic accidents as well as statistical studies on domestic as well as foreign incidents.

Directorate of Airports

This directorate, which is divided into three divisions, ensures the operational functionality of airports and is also responsible for developing the infrastructure of Greek airports and deciding on the feasibility or need for the construction of new airports. It is also responsible for assessing the needs of fire departments associated with airports.

Directorate of Air Traffic

This directorate comprises the following five divisions:

- The **Operational Division of Air Traffic Services** ensures the ongoing operation of air traffic services and is responsible for conducting the training of specialised staff with respect to the provision of these services. It also certifies air traffic controllers.
- The **Regulatory Division of Air Traffic** publishes the rules and regulations governing air traffic. This division is responsible for improving the systems supporting the efficient management of air traffic flows, aiming to increase automation and the technical capacities of the HCAA.
- The **Division of Air Space Organisation** conducts studies and makes proposals on the general organisation and efficient exploitation of the Athens FIR. It establishes the aeronautical criteria governing minimum aircraft separation and minimum allowable altitude in accordance with the recommendations of the ICAO.
- The **Division of Approach and Departure Procedures** establishes the procedures that must be followed during landing and take-off for both civil and military aircraft as well as the regulations governing approach.
- The **Division of Aeronautical Information Services** organises, develops, and automates the aeronautical information services.

Directorate of Telecommunications

This directorate consists of five divisions that ensure the proper operation of the telecommunications systems necessary to support the efficient and safe flow of air traffic. They develop the international and domestic aeronautical telecommunications system of the HCAA and ensure that they receive sufficient radio frequency support.

Directorate of Electronic Infrastructure

This directorate co-operates closely with the Directorate of Telecommunications to ensure that all of the systems necessary to support the proper management of air traffic are in place and fully operational. It is responsible for installing and maintaining the telecommunications systems as well as the related radio frequencies. It also programs and maintains the RADAR systems.

Directorate of Technical Services

The Directorate of Technical Services conducts studies related to the planning and the development of airport infrastructure.

Directorate of Electromechanical Equipment

This directorate is responsible for conducting studies related to the development of electronic and electromechanical equipment of navigation systems. It oversees the installation and proper operation of the airport illumination systems.

Directorate of Administration

This directorate oversees the general administration of the HCAA and is particularly active with respect to staffing and training issues.

Directorate of Organisation and Development

This directorate fosters co-operation between the various divisions and directorates of the HCAA. One of its divisions is responsible for compiling statistics and analysing these for the benefit of the HCAA.

Directorate of Business Administration and Supply

This directorate is responsible for the preparation of the budget of the HCAA and for monitoring the financial position of the HCAA. It also operates the accounting systems of the HCAA and oversees the draw down of funds to finance projects. Three of its divisions are dedicated to ensuring that the HCAA has adequate supplies and fuel to meet its needs.

Section of Environmental Protection

The Division of Environmental Protection is responsible for dealing with issues related to air and noise pollution and is mandated to protect the environment from activities in the Civil Aviation arena.

Legal Directorate

This division is responsible for keeping the national aircraft registry, the registry of mortgages on Greek civil aviation aircraft and the registry of foreign aircraft. It also co-ordinates the legislative work to be carried out by the other HCAA divisions and informs the other HCAA divisions of new legislation relating to the HCAA. In addition, this division co-ordinates and oversees the HCAA's criminal and civil proceedings.

Section of Modernisation of Air Traffic Control Systems

This division is responsible for developing and modernising the air traffic control systems and for examining the improved automation of these systems.

Directorate of Inspection

This directorate inspects the central and peripheral services of the HCAA to ensure their proper operation, as well as the cash inflows and outflows from the HCAA.

Directorate of Education

This directorate is responsible for organising education programmes for HCAA employees.

DESCRIPTION OF THE EUROCONTROL RECEIVABLES

Eurocontrol member states provide air traffic control (“**ATC**”) facilities and services to ensure the safe, efficient, and expeditious flow of air traffic through their airspace. They recover the costs of providing these facilities and services by means of route charges levied on users of their airspace.

The Establishment of Route Charges

An en-route charge is generated for every flight that crosses the airspace of a member state. Each member state, in co-operation with Eurocontrol, must establish its unit rate in euro, which is then applied to the calculation of the charge levied on each flight according to a pre-determined, common formula. This common formula determines the amount charged per flight in the airspace of each member state and is equal to the product of the following factors:

- Distance Factor;
- Weight Factor;
- Unit Rate.

Distance Factor

The distance factor is equal to one hundredth of the great circle distance, expressed in kilometres, between the airport of departure within, or the point of entry into, the airspace of Greek Flight Information Region (“**FIR**”) and the airport of first destination within, or the point of exit from, Greek airspace. The entry and exit points are defined as the points at which Greek airspace is crossed according to the route described in the last filed flight plan. This flight plan includes any changes made by the operator to the initially filed flight plan as well as any changes approved by the operator due to air traffic flow management reasons. The distance used for the calculation of en-route charges is reduced by a notional twenty kilometres for each take-off and landing that occurs in Greek territory.

Weight Factor

The aircraft weight does not have a proportional impact on the route charge levied against the operator of the flight. Rather, it is calculated as the square root of the quotient obtained by dividing the number of metric tons in the maximum certified take-off weight (“**MTOW**”) of the aircraft by 50. If the CRCO does not know the MTOW of the aircraft, the weight factor is calculated by taking the weight of the heaviest aircraft of the same type known to exist.

The product of the Distance Factor and the Weight Factor is also defined as the number of service units generated for each flight (“**Service Units**”).

Unit Rate

The unit rate established by each State is expressed in euros and consists of two parts:

- National unit rate;
- Administrative rate.

The calculation of the national unit rate involves dividing the en-route facility cost base of the member state in question for the reference year by the number of Service Units forecast to be generated in the airspace of that state during the same year. In contrast to the national unit rate, the administrative rate is identical for all states. The purpose of the administrative rate is to recover the costs of collecting route charges (CRCO costs) and as such is calculated by dividing these costs by the number of service units generated in the Eurocontrol charging area as a whole. The preliminary figures relating to the calculation of both the national and administrative unit rates are presented by the member states’ representatives at the enlarged Committee sessions in June with the figures being finalised in November. The unit rates are then determined by the enlarged Commission and are applicable from 1st January of the following year.

Establishment of National Cost Base

The two fundamental inputs in the calculation of the national unit rate are the cost-base of the member state and the number of service units forecasted for that same year. The contracting States to the Route Charges Agreement have agreed to adopt a common policy relating to the calculation of the charges and their cost base:

- account shall be taken of all en-route air navigation facilities and services provided for civil and military traffic operating in accordance with International Civil Aviation Organisation (“**ICAO**”) rules and regulations;
- contracting states shall establish their cost base in order to account for the costs of their en-route air navigation systems under their jurisdiction. For the purpose of calculating the unit rate for year “n+2,” the costs for year “n+2” shall be determined on the basis of actual costs in the last complete financial year (year “n”), updated according to available information;
- facilities and services must either be in operation or expected to be put into service by the end of year “n+2” in order to be included in the cost base;
- preliminary data, together with ancillary data, shall be reported to Eurocontrol’s CRCO no later than 1 June of year “n+1” with final data being provided by 1st November of year “n+1”; and
- Eurocontrol costs, established according to the same principles described above, shall be added to the national costs.

Establishment of Cost Base

One of the main drivers of the national unit rate, a contracting state’s cost base, can be divided into four categories: (i) amortisation costs, (ii) operating costs, (iii) interest costs, and (iv) staff costs.

Amortisation costs are comprised of the straight-line amortisation of investments in both fixed and intangible assets. Fixed assets are comprised of equipment and buildings, including related works, services, land, basic software, and where appropriate application software. Basic software consists of any integral standard software components of any computer system that are essential for its basic functioning. Application software is defined as the software that enables the computer systems to complete any air traffic services task. Costs relating to the maintenance and improvement of the application software programs are also included in the cost base. Investment expenditure includes taxes and/or customs duty paid, where applicable.

In general, the expected life over which the investment expenditure is amortised, according to the straight-line method, is as follows: (i) between 20 and 40 years for freehold buildings, including related works services, (ii) over the period of the lease in the case of leasehold buildings, (iii) between 10 and 15 years in the case of furniture and fittings, (iv) between 4 and 10 years for motor vehicles, (v) between 7 and 15 years for electronic equipment, (vi) between 7 and 15 years for general equipment, between 3 and 10 years for computer equipment, (vii) between 3 and 8 years for basic software and if appropriate, application software, (viii) between 10 and 20 years in the case of aircraft. In calculating their amortisation costs, Greece amortises public works over 20 years, all types of equipment over 8 years, and the cost of studies over a period of 8 years. If the operating life of an asset being amortised becomes shorter than was originally anticipated at the time of calculation of the amortisation schedule, either the net book value of the asset can be written off over the remaining years of the revised operating life or the amount of the residual value less any proceeds from its disposal can be added in full in the financial year in which it occurs to the amortisation charged in that year. No amortisation can be calculated on land.

Operating costs are comprised of the following elements:

- total actual rental for land transmission lines;
- rental costs of land, buildings, and other facilities including taxes and other charges;
- costs of utilities including water, heating, and all energy supplies;
- total actual rental for the Aeronautical Fixed Telecommunications Network (“**AFTN**”) less the appropriate percentage of the rental for lines between control or communications centres and airports;
- repairs and maintenance excluding internal staff costs;
- total operating costs of other operational and technical support facilities, including administrative support, legal, consultancy, and audit; and
- cost of application software unless it is capitalised and amortised as an investment.

Interest costs are comprised of the cost of capital employed in the air navigations services organisation and fall into two categories: (i) interest paid to the providers of debt capital, usually in

connection with the acquisition or provision of assets, (ii) cost of capital applied to equity, taking into account the low financial risk associated with the provision of air navigation services.

Staff costs are comprised of the wages paid to employees in central services, trainees, supervisors, and technical support staff including maintenance staff as well as pension and insurance costs.

Eurocontrol costs are also added to the calculation of the national unit rate, applying the same principles used in determining each member's national cost relating to the provision of en-route services. Eurocontrol costs are established on the basis of the Agency's Annual Accounts. The operating costs for Eurocontrol's headquarters, including the Central Flow Management Unit, the Bretigny Experimental Centre, and the Luxembourg Institute of Air Navigation Services are apportioned among member states in accordance with the method used for calculating their contributions to the Agency Budget.¹ Eurocontrol investment costs are allocated among the member states either according to the same method as operating costs or according to the regionalisation rule whereby costs are attributed to the airspace for which the facilities provide services. Operating costs incurred by the Maastricht Control Centre are apportioned according to the regionalisation method. As shown in Table 1, over the past four years, historically staff costs have accounted for a large percentage of total national costs. For the 1997-2000 figures, the exchange rates employed by Eurocontrol for converting Greek Drachmas to euro were applied to figures supplied by the Hellenic Civil Aviation Authority:

Table 1

**Cost Base of the HCAA by Eurocontrol Category
(euro million)**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Staff	42.3	37.5	76.8	78.6
Operating.....	4.8	5.6	6.8	8.0
Amortisation.....	6.0	5.6	9.6	9.4
Interest.....	6.1	5.7	8.3	8.1
Total	59.2	54.4	101.5	104.1
<i>GRD/euro</i>	<i>308.2</i>	<i>331.1</i>	<i>325.4</i>	<i>336.4</i>

Calculation of the National Unit Rate

Once the cost base for year “n+2” has been established according to the guidelines detailed in the previous section, the national unit rate is calculated by dividing this forecast cost base by the number of chargeable service units for year “n+2”. Chargeable service units differ notionally from actual service units in that they exclude the service units incurred by any exempt flights as outlined in the section entitled “Establishment of Route Charges”. These forecasts of the chargeable service units are the responsibility of the individual member states but may also be undertaken by the CRCO.

While the cost-base plays a major role in determining the national unit rate for a given year, an adjustment mechanism exists in order to ensure that only the actual costs of the service are eventually recovered. This mechanism is necessary due to the fact that the cost base and the chargeable service units for any given year are forecasts based on estimates. Any under-recovery or over-recovery as a result of the difference between revenue and costs is carried over and included in the cost-base of year “n+2”. These under- or over recoveries can arise as a result of the following:

- Difference between the forecast cost base and the actual cost base for a given year.
- Difference between the forecast chargeable service units and the actual service units recorded in a given year as a result of air traffic volume.

In Table 2, this under/over recovery mechanism is shown in the column “Balance for year n”. In calculating the national unit rate for year “n+2”, the HCAA employs forecasts of both its cost base and the number of chargeable service units, formulated at year n and finalised in November of year “n+1”.

¹ As outlined in Article 19 of the Statute of the Agency.

Table 2**Forecasts of HCAA Cost Base and Calculation of National Unit Rate (euro)**

<u>Year</u>	<u>National Costs</u>	<u>Eurocontrol Costs</u>	<u>Balance for year</u>	<u>Costs Chargeable to Users</u>	<u>Chargeable Service Units</u>	<u>National Unit Rates</u>
1990	43,153,858	2,241,000	0	45,275,965	2,218,794	20.41
1991	39,190,757	3,294,000	2,103,099	38,131,459	2,271,641	16.79
1992	45,611,179	4,475,000	5,616,794	40,986,693	2,342,570	17.50
1993	49,169,511	3,300,000	(3,646,850)	52,546,152	1,978,652	26.56
1994	62,934,176	4,035,000	3,921,807	58,752,399	2,092,115	28.08
1995	44,321,504	3,914,000	6,112,697	38,281,507	2,268,068	16.88
1996	56,707,993	3,493,000	14,625,757	41,431,761	2,533,000	16.36
1997	90,714,225	3,106,000	(6,483,444)	95,571,005	2,741,000	34.87
1998	66,268,522	3,831,000	(2,464,651)	69,453,728	2,713,000	25.60
1999	73,191,364	5,940,570	24,720,421	51,128,109	2,698,000	18.95
2000	97,404,143	4,914,940	5,560,533	91,866,003	3,005,000	30.57
2001F	101,544,678	5,797,594	(22,964,107)	125,355,081	3,376,000	37.13
2002F	110,796,478	6,330,931	(5,716,139)	118,372,095	3,275,000	36.14

Historical Revenues

As shown in Table 3, historically a discrepancy exists each year between revenues billed and those disbursed to the Hellenic Republic by Eurocontrol. This discrepancy arises due to the timing difference that exists between the issue date of the bill and the latest date of payment. Disbursed revenues must also be adjusted for any claims made by the users of Greek airspace.

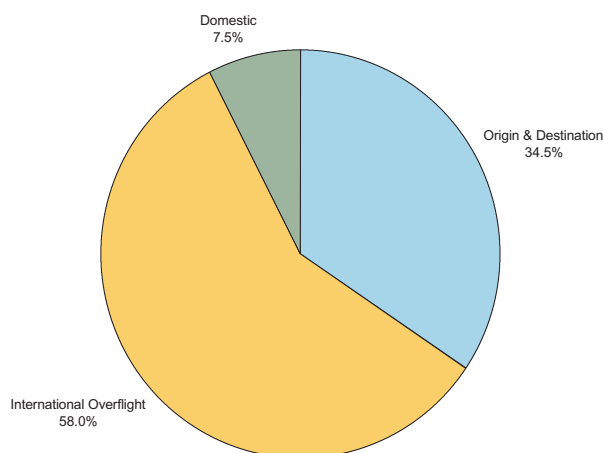
Table 3**Amounts Billed to Users of Greek Airspace and Actual Revenue Disbursed (euro)**

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Billed	36,621,052	28,662,374	36,362,758	48,467,439	56,199,101	37,445,618	42,181,166	90,234,041	63,447,044	54,289,837	90,605,235
Disbursed	43,018,212	30,987,763	38,690,047	45,249,930	55,148,518	40,272,540	41,106,766	85,101,642	67,346,065	56,307,411	86,435,948

Air traffic flows in Greek airspace can be classified into three categories: (i) origin and destination traffic, (ii) overflight traffic and (iii) domestic traffic. Origin and destination traffic refers to flights that land or take off from an airport in Greek territory but start or complete their journey outside Greek airspace. Overflight traffic consists of flights that simply pass through Greek FIR on their way to other international destinations while domestic traffic is limited to flights which land and take off in Greek airspace. Table 4 shows the breakdown between international overflight, origin and destination, and domestic traffic based on revenues in 2000.

