PUBLIC POWER CORPORATION S.A.

(Dimosia Epihirisi Elektrismou)

(incorporated with limited liability in the Hellenic Republic)

36,500,000 shares

(nominal value € 4.60)

in the form of shares and Global Depositary Receipts

Offer Price: € 17.50 per share and per GDR

18,972,130 shares, in the form of shares and Global Depositary Receipts (the "GDRs"), of Public Power Corporation S.A. (the "Company") are being offered severally by the international managers in an international offering (the "international offering") (a) outside the United States in reliance on Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act") and (b) through their respective selling agents, in the United States to qualified institutional buyers as defined in and in reliance on Rule 144A under the Securities Act. Shares are concurrently being offered to the public and to institutional investors in Greece (the "Greek offering"). In addition, shares are concurrently being offered to our employees through a private placement (the "employee offering", which, together with the international offering and the Greek offering, constitutes the "combined offering"). Each GDR represents the right to receive one share, nominal value € 4.60 per share. The Greek managers are offering 16,218,370 shares in the Greek offering. In addition, 1,309,500 shares are being offered in the employee offering.

36,500,000 shares are being offered in the combined offering. All of the shares being offered in the combined offering are being offered and sold by the Hellenic Republic and the Public Enterprise of Negotiable Securities S.A. ("DEKA", and, together with the Hellenic Republic, the "selling shareholder"). We will not receive any proceeds from the sale of our shares in the combined offering.

Our shares are listed on the Athens Exchange (the "ATHEX"), under the symbol "PPC". Our existing GDRs and the GDRs offered pursuant to this combined offering are admitted to the official list maintained by the U.K. Listing Authority (the "UKLA") and to trading on the London Stock Exchange plc's (the "LSE") market for listed securities.

The joint global coordinators, on behalf of the international managers and the Greek managers, exercised an option to procure the transfer by the Hellenic Republic of 5,400,000 shares, or 14.79% of the shares being offered in the combined offering (the "additional shares"), in order to meet excess demand. The proceeds of sale of the additional shares can be used to effect transactions which stabilise or maintain the market price of the shares and the GDRs during a 30 day period from the date on which dealings in the shares being offered commence on the ATHEX. For a description of the share transfers relating to the additional shares, see "Summary—Over-allotment Option."

You should read "Risk Factors" beginning on page 9 for a discussion of certain factors to be considered in connection with an investment in the shares or GDRs. The GDRs are of a specialist nature and should normally only be bought and traded by investors who are particularly knowledgeable in investment matters.

Joint Global Coordinators

Alpha Finance | **Deutsche Bank** | **EFG Telesis Finance** | **Morgan Stanley** | **National Bank of Greece**

Joint Lead Managers and Joint Bookrunners

Deutsche Bank | **Morgan Stanley**

Co-Lead Managers

Alpha Finance | **EFG Telesis Finance** | **NBG International**

The date of this offering circular is 25th October, 2003.

The distribution of this offering circular and the offering and sale of the shares and GDRs in certain jurisdictions may be restricted by law. Persons into whose possession this offering circular comes are required by the Company and the international managers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this offering circular and the offering and the sale of the shares and the GDRs in jurisdictions including the United Kingdom and the United States. For a further description of certain restrictions on the offering and sale of the shares and GDRs, see "Underwriting". This offering circular does not constitute an offer of, or an invitation to purchase, any of the shares or GDRs in any jurisdiction in which such offer or invitation would be unlawful.

Neither the Company nor the international managers represent that this offering circular may be lawfully distributed, or that any shares or GDRs may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder. In particular, no action has been taken by the Company or the international managers (save for the application for the shares to be listed on ATHEX) which is intended to permit a public offering of any shares or GDRs or distribution of this offering circular in any jurisdiction where action for that purpose is required.

The shares and the GDRs have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with the Securities Act or pursuant to an exemption from registration under the Securities Act. The shares and GDRs sold pursuant to Rule 144A (the "Rule 144A Shares" and the "Rule 144A GDRs", respectively) are being offered and sold in the United States only to qualified institutional buyers as defined in and in reliance on Rule 144A under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Rule 144A shares or the Rule 144A GDRs may be relying on the exemption from Section 5 of the Securities Act provided by Rule 144A. The Rule 144A shares and the Rule 144A GDRs are not transferable except in accordance with the restrictions described under "Transfer Restrictions and Settlement".

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, OR RSA 421-B, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

INFORMATION FOR INVESTORS IN THE NETHERLANDS

This document may not be distributed to any individuals or legal entities in the Netherlands other than to individuals or legal entities who or which trade or invest in securities in the course of their business or profession, which includes banks, securities intermediaries, insurance companies, pension funds, other institutional investors and commercial enterprises which, as an ancillary activity, regularly trade or invest in securities.