Table 4

**Breakdown of Revenue by Air Traffic Flow Type, 2000
(%)**



Further analysis of data on origin and destination and overflight traffic reveals the breakdown of revenue by major routes. Airport locations are classified into regions applying the same criteria as defined by IATA. Table 5 shows the percentage breakdown of revenue by major routes for overflight traffic from 1998 to 2001.

Table 5

**Breakdown of Revenue for Overflight Traffic by Major Route
(%)**

Route	1998 (%)	1999 (%)	2000 (%)	2001 (%)
W. Europe-Middle East	20.7	19.4	22.8	22.0
W. Europe-Africa	12.6	15.6	15.2	16.4
W. Europe-W.Europe	6.4	6.0	6.6	8.4
North America-Middle East	3.1	4.2	4.5	4.0
W. Europe-Asia	1.2	0.6	0.8	0.9
North America-Africa.	0.9	0.9	1.0	0.9
Eastern Europe-Middle East.	0.7	0.3	1.0	1.4
W. Europe-Eastern Europe	0.6	0.7	0.2	0.2
Other ²	53.8	52.3	47.9	45.8
Total	100	100	100	100

² Other refers to aggregate data on routes between city pairs with less than 30 flights per month.

Similarly, Table 6 shows the percentage breakdown of revenue by major routes for origin and destination traffic for the period 1998 to 2001.

Table 6

Breakdown of Revenue for Origin and Destination Traffic by Major Route (%)

<u>Route</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Greece-W. Europe	40.4	42.0	46.0	48.1
Greece-Eastern Europe	2.3	1.9	2.0	2.0
Greece-Middle East	1.5	2.2	1.7	1.8
Greece-North America	1.3	1.1	1.3	1.3
Greece-Africa	0.7	0.8	1.0	1.0
Other ³	<u>53.8</u>	<u>52.0</u>	<u>48.0</u>	<u>45.8</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

³ Other refers to aggregate data on routes between city pairs with less than 30 flights per month.

LEGISLATIVE BACKGROUND

Introduction

The securitisation described in this Offering Circular is the subject of specific legislation enacted by the Greek Parliament. Article 14 of the Greek Law 2801/2000 as amended by Article 36 of the Greek Law 2843/2000, contains express provisions on the framework of assignment and securitisation of future revenues and receivables of the Hellenic Republic.

The Legal Framework for the Securitisation

Article 14 of the Greek Law 2801/2000

Article 14 of Law 2801/2000 allows the Hellenic Republic, public law entities and other public enterprises that are wholly owned by public sector entities (each, in this section, the “**Originator**”) to securitise certain future public revenues. In particular, it provides that:

- (i) Revenue Certificates are interest bearing securities which may be in either dematerialised or certificated form;
- (ii) an Issuer’s obligation to pay interest and repay principal on the Revenue Certificates may be secured by its rights to certain future revenues or income due to Originators with the exception of direct or indirect taxes;
- (iii) Revenue Certificates may be issued by an Originator or a third party legal entity (such entity being an “**Issuer**”);
- (iv) proceeds raised from the issuance of Revenue Certificates and transactions entered into in connection with the issuance of such Revenue Certificates are exempt from all taxes, duties, levies or other financial contributions or encumbrances in favour of the Hellenic Republic or any other third party in Greece, to which the public revenues are transferred;
- (v) to the extent that the Revenue Certificates are secured by public revenues such revenue shall be deposited in a segregated, non-transferable bank account. Furthermore, sums deposited in such an account may not be seized by any creditor other than the holders of the Revenue Certificates and other secured creditors of the obligor, nor will such sums form part of the estate of the insolvent bank with whom the account is held. Any amounts remaining in such account after the maturity of the Revenue Certificates will be allocated to the relevant Originator;
- (vi) the issuance of Revenue Certificates will be authorised by a decision of the Ministry of Finance and published in the Government Gazette. Such decision will determine, amongst other things, the total amount of Revenue Certificates issued, the currency in which they are issued, their maturity and all other information necessary for the application of the provisions of the Securitisation Law;
- (vii) the Hellenic Republic, duly represented by the Minister of Finance, may directly conclude all contracts required for the preparation, issuance, disposal of such Revenue Certificates and all other issues related to them;
- (viii) public law entities or other public enterprises that are wholly owned by public sector entities may issue Revenue Certificates, provided that the decisions provided for in (vi) above are issued jointly by the Minister of Finance and the Minister supervising the respective public entity or public enterprise, while the contracts provided for in (vii) above are concluded by the relevant supervisory body of the public entity or enterprise (pursuant to its statutory provisions) and approved by the Minister of Finance and the Minister supervising such public entity or enterprise;
- (ix) to the extent that the Issuer has insufficient funds to meet its payment obligations in relation to the Revenue Certificates, such shortfalls may be covered by the Originator; and
- (x) a ministerial decision issued by the Minister of Finance defines the issues of Revenue Certificates and the terms and conditions of such issue.

By virtue of the joint decision of the Prime Minister and the Minister of Finance dated 21st April, 2000 (the “**Joint Decision**”), the Minister of Finance may be represented by its deputy.

Amendments to Law 2801/2000 made by Law 2843/2000

Pursuant to Article 36 of Law 2843/2000 (published in October 2000) certain amendments were made to Article 14 of Law 2801/2000 to clarify certain aspects relating to that Article 14. These amendments provide, *inter alia*, that:

- (i) future revenues shall include both receivables, whether due or not due, which have arisen but which have not been collected, and receivables that have not yet arisen;
- (ii) where the securitisation takes place through a third legal entity (in this section, the “**SPV**”) to which the public revenues are transferred, the SPV may be a domestic or foreign legal entity and issue Revenue Certificates, or other securities of any kind (in this section, the “**Other Securities**”);
- (iii) the revenues transferred to the SPV shall constitute a separate group of assets and shall be exclusively utilised for the payment of the income and the principal amount of the above Revenue Certificates or Other Securities, of the fees, expenses and costs in general and any taxes incurred and the funds which are allocated to the Originator, and in such priority amongst them as shall be determined in the terms included in the relevant contracts;
- (iv) future revenues transferred to the SPV may be credited to one or more bank accounts (not necessarily blocked) and the provision of (v) in the above section will apply by analogy;
- (v) the future revenues and any ancillary rights shall be transferred to the SPV by way of an assignment in accordance and in compliance with the relevant provisions of the Hellenic Civil Code;
- (vi) the assignment agreement shall be executed and signed by the Minister of Finance, where they relate to future revenues of the Hellenic Republic, or in the case of public law entities or other public enterprises that are wholly owned by public sector entities, by the relevant competent body which shall be approved by the Minister of Finance and the supervising Minister;
- (vii) the transfer of future revenues and ancillary rights to the SPV, all contracts and acts connected with the securitisation, including, but not limited to, the registration made in the mortgage records pursuant to Article 1312 of the Hellenic Civil Code, the income deriving from the Revenue Certificates or the Other Securities, the transfer or pledge of the Revenue Certificates or Other Securities, and any retransfer of revenues or allocation of funds for any reason whatsoever from the SPV to an Originator shall be exempt from any tax, including, but not limited to, any capital gains tax, duty, stamp duty, contribution, commission, right or other charge in favour of the Hellenic Republic or any third party, with the exception of value added tax, which shall be subject to the provisions concerning value added tax from time to time in force; and
- (viii) the transfer of receivables shall be authorised by a ministerial decision issued by the Minister of Finance which specifies the main terms of the relevant transaction.

By virtue of the Joint Decision (referred to above), the Minister of Finance may be represented by its deputy.

Greek legislation regarding the Eurocontrol Receivables

Law 1776/1988 ratified the Convention as well as the Route Charges Agreement and incorporated their provisions into Greek law.

The unit rates are set by Biministerial Decisions issued from time to time, which also set the default interest rate for delayed payments of due route charges and the exempted flight categories.

Pursuant to Article 34, paragraphs 1 and 2 of Law 2682/1999, as amended by Article 35 of Law 2912/2001, EUR9 per Service Unit are deducted from Eurocontrol Receivables and deposited into a special account with the Bank of Greece created for that purpose, of which EUR2 will be used for the coverage of the cost necessary for the permanent loss of skill due to health reasons, death during service or objective inadequacy for exercise of duties by air traffic controllers and the remaining EUR7 for the financing of the compensation costs of the HCAA personnel contributing to the unit rate and the base cost of the Service Units.

Furthermore, pursuant to Article 34, paragraph 7 of Law 2682/1999, as amended by Article 16 paragraph 4 of Law 2912/2001, an amount equal to one third (1/3) of the Eurocontrol Receivables received by the Hellenic Republic during each calendar month of each calendar year and provided that such amount when aggregated with all other one third deductions in respect of previous calendar months of the same calendar year does not exceed GRD 8,000,000,000 (EUR 23,477,623) shall be transferred to a special account with the Bank of Greece. Such special account is administered by the HCAA and used for education costs, studies, provision of advisory services and supplementary investments.

THE ISSUER

General

The Issuer was incorporated as a public limited liability company (*société anonyme*) for an unlimited period of time and organised under the laws of the Grand Duchy of Luxembourg (“**Luxembourg**”) on 26th November, 2001. The registered office of the Issuer is located at 7, Val Sainte-Croix, L-1371 Luxembourg. Its Articles of Association will be published in the *Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations* shortly.

The Issuer’s share capital is represented by 125 ordinary shares in registered form with a par value of €1,000 each. The Issuer has no authorised share capital. The Issuer’s share capital of €125,000 has been subscribed by Dahmer Limited as to 60 shares and Liburd Limited as to 65 shares and has been fully issued and paid up and is held on trust for charitable purposes pursuant to a declaration of trust dated 11th September, 2001. Dahmer Limited and Liburd Limited are limited liability companies incorporated under the laws of the British Virgin Islands with their registered offices located at Omar Hodge Building, Wickham’s Cay, Road Town, British Virgin Islands. Each of Dahmer Limited and Liburd Limited are fully owned by Luxembourg International Consulting S.A.

The corporate objects of the Issuer are (i) the acquisition, holding and disposal, in any form, by any means, directly or indirectly, of participations, rights and interests in, and obligations of, Luxembourg and foreign companies, (ii) the acquisition by purchase, subscription, or in any other manner, as well as the transfer by sale, exchange or in any other manner of stock, bonds, debentures, notes and other securities or financial instruments of any kind and contracts thereon or related thereto as well as of assets and/or receivables of any type or nature (including receivables from and reimbursements by international organisations including Eurocontrol) and (iii) the ownership, administration, development and management of a portfolio (including, among other things, the assets referred to in (i) and (ii) above and including their securitisation or repackaging). The Issuer may also acquire, hold and dispose of interests in partnerships and other entities.

The Issuer may borrow in any form. It may issue notes, bonds and debentures and any kind of debt and/or equity securities. The Issuer may lend funds including the proceeds of any borrowings and/or issues of debt securities to its subsidiaries, affiliated companies or to any other company or to any sovereign state or agency, department or instrumentality of a sovereign state. It may also give guarantees and grant security in favour of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other companies or to any states or agencies, departments or instrumentalities of sovereign states. The Issuer may further pledge, transfer, encumber or otherwise create security over some or all its assets.

The Issuer may (i) enter into any transaction or agreement which is subject to, governed by or part of (or capable of being entered into under) any capital markets master agreement (including under an ISDA Master Agreement), (ii) execute and deliver any such master agreement or any confirmation or other confirming evidence of any such transaction under such master agreement, (iii) perform any obligations under any such transaction or master agreement, and (iv) to so enter into, execute and deliver and perform any swaps, futures, forwards, derivatives, options, repurchase and similar transactions or transactions in the context hereof or combinations of any of the foregoing. The Issuer may generally employ any techniques and instruments relating to investments for the purpose of their efficient management, including techniques and instruments designed to protect it against credit, currency exchange, or interest rate risks or similar risks.

In general, the Issuer may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its corporate purposes.

The Issuer may issue limited recourse secured notes. Claims against the Issuer by the holders of notes, receipts and coupons (if any) under such issue and by the relevant counterparty as defined in the applicable offer document will be limited to the secured assets relating to such issues only. The proceeds of realisation of such secured assets may be less than the sums due to such holders and counterparty. Any shortfall will be borne by such holders and by the counterparty in accordance with the security ranking basis specified in the applicable offer document. Each holder of notes, receipts and coupons, by subscribing to or purchasing such notes, receipts or coupons, will be deemed to accept and acknowledge that it is fully aware that, in the event of a shortfall, its rights to obtain payment or repayment in full are

limited to the secured assets existing under such issues and the holders of notes receipts and coupons (if any) and the counterparty are precluded from taking action against the Issuer in relation to claims for the shortfall remaining after realisation of the security and application of the proceeds in respect of such notes, receipts and coupons.

The descriptions above are to be understood in their broadest sense and their enumeration is not limiting. The corporate objects of the Issuer also include any transaction or agreement which is entered into by the Issuer, provided it is not inconsistent with the objects described above.

In general, the Issuer may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its corporate purposes.

Since the date of its incorporation, the Issuer has not engaged in any business, except the activities linked to the present issue, and no financial statements have been prepared, no dividends have been declared or paid and no indebtedness, other than the Issuers' costs and expenses of incorporation, has been incurred by the Issuer. The Issuer has no employees.

Save as disclosed herein, as at the date of this Offering Circular, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer created any mortgages or charges or given any guarantees.

The Issuer is required to produce annual accounts and an annual management report. The Issuer's annual accounts will be audited.

Capitalisation of the Issuer

The capitalisation of the Issuer as at the date of this Offering Circular after giving effect to the issuance of the Notes (before deducting expenses of the offering of the Notes), is as set forth below.

<i>Share capital</i>	<u>€</u>
Subscribed and paid-in	
125 Ordinary Shares of €1,000 each.	125,000
<i>Debt securities</i>	
The Notes	
€355,000,000 Floating Rate Asset-Backed Notes due 2019	<u>355,000,000</u>
Total Capitalisation.	<u><u>355,125,000</u></u>

Registration

The Issuer is registered with the trade and companies register (*Registre du Commerce*) at the Luxembourg district court under number B.84.686.

Administration

Luxembourg International Consulting S.A. will act as the Domiciliation Agent for the Issuer. Pursuant to the terms of the Domiciliation Agreements, the Domiciliation Agent will perform various management functions on behalf of the Issuer. The office of the Domiciliation Agent will serve as the general business office of the Issuer. The Domiciliation Agent will receive various fees and other charges payable by the Issuer at rates provided for in the Domiciliation Agreements plus expenses in consideration for the provision of such services.

Management

The management of the Issuer is entrusted to the Board of Directors of the Issuer. The names of the directors of the Issuer, together with their principal activities other than as directors of the Issuer, are as follows:

<u>Name</u>	<u>Principal Activities</u>
Alexis Kamarowsky	Company Director
Federigo Cannizzaro	Company Director
Jean-Marc Debaty	Company Director

Annual General Meeting of Shareholders

The annual general meeting of the Issuer will be held each year on the second Wednesday of September at 11.00 a.m.

Financial year

The Issuer's financial year currently commences on 1st April each year and ends on 31st March of the following year.

Statutory Auditors

The statutory auditors (*commissaire aux comptes*) of the Issuer will be KPMG Audit having their registered office at 31 Allée Scheffer, L-2520 Luxembourg.

Accountant's Report

The following is the text of a report received by the Board of Directors of the Issuer from KPMG Audit, the statutory auditors to the Issuer, prepared solely for the purposes of the issue of the Notes:

“To the Board of Directors of
Aeolos S.A.
7, Val Sainte-Croix
L-1371 Luxembourg

AUDITOR'S REPORT

We have audited the accompanying balance sheet and notes of Aeolos S.A. as of 12th December, 2001. This financial information has been prepared for inclusion in the Offering Circular dated 13th December, 2001 of Aeolos S.A. This financial information is the responsibility of the Board of Directors of Aeolos S.A. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether balance sheet and notes are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as the overall financial information presentation.

In our opinion, the balance sheet and notes give in conformity with the Luxembourg legal and regulatory requirements a true and fair view of the financial position of Aeolos S.A. as of 12th December, 2001.

Luxembourg, 12th December, 2001

KPMG Audit
Réviseurs d' Entreprises”

Balance Sheet as of 12th December, 2001

	<u>€</u>
ASSETS	
Formation Expenses	3,845.00
Current Assets	
Cash at Banks	<u>125,000.00</u>
	<u>128,845.00</u>
LIABILITIES	
Capital	
Subscribed capital (Note 2)	125,000.00
Liabilities	
Other liabilities	<u>3,845.00</u>
	<u>128,845.00</u>

Notes to the Financial Information

1. The Company was incorporated on 26th November, 2001. It has not traded and no dividends have been declared or paid. Accordingly, no profit and loss account is presented.
2. Subscribed share capital:

	<i>Number of Ordinary Shares of €1,000 each</i>
Issued	125

3. The Company has not entered into any agreements other than those referred to in the “General Information” section of the Offering Circular.

INFORMATION REGARDING THE HELLENIC REPUBLIC

Location, Area and Population

Greece has an area of approximately 132,000 square kilometres, or 51,000 square miles, of which approximately one-third is cultivated. Islands account for approximately 25,000 square km, or 18.9 per cent. of the total land area, and the country has an extensive coastline of approximately 15,000 km.

The latest available census conducted in 2001 indicates that the total population of Greece was 10.94 million, a 6.6 per cent. increase from a population of 10.26 million in 1991. During this period, there has also been an inflow of ethnic Greeks and immigrants from Albania, Poland and certain other Eastern European countries.

Constitution, Government and Political System

Greece functions as a parliamentary democracy, with the President of the Hellenic Republic serving as Head of State, as provided for in a constitution adopted in 1975 and revised in 1986 and 2001. The Constitution provides for a unicameral legislature (the “**Parliament**” or “**Vouli**”), a President, a Prime Minister heading the Government, and an independent judiciary. Parliament consists of 300 members who are elected for a term of four years. Legislative powers under the Constitution are vested in the Parliament and in the President of the Hellenic Republic. The President of the Hellenic Republic is elected by the Parliament and serves a five-year term that is renewable once. On a ministerial proposal, the President may issue legislative decrees. The President may not dissolve Parliament prior to the expiration of its stated term except upon (i) the resignation or lack of receipt of a vote of confidence by two Governments and the composition of the Parliament does not ensure governmental stability and (ii) a proposal by the cabinet of the Government which has received a vote of confidence for the purpose of renewing the popular mandate in order to confront a matter of utmost national importance or (iii) a vote of no-confidence in the Government by a majority of members of Parliament and a failure by the parties represented, upon request of the President, to form a new Government that has the confidence of a majority of members of Parliament. Executive powers are vested in the Government and in the President of the Hellenic Republic. The Government is formed by the party or parties holding a majority of the seats in Parliament and is headed by the Prime Minister. The President of the Greek State, upon recommendation by the Prime Minister, appoints the members of the cabinet.

The two main political parties are the Panhellenic Socialist Movement known as “**Pasok**” and the New Democracy Party known as “**NDP**”. Pasok, the party currently in power, is a social democratic party and was founded in 1974. Its leader, the current Prime Minister, is Mr. Konstantinos Simitis. The NDP is a conservative party and is led by Mr. Constantinos Karamanlis. Pasok gained an absolute Parliamentary majority in the general elections held in October 1981, June 1985, October 1993, September 1996 and April 2000. The current Government was formed after the elections of 9th April, 2000, with Pasok obtaining 158 out of 300 seats in Parliament. The President of the Hellenic Republic, Mr. Konstantinos Stefanopoulos, was first elected by Parliament in May 1995 to serve a five-year term. He was re-elected in February 2000 to serve a second five-year term.

International Relations

Greece became the first Associate member of the European Economic Community in 1961. The European Economic Community is now the European Union, also known as the “**EU**”. Greece’s application for full membership was approved in principle in 1976 and the Treaty of Accession was signed in May 1979. After the ratification of the Treaty by the respective parliaments of the member states, Greece became a full member of the European Community on 1st January, 1981.

Greece joined the Exchange Rate Mechanism (ERM) of the European Monetary System on 16th March, 1998 and the Greek Drachma was devalued against the ECU by 12.3 per cent. At that time a central rate of 357 Greek Drachma to one ECU was set. As from 1st January, 1999, with the introduction of the Euro in the 11 Euro-zone countries the Drachma central rate was set at 353.107. As from 17th January, 2000 the Drachma central rate was revalued and set at 340.75. This same rate has been the fixed conversion rate in effect since 1st January, 2001. As of 1st January, 2002 Euro banknotes and coins will replace drachma banknotes and coins.

Besides membership of the EC, Greece is a member of the Council of Europe and a Charter Member of the United Nations and of its specialised agencies. It is also a member of the International Monetary

Fund (IMF), the European Bank for Reconstruction and Development (EBRD), as well as the International Bank for Reconstruction and Development (IBRD) and its affiliates. It is a party to the World Trade Organisation (WTO) and a member of the Organisation for Economic Co-operation and Development (OECD).

The Economy — General

During the 1960s and 1970s, the Greek economy grew at a rate equal to or higher than most other OECD and EC countries. During the 1980s and early 1990s the Greek economy went through a period in which phases of increased Government expenditures and social reforms were followed by economic austerity programmes aimed at controlling inflation. During the 1980-1993 period the Greek economy was characterised by high inflation (the average annual inflation rate was 19 per cent.), relatively low GDP growth (the average annual growth rate was 0.7 per cent.), and rapidly rising public debt. In recent years there has been a significant change in Government policies with respect to the domestic economy, and a number of measures have been and are being taken to reduce economic imbalances and to restructure the economy. Since 1994 there have been many positive developments in the Greek economy, which indicate that both nominal and real convergence to the EC average economic performance has taken place. As decided by the European Council on 19th June, 2000, Greece joined the Euro area as of 1st January, 2001 and became the 12th member of EMU.

Developments in 2000 and 2001

In 2000, growth accelerated faster than initial projections. GDP grew at a rate of 4.3 per cent. compared with 3.4 per cent. in 1999, outpacing the average growth rates of EC-15 and the Euro-zone, which grew at only 3.4 per cent. In 2001, growth slowed down only slightly (to 4.1 per cent.), compared with the more serious slow down in the Euro-zone (to 1.6 per cent.).

Inflation on the basis of Harmonised Consumer Price Index (HCPI, comparable with other EC member states and prepared according to EC guidelines) accelerated from 2.1 per cent. in 1999 to 2.9 per cent. in 2000 due to the increase in the price of crude oil and the appreciation of the US dollar. Core inflation, which excludes the price of fuel, fresh fruit and vegetables (on the basis of CPI), decelerated in Greece from 2.9 per cent. in 1999 to 2.0 per cent. in 2000 on an average annual basis.

The general Government deficit as a percentage of the GDP declined from 1.8 per cent. in 1999 to 1.1 per cent. of GDP in 2000 and the general Government debt by 1.2 per cent., that is, from 103.9 per cent. of the GDP in 1999 to 102.7 per cent. in 2000. In 2001, a small surplus was achieved by the general government (0.1 per cent. of GDP) and debt fell further to 99.6 per cent. of GDP.

Total investment volume increased by 7.8 per cent. in 2000 which was the second highest rate in the Euro-zone, where investment increased on average by 4 per cent. Productivity (GDP per employed person), increased by 4.6 per cent. compared with 4 per cent. in the Euro-zone. According to ESA data, the unemployment rate decreased from 12.0 per cent. in 1999 to 11.4 per cent. in 2000. In 2001, total investment rose by 7.8 per cent. and productivity by 3.3 per cent. Unemployment is estimated to have declined further to 10.9 per cent.

During the 1994-1999 phase of the implementation of the convergence programme, total employment rose by 37,300 jobs annually. Despite the increase in employment, the unemployment rate rose from 8.6 per cent. in 1993 to 12.0 per cent. in 1999 (ESA basis) because of the extraordinary rise in labour force participation (economic immigrants, increased participation of women), but then it fell in 2000 and 2001. It is estimated that real compensation per employee rose by 3 per cent. in 2000 and 2.3 per cent in 2001; this, together with the decline in lending rates to households, has helped sustain the growth of consumption demand (3.2 per cent in 2000 and 3.1 per cent. in 2001).

Principal Economic Indicators

The following table sets forth the principal economic indicators relating to Greece for the years 1996-2000:

Principal Economic Indicators	1996	1997	1998	1999	2000	2001¹
GDP at current market prices (GRD bn.)	29,935.1	33,132.7	36,042.2	38,389.1	41,406.7	44,483.7

Principal Economic Indicators	1996	1997	1998	1999	2000	2001¹
Percentage change	9.9	10.7	8.8	6.5	7.9	7.4 ¹
Percentage change of GDP as per constant 1995 market prices	2.4	3.6	3.4	3.4	4.3	4.1 ¹
GDP per capita (U.S. dollars at current market prices)	11,871	11,556	11,598	11,925	10,733	11,103 ¹
Unemployment rate (percentage of labour force) ²	9.8	9.8	11.1	12	11.4	10.9 ¹
Consumer Price Index (percentage change through the year)	7.3	4.7	3.9	2.7	3.9	2.8 ⁵
Exports (merchandise) f.o.b. (U.S. dollars mn.) ³	5,769.9	5,373.3	6,671.5	8,546.9	10,201.3	8,005.8 ⁶
Percentage change	-0.2	-6.9	-3.6	— ⁴	19.4	7.6 ⁶
Imports (merchandise) c.i.f. (U.S. dollars mn.) ³	24,135.9	23,644.1	23,246.9	26,489.0	30,436.0	22,215.6 ⁶
Percentage change	5.3	-2.3	-1.7	— ⁴	14.9	-2.4 ⁶
Balance of merchandise (U.S. dollars mn.) ³	-18,365.6	-18,270.8	-17,680.8	-17,942.1	-20,234.7	-14,209.7 ⁶
Invisible receipts (U.S. dollars mn.) ³	20,441.1	19,967.5	21,793.50	26,298.9	28,408.70	21,870.0 ⁶
Percentage change	1.6	-2.3	9.1	— ⁴	8	-1.5 ⁶
Invisible payments (U.S. dollars mn.) ³	6,617.7	6,540.3	7,756.7	13,449.3	15,873.1	12,118.1 ⁶
Percentage change	2.2	-1.2	18.6	— ⁴	18	2.1 ⁶
Balance of invisibles (U.S. dollars mn.) ³	13,826.4	15,427.2	14,036.8	12,849.1	12,535.6	9,751.9 ⁶
Balance of payments — Current Account (U.S. dollars mn.) ³	-4,539.2	-4,843.6	-3,644.1	-5,092.9	-7,699.1	-4,457.8 ⁶
International reserves at end of period (U.S. dollars mn.)	19,177.3	13,337.0	18,191.1	18,946.4	13,533.4	6,809.0 ⁶
General governmental external debt (U.S. dollars mn.)	28,265.0	29,167.1	31,891.0	31,437.0	32,273.0	31,504.0 ⁶
Daily average of GRD/U.S. dollar exchange rate	240.712	273.058	295.500	305.647	365.412	380.429 ⁶

Notes:

1. *Provisional estimates.*
2. *ESA data on Greek unemployment.*
3. *Balance of payments data for 1999 and 2000 are formulated under the conceptual framework of the IMF Balance of Payments Manual (5th edition) and do not compare with previous years' data.*
4. *Percentage changes between 1998 and 1999 would not present a like-to-like comparison given changes in the method of calculation specified in note 2 above.*
5. *October 2001 over same month of previous year.*
6. *January - September. Percentages refer to the same period of the previous year.*

Sources: Ministry of National Economy, Bank of Greece and National Statistical Services of Greece (NSSG)

As shown above, GDP, at constant prices of the previous year, grew by 2.4 per cent. in 1996, 3.6 per cent. in 1997, 3.4 per cent. in 1998, 3.4 per cent. in 1999, 4.3 per cent. in 2000 and 4.1 per cent. in 2001.

The rise in GDP since 1995 is mainly due to maintenance of very high rates of investment growth and to sustained growth of consumption (at rates lower than those of investment). Gross fixed capital formation, at constant prices, continued to grow for the sixth consecutive year in 2001. The achievement of a non-inflationary rate of growth is also related to a number of important structural changes effected over the last few years in the Greek economy (for example infrastructure, privatisation and labour markets).

In the period 1996-1999, there was a continuous slowdown of inflation, which reflected the anti-inflationary monetary policy pursued, the diminishing public deficits because of fiscal stabilisation and the significant slowdown in unit labour cost growth (due to wage moderation and productivity gains).

Inflation, as measured by the Consumer Price Index (CPI) increased to 3.9 per cent. in December 2000 from 2.7 per cent. in December 1999. The main factors were higher oil prices and U.S. Dollar appreciation against the Euro. However, the increase in relation has not been substantial given the monetary easing that took place in 2000. The 14 day main refinancing rate of the Bank of Greece was reduced by 60 basis points from 10.75 per cent. at the end of 1999 to 4.75 per cent. at the end of December 2000. The moderate impact on inflation, despite the substantial monetary easing, is mainly due to the fact that Greek households are net creditors and thus the lowering of interest rates has had a negative income effect.

CPI, after a peak at 3.9 per cent. in June - July 2001, decreased to 2.8 per cent. in October and is expected to slow down further by the end of 2001. This decrease in the rate of inflation is mainly due to the lower levels of crude oil prices, and on the tightness of financial policies.

Core inflation (CPI excluding fuel, fresh fruit and vegetables) remained subdued and reached its lowest level (1.3 per cent.) in July 2000, even though it drifted up to 3.7 per cent. in October of the year 2001, reflecting a more pronounced pass-through of past rises in import prices onto domestic prices, as indicated by the increases in the wholesale prices.

Balance of Payments: Outline of Foreign-Trade and International Balance of Payments

In 1999 and 2000, export receipts have financed approximately one-third of import payments on a settlements basis. In 2000, export receipts totalled US\$10,201.3 million, while import payments reached US\$30,436.0 million, resulting in a trade deficit of US\$20,234.7 million.

Regarding the latest available information covering the January - September period of the current year, export receipts reached US\$8,006 million, showing an increase of US\$568 million with respect to the corresponding period of 2000. On the contrary, import payments were marginally reduced by US\$537 million to US\$22,216 million. Thus the trade deficit was curtailed to US\$14,210 million, an improvement of US\$1,106 million.