We accept responsibility for the information contained in this offering circular. To the best of our knowledge and belief (after having taken all reasonable care to ensure that such is the case), the information contained in this offering circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information contained in this offering circular has been provided by the Company and other sources identified in this offering circular. No representation, warranty, or undertaking express or implied, is made by the international managers named in this offering circular as to the accuracy or completeness of such information, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by the international managers. The international managers accept no liability in relation to the information contained in this offering circular or any other information provided by the Company in connection with the offering and the sale of shares and the GDRs. Any reproduction or distribution of this offering circular, in whole or in part, and any disclosure of its contents or use of any information in this offering circular for any purpose other than considering an investment in the shares and GDRs is prohibited. By accepting delivery of this offering circular, you agree to the foregoing.

No person has been authorised by us or the selling shareholder to give any information or make any representations other than those contained in or consistent with this offering circular, and if given or made, such information or representations must not be relied upon as having been so authorised by or on behalf of us or by the selling shareholder. Neither the delivery of this offering circular nor any other information supplied in connection with the offering and the sale of the shares and the GDRs, nor any sale made pursuant to this offering circular shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering circular or that information contained in this offering circular is correct as of any time subsequent to its date.

Neither this offering circular nor any other information supplied in connection with the shares or GDRs should be considered as a recommendation by the Company or any of the international managers that any recipient of this offering circular or any other information supplied in connection with the offering and sale of the shares and GDRs, should purchase any of the shares or GDRs.

The contents of this offering circular are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

We have not submitted this offering circular to the clearance procedures of the Greek Capital Markets Committee and accordingly it may not be used in connection with any offer to purchase or sell any shares in the Greek offering. For the purposes of the Greek offering, we have prepared an offering circular in the Greek language which has been approved by the Greek Capital Markets Committee.

In connection with the international offering, Deutsche Bank AG London or any person acting for Deutsche Bank AG London may effect transactions with a view to supporting the market price of the GDRs at a higher level than that which might otherwise prevail for a limited period. However, there is no obligation on Deutsche Bank AG London or any agent of Deutsche Bank AG London to do this. Such stabilising may be effected on the LSE or otherwise. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period and should be in compliance with all relevant laws and regulations.

In connection with the Greek offering, Alpha Finance, EFG Telesis Finance and National Bank of Greece or any person acting for Alpha Finance, EFG Telesis Finance and National Bank of Greece may effect transactions with a view to supporting the market price of the shares at a higher level than that which might otherwise prevail for a limited period. However, there is no obligation on Alpha Finance,

EFG Telesis Finance and National Bank of Greece or any agent of Alpha Finance, EFG Telesis Finance and National Bank of Greece to do this. Such stabilising may be effected on the ATHEX. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period and should be in compliance with all relevant laws and regulations.

AVAILABLE INFORMATION

So long as any of the shares or GDRs are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and we are not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), we will make available to any holder or beneficial owner of our shares or GDRs or shares represented thereby and to any prospective purchaser of such shares or GDRs or shares represented thereby, upon the request of such holder, beneficial owner or prospective purchaser, the information specified in and meeting the requirements of Rule 144A(d)(4) under the Securities Act. We furnish certain information to the Securities and Exchange Commission in accordance with Rule 12g3-2(b) under the Exchange Act and have been added to the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act.

We will furnish to the Bank of New York, in its capacity as depositary (the "Depositary") copies of our annual report in English, which will include our audited consolidated financial statements prepared in accordance with International Accounting Standards ("IAS"). The framework of these standards is now known as International Financial Reporting Standards ("IFRS"). We will also furnish to the Depositary notices of shareholders' meetings and other reports and communications we make generally available to our shareholders, together with unaudited quarterly and six-monthly financial statements prepared in English and in accordance with IFRS. Upon receipt of notices and other reports, the Depositary will make such notices and reports available to the holders of GDRs on the terms set out in the terms and conditions of the GDRs. You should read the "Terms and Conditions of the Global Depositary Receipts" for a more detailed description of the terms and conditions of the GDRs.

Pursuant to Greek law, we are required to file with the ATHEX unaudited quarterly reports and audited annual and six-monthly reports according to accounting principles generally accepted in Greece ("Greek GAAP") within 60 days of the relevant period end and to publish such reports in two Greek newspapers. Following the end of our first statutory accounting period on 31st December, 2002, we started preparing and making available accounts based on Greek GAAP, reflecting our Generation, Transmission and Distribution business units as separate business units. In addition, we file with the UKLA the same information that we file with the ATHEX.