The current account deficit in 2000 amounted to US\$7,699.1 million (6.9 per cent. of GDP), a substantial increase from US\$5,092.9 million (4.1 per cent. of GDP) in 1999. This deterioration in Greece's current account has resulted from an increase in both the trade and incomes deficit and a decrease in the surplus of transfers. The trade deficit increase is due mainly to higher international oil prices. The decrease in the surplus of transfers is due mainly to a decrease in net transfer payments from the EC.

The performance of the current account during the January - September 2001 period shows an improvement by US\$529 million reaching US\$4,458 million or 3.8 per cent. of the annual GDP while the corresponding figure for 2000 was 4.4 per cent. The improvement has come about mainly as a result of the fall in the trade deficit mentioned above, while the services and transfer surpluses have recorded a marginal increase. On the contrary the incomes deficit has almost doubled.

The financial account in 2000 recorded a net inflow of US\$8,211.9 million mainly as a result of significant net portfolio investment official reserve assets (stock) reached US\$13,533.3 million at the end of 2000.

The financial account in the January - September period recorded a net inflow of US\$3,139 million. Foreign direct investment showed a US\$882 million net inflow while the inflow for portfolio investment reached US\$7,571 million. As a result of the developments described above, the stock of official reserve assets reached US\$6.8 billion following the European Central Bank definition.

The following table sets forth the Balance of Payments relating to Greece for the years 1997 - 2001:

BALANCE OF PAYMENTS

<i>(in US\$ million)</i>	January - December				January- September
	1997	1998	1999	2000	2001
I. CURRENT ACCOUNT					
(I.A.+I.B.+I.C.+I.D.)	-4,843.5	-3,616.9	-5,092.9	-7,699.1	-4,457.8
I.A. GOODS (I.A.1-I.A.2)	-17,239.0	-16,633.5	-17,942.1	-20,234.7	-14,209.7
Non-Oil Balance	-15,035.3	-15,335.9	-16,416.5	-17,486.9	-12,287.7
Oil Balance	-2,203.7	-1,297.6	-1,525.6	-2,747.7	-1,922.1
I.A.1 Exports	6,427.8	6,671.5	8,546.9	10,201.3	8,005.8
Oil	601.3	726.7	1,148.4	2,221.2	1,371.9
Non-Oil	5,826.5	5,944.8	7,398.5	7,980.1	6,633.9
I.A.2 Imports	23,666.7	23,305.1	26,489.0	30,436.0	22,215.6
Oil	2,805.0	2,024.3	2,674.0	4,968.9	3,294.0
Non-Oil	20,861.7	21,280.8	23,815.0	25,467.1	18,921.6
I.B. SERVICES (I.B.1-I.B.2)	6,450.2	6,808.0	7,252.3	7,948.9	6,312.3
I.B.1 Receipts	10,119.2	11,188.4	16,494.3	19,234.9	15,026.0
Travel	5,151.3	6,188.2	8,784.6	9,221.1	7,333.0
Transportation	1,876.6	2,173.2	5,141.0	7,914.2	6,198.2
Other services	3,092.2	2,827.1	2,568.7	2,099.6	1,494.9
I.B.2 Payments	3,699.0	4,380.4	9,242.0	11,286.0	8,713.8
Travel	1,327.1	1,749.4	3,988.9	4,556.2	3,149.0
Transportation	368.2	486.2	2,387.4	4,086.9	3,605.5
Other services	1,973.7	2,144.8	2,865.7	2,642.9	1,959.2
I.C. INCOME (I.C.1-I.C.2)	-1,568.2	-1,538.5	-676.2	-885.7	-1,342.8
I.C.1 Receipts	1,255.3	1,533.7	2,553.4	2,807.6	1,458.6
Compensation of employees	280.3	378.2	616.4	580.0	402.1
Investment income	975.0	1,155.5	1,937.0	2,227.6	1,056.6
I.C.2 Payments	2,823.6	3,072.2	3,229.6	3,693.3	2,801.4
Compensation of employees	338.3	361.4	245.6	250.4	188.2
Investment income	2,485.2	2,710.8	2,984.0	3,442.9	2,613.3
I.D. TRANSFERS (I.D.1-I.D.2)	7,513.5	7,717.3	6,273.0	5,472.4	4,782.4
I.D.1 Receipts	7,533.8	8,206.7	7,251.2	6,366.2	5,385.4
General government	4,623.4	4,882.1	4,547.7	3,790.0	3,339.2
Other sectors	2,930.4	3,324.8	2,703.5	2,576.2	2,046.2
I.D.2 Payments	40.2	489.4	978.2	893.8	602.9
General government	12.6	12.2	200.1	192.0	66.8
Other sectors	27.8	477.1	778.1	701.7	536.1
II. FINANCIAL ACCOUNT*					
II.A+II.B+(I.C.+I.D.)	6,070.5	3,782.3	4,969.8	8,211.9	3,139.3
II.A. DIRECT INVESTMENT	1,617.0	337.9	32.7	-1,012.9	881.5
II.B. PORTFOLIO INVESTMENT	1,605.0	12,058.2	6,452.2	8,431.2	7,570.9
II.C. OTHER INVESTMENTS	-2,992.3	-3,759.1	-759.9	-4,619.6	-10,679.5
Assets	-8,505.5	6,402.4	-4,801.9	-1,003.4	-5,369.8
Liabilities	5,513.2	2,643.3	4,042.0	-3,616.3	-5,005.9
(Loans of General Government)	-3,633.1	-2,257.9	-797.2	-219.4	-1,840.6
II.D CHANGE IN RESERVE ASSETS**	5,840.8	-4,854.7	-755.1	5,413.2	5,366.3
III. BALANCING ITEM (I.+II.)	-1,227.0	-135.4	+123.1	-512.8	1,318.6
RESERVE ASSETS (STOCK)	13,336.5	18,191.2	18,946.4	13,533.3	6,809.0

Public Finances

According to the 2001 State Budget (the “**Budget**”), which was approved by Parliament in mid-December 2000, the general Government balance, calculated on a national accounts basis, was projected to produce a surplus of 0.5 per cent. of the 2001 GDP compared to a deficit of 1.1 per cent. of GDP in 2000. General Government debt was forecasted to be reduced by 3.8 percentage points as a proportion of GDP. Recent estimates indicate that the general Government surplus will be 0.1 per cent of GDP and the general Government debt at the end of the year will be 99.6 per cent. of GDP, or 3.1 percentage points of GDP down from the previous year.

The 2002 State Budget was submitted to Parliament in mid-November 2001. As set forth in the Budget Report, the general Government result is projected to produce a surplus of 0.8 per cent. of projected 2002 GDP. General Government debt is forecasted to be reduced by 2.3 percentage points of 2002 GDP.

To achieve the above-mentioned targets, the Budget provides for an increase of total revenue by 5 per cent. or 29.8 per cent. of GDP, compared with 30.3 per cent. of GDP for 2001, and increase of expenditure excluding interest payments by 6.4 per cent. or 26.2 per cent. of GDP (compared to 26.4 per cent. of GDP for 2001) as well as a reduction by 7.9 per cent. of the expenditure for interest payments amounting to 6.4 per cent. of GDP compared to 7.4 per cent. in 2001. According to the Budget projections for revenue and primary expenditure, the primary surplus is expected to reach 4.9 per cent. of GDP in 2002.

The framework for conducting fiscal policy in all EU countries is established by the Stability and Growth Pact.

Monetary Developments in 2000 and Policy for 2001

The primary objective of monetary policy for 2000 was to achieve a high degree of price stability. In the first half of 2000, in particular until the decision of the Ministers of Finance Council (ECOFIN) in June 2000 that Greece would join the euro area, monetary policy was focused on meeting the inflation convergence criterion, as well as the criteria regarding the stability of the exchange rate of the Drachma and of long-term interest rates. In the second half of the year, monetary policy aimed to contain inflationary pressures exerted by the rise in oil prices and the appreciation of the dollar and ensure the smooth transition to the single currency. This transition placed constraints in the conduct of monetary policy, as it entailed the convergence of Greek interest rates towards the lower level of interest rates in the euro area and the convergence of the Drachma current exchange rate towards its central rate which according to the ECOFIN decision was determined to be its conversion rate.

During the first half of 2000, the average annual inflation rate based on the Harmonised Consumer Price Index (HCPI) remained at the level of 2 per cent. to 2.1 per cent. until June 2000 and, consequently, in the first half of the year price stability was broadly maintained. In particular, in March 2000, the HCPI was 2 per cent., thus meeting the convergence criterion for inflation. However, inflationary pressures from rising oil prices and the appreciation of the dollar against the euro continued and resulted in the acceleration of the average annual HCPI inflation from 2.2 per cent. in July to 2.9 per cent. in December 2000.

The Bank of Greece pursued a policy of gradually dropping its interest rates towards corresponding ECB rates, full convergence on which was completed by the end of December 2000 in conjunction with an appropriate policy of interventions in the foreign exchange and money markets, so that the current exchange rate of the Drachma against the euro towards its central rate was achieved during 2000. The Drachma remained above its central rate throughout the year and converged gradually towards it. In total, the exchange rate of the Drachma against the euro fell by 3.1 per cent. in 2000. The revaluation of the Drachma central rate on 17th January, 2000 has reduced the extent of the necessary adjustment of the exchange rate and thus has contributed to the containment of inflationary pressures.

The convergence of the interest rates of the Bank of Greece to the respective rates of the Eurosystem was also accomplished gradually. The largest part of this adjustment took place in the second half of 2000, especially in the last two months. The key interest rates of the Bank of Greece were lowered 9 times in the course of 2000 and were fully adjusted to those of ECB on 27th December, 2000. In particular, the interest rate on the Bank of Greece’s interventions in the interbank money for 14-day operations was reduced by six percentage points from 10.75 per cent. to 4.75 per cent. The convergence of the Bank of Greece’s interest rates was facilitated by the 1.75 per cent. increase in ECB rates in the same period.

The broad monetary aggregate M4N, which the Bank of Greece used until the end of 2000 as an indicator of liquidity by reference to currency circulation, private deposits in Drachmas and foreign currency, repos, bank bonds, units of money market funds and treasury bills, grew by 10.5 per cent. in 2000, compared with 5.5 per cent. in 1999. The faster increase in M4N was due to the shift of investors to assets included in M4N, such as repurchase agreements and money market fund units as well as to stronger than expected GDP growth in 2000. Additional factors underlying faster M4N growth were the significant base effect given the particularly low level of M4N in April-December 1999 and the increase in the outstanding balances of foreign currency deposits, due to foreign exchange valuation differences related to the appreciation of the dollar and the depreciation of the Drachma against the euro. Total credit expansion accelerated in 2000, contributing to the faster increase in M4N while the external sector made a negative contribution to liquidity creation.

Total bank credit grew in 2000 at a faster rate than in 1999 (20.2 per cent., against 12.2 per cent.), mainly because of the considerable acceleration of credit expansion to the private sector (28.5 per cent. in 2000 and 14.2 per cent. in 1999) and to a lesser extent because of the faster credit expansion to the public sector (16.1 per cent. in 2000 compared to 11.3 per cent. in 1999). The acceleration of the annual rate of increase in bank credit to the private sector was related to the fact that, after March 2000, when the measures taken by the Bank of Greece in 1999 to restrain credit expansion ceased to apply, banks satisfied the accumulated demand for credit. It was also connected with the drop in bank lending rates (particularly on consumer loans) and the larger increase in nominal GDP in 2000. The faster increase in bank financing of the public sector was related to its larger borrowing requirement (on a cash basis) in 2000, but also with the fact that this requirement was covered to a larger extent in 2000 by monetary financial institutions and non-residents, while investments by the domestic private non-bank sector in government securities decreased significantly compared with 1999.

Monetary policy, although conducted in a particularly unfavourable environment in 2000, achieved its main objects. Beginning 1st January, 2001, the Bank of Greece began applying the single monetary policy defined by the ECB.

Credit Rating of the Hellenic Republic

Currently, the Hellenic Republic's unsecured and unsubordinated long-term debt is rated A2 by Moody's Investors Service Limited and A by Standard & Poor's and Fitch.

DESCRIPTION OF THE NOTES

General

The Notes will be initially represented by a temporary global note (the “**Temporary Global Note**”) in bearer form, without coupons or talons attached. The Temporary Global Note will be deposited on behalf of the subscribers of the Notes with a common depository (the “**Common Depository**”) for Euroclear and Clearstream, Luxembourg on the Issue Date. Upon deposit of the Temporary Global Note, Euroclear or Clearstream, Luxembourg will credit such subscriber with the principal amount of Notes for which it has subscribed and paid.

Interests in the Temporary Global Note will be exchangeable not earlier than the Exchange Date upon Certification for interests in a permanent global note relating to the Notes (the “**Permanent Global Note**”), in bearer form, without coupons or talons attached, in an equivalent principal amount to the Temporary Global Note. On the exchange of the Temporary Global Note for the Permanent Global Note, the Permanent Global Note will remain deposited with the Common Depository.

The Temporary Global Note and the Permanent Global Note are together referred to as the “**Global Notes**”, and the expression “**Global Note**” shall be read and construed to mean the Temporary Global Note or the Permanent Global Note or any of them as the context may require.

References herein to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

For so long as the Notes are represented by a Global Note, each account holder (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes), will be entitled to be treated by the Issuer and the Trustee as the holder of such principal amount of Notes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders), other than for the purposes of payment of principal and interest on such Notes, the right to which shall be vested solely in the bearer of the Global Notes in accordance with and subject to the terms of the Trust Deed, and the expression “**Noteholders**” shall be construed accordingly. Each account holder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the Global Note and will be entitled to receive any payment so made in respect of that Global Note in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as appropriate.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Payments

On and after the Exchange Date, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and/or interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of the Global Note to the order of the Principal Paying Agent. A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Note by or on behalf

of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Global Note. Payments of interest on the Temporary Global Note will be made upon Certification unless such Certification has already been made.

Notices

For so long as all of the Notes are represented by a Global Note and such Global Note is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative account holders rather than by publication as required by Condition 14 except that, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such Exchange so require, notices to the Noteholders will also be given through a publication in a daily leading newspaper with general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the Common Depositary and, upon final payment and surrender of such Global Note to the Principal Paying Agent, the Principal Paying Agent shall cancel such Global Note. The redemption price payable in connection with the redemption of Noteholder interests in a Global Note will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of a Global Note in part, selection of the relevant Noteholder interests relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such other basis as Euroclear or Clearstream, Luxembourg deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of such Global Note on the relevant schedule thereto.

Transfers

Title to the Global Notes will pass by delivery. Notes represented by the Global Notes will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate.

Issuance of Definitive Notes

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for Definitive Notes only if:

- (i) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and no alternative clearing system satisfactory to the Trustee is available; or
- (ii) as a result of any amendment to, or change in, the laws or regulations of the Grand Duchy of Luxembourg (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form,

in which case the Issuer will deliver Definitive Notes in bearer form, serially numbered, each with interest coupons (“**Coupons**”) attached on issue.

The Definitive Notes will bear the following legend: “Any United States Person (as defined in the Internal Revenue Code) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”. The sections referred to in the legend provide that a United States Person will not, with certain exceptions, be permitted to deduct any loss and will not be eligible for favourable capital gains treatment with respect to any gain realised on a sale, exchange or redemption of any Note or Coupon.

Secondary Trading

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

Although the foregoing sets out the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the Notes among participants, neither Clearstream, Luxembourg nor Euroclear is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Hellenic Republic, the Trustee, the Principal Paying Agent, the Paying Agent, the Lead Manager or any affiliate of any of them, or any person by whom any of them is controlled for the purposes of the Securities Act, will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes in the form in which the same will be set out in the Trust Deed and which will be incorporated by reference into, or endorsed on, each Global Note and each Definitive Note, as the case may be.

The issue of the €355,000,000 Floating Rate Asset-Backed Notes due 2019 (the “**Notes**”) by Aeolos S.A. (the “**Issuer**”) on 13th December, 2001 (the “**Issue Date**”) was authorised by a resolution of the board of directors of the Issuer passed on 11th December, 2001. The Notes are constituted by a trust deed (the “**Trust Deed**”, which expression includes any modification thereto made in accordance with the provisions of such trust deed and any deed or other document executed in accordance with the provisions of such trust deed as from time to time modified and expressed to be supplemental thereto) dated the Issue Date and made between the Issuer and HSBC Trustee (C.I.) Limited as trustee (the “**Trustee**”, which expression shall include its successors as trustee under the Trust Deed) for, *inter alios*, the holders for the time being of the Notes (the “**Noteholders**”).

From the proceeds of the issue of the Notes the Issuer will purchase from the Hellenic Republic a portfolio of receivables payable by Eurocontrol to the Hellenic Republic under the Route Charges Agreement (the “**Purchased Receivables**”) pursuant to the terms of a receivables purchase agreement dated the Issue Date between the Hellenic Republic, the Issuer and the Trustee (the “**Receivables Purchase Agreement**”).

The Notes are issued subject to and with the benefit of an agency agreement (the “**Agency Agreement**”, which expression includes such agreement as amended and/or supplemented and/or restated from time to time) dated 13th December, 2001 and made between the Issuer, the Trustee, HSBC Bank plc, acting through its London Branch, (as “**Principal Paying Agent**” and “**Agent Bank**”) and Kredietbank S.A. Luxembourgaise (as “**Paying Agent**”, and together with the Principal Paying Agent, the “**Paying Agents**”).

The Noteholders are entitled to the benefit of and are bound by all the provisions of the Trust Deed, the Security Agreements and each other Transaction Document to which the Trustee is a party and are deemed to have notice of all the provisions of all the Transaction Documents. Copies of the Transaction Documents are available for inspection at the principal office of the Principal Paying Agent at Mariner House, Pepys Street, London EC3N 4DA. References to any Transaction Document, howsoever expressed, are to it as novated and/or amended and/or supplemented, as the case may be, and include any replacements therefor as novated and/or amended and/or supplemented, as the case may be.

Capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions Schedule dated 13th December, 2001, which will be available as specified above.

1. FORM AND DENOMINATION

The Notes, which are in the denomination of €1,000 each, subject to *pro rata* redemption as hereinafter provided, are initially represented by a temporary global note (the “**Temporary Global Note**”) in bearer form without coupons or talons attached in the aggregate principal amount of €355,000,000 (the “**Initial Principal Balance**”).

The Temporary Global Note will be deposited on behalf of the subscribers of the Notes with a common depository (the “**Common Depository**”) for Euroclear Bank S.A./N.V., as operator of the Euroclear system (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) on the Issue Date.

Not earlier than the date which is 40 days after the Issue Date (the “**Exchange Date**”), the Temporary Global Note will be exchangeable for a permanent global note (the “**Permanent Global Note**”) in bearer form in the aggregate principal amount of up to €355,000,000 each. The Permanent Global Note will also be deposited with the Common Depository. The exchange will only occur to the extent that certification is received of non-U.S. beneficial ownership as provided in the Temporary Global Note.

The Temporary Global Note and the Permanent Global Note are together referred to as the “**Global Notes**”.

Each of the Global Notes is transferable by delivery. For so long as any Notes are represented by a Global Note, such Notes are transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg as appropriate.

For so long as any Note is represented by a Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg, as the case may be, as the holder of such Note shall be treated by the Issuer and the Trustee as the holder of such Note for all purposes other than with respect to the payment of principal and interest on the relevant Global Note, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer thereof in accordance with and subject to its terms (and the expression “**Noteholder**” and related expressions shall be construed accordingly).

If (i) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and no alternative clearing system satisfactory to the Trustee is available, or (ii) as a result of any amendment to, or change in, the laws or regulations of the Grand Duchy of Luxembourg (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or the Principal Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will issue Definitive Notes (in bearer form, serially numbered with interest coupons attached and title to which will pass by delivery) in exchange for the relevant Permanent Global Note within 60 days of the occurrence of the relevant event but not earlier than the Exchange Date (as defined above). Notes in definitive form will not be issuable in any other circumstances. These Conditions, the Trust Deed and the Agency Agreement will be amended in such manner as the Trustee reasonably requires to take account of the issue of Definitive Notes. If the Issuer fails to meet its obligations to issue Definitive Notes then the Global Note in respect of which Definitive Notes have not (but should have) been issued will remain in full force and effect.

2. STATUS AND SECURITY

(a) Status

The Notes constitute direct, secured (subject to Condition 2(c)) and unconditional limited recourse obligations of the Issuer and rank rateably without any preference or priority among themselves.

(b) Segregation

Following the transfer of the Purchased Receivables to the Issuer pursuant to the terms of the Receivables Purchase Agreement and under the provisions of Article 14 of the Greek Law No. 2801/2000 as amended by Article 36 of the Greek Law 2843/2000, the Issuer's interests in the Purchased Receivables, in the corresponding amounts payable in respect of the Purchased Receivables, and in the Undertaking, will be segregated by operation of Greek law from the Hellenic Republic's and the Receipts Account Bank's other assets and may not be seized or attached in any form by creditors of the Hellenic Republic and the Issuer (other than the Noteholders and the other Secured Creditors (as defined below)), until full discharge by the Issuer of its payment obligations under the Notes or cancellation of the Notes.

(c) Security

As security for the payment of all moneys payable in respect of the Notes and otherwise under the Trust Deed (including the remuneration, costs, charges, liabilities, expenses and any other claims of the Trustee and any receiver appointed by the Trustee) and in respect of certain amounts payable to other parties, the Issuer has entered into the following security agreements (the “**Security Agreements**”) creating the following security in favour of the Trustee for the benefit of the Noteholders and the other secured creditors of the Issuer as identified in the Security Agreements (the “**Secured Creditors**”):

- (i) pursuant to a deed of charge governed by English law (the “**Deed of Charge**”):
 - (A) a first ranking fixed security interest over all the Issuer's rights, title, interest and benefit, present and future, in, to and under each of the Receivables Purchase Agreement (other than the provisions governed by Greek law), the Undertaking (other than the provisions governed by Greek law), the Cash Management Agreement, the Transaction Account Bank Agreement, the Trust Deed, the Agency Agreement, the Subscription Agreement and the Interest Rate Hedging Agreement;
 - (B) a first fixed security interest over the Issuer's interest in the Transaction Account and any other bank account of the Issuer from time to time other than the Operational Account and its right to any amount standing to the credit thereof; and

- (C) a floating charge over the whole of the undertaking, property, assets and rights of the Issuer (other than the Operational Account) not subject to the fixed security described in paragraph (i)(A) above;
- (ii) pursuant to a pledge agreement governed by Greek law in respect of the Receivables Purchase Agreement (the “**RPA Pledge Agreement**”), a first ranking pledge of all the Issuer’s interests in the Purchased Receivables under the provisions of the Receivables Purchase Agreement governed by Greek law; and
- (iii) pursuant to a pledge agreement governed by Greek law in respect of the Undertaking (the “**Undertaking Pledge Agreement**”, and together with the RPA Pledge Agreement, the “**Pledge Agreements**”), a first ranking pledge over all the Issuer’s interests to, in and under provisions of the Undertaking governed by Greek law.

The fixed and floating charges under the Deed of Charge and the pledges under the Pledge Agreements described above together constitute the “**Note Security**”.

The Note Security will become enforceable upon the Trustee giving a Default Notice (as defined in Condition 9(a) to the Issuer, provided that, if the Note Security has become enforceable otherwise than by reason of a default in payment of any amount due and payable on the Notes, the Trustee will not be entitled to dispose of the Purchased Receivables or any other assets comprised in the Note Security or any part thereof unless the Trustee is advised by an investment bank or other financial adviser selected by the Trustee (any costs incurred by the Trustee to be met by the Issuer) that (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Security Agreements to be paid *pari passu* with, or in priority to, the Notes or (ii) the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Security Agreements to be paid *pari passu* with, or in priority to, the Notes or (iii) the Trustee considers, in its absolute discretion, that not to effect such disposal would place the Note Security in jeopardy.

The Notes are secured by the Note Security and (subject to the provisions of Conditions 2(d) and 2(e)) will rank *pari passu* in the event of the Note Security being enforced, save as set out above. Save as specified below, so long as any of the Notes are outstanding, the Trustee shall, as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), have no regard to the interests of, and will be relieved of all duties and liabilities to, the persons entitled to the benefit of the Note Security (other than the Noteholders).

(d) Priority of Payments

Pursuant to the Cash Management Agreement, the Cash Manager will, on behalf of the Issuer, procure that prior to the delivery of a Notice (as defined below), the Available Funds (as defined below), to the extent received, shall be applied by the Cash Manager on the Interest Payment Date immediately succeeding the relevant Calculation Date in the following order of priority (the “**Priority of Payments**”) (and payments of or towards, or retentions in respect of, an item of lower priority shall only be made to the extent that the items of a higher priority have been paid or retained, as the case may be, in full):

- (i) *first*, in or towards payment of the Issuer’s tax liability (if any) and any Expenses to be paid in order to preserve the corporate existence of the Issuer or to maintain it in good standing;
- (ii) *secondly*, in or towards payment of the amounts payable by the Issuer to the Trustee under the Trust Deed and under the other Transaction Documents (as defined below);
- (iii) *thirdly*, in or towards payment, *pro rata*, of the amounts due and payable to the Paying Agents in respect of amounts properly paid by them to the Noteholders and not reimbursed by the Issuer and the fees and Expenses due and payable by the Issuer to the Paying Agents, the Agent Bank, the Cash Manager, the Transaction Account Bank, the Domiciliation Agent, and all amounts payable by the Issuer to third parties (other than those referred to in this order of priority) pursuant to the Transaction Documents;
- (iv) *fourthly*, in or towards payment of the amounts due and payable to the Swap Counterparty (other than payments to be made by the Issuer as a result of the termination of the Interest Rate Hedging Agreement);

- (v) *fifthly*, in or towards retention of the funds necessary to build the Expenses Reserve (as defined below) up to, but not exceeding, the Maximum Expenses Reserve Amount (as defined below), save that on the Final Maturity Date (as defined below) no Expenses Reserve will be built up;
- (vi) *sixthly, pro rata and pari passu*, in or towards payment of (A) interest due and payable on the Notes for the relevant Interest Period and (B) any termination payments due and payable to the Swap Counterparty under the Interest Rate Hedging Agreement;
- (vii) *seventhly*, but only on an Interest Payment Date which is not also a Principal Payment Date, in or towards retention of the funds necessary to build up the Principal Reserve (as defined below) up to the amount which is equal to the Aggregate Principal Repayment Amount payable on the next Principal Payment Date;
- (viii) *eighthly*, but only on an Interest Payment Date which is also a Principal Payment Date, in or towards payment of the Aggregate Principal Repayment Amount then payable;
- (ix) *ninthly*, in or towards payment of the Deferred Purchase Price to the Hellenic Republic; and
- (x) *tenthly*, to pay the surplus, if any, to the Issuer.

To the extent that amounts under items (i) - (iii) of the Priority of Payments above are due and payable on a date other than an Interest Payment Date, amounts standing to the credit of the Transaction Account shall be applied by the Cash Manager (on behalf of the Issuer) on such date to make payment of the said amount in accordance with the order of priority set out in (i) - (iii) above.

“**Expenses Reserve**” means a reserve, up to but not exceeding an amount of €150,000 (the “**Maximum Expenses Reserve Amount**”), which is held in the Transaction Account in the event that, on any date, the amounts standing to the credit of the Transaction Account (excluding the reserve) are insufficient to cover any expenses payable in relation to the issuance of the Notes, the execution and implementation of the Transaction Documents, the corporate existence of the Issuer and/or the tax liability of the Issuer.

“**Principal Reserve**” means a reserve which is held in the Transaction Account to be used towards payment of the Aggregate Principal Repayment Amount payable on the next Principal Payment Date. The Principal Reserve will not exceed the Aggregate Principal Repayment Amount payable on the next Principal Payment Date.

(e) Priority of Payments on Early Redemption Following a Notice

Following the delivery of a Notice the monies received by the Issuer or the Trustee, as the case may be, shall be applied by the Issuer or the Trustee, as the case may be, in the following order of priority (the “**Priority of Payments on Early Redemption Following a Notice**”) (and payments in or towards an item of lower priority shall only be made to the extent that the items of a higher priority have been paid in full):

- (i) *first*, in or towards payment, *pro rata*, of the amounts payable by the Issuer to the Trustee under the Trust Deed and under the other Transaction Documents and to any receiver appointed in respect of the Issuer;
- (ii) *secondly*, in or towards payment, *pro rata and pari passu*, of the amounts due and payable to the Paying Agents in respect of amounts properly paid by them to the Noteholders and not reimbursed by the Issuer and the fees and expenses due and payable by the Issuer to the Paying Agents, the Agent Bank, the Cash Manager, the Transaction Account Bank, the Domiciliation Agent and all amounts payable by the Issuer to third parties (other than those referred to in this order of priority) pursuant to the Transaction Documents;
- (iii) *thirdly*, in or towards payment of the amounts due and payable to the Swap Counterparty (other than payments to be made by the Issuer as a result of the termination of the Interest Rate Hedging Agreement);
- (iv) *fourthly*, in or towards payment, *pro rata and pari passu*, of (A) all amounts of interest then due and payable (or overdue) on the Notes and (B) any termination payments due and payable to the Swap Counterparty under the Interest Rate Hedging Agreement;

- (v) *fifthly*, in or towards payment of the Principal Balance (as defined below) and any other amount which may be outstanding under the Notes;
- (vi) *sixthly*, in or towards payment of the Deferred Purchase Price; and
- (vii) *seventhly*, to pay the surplus, if any, to the Issuer.

(f) *Available Funds*

“**Available Funds**” means, on any Calculation Date, the sum of:

- (i) any amounts standing to the credit of the Transaction Account on the last day of the immediately preceding Collection Period;
- (ii) any amounts to be paid to the Issuer by the Swap Counterparty on the next Interest Payment Date in respect of the relevant Interest Period pursuant to the terms of the Interest Rate Hedging Agreement,

(the aggregate of items (i) and (ii) above together referred to as the “**Issuer Funds**”); and

- (iii) any Shortfall Amount payable by the Hellenic Republic in respect of the relevant Collection Period pursuant to the terms of the Undertaking.

“**Calculation Date**” means the day which is 5 Business Days after the end of the relevant Collection Period.

“**Collection Period**” means, for any Interest Payment Date, the period from and including the 14th Business Day prior to the preceding Interest Payment Date, or in the case of the first Interest Payment Date the Issue Date, to but excluding the 14th Business Day prior to such Interest Payment Date.

(g) *Limited Recourse*

The Notes are payable solely out of the assets charged and pledged by the Issuer pursuant to the Security Agreements to secure the Notes. The Issuer will have no other assets or sources of revenue. If these are insufficient to make payment in respect of the Notes, no other assets of the Issuer will be available for payment of the deficiency, and following liquidation of the available assets, the obligations of the Issuer to pay such deficiency shall be extinguished.