CERTAIN TAX DISCLOSURE

Notwithstanding any provision herein and the otherwise confidential nature of this offering circular and its contents, each party hereto (and each employee, representative, or other agent of such party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of this transaction and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure, except to the extent that any such disclosure could reasonably be expected to cause this combined offering not to be in compliance with securities laws. In addition, no person may disclose the name of or identifying information with respect to any party identified herein or other non-public business or financial information that is unrelated to the tax treatment or tax structure of the transaction without the prior consent of the Company. For purposes of this paragraph, the tax treatment of this transaction is the purported or claimed U.S. Federal income tax treatment of this transaction, and the tax structure of this transaction is any fact that may be relevant to understanding the purported or claimed U.S. Federal income tax treatment of this transaction.

JURISDICTION AND SERVICE OF PROCESS IN THE UNITED STATES AND ENFORCEMENT OF FOREIGN JUDGEMENTS IN GREECE

We are a *société anonyme* incorporated in the Hellenic Republic. Substantially all of our assets are located in Greece. None of our directors, officers or the other persons named in this offering circular are residents of the United States. It may not be possible for you to effect service of process within the United States upon us or such persons with respect to matters arising under the federal securities laws of the United States, or to enforce against us or such persons United States courts judgements obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Greece, in original actions or in actions for enforcement of judgements of United States courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

CONSENT TO SERVICE AND SOVEREIGN IMMUNITY

The Hellenic Republic is a sovereign state and enjoys sovereign immunity. The Hellenic Republic currently owns approximately 57.22% of our issued share capital and the Public Enterprise of Negotiable Securities S.A. (*Dimosia Epihirisi Kiniton Aksion*), a holding company created by the Hellenic Republic under Law 2526/1997 ("DEKA"), currently owns 10% of our issued share capital. Immediately following the combined offering, the Hellenic Republic will own between approximately 51.5% of our outstanding shares (assuming no return transfer of additional shares pursuant to the over-allotment option and including any bonus shares which may be transferred to (i) our employees either through this combined offering or the employee offering in December 2002 and (ii) retail investors) and approximately 53.8% of our outstanding shares (assuming a return transfer of all of the additional shares pursuant to the over-allotment option and including any bonus shares which may be transferred to (i) our employees either through this combined offering or the employee offering in December 2002 and (ii) retail investors). If all shares retained by the Hellenic Republic to satisfy potential share bonus requirements are transferred, within the period of up to twelve months following the combined offering, to our employees and retail investors, the Hellenic Republic's shareholding may further decrease by approximately 0.49%. DEKA will no longer own any of our share capital following the combined offering. We do not enjoy sovereign immunity. In addition, we and the selling shareholder irrevocably waive, to the fullest extent permitted by law, any immunity, including, in the case of the Hellenic Republic, foreign sovereign immunity from jurisdiction and, except as provided below, from execution or attachment or similar process to which we or the selling shareholder may otherwise be entitled in any such action in the competent courts of England or in any competent court in the Hellenic Republic.

The assets, revenues, claims and general property of the Hellenic Republic located in the territory of the Hellenic Republic were immune from forced execution, attachment, forced management or any similar process against the Hellenic Republic pursuant to Greek law, although a number of decisions of lower Greek courts (issued over the last three years) have challenged such immunity. Moreover, a decision of the Greek Supreme Court (21/2001) has confirmed the restrictions of such immunity. Pursuant to a recent amendment to Article 94, paragraph 4 of the Greek Constitution, court judgements may be executed compulsorily against the assets and general property of the Hellenic Republic. This Article provides that such execution is governed by the terms of a special statute (Law 3068/2002) that has recently been adopted and is currently in force. There may also be immunity from execution or attachment or process in the nature thereof, and the foregoing waiver shall not constitute a waiver of such immunity, with respect to the assets, revenues, claims and general property of the Hellenic Republic which constitute "public property" (such as buildings serving public purposes) and/or with respect to the premises of the Hellenic Republic's diplomatic missions in any jurisdiction which affords immunity thereto and/or with respect to assets of the Hellenic Republic outside the Hellenic Republic necessary for the proper functioning of the Hellenic Republic as a sovereign power.

The Hellenic Republic reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976, as amended (the "Sovereign Immunities Act") with respect to actions brought against the Hellenic Republic under the United States federal securities laws or any state securities laws. In the absence of a waiver of immunity by the Hellenic Republic with respect to such actions, it would not be possible to obtain a United States judgement in an action against the Hellenic Republic, unless a court were to determine that the Hellenic Republic is not entitled under the Sovereign Immunities Act to sovereign immunity with respect to such action.

As a *société anonyme,* we are not subject to the same regime as the Hellenic Republic. Nevertheless, under Greek law, there can be no forced execution, attachment, forced management or any similar process against our fixed assets, our works in progress or our installations that are necessary for the performance of our public utility activities relating to the generation, transmission, distribution and supply of electricity. A final judgement against the selling shareholder or us rendered by any competent English court will be recognised in Greece without being reviewed as to the merits according to the provisions of the European Union Regulation 44/2001. A judicial duty equivalent to 0.7% of the amount claimed is payable to the Hellenic Republic upon the commencement of proceedings before a Greek court to obtain a judgement upon any such amount due from the Hellenic Republic or us.

PRESENTATION OF FINANCIAL INFORMATION

Historically, PPC prepared its financial statements in accordance with Law 1468/1950 for the establishment of PPC. With effect from 1st January, 2001, PPC was transformed into a *société anonyme* and, as part of this transformation, PPC S.A. became obliged to prepare its financial statements in accordance with Greek GAAP. According to Greek GAAP and our articles of incorporation, our first statutory accounting period was the twenty-four month period ended 31st December, 2002.

We have restated our consolidated financial statements as at and for the years ended 31st December, 1998, 1999 and 2000 according to Greek GAAP.

This offering circular includes our audited consolidated financial statements as at and for the years ended 31st December, 1998, 1999, 2000, 2001 and 2002 and our audited consolidated financial statements as at and for the six months ended 30th June, 2002 and 2003, which were prepared in accordance with IFRS. Our audited consolidated financial statements as at and for the years ended 31st December, 1998, 1999 and 2000 were audited by Arthur Andersen Certified Auditors Accountants S.A. ("Arthur Andersen"), independent auditors. The audit report of Arthur Andersen, our former independent public accountants, is included for purposes of including the opinion of Arthur Andersen on our audited consolidated financial statements for the years ended 31st December, 1998, 1999 and 2000. The audit report set forth in Page F-2 is a copy of the audit report dated 26th October, 2001, rendered by Arthur Andersen that was included in our offering circular dated 7th December, 2002. Due to the fact that Arthur Andersen has ceased operations, your ability to assert claims against Arthur Andersen based on its report will likely be limited. This audit report has not been reissued by Arthur Andersen in connection with this offering circular. Our audited consolidated financial statements as at and for the years ended 31st December, 2001 and 2002 and our audited consolidated financial statements as at and for the six months ended 30th June, 2002 and 2003 were audited by Ernst & Young (Hellas) Certified Auditors Accountants S.A. ("Ernst & Young"), independent auditors. The Ernst & Young report with respect to the IFRS financial statements for the six months ended 30th June, 2003 is not qualified. The audited consolidated financial statements with respect to the years ended 31st December 1998, 1999, 2000, 2001 and 2002 and for the six months ended 30th June, 2002 are subject to qualifications by Ernst & Young and Arthur Andersen in their audit reports. The Ernst & Young report for the years ended 31st December, 2001 and 2002, as well as for the six months ended 30th June, 2002, is qualified as to (i) the accounting treatment of provisions relating to benefits for pensioners' electricity as a charge against equity rather than the income statement, (ii) the provision for possible risks from adverse movements in foreign exchange rates which are not in accordance with IFRS, and (iii) the sufficiency of detail of our fixed assets register, which precluded our auditors from performing certain audit tests. The Arthur Andersen report for the years ended 31st December, 1998, 1999 and 2000 is qualified as to (a) the absence of provisions in our financial statements, prior to 2000, for pension and social security liabilities and (b) the sufficiency of detail of our fixed assets register, which precluded them from performing certain audit tests. You should read "Index to Financial Statements—Independent Auditors' Reports" for further information about our financial statements.

In 2001, we engaged an independent international appraiser to value our fixed assets in order to reflect their fair market value as at 31st December, 2000. The independent appraiser issued a report in September 2001, setting out the criteria used to derive the fair market value of our fixed assets. We have completed the revaluation of our fixed assets based upon the valuation performed by the independent appraiser as well as completed the process of updating our fixed asset register. We have incorporated the results of this revaluation in our statutory accounts for the twenty-four month period ended 31st December, 2002, our first financial period as a *société anonyme* according to Greek law and to our articles of incorporation, while for IFRS accounting purposes, the results of this valuation were incorporated into our financial statements for the year ended 31st December, 2002. Therefore, the fixed asset values in our audited consolidated financial statements for the years ended 31st December, 1998, 1999, 2000 and 2001, and for the six months ended 30th June, 2002, which are included in this offering circular, do not reflect the fair market value of such assets as established in the independent appraiser's valuation.