3. COVENANTS

(a) *Restrictions*

Save with the prior written consent of the Trustee or as provided in or envisaged by these Conditions or any of the Transaction Documents, the Issuer shall not so long as any of the Notes remains outstanding:

- (i) except under the Security Agreements, create or permit to subsist any pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future, (including any uncalled capital) or its undertaking; or
- (ii) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents permit or envisage that the Issuer will be engaged in; or
- (iii) open any account (other than the Operational Account) with any bank or other financial institution, save where obliged to do so under the Transaction Documents; or
- (iv) incur any indebtedness in respect of borrowed money whatsoever (except in respect of the Notes) or give any guarantee in respect of any obligation of any person; or
- (v) consolidate or merge with any other person or convey or transfer its property or assets substantially to any other person; or
- (vi) cause or permit any of the Transaction Documents or the priority of the security interests created thereby, to be amended, terminated or discharged or cause or permit any party to any of the Transaction Documents to be released from any of the obligations thereunder; or
- (vii) have any employees; or
- (viii) purchase, own, lease or otherwise acquire any real property except for its own premises; or

- (ix) have any subsidiaries; or
- (x) issue any further shares in the Issuer (other than such shares as are in issue at the Issue Date and such shares which may be issued to the Trustee or its nominee from time to time) or make any distribution to its shareholders except those permitted under the terms of the Transaction Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make or cause the relevant parties to consent to such modifications or additions to the provisions of any of the Transaction Documents, or may impose such other conditions or requirements as the Trustee may deem expedient in the interest of all the Noteholders.

(b) Cash Manager

So long as any of the Notes remains outstanding, the Issuer will procure that there will at all times be a cash manager (the “**Cash Manager**”) to provide the cash management services set out in the Cash Management Agreement (the “**Services**”) in respect of the Issuer’s assets and bank accounts. The initial Cash Manager will be HSBC Bank plc, acting through its London branch. The Cash Manager will not be permitted to terminate its appointment without, *inter alia*, the prior written consent of the Trustee (such consent not to be unreasonably withheld). The appointment of the Cash Manager may be terminated by the Issuer (with the consent of the Trustee and subject to any grace periods applicable thereto) if, *inter alia*, the Cash Manager defaults in any material respect in the observance and performance of any obligation imposed on it under the Cash Management Agreement which default is not remedied within 15 Business Days (as defined for this purpose in the Cash Management Agreement) after written notice of such default shall have been served on it by the Issuer or the Trustee.

4. INTEREST

(a) Period of Accrual

The Notes bear interest from (and including) the Issue Date. Interest shall cease to accrue on the Notes, or any part thereof, from the due date for redemption of the Notes or, as the case may be, such part unless, upon due presentation of the relevant Global Note, payment of principal due is improperly withheld or refused, in which case interest will continue to accrue (after as well as before any judgement) as provided in the Trust Deed.

In these Conditions, “**Principal Balance**” means in respect of the Notes, as at the Issue Date, the Initial Principal Balance of the Notes and, as of any date after the Issue Date, the Initial Principal Balance of the Notes *minus* the aggregate amount of repayments of principal in respect of the Notes that have fallen due to be paid and have actually been paid prior to such date and “**Aggregate Principal Balance**” means, at any date, the aggregate Principal Balance of all Notes.

(b) Interest Payment Dates and Interest Periods

Interest on the Notes is payable semi-annually in arrears on the 31st day in March and the 30th day in September in each year or, if any such day is not a Business Day, the immediately preceding Business Day (each such date being referred to in these Conditions as an “**Interest Payment Date**”) in respect of the Interest Period (as defined below) ending immediately prior thereto. The first such payment is due on 30th September, 2002 in respect of the period from (and including) the Issue Date to (but excluding) 30th September, 2002 (the “**First Interest Payment Date**”).

In these Conditions:

“**Interest Period**” shall mean the period from (and including) an Interest Payment Date (or the Issue Date, in the case of the first Interest Period) to (but excluding) the next Interest Payment Date; and

“**Business Day**” shall mean any day, other than a Saturday or a Sunday, on which commercial banks are generally open for business in Athens, the Grand Duchy of Luxembourg and London, and on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) system (or any successor thereto (the “**TARGET System**”)) is open.

(c) Rate of Interest

The rate of interest payable from time to time in respect of the Notes (the “**Interest Rate**”) shall be EURIBOR for six month euro deposits plus the applicable Margin (as defined below).

The margin (the “**Margin**”) applicable for the calculation of interest on the Notes will vary as follows: From (and including) the Issue Date to (but excluding) the Interest Payment Date falling on 31st March, 2012 (the “**Step-up-Date**”), the Margin will be 0.24 per cent. per annum (the “**Initial Margin**”).

From (and including) the Step-up Date, the Margin will be 0.48 per cent. per annum (the “**Step-up Margin**”). The Interest Rates will be determined by the Agent Bank on the basis of the following provisions:

- (i) On the second Business Day preceding each Interest Period or, in the case of the first Interest Period, the second Business Day preceding the Issue Date (each such Business Day being an “**Interest Determination Date**”), the Agent Bank will determine the interest rate for deposits in euro for a period of six months quoted on the Dow Jones Telerate Page 248 (or such replacement page on that service which displays the information) at or about 11.00 a.m. (Brussels time) on the Interest Determination Date in question being, if more than one rate is quoted and the rates so quoted are not the same, the arithmetic mean (rounded to five decimal places, 0.000005 being rounded upwards) of the rates so quoted.
- (ii) If on any Interest Determination Date no such rates as aforesaid are being quoted on the Dow Jones Telerate Page 248 (or such other pages as aforesaid), the Agent Bank will determine the interest rate for deposits in euro for a period of six months quoted on any electronic rate information page or pages as may be selected by it displaying quotes for EURIBOR on the Interest Determination Date in question being, if more than one rate is quoted and the rates quoted are not the same, the arithmetic mean (rounded to five decimal places, with 0.000005 being rounded upwards) of the rates so quoted.
- (iii) If on any Interest Determination Date no such rates as aforesaid are being quoted on the Dow Jones Telerate Page 248 (or such other page as aforesaid) or pursuant to (ii) above, the Agent Bank will request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market (the “**Reference Banks**”, which expression shall include any duly appointed substitute reference bank(s) approved by the Trustee) to provide the Agent Bank with their quoted rates to prime banks in the Euro-zone for six month euro deposits in the Euro-zone interbank market as at or about 11.00 a.m. (Brussels time) in each case on the Interest Determination Date in question. The Interest Rate shall be determined, as in (i) above, on the basis of the offered quotations of those Reference Banks. If, on any such Interest Determination Date, two or three only of the Reference Banks provide such offered quotations to the Agent Bank, the Interest Rate for the relevant Interest Period shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, one only or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Trustee and the Issuer for the purpose of agreeing two banks (or, where one only of the Reference Banks provides such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) and the Interest Rate for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Interest Rate for the relevant Interest Period shall be EURIBOR in effect for the last preceding Interest Period to which paragraph (i), (ii) or the foregoing provisions of this paragraph (iii) shall have applied plus the applicable Margin for the relevant Interest Period.
- (iv) For the period from (and including) the Issue Date to (but excluding) the First Interest Payment Date the Interest Rates shall be determined upon Linear Interpolation (such term having the meaning given to it in the 2000 ISDA Definitions published by the International Swap & Derivatives Association, Inc.) of EURIBOR for nine and ten month euro deposits in accordance with paragraphs (i) to (iii) above.
- (v) There shall be no maximum or minimum Interest Rate.

“**Euro-zone**” means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25th March, 1957), as amended by the Treaty on European Union (signed in Maastricht on 7th February, 1992).

(d) Determination of Interest Rate and Calculation of Interest Payment on the Notes

The Agent Bank will, as soon as practicable after 11.00 a.m. (Brussels time) on each Interest Determination Date, determine the Interest Rate applicable to, and calculate the amount of interest payable in respect of each Note (each an “**Interest Payment**”) for the relevant Interest Period. The Interest Payment shall be calculated by applying the applicable Interest Rate to the principal amount outstanding in respect of such Note and (after taking into account any principal payment due on such Note on the Interest Payment Date immediately succeeding the relevant Interest Determination Date), multiplying by the number of days in the relevant Interest Period, dividing by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(e) Publication of Interest Rates and Interest Payment

The Agent Bank will cause the Interest Rates and the Interest Payment for each Interest Period and the relevant Interest Payment Date to be forthwith notified to the Issuer, the Trustee, the Cash Manager, the Principal Paying Agent, the Paying Agent and, for so long as the Notes are listed on the Luxembourg Stock Exchange (the “**Luxembourg Stock Exchange**” which expression includes any successor), to the Luxembourg Stock Exchange and will cause notice of the same to be given in accordance with Condition 14 on or as soon as possible after the date of commencement of the relevant Interest Period. The Interest Payment and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of a lengthening or shortening of such Interest Period.

(f) Determination or Calculation by Trustee

If the Agent Bank at any time for any reason does not determine an Interest Rate or calculate an Interest Payment in accordance with Condition 4(c) and (d) above, the Trustee (or an agent on its behalf) shall determine the relevant Interest Rate at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances or, as the case may be, calculate the Interest Payment in accordance with Condition 4(d) above, and each such determination or calculation shall be deemed to have been made by the Agent Bank.

(g) Notification to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Agent Bank, the Cash Manager, the Trustee, the Noteholders and (in the absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Reference Banks, the Agent Bank, the Cash Manager or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions.

(h) Reference Banks and Agent Bank

The Issuer will procure that, so long as any of the Notes remain outstanding, there will at all times be Reference Banks and an Agent Bank. The Issuer reserves the right at any time (with the prior written consent of the Trustee) to terminate the appointment of the Agent Bank or any of the Reference Banks. Notice of any such termination will be given to the Noteholders. If any person shall be unable or unwilling to continue to act as a Reference Bank or the Agent Bank (as the case may be), or if the appointment of any Reference Bank or the Agent Bank shall be terminated, the Issuer will, with the approval of the Trustee, appoint a successor Reference Bank or Agent Bank (as the case may be) to act as such in its place, provided that neither the resignation nor the removal of the Agent Bank shall take effect until a successor approved by the Trustee has been appointed.

5. REDEMPTION

(a) Final Redemption

Unless previously redeemed in full as provided in these Conditions, the Issuer shall redeem the Notes at the Principal Balance on the Interest Payment Date falling on 31st March, 2019.

(b) Scheduled Redemption

Prior to a Notice (as defined below) being served, if and to the extent that there are sufficient Issuer Funds (as defined above), the Notes will be redeemed in part annually on the Interest Payment Date

falling in March commencing on 31st March, 2003 and ending on the Final Maturity Date (each such date, a “**Principal Payment Date**”) in an aggregate amount equal to the Aggregate Principal Repayment Amount for the relevant Principal Payment Date. To the extent that there are insufficient Issuer Funds to repay the Aggregate Principal Repayment Amount (as defined below) payable on any particular Principal Payment Date then the Notes will instead be redeemed in part on such Principal Payment Date in an aggregate amount equal to the Issuer Funds that are available for such purpose. Following each full or partial payment of Aggregate Principal Repayment Amount on a Principal Payment Date, the Luxembourg Stock Exchange will be notified of the amount that has been redeemed, and the Principal Balance, in respect of the Notes.

The “**Aggregate Principal Repayment Amount**” means for any Principal Payment Date the aggregate of (a) the Principal Repayment Amount (as defined below) for that Principal Payment Date and (b) except on the first Principal Payment Date, the amount equal to the total of all Principal Repayment Amounts payable on previous Principal Payment Dates that remain unpaid.

In these Conditions:

“**Principal Repayment Amount**” means for any Principal Payment Date an amount equal to the amount set out opposite such Principal Payment Date in the following table:

Principal Payment Date	Principal Repayment Amount (€)
31st March, 2003	13,642,618
31st March, 2004	14,335,663
31st March, 2005	15,063,915
31st March, 2006	15,829,161
31st March, 2007	16,633,283
31st March, 2008	17,478,254
31st March, 2009	18,366,149
31st March, 2010	19,299,149
31st March, 2011	20,279,546
31st March, 2012	21,309,747
31st March, 2013	22,222,519
31st March, 2014	23,406,979
31st March, 2015	24,654,571
31st March, 2016	25,968,660
31st March, 2017	27,352,790
31st March, 2018	28,810,693
31st March, 2019	30,346,303

The principal amount (if any) to be paid on any Principal Payment Date in respect of such Note shall be a pro rata share of the aggregate amount required to be paid (rounded down, if necessary, to the nearest cent).

As soon as possible after the relevant Calculation Date, the Issuer shall cause notice of the principal amount to be paid in respect of each Note on any Principal Payment Date to be given to the Noteholders in accordance with Condition 14.

(c) Optional Redemption for Tax Reasons

If the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that, on the immediately following Interest Payment Date (i) the Issuer or any Paying Agent on its behalf would be required to make any withholding or deduction from any payment of principal or interest in respect of any of the Notes for or on account of any present or future tax, duty or charge of whatsoever nature incurred or levied by or on behalf of the Grand Duchy of Luxembourg (or any political sub-division thereof or therein) or any authority thereof or therein or (ii) the Issuer would not obtain a full deduction for interest payments on any of the Notes in calculating its liability to taxation, (each a “**Tax Event**”), then the Issuer shall inform the Trustee accordingly and shall, in order to avoid the relevant event described in (i) or (ii) above, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved by the Trustee as principal debtor under the Notes in accordance with Condition 11(c). If the Issuer is unable to arrange such a substitution which would have

the result of avoiding the events described in (i) or (ii) above, then the Issuer may on receipt of instructions from the Hellenic Republic, having given not more than 60 nor less than 30 days' notice (or such shorter notice period as the Trustee may agree) (a "**Tax Notice**") to the Hellenic Republic and the Noteholders in accordance with Condition 14 (with a copy to the Cash Manager and the Rating Agencies) redeem all (but not some only) of the Notes at their respective Principal Balance plus accrued interest on the next Interest Payment Date, provided that, prior to giving any such notice, the Issuer shall have certified to the Trustee that it will have the funds (which may be raised by the Issuer from whatever source it may select), not subject to the interest of any other persons, required to fulfil its obligations hereunder in respect of the Notes and any amounts required, pursuant to the Priority of Payments on Early Redemption Following a Notice, to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the events described in (i) or (ii) above will apply on the occasion of the next payment due in respect of the Notes and cannot be avoided by the Issuer using reasonable endeavours to arrange a substitution as aforesaid; and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

Notwithstanding the foregoing, if the proposed directive regarding the taxation of savings income published by the European Commission on 18th July, 2001 (the "**EU Directive on Taxation of Savings**") is implemented and a withholding in respect of the Notes is required pursuant to that directive, the Notes will not be subject to redemption in accordance with Condition 5(c) and such withholding will not be a Tax Event.

(d) Optional Redemption on Step-up Date by the Issuer

The Issuer may on receipt of instructions from the Hellenic Republic, having given not more than 60 nor less than 30 days' notice (or such shorter notice period as the Trustee may agree) (a "**Call Notice**") the Noteholders in accordance with Condition 14 (with a copy to the Cash Manager and the Rating Agencies) redeem all (but not some only) of the Notes at their respective Principal Balance plus accrued interest thereon on the Step-up Date or any Interest Payment Date thereafter, provided that, prior to giving any such notice, the Issuer shall have certified to the Trustee that it will have the funds (which may be raised by the Issuer from whatever source it may select), not subject to the interest of any other persons, required to fulfil its obligations hereunder in respect of the Notes and any amounts required, pursuant to the Priority of Payments on Early Redemption Following a Notice, to be paid *pari passu* with, or in priority to, the Notes and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the condition precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

(e) Cancellation

All Notes redeemed in full pursuant to the foregoing provisions will be cancelled forthwith and may not be resold or reissued.