FOREIGN CURRENCY PRESENTATION

Our financial statements are expressed in euro as of 1st January, 2002. Prior to 1st January, 2002, our financial statements were expressed in Greek drachmas. All references to "EUR", "euro" and "€" are to the lawful currency of the member states of the European Union which adopted 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). References to "drachmas" or

"GRD" are to Greek drachmas. References to drachmas for the period after 1st January, 2001 are to a denomination of euro and, in respect of the period before 1st January, 2001, to the lawful currency at that time of Greece. In this offering circular, solely for the convenience of the reader, Greek drachma amounts have been translated into euro at the rate of € 1.00 = GRD 340.75, the conversion rate between the drachma and the euro fixed on 20th June, 2000. You should be aware that drachma amounts presented in this offering circular for periods prior to 20th June, 2000 have been translated into euro assuming the same conversion rate of € 1 = GRD 340.75. All references to "$", "U.S. dollars" or "U.S.$" are to United States dollars, all references to "Canadian dollars" or "Cdn$" are to Canadian dollars and all references to "£" are to pounds sterling. For historical information regarding rates of exchange between the euro and the U.S. dollar, see "Exchange Rates".

FORWARD-LOOKING STATEMENTS

This offering circular includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about our company and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties, assumptions and other important factors include, among others:

- general economic and business conditions;
- political instability, military conflict or terrorism in Europe, the Middle East or elsewhere;
- industry trends;
- competition;
- changes in government, Greek legislation or European Union regulation;
- our ability to reduce costs, including staffing costs;
- availability of qualified personnel;
- changes in business strategy or development plans;
- availability, terms and deployment of capital;
- changes in technology in the electricity industry;
- environmental factors;
- currency fluctuations; and
- our anticipated future revenues.

We are under no obligation to update or revise publicly any forward-looking statement. The forward-looking events discussed in this offering circular might not happen. In addition, you should not interpret statements regarding past trends or activities as promises that those trends or activities will continue in the future. All written, oral and electronic forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

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In this offering circular, "PPC S.A.", the "Company", "we", "us" and "our" refer to Public Power Corporation S.A. "PPC" refers to the Company as it existed prior to its transformation into a *société anonyme* with effect from 1st January, 2001. Unless otherwise specified or the context requires, all references to "Greece", the "Greek State", the "State" or the "Greek government" mean the Hellenic Republic, "DEKA" means the Public Enterprise of Negotiable Securities S.A., a holding company created by the Hellenic Republic under Law 2526/1997, "EU" means the European Union, "U.S." and "United States" mean the United States of America, its territories and its possessions and "U.K." and "United Kingdom" mean the United Kingdom of Great Britain and Northern Ireland.

SUMMARY

The following summary does not contain all of the information that may be important to you. It is qualified in its entirety by, and should be read in conjunction with, the more detailed information, including the full description of our business in "Our Business", "Description of Our Share Capital", "Terms and Conditions of the Global Depositary Receipts", "Summary of Provisions Relating to the GDRs while in Master Form" and our financial statements and the related notes, contained elsewhere in this offering circular.

OUR BUSINESS

We are the largest electricity generator, the sole owner of transmission and distribution assets and the principal supplier of electricity in Greece, providing electricity to approximately 6.78 million customers as at 30th June, 2003. In the year ended 31st December, 2002, we generated approximately 97% of the 50,607 GWh of electricity produced in Greece.

We are among the largest industrial enterprises in Greece in terms of assets and revenues. In the year ended 31st December, 2002, we achieved total sales of electricity of € 3,318 million, profit from operations of € 750 million and profit after tax of € 480 million. As at 30th June, 2003, we had an installed generating capacity of 12,069 MW.

As an integrated electric utility, we generate electricity in our 95 power generating stations, facilitate the transmission of electricity through 11,151 kilometres of high voltage power lines and distribute electricity to consumers through 201,676 kilometres of distribution network. We also produce almost all the lignite for our lignite-fired power stations from our five lignite mines.

STRATEGY

Our strategic objectives are to maintain the leading position in the Greek electricity market, continue restructuring to further reduce personnel, cut costs and improve efficiency of operations, continue capital expenditure rationalisation and debt reduction. In addition, we will continue to explore long-term growth opportunities.

Maintain the leading position in the Greek electricity market: We aim to maintain our leading position in the liberalised and growing Greek electricity market. We intend to sustain this position by taking advantage of our lignite-driven low-cost generation fuel mix, technical expertise, commercial knowledge of the Greek electricity market and our strong brand name. We also continue to increase customer loyalty by improving our customer service offerings.

Despite the liberalisation of the Greek electricity market in 2001 and the granting of seven principal generation licences (for large gas-fired power stations with a total capacity of approximately 2,900 MW, none of which currently exist) and ten supply licences to third parties, we do not currently face meaningful competition, nor expect to face meaningful competition from competing generating capacity before the end of 2005 at the earliest. Moreover, we expect that independent suppliers will remain constrained by the limited interconnector capacity and the current low tariff levels in Greece.

Our lignite-generated electricity is significantly cheaper than electricity generated from oil or natural gas and represented approximately 64% of our electricity generation in 2002. We believe that our rights to a majority of the extensive exploitable lignite reserves in Greece will allow us to maintain this competitive advantage.

Revenue growth in the electricity industry is driven mainly by growth in consumption and tariff increases. As electricity consumption per capita in Greece is currently low compared to other European countries and the growth rate in Greece's gross domestic production is higher than the European Union average, we expect that, over the next few years, electricity consumption in Greece will grow at a faster rate than the European Union average. Furthermore, as tariffs in Greece are currently significantly lower than the European average for both

residential and industrial customers and at such levels they are unlikely to provide sufficient incentive for new independent generating capacity, we believe there is scope for tariff increases in the future. We believe that our low generation cost competitive advantage and our expertise in the Greek electricity market put us in a strong position to capitalise on the potential growth prospects of this market.

Continue restructuring to further reduce personnel, cut costs and improve efficiency of operations: As part of our ongoing transformation from a state-owned utility to a commercial entity seeking to increase shareholder value, we are continuing to restructure our operations to further improve our competitiveness. Accordingly, we are:

- reducing personnel—We have a target of reducing our staffing levels from approximately 31,600 employees as at 31st December, 2000 to approximately 25,000 employees by 2007 through natural attrition and constrained hiring. Significant progress has already been achieved, reducing our staff levels to 28,448 employees as of 30th June, 2003 (a reduction of approximately 10% from year end 2000 levels).
- reducing costs and improving operating efficiency—We are seeking to further reduce costs by engaging in preventive maintenance, improving the efficiency of our stations and equipment through selective investment and improving our inventory management, procurement practices and outsourcing procedures.

Continue our capital expenditure rationalisation and debt reduction: As part of the restructuring programme undertaken in 2000, we implemented stricter financial criteria for assessing all investments. As a result, our capital expenditure levels decreased from € 913.6 million for the year ended 31st December, 2000 to € 627.1 million for the year ended 31st December, 2002. As a result primarily of improved profitability and rationalised capital expenditures, we have reduced our total debt levels by approximately € 566 million between 30th June, 2002 and 30th June, 2003. We expect this trend to continue in the future.

Explore long-term growth initiatives: We continue to explore long-term growth opportunities, including:

- Expansion outside Greece—We continue to monitor investment opportunities in the South-Eastern European region. Any new potential investments will be subject to strict investment criteria with a view to enhancing shareholder value.
- Telecommunications—Tellas, our joint venture with WIND, launched in February 2003 a wide range of telecommunications services, encompassing fixed line and fixed wireless telephony and voice and internet services. We believe that we can continue to take advantage of significant operating synergies and economies of scale by sharing customer service points, back office operations and our brand name between our electricity and telecommunications operations. As of 31st July, 2003, Tellas has acquired an estimated 5.6% of the market for fixed line telephony (including both residential and business customers), corresponding to approximately 350,000 connections.
- Renewable resources—As a complement to our existing energy operations, we continue to invest in electricity generation from renewable resources and further pursue business opportunities in this area.

You should read “Our Business—Strategy” for further information.

REGULATION OF THE GREEK ELECTRICITY SECTOR

The regulatory framework for the Greek electricity industry has recently been subject to significant change as a result of Directive 96/92 of the European Parliament (the “1996 Electricity Directive”) and subsequent European and Greek legislation and government measures designed to increase competition in the electricity market. These changes have had and will continue to have a number of significant effects on our business. Greek Law 2773/1999 (the “Liberalisation Law”) implemented this new regulatory framework in 1999, while a Ministerial decision established that the market comprising all high or medium voltage electricity users, representing approximately 35% of the electricity supply market in terms of power consumption, was opened to competition in February 2001.

As a result of the Ministerial decision, electricity customers are categorised as either Eligible Customers or Non-Eligible Customers. Eligible Customers are entitled to purchase electricity from the supplier of their choice on the basis of commercial contracts agreed between the customer and the supplier.

The deadlines to gradually open up the electricity supply market, including opening competition to all non-household customers from 1st July, 2004, have been enacted in Greece by recent amendments to the

Liberalisation Law to comply with the 2003 Electricity Directive. Every customer (except for customers on autonomous islands), including household customers, will be included in the definition of Eligible Customer from 1st July, 2007.