(f) Purchase

The Issuer may not purchase any of the Notes.

6. PAYMENTS

- (a) Payments of principal and interest in respect of the Notes will be made in euro against presentation of the relevant Global Note at the specified office of the Principal Paying Agent or, at the option of the holder of the relevant Global Note, at any specified office of any Paying Agent provided that no payment of interest will be made by, or upon presentation of a Global Note to, any Paying Agent in the United States (as defined in the Trust Deed) and subject, in the case of the Temporary Global Notes, to certification of non-U.S. beneficial ownership as provided in the Temporary Global Notes. Payments of principal and interest in respect of the Notes will be made by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in the Euro-zone. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on the relevant Global Note by the Paying Agent to which such Global Note was presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made. Payments of principal and interest in respect of the Notes will be subject in all cases to any fiscal or other laws and regulations applicable thereto and to normal banking practice.

- (b) Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as being entitled to a particular nominal amount of Notes will be entitled to receive any payment so made in respect of those Notes in accordance with the rules and procedures of Euroclear and/or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as they are represented by the Global Notes.
- (c) Payment in respect of any Definitive Notes will be made only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Definitive Notes and payments of interest in respect of Definitive Notes will be made only against presentation and surrender (or in the case of part payment of any sum due, endorsement) of interest coupons in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States as defined in the Trust Deed).
- (d) The Issuer may at any time (with the previous approval of the Trustee) vary or terminate the appointment of any Paying Agent and appoint additional or other agents, provided that it will at all times maintain, as long as the Notes are listed on the Luxembourg Stock Exchange, a Principal Paying Agent or Paying Agent resident in Luxembourg. Notice of any such termination or appointment and of any change in the office through which the Paying Agent will act will be given to Noteholders in accordance with Condition 14.
- (e) A holder shall be entitled to present a Global Note for payment only on a Presentation Date and shall not, except as provided in Condition 4(a), be entitled to any further interest or other payment if a Presentation Date is after the due date.

“**Presentation Date**” means a day which (subject to Condition 7):

- (i) is or falls after the relevant due date;
- (ii) is a business day in the place at the specified office of the Paying Agent at which a Global Note is presented for payment; and
- (iii) in the case of payment by transfer to a euro account as referred to in (a) above, is a Business Day

7. PRESCRIPTION

Each right to the repayment of principal of, or the payment of interest on, each Global Note shall become void if such Global Note is not presented for the relevant payment within 10 years (in the case of principal) or five years (in the case of interest) after the Relevant Date for such payment. In these Conditions the “**Relevant Date**” for a particular payment means (i) the date on which such payment first becomes due, or (ii) (if the full amount of the moneys payable on that date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date) the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 14.

8. TAXATION

Each payment in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer (or any Paying Agent) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any such taxes, duties or charges. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted.

Notwithstanding the foregoing, if the proposed EU Directive on Taxation of Savings is implemented, the Issuer will endeavour to maintain a Paying Agent in an EC Member State that will not be obliged to withhold or deduct tax pursuant to that directive.

Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to the Noteholders in respect of any such withholding or deduction.

9. REPAYMENT IN EVENT OF DEFAULT

(a) Events of Default

The Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in Principal Balance of the Notes or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders (subject in each case to being indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing) shall give notice in writing (a “**Default Notice**”) to the Issuer and the Hellenic Republic (with a copy to the Cash Manager and the Rating Agencies) declaring the Notes to be due and repayable at any time after the occurrence and during the subsistence of any of the following events (each an “**Event of Default**”):

- (i) the Issuer defaults in the payment of any interest or the repayment of principal due and payable in respect of any Notes and such default continues unremedied for a period of 14 days provided that, for the avoidance of doubt, failure to pay the Aggregate Principal Repayment Amount shall only constitute a default if such amount is due on the Final Maturity Date; or
- (ii) the Issuer fails to perform or observe any of its other obligations under the Notes or any Transaction Document to which it is a party and such failure continues unremedied for a period of 30 days following the delivery by the Trustee to the Issuer and the Hellenic Republic of a notice requiring the same to be remedied; or
- (iii) an administrator, administrative or bankruptcy receiver or liquidator of the Issuer or the whole or any part of the undertaking, assets and/or revenues of the Issuer is appointed or the Issuer becomes subject to any bankruptcy, liquidation, administration, insolvency, composition, reorganisation, moratorium (*sursis de paiement*), controlled management (*gestion contrôlée*) or similar proceedings (or application for the commencement of any such proceeding) or an encumbrancer takes possession of the whole or (in the opinion of the Trustee) any substantial part of the undertaking or assets of the Issuer; or
- (iv) proceedings are initiated against the Issuer under any applicable bankruptcy, liquidation, administration, insolvency, composition, reorganisation, moratorium (*sursis de paiement*), controlled management (*gestion contrôlée*) or similar laws and such proceedings are not, in the opinion of the Trustee, being disputed in good faith; or
- (v) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for bankruptcy or suspension of payments; or
- (vi) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer except a winding up for the purposes of or pursuant to an amalgamation or reconstruction, the terms of which have been previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (vii) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any Transaction Document to which it is a party; or
- (viii) the Hellenic Republic defaults in the payment of any amounts due and payable under the Undertaking and such default continues unremedied for five Business Days; or
- (ix) the Hellenic Republic fails to perform or observe any of its obligations, representations, warranties and covenants under the Receivables Purchase Agreement or any other Transaction Document to which it is a party and such failure continues for a period of 10 Business Days after the receipt by the Hellenic Republic of written notice from the Issuer or the Trustee requiring the same to be remedied; or
- (x) the Hellenic Republic, acting through the Hellenic Civil Aviation Authority (the “**HCAA**”), ceases to continue to provide air traffic control services; or
- (xi) the HCAA ceases to be regulated by the Hellenic Republic or any other public authority of the Hellenic Republic responsible for the HCAA; or

- (xii) the HCAA becomes subject to privatisation or any other similar restructuring; or
- (xiii) (A) any External Indebtedness in respect of the Hellenic Republic in an aggregate amount equal to or exceeding US\$25,000,000 (or its equivalent) is accelerated so that it becomes due and payable prior to the stated maturity thereof as a result of a default thereunder and such acceleration has not been rescinded or annulled; or
- (B) any payment obligation under External Indebtedness in respect of the Hellenic Republic in an aggregate amount equal to or exceeding US\$25,000,000 (or its equivalent) is not paid as and when due and the applicable grace period, if any, has elapsed and such non-payment has not been cured;

and, for the purpose of this Condition 9(a)(xiii), “**External Indebtedness**” means existing and future indebtedness for borrowed money of the Hellenic Republic and all monetary obligations of the Hellenic Republic evidenced by bonds, debentures, notes or loan instruments expressed or payable or optionally payable in euro or in a currency other than the lawful currency of the Hellenic Republic (including guarantees given by the Hellenic Republic of any existing or future indebtedness for borrowed money of any other person and of all monetary obligations of any other person evidenced by bonds, debentures, notes or loan instruments expressed or payable or optionally payable in euro or in a currency other than the lawful currency of the Hellenic Republic); or

- (xiv) with respect to the Undertaking:
 - (A) the Hellenic Republic takes steps to revoke, repeal or amend the Undertaking in a manner which may reasonably be expected to affect, entirely or partially, the obligations of the Hellenic Republic under the Undertaking; or
 - (B) the Hellenic Republic takes steps to introduce or vary any Law that may reasonably be expected to render the Undertaking invalid and/or unenforceable; or
 - (C) the Hellenic Republic institutes any proceeding questioning the validity and/or enforceability of the Undertaking in any court of competent jurisdiction; or
 - (D) the Undertaking becomes invalid and/or unenforceable as a consequence of a change in the official interpretation of any Law or the application of any Law by any competent authority or body or any court of competent jurisdiction in a definitive and final manner;

for the purposes of this Condition 9(a)(xiv) “**Law**” means any laws, decrees or other legislative measures and any directive regulation (including European Council directives and regulations), guideline or official interpretation issued or in any case applicable in the Hellenic Republic,

provided that in the case of the events described in sub-paragraphs (ii), (ix), (x), (xi) and (xii) of this Condition 9(a) the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders.

(b) Early Redemption following an Event of Default

Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Notes are due and repayable, each Note shall thereby immediately become due and repayable at its Principal Balance together with accrued interest and any other amounts payable in accordance with the Priority of Payments on Early Redemption Following a Notice.

10. ENFORCEMENT

At any time after the Notes have become due and repayable at their Principal Balance pursuant to Condition 9 above the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce repayment of the Notes together with accrued interest and/or take such steps as it may think fit to enforce the Note Security, but it shall not be bound to take any such proceedings or steps unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 25 per cent. in Aggregate Principal Balance of the Notes and (ii) it shall have been indemnified to its satisfaction. No Noteholder shall be entitled to proceed directly against the Issuer or to enforce the Note Security (which, by subscribing to,

or otherwise acquiring a Note or Notes, each Noteholder expressly accepts) unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

11. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, SUBSTITUTION AND TRUSTEE'S DISCRETIONS

- (a) The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of the Noteholders of a modification of the Notes (including these Conditions) or the provisions of any of the Transaction Documents.

The quorum at any meeting of Noteholders for passing an Extraordinary Resolution shall be one or more persons holding or representing over 50 per cent. in Aggregate Principal Balance of the Notes, or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the Principal Balance so held or represented, except that, at any meeting the business of which includes, *inter alia*, the sanctioning of a modification of the date of maturity of the Notes, or a modification which would have the effect of changing the date for payment of interest in respect of the Notes or altering the manner of determining the Interest Rate applicable in respect of the Notes or the manner of determining the amounts to be redeemed in respect of the Notes or an alteration of the currency of payment of the Notes or altering the majority required to pass an Extraordinary Resolution or any alteration of the date of redemption of the Notes, the necessary quorum for passing an Extraordinary Resolution shall be one or more persons holding or representing 75 per cent. or, at any adjourned such meeting, 33 $\frac{1}{3}$ per cent., or more in Principal Balance of the Notes.

An Extraordinary Resolution duly passed at any meeting of Noteholders shall be binding on all Noteholders whether or not they are present at the meeting. The majority required for an Extraordinary Resolution shall be 75 per cent. of the votes cast on the resolution.

A resolution in writing executed by or on behalf of the holders of 75 per cent. in Aggregate Principal Balance of the Notes shall be as effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held and may consist of several instruments in like form each executed by or on behalf of one or more of such holders.

- (b) The Trustee may agree, without the consent of the Noteholders (i) to any modification (subject to certain exceptions) of, or to the waiver or authorisation of any breach or proposed breach of the Notes (including these Conditions) or any of the Transaction Documents which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) to any modification of the Notes (including these Conditions) or any of the Transaction Documents which, in the Trustee's opinion, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Noteholders, determine that any Event of Default or any condition, event or act which with the giving of notice and/or lapse of time and/or the issue of a certificate and/or the making of any determination would constitute an Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.
- (c) The Trustee may agree, without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes, subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets (including without limitation the Purchased Receivables and the Issuer's rights under the Receivables Purchase Agreement and the Undertaking) of the Issuer are transferred to such body corporate), (ii) such body corporate being a single purpose vehicle and undertaking itself to be bound by provisions corresponding to those set out in these Conditions, (iii) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and (iv) certain other conditions set out in the Trust Deed being complied with. In the case of a substitution pursuant to this paragraph (c), the Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change of the laws governing the Notes and/or any of the Transaction Documents provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders. No such substitution shall take effect unless it applies to all the Notes.

- (d) The Trust Deed contains a provision requiring the Trustee to have regard to the interests of the Noteholders as regards all the powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise). So long as any of the Notes remain outstanding, the Trustee is not required to have regard to the interests of any other Secured Creditors.
- (e) Where the Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions under or in relation to the Notes (including these Conditions) or any of the other Transaction Documents, to have regard to the interests of the Noteholders, it shall have regard to the interests of the Noteholders as a class and, in particular but without prejudice to the generality of the foregoing, shall not have regard to, or be in any way liable for, the consequences (in particular, any tax consequences) of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.
- (f) The Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders if each of the Rating Agencies has confirmed in writing to the Trustee that the then current rating of the Notes would not be adversely affected by such exercise.
- (g) The provisions of articles 86 to 94-8 of the Luxembourg act dated 10th August, 1915 on commercial companies, as amended, shall not apply in respect of the Notes and the Trust Deed.
- (h) For the purposes of Article 1275 of the Luxembourg Civil Code (so far as applicable), by subscribing to, or purchasing, or otherwise acquiring any Note a Noteholder expressly and specifically consents to the substitution of the Issuer where the Trustee has given its consent pursuant to this Condition and the Trust Deed.

12. INDEMNIFICATION AND EXONERATION OF THE TRUSTEE; TRUSTEE CONTRACTING WITH ISSUER AND OTHER PARTIES

Certain of the Transaction Documents (including the Trust Deed) contain provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking any action or enforcement proceedings or enforcing the Note Security unless indemnified to its satisfaction. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Note Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by the Cash Manager or by clearing organisations or their operators or by intermediaries such as banks, brokers, depositaries, warehousemen or other persons on behalf of the Issuer or the Trustee.

The Trust Deed contains provisions pursuant to which the Trustee or any of its subsidiaries or associated companies is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Note Security and/or any of their subsidiaries or associated companies and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Note Security and/or any of their subsidiaries or associated companies, (ii) to exercise and enforce its rights, comply with its obligations, and perform its duties, under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee has no responsibility for the validity, enforceability or sufficiency of the Note Security or the charged assets nor for taking any steps to perfect the same.

13. REPLACEMENT OF THE NOTES

If a Global Note or any Definitive Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Paying Agent or the Principal Paying Agent. Replacement thereof will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Paying Agent or the Principal Paying Agent may

reasonably require and in accordance with all applicable laws and regulations. If mutilated or defaced, the Global Note or, as the case may be, the Definitive Note must be surrendered before a new one will be issued.

14. NOTICE TO NOTEHOLDERS

- (a) Save as provided below, any notice to the Noteholders shall be deemed to have been validly given (i) if required by the rules of the Luxembourg Stock Exchange (while the Notes are listed on such exchange), by publication in a leading newspaper published in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if this is not practicable or if such newspapers shall cease to be published or timely publication therein shall not be practicable, in such newspaper or newspapers as the Trustee shall approve having a general circulation in Europe and (ii) by any of (a) the information contained in such notice appearing on the relevant page of the Reuters Screen or such other medium for the electronic display of data as may be approved by the Trustee and notified to the Noteholders or (b) until such time as any Definitive Notes are issued and, so long as the Global Notes are held on behalf of Euroclear and/or Clearstream, Luxembourg, delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders (in which case notice shall be deemed to have been given to the holders of the Notes on the seventh day after which notice was given to Euroclear and/or Clearstream, Luxembourg). To the extent required by Luxembourg law, the relevant notices shall be published in the *Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations*.
- (b) The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders if, in its opinion, such other method is reasonable having regard to the number and identity of the Noteholders and/or to market practice then prevailing and which will comply with the rules of the Luxembourg Stock Exchange (while the Notes are listed on such exchange) or of such other stock exchange or listing authorities (if any) on which the Notes are then listed and any such notice shall be deemed to have been given on such date as the Trustee may approve; provided that notice of such method is given to the Noteholders in such manner as the Trustee shall require.