In addition, the Liberalisation Law provided for changes in the areas of generation, import, export, purchase and sale of electricity:

- the introduction of competition in power generation through the granting of authorisations to generate electricity in the interconnected system and through a tendering procedure for authorisations to provide generating capacity on the autonomous islands.
- the introduction of competition in the supply of electricity through the granting of authorisations to third parties to supply electricity.
- the rules governing the access by third parties to the transmission system and the distribution network.
- the establishment of the Energy Regulatory Authority (the "RAE"), an independent authority responsible for regulating the energy market. The RAE mainly has an advisory and supervisory role while decision making power lies with the Minister of Development.
- the establishment of the Public Power Corporation Personnel Insurance Organisation (the "PIO"), as a separate pension fund in order to fund the social security expenses of our employees. You should read "Our Business—Employees" for a more detailed discussion of the PIO.
- the establishment of the Hellenic Transmission System Operator S.A. (the "HTSO") as an independent entity to operate and ensure the maintenance and development of the interconnected transmission system and its interconnections with other networks.

You should read "Operating and Financial Review and Prospects" and "Regulation of the Greek Electricity Sector" for a more detailed discussion of the regulation of the Greek electricity market.

RECENT DEVELOPMENTS

Our shareholders, at the general meeting held on 22nd November, 2002, approved a contract to be signed between ourselves and the Hellenic Republic regarding the option in the Public Gas Corporation of Greece S.A. ("DEPA"). We are currently considering whether to exercise the option granted to us by the Hellenic Republic to acquire up to 30% of the shares in DEPA. We are currently negotiating with the Hellenic Republic the price and the terms and conditions regarding the exercise of this option. In case we acquire the stake in DEPA, we expect to finance it with cash generated from our operations.

On 9th September, 2003, the Minister of Development approved a 2.5% increase in the tariffs we charge all our customers (except for Aluminium Company of Greece S.A. ("Aluminium of Greece") and Larco S.A. ("Larco")) retroactive to 1st September, 2003. In addition, the Minister approved, for the first time, the separate charging of a renewable levy that amounted to € 0.60 per MWh.

You should consider carefully all the information set out in this offering circular and, in particular, you should evaluate the specific factors under "Risk Factors" beginning on page 9 for considerations relevant to an investment in the shares and/or GDRs.

The Combined Offering

The Combined Offering:	The combined offering consists of the international offering, the Greek offering and the employee offering, comprising 36,500,000 shares offered by the selling shareholder.
The Selling Shareholder:	The Hellenic Republic currently owns approximately 57.22% of our issued share capital and DEKA currently owns 10% of our issued share capital. All of the shares being offered in the combined offering are being offered and sold by the Hellenic Republic and DEKA. Immediately following the combined offering, the Hellenic Republic will own between approximately 51.5% of our outstanding shares (assuming no return transfer of additional shares pursuant to the over-allotment option and including any bonus shares which may be transferred to (i) our employees either through this combined offering or the employee offering in December 2002 and (ii) retail investors) and approximately 53.8% of our outstanding shares (assuming a return transfer of all of the additional shares pursuant to the over-allotment option and including any bonus shares which may be transferred to (i) our employees either through this combined offering or the employee offering in December 2002 and (ii) retail investors). If all shares retained by the Hellenic Republic to satisfy potential bonus share requirements are transferred, within the period of up to twelve months following the combined offering, to our employees and retail investors, the Hellenic Republic's shareholding may further decrease by approximately 0.49%. DEKA will no longer own any of our issued share capital following the combined offering. Under Greek law and under a provision of our articles of incorporation, the Hellenic Republic's participation in our share capital may not be less than 51% of our share capital in existence at any time. This requirement can only be changed by legislation.
Securities offered in the Combined Offering:	36,500,000 shares directly or in the form of GDRs.
The International Offering:	The international offering consists of an offering by the selling shareholder of 18,972,130 shares directly or in the form of GDRs, to: • institutional investors outside the United States in reliance on Regulation S under the Securities Act; and • qualified institutional buyers in the United States as defined in and in reliance on Rule 144A under the Securities Act.
The Greek Offering:	The Greek offering consists of an offering by the selling shareholder of 16,218,370 shares to the public and to institutional investors in Greece. Retail investors will receive one bonus share for every ten shares held for a six month period, up to a maximum of 200 shares per retail investor.
The Employee Offering:	The employee offering consists of an offering by the selling shareholder of 1,309,500 shares to our employees through a private placement. Shares offered to the employees are being offered at € 15.75, a 10% discount to the offer price. In addition, employees will receive one bonus share for every ten shares held for a 12 month period, up to a maximum of 200 shares per employee. Shares not purchased by the employees pursuant to the employee offering are included in the combined offering.
Privatisation Certificates:	The Hellenic Republic issued a series of privatisation certificates in October 2001 in an amount of € 1.7 billion which expires in October 2004. Holders of these privatisation certificates issued by the Hellenic Republic are entitled to exercise rights to exchange their certificates for ordinary shares sold in the international offering and the Greek offering on a preferential basis. Holders of privatisation certificates are entitled to a preferential allocation of 40% of the shares being offered in the international offering and the Greek offering.