15. GOVERNING LAW AND JURISDICTION

The Notes, the Trust Deed, the Receivables Purchase Agreement (except for the sections of the Receivables Purchase Agreement governing the transfer of the Purchased Receivables), the Undertaking (except for Clause 2), the Cash Management Agreement, the Transaction Account Bank Agreement, the Deed of Charge, the Agency Agreement, the Subscription Agreement and the Master Definitions Schedule are governed by and shall be construed in accordance with English law; the sections of the Receivables Purchase Agreement governing the transfer of the Purchased Receivables, Clause 2 of the Undertaking and the Pledge Agreements are governed by and shall be construed in accordance with Greek law; and the Domiciliation Agreement is governed by and shall be construed in accordance with Luxembourg law.

The Issuer and the Hellenic Republic have, in each of the Transaction Documents, to which each of them is party, submitted to the jurisdiction of the courts of England and Wales. The Hellenic Republic has waived, as to execution against its assets located in Greece or abroad, sovereign immunity to the extent permitted by Greek law as construed by the Greek courts.

Without prejudice to the foregoing, the Issuer expressly and specifically confirms its agreement with this Condition 15 in accordance with, and for the purposes of, Article 1 of the Luxembourg Protocol to the European Convention on Jurisdiction and the Enforcement of Judgements in Civil and Commercial Matters signed at Brussels on 27th September, 1968, as amended.

16. THIRD PARTY RIGHTS

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17. DEFINITIONS

Unless otherwise defined in these Conditions and unless the context otherwise requires, in these Conditions the following words and expressions shall have the following meanings and any other capitalised term used in these Conditions shall have the meaning ascribed to it in the Master Definitions Schedule.

“**Final Maturity Date**” means 31st March, 2019.

“**Notice**” means a Default Notice, a Tax Notice or a Call Notice.

“**Rating Agencies**” means Standard & Poor’s Ratings Services, a division of McGraw-Hill Companies Inc. and Fitch Ratings Ltd.

“**Transaction Documents**” means the Trust Deed, the Deed of Charge, the Receivables Purchase Agreement, the Undertaking, the RPA Pledge Agreement, the Undertaking Pledge Agreement, the Cash Management Agreement, the Transaction Account Bank Agreement, the Master Definitions Schedule, the Domiciliation Agreement, the Subscription Agreement, the Agency Agreement and the Interest Rate Hedging Agreement.

TAXATION

The information contained in this section “Taxation” is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of the Notes. It is based on tax laws and regulations in effect on the date hereof which are subject to change without notice. Prospective investors are urged to consult their own tax advisers as to the overall tax consequences of purchasing, holding and/or selling the Notes.

Luxembourg

No tax liability arises in Luxembourg in connection with the issuance of the Notes. Interest paid on the Notes is not subject to any withholding tax in Luxembourg. Interest paid on the Notes is not subject to Luxembourg tax if paid to non-resident holders not having a permanent establishment in Luxembourg. Capital gains realised by non-resident holders of Notes not having a permanent establishment in Luxembourg are not subject to any taxes in Luxembourg.

Holders of Notes resident in Luxembourg (except (i) holding companies governed by the law of 31st July, 1929 (“**Holding Companies**”) and (ii) undertakings for collective investments (“**UCIs**”) which are not subject to income tax and net wealth tax) or who have a permanent establishment, a fixed place of business or permanent representative in Luxembourg (a “**Permanent Establishment**”) with whom the holding of the Notes is effectively connected, must for income tax purposes include any interest received or, in the case of a corporate holder, accrued in their taxable income. Resident individual holders of Notes are not subject to taxation on capital gains upon the disposal of Notes unless the disposal of Notes precedes the acquisition thereof or the Notes are disposed of within six months of the date of acquisition thereof. Upon a sale, repurchase or redemption of Notes, resident individual holders will however need to include the portion of the purchase, repurchase or redemption price corresponding to accrued but unpaid interest in their taxable income. A corporate entity (*société de capitaux*) which is a resident of the Grand Duchy of Luxembourg (a “**Corporate Entity**”) or a Permanent Establishment will need to include in its taxable income the difference between the purchase, repurchase or redemption price (including accrued but unpaid interest) and the lower of cost or book value of the Notes sold, repurchased or redeemed. Resident holders will not be liable for any Luxembourg income tax on payment of principal upon redemption of Notes.

Greek Taxation

Pursuant to the Securitisation Law (and in particular paragraph 12 of Article 14 of the Greek Law 2801/2000, as amended by Article 36 of the Greek Law 2843/2000), the income (interest deriving from the Notes), and the transfer or pledge of the Notes, shall be exempt from any tax, including but not limited to, any capital gains tax, duty, stamp duty, contribution, commission, right or other charge in favour of the Hellenic Republic or any third party.

United Kingdom Taxation

Interest on the Notes

Payments of interest on the Notes may be made without withholding on account of income tax.

However, Noteholders who are individuals may wish to note that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Such information may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of other jurisdictions.

UK Corporation Tax Payers

In general, Noteholders which are within the charge to UK corporation tax will be charged to tax on all returns, profits or gains on, and fluctuations in value of, the Notes (including fluctuations attributable to exchange rates) broadly in accordance with their statutory accounting treatment.

Other United Kingdom Tax Payers

Accrued Income Scheme

On a disposal of Notes by a Noteholder, any interest which has accrued since the last Interest Payment Date may be chargeable to tax as income if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

Taxation of Chargeable Gains

A disposal by an individual Noteholder who is resident or ordinarily resident in the United Kingdom, or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable, may give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains.

Stamp Duty

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer by delivery of the Notes.

Proposed EU Directive on Taxation of Savings Income

On 18th July, 2001 the European Commission published a proposal for the EU Directive on Taxation of Savings. It is proposed that, subject to a number of important conditions being met, Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States (including Luxembourg but not including the United Kingdom) to opt instead for a withholding system for a transitional period in relation to such payments. The proposed directive is not yet final, and may be subject to further amendment and/or clarification.

SUBSCRIPTION AND SALE

Pursuant to the Subscription Agreement dated 13th December, 2001 between the Issuer, the Hellenic Republic and the Managers, the Managers have agreed, subject to certain conditions, to subscribe and pay for the Notes at the Issue Price of 100 per cent. of the Initial Principal Balance of the Notes. The Issuer will pay a structuring fee of 0.50 per cent. of the aggregate principal amount of the Notes and a placement fee divided between (a) an underwriting fee of 0.15 per cent. of the aggregate principal amount of the Notes and (b) a management fee of 0.25 per cent. of the aggregate principal amount of the Notes.

The Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement is subject to a number of conditions and entitles the Managers to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

No action has been taken by the Issuer or the Managers, which would or is intended to permit a public offer of Notes in any country or jurisdiction where action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes in any country or jurisdiction where action for that purpose is required and neither this Offering Circular nor any other circular, prospectus, form of application, advertisement or other material may be distributed in or from or published in any country or jurisdiction except under circumstances which will result in compliance with applicable laws and regulations.

In connection with the issue and distribution of the Notes, the Lead Manager may over-allot Notes or effect transactions which stabilise or maintain the market prices of the Notes or any of them at levels which might not otherwise prevail and such stabilisation, if commenced, may be discontinued at any time.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes will be issued in bearer form and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Until 40 days after the commencement of the offering of any Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each of the Managers has represented and agreed that:

- (i) it has not offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Hellenic Republic; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Greece

Each Manager has represented and agreed that the Notes have not been and will not be offered or sold to persons in Greece other than to insurance companies, credit institutions, social insurance funds and the other persons who qualify as “institutional investors” within the meaning of Resolution no. 9/201/10.10.2000 of the Capital Market Commission. Each Manager has represented and agreed that it has and it will conduct its activities in connection with the issue of the Notes in Greece in a manner that would not constitute a “public offer” as the meaning of such terms results from article 4 of Presidential Decree 52/1992, (re: Determination of the requirements for the drawing up, scrutiny and distribution of the prospectus to be published when transferable securities are offered to the public in accordance with Directive 89/298/EC) and the above noted Resolution. Each Manager has further represented and agreed that it will comply with all applicable laws and regulations, and make or obtain all necessary filings, consents or approvals in Greece in connection with the sale of the Notes in Greece, as provided by Greek legislation.

Public offerings of securities (including the Notes) in the Hellenic Republic require the prior approval of the Hellenic Capital Markets Commission and, in most cases, the publication of a prospectus. Any disposal of the Notes once listed on the Luxembourg Stock Exchange made by an investment firm (within the meaning of the Investment Services Directive) otherwise than by a public offer, as aforesaid, should comply with the provisions of article 20 of the Greek Law 2396/1996.

Grand Duchy of Luxembourg

No action has or will be taken by the Issuer or any of the Managers that would permit a public offer of the Notes in the Grand Duchy of Luxembourg. Accordingly, the Notes must not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and neither this Offering Circular nor any other circular, prospectus, form of application, advertisement or other material may be distributed or otherwise made available in, or from or published, in the Grand Duchy of Luxembourg, except for the sole purpose of the listing of the Notes on the Luxembourg Stock Exchange and except in circumstances which do not constitute a public offer of securities.

France

Each Manager has represented and agreed that Notes are being issued outside of France, and that, in connection with their initial distribution, it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and has not distributed or caused to be distributed to the public in the Republic of France this Offering Circular or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to qualified investors (*investisseurs qualifiés*) as defined in Article L411-2 of the French Code *Monétaire et Financier* and *Décret* no. 98-880 dated 1st October, 1998.

Germany

Each Manager has confirmed that it will comply with the Securities Selling Prospectus Act (the “Act”) of the Federal Republic of Germany (*Wertpapier-Verkaufprospektgesetz*) of 13th December, 1990 (as amended). In particular, the Lead Manager has represented that it has not engaged and agreed that it will not engage in public advertising (*öffentliche Werbung*) within the meaning of the Act with respect to any Notes otherwise than in accordance with all applicable legal and regulatory requirements.

Italy

Each Manager has acknowledged that no action has or will be taken by it which would allow an offering (nor a “*sollecitazione all’investimento*”) of the Notes to the public in the Republic of Italy unless it is in compliance with the relevant Italian securities, tax and other applicable laws and regulations.

Accordingly, each Manager has agreed that the Notes may not be offered, sold or delivered by it and neither this Offering Circular nor any other offering material relating to the Notes will be distributed or made available by it to the public in the Republic of Italy. Individual sales of the Notes to any persons in the Republic of Italy may only be made in accordance with Italian securities, tax and other applicable laws and regulations.

Each Manager has acknowledged that no application has been made by it to obtain an authorisation from CONSOB for the public offering of the Notes in the Republic of Italy.

Accordingly, each Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, and has not distributed and will not distribute and has not made and will not make available in the Republic of Italy any Notes, this Offering Circular nor any other offering material relating to Notes other than to professional investors (“*operatori qualificati*”) as defined in art. 31, paragraph 2, of CONSOB Regulation no. 11522 of 1st July, 1998 pursuant to art. 100, paragraph 1, lett. B and art. 30, paragraph 2, of D.Lgs no. 58 of 24th February, 1998 (the Financial Law Consolidation Act) and in accordance with applicable Italian laws and regulations. Any offer of the Notes to professional investors in the Republic of Italy shall be made only by banks, investment firms or financial companies enrolled in the special register provided for in art. 107 of the Banking Law Consolidation Act, to the extent duly authorised to engage in the placement and/or underwriting of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Financial Laws Consolidation Act and in compliance with art. 129 of the Banking Act.

General

Other than as described above, no action has been or will be taken that is intended to permit a public offering of the Notes, or the distribution of this Offering Circular or any other document, in or from any jurisdiction where action would be required for such purposes.

Each of the Managers has further represented and agreed with the Issuer that it has not offered or sold and will not offer or sell any of the Notes, and that it has not distributed and will not distribute this Offering Circular or any other material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with applicable law.

This Offering Circular does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

Reference should be made to the Subscription Agreement for a complete description of the restrictions on offers and sales of Notes and on distribution of documents. Attention is also drawn to the information set out on the inside front cover of this Offering Circular.

GENERAL INFORMATION

Legal Proceedings

No legal or arbitration proceedings are pending or threatened against the Issuer, nor has the Issuer been involved with any legal or arbitration proceedings, which may have or have had since its formation a significant effect on its financial position.

Miscellaneous

Since the date of its formation, the Issuer has not commenced business (except for matters relating to the Notes to be issued by it) and no accounts other than contemplated in the Transaction Documents or this Offering Circular have been created. The Issuer has, as of the date of this Offering Circular, no loan capital (including term loans) outstanding or created but unissued and no outstanding mortgages, charges, debentures, or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, obligations under financial leases, hire purchase commitments, guarantees or other contingent liabilities. No share capital or loan capital of the Issuer is under option or is agreed conditionally or unconditionally to be put under option.

Authorisation

All authorisations, consents and approvals required to be obtained by the Issuer for, or in connection with, the creation and issue of the Notes, the performance by it of the obligations expressed to be undertaken by it and the distribution of this Offering Circular have been obtained and are in full force and effect. The issue of the Notes has been authorised by a resolution of the board of directors of the Issuer passed on 11th December, 2001.

All authorisations, consents and approvals required for, or in connection with, the Undertaking have been or will be obtained and are or will be in full force and effect. The Undertaking, issued by ministerial decision of the Minister of Finance dated 12th December, 2001 No. 2/73348/0049 of the Hellenic Republic, will be published in the official government gazette of the Hellenic Republic.

No Material Adverse Change

Since the date of its formation, there has been no material adverse change, or any development reasonably likely to involve any material adverse change, in the condition (financial or otherwise) of the Issuer.

Clearing Codes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with the following codes:

ISIN: XS0140322743

Common Code: 014032274

Luxembourg Stock Exchange Listing

In connection with the application to be made to list the Notes on the Luxembourg Stock Exchange, copies of the Articles of Association of the Issuer and a legal notice (*notice légale*) relating to the issue of the Notes will be deposited prior to listing with the trade and companies register at the District Court of Luxembourg where such documents may be examined and copies obtained upon request.

Inspection of Documents and Availability of Information

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require:

- (a) executed copies of the following documents (the “**Transaction Documents**”) in respect of such Notes will, when published, be available for inspection during usual business hours at the specified offices of the Paying Agent in Luxembourg:
 - (i) the Trust Deed;

- (ii) the Receivables Purchase Agreement;
 - (iii) the Undertaking;
 - (iv) the Transaction Account Bank Agreement;
 - (v) the Cash Management Agreement;
 - (vi) the RPA Pledge Agreement;
 - (vii) the Undertaking Pledge Agreement;
 - (viii) the Deed of Charge;
 - (ix) the Agency Agreement;
 - (x) the Subscription Agreement;
 - (xi) the Interest Rate Hedging Agreement;
 - (xii) the Domiciliation Agreement; and
 - (xiii) the Master Definitions Schedule;
- (b) copies of the following documents will, when published, be available free of charge, during usual business hours, at the specified offices of the Paying Agent in Luxembourg and at the registered office of the Issuer:
- (i) the Articles of Association of the Issuer;
 - (ii) the balance sheet of the Issuer as at 12th December, 2001 and the accountants' report thereon;
 - (iii) the latest financial reports of the Issuer. No interim financial report will be produced by the Issuer; and
 - (iv) the semi-annual Reports prepared by the Cash Manager detailing, *inter alia*, the amounts received and forwarded to the Transaction Account in respect of the Purchased Receivables and amounts, if any, drawn under the provisions of the Undertaking.

The Issuer has not yet published any annual financial statements and has not published and does not intend to publish any interim financial statements. It is anticipated that the first published annual financial statements of the Issuer will be in respect of the year ending 2002. When published, such financial statements will be available free of charge in accordance with (b) above.

Notices

For so long as any Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices to the Noteholders shall be published in a leading newspaper having general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*.

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