	Holders of privatisation certificates are entitled to a 5.0% discount from the offer price. In connection with the international offering and the Greek offering, a programme has been established enabling the joint global coordinators at their discretion to elect to arrange for delivery of cash in lieu of ordinary shares to holders that have agreed to accept this alternative. These holders, if any, will receive cash equal to the offer price for the number of ordinary shares that the holder is entitled to receive in the combined offering in exchange for their privatisation certificates according to the terms and conditions of the relevant series. Holders of privatisation certificates who have exercised their rights of exchange will receive 11,065,340 ordinary shares. It is expected that the shares will be made available for delivery in Athens on or about 31st October, 2003. The shares will be accepted for delivery through the facilities of the Central Securities Delivery S.A. (the "CSD").
Over-allotment Option:	The joint global coordinators, on behalf of the international managers and the Greek managers, exercised an option to procure the transfer by the Hellenic Republic of 5,400,000 shares, or 14.79% of the shares being offered in the combined offering (the "additional shares"), in order to meet excess demand. Alpha Finance, EFG Telesis Finance and National Bank of Greece, as stabilising managers in connection with the Greek offering, and Deutsche Bank AG London, as stabilising manager in connection with the GDRs, can use the proceeds of sale of the additional shares to effect transactions with a view to supporting the market price of the shares or GDRs at a higher level than that which might otherwise prevail during the 30 day period from the date on which dealings in the shares commence on the ATHEX. Within three business days of the end of the period, the stabilising managers must transfer to the Hellenic Republic any shares purchased with such proceeds of sale at the offer price. Within six business days of the end of the period, the stabilising managers must also transfer to the Hellenic Republic an amount equal to the product of the aggregate number of additional shares purchased from the Hellenic Republic less any shares so returned multiplied by the offer price less commissions and plus any accrued interest. Assuming no return transfer of additional shares to the Hellenic Republic at the end of the period and including any bonus shares which may be transferred to (i) our employees either through this combined offering or the employee offering in December 2002 and (ii) retail investors, the Hellenic Republic will own approximately 51.5% of our shares after the combined offering. The additional shares are to be sold on the same terms as the shares in the combined offering.
Offer Price:	€ 17.50 per share and GDR.
Shares outstanding immediately before and after the Combined Offering:	232,000,000 shares.
The GDRs:	Each GDR will represent the right to receive one share. The GDRs will be issued under a deposit agreement with The Bank of New York as depositary. GDRs offered outside the United States pursuant to Regulation S under the Securities Act (the "Regulation S GDRs") will initially be represented by a Temporary Master Regulation S GDR. If you purchase your shares in the form of GDRs, you will have no direct rights against us pursuant to the deposit agreement although you will have certain rights under a Deed Poll issued by us in connection with the GDRs. You should read "Terms and Conditions of the Global Depositary Receipts" and "Summary of Provisions Relating to the GDRs while in Master Form" for a more detailed discussion of the GDRs and temporary GDRs.

Voting Rights:	Our articles of incorporation contain certain provisions that restrict the voting rights of all shareholders, subject to certain exceptions. If at any time you hold in excess of 5% of our voting shares, you may not have the right to attend and vote at any general assembly of shareholders in respect of that portion of your shareholding that exceeds 5%. These voting restrictions are not applicable to the Hellenic Republic, banks holding as nominees and depositaries, including the Depositary. The Depositary may vote, in the aggregate, a greater percentage of shares on behalf of the underlying investors who, individually, hold no more than 5% of our shares.
Dividend Policy:	According to our articles of incorporation and Greek law, we must pay a minimum dividend equal to the greater of (a) 6% of our paid-up share capital or (b) 35% of our net profits for that year after the formation of ordinary reserves, which can be waived with a 70% affirmative consent of all shareholders. Calculation of all such amounts is based on our financial statements prepared according to Greek GAAP. You should read "Dividend Policy" for a more detailed discussion of our dividend policy.
Use of Proceeds:	We will not receive any proceeds from the sale of shares by the selling shareholder in the combined offering.
Listing and Trading:	The shares are listed on the ATHEX, under the symbol PPC, and our existing GDRs are admitted to the official list maintained by the UKLA and to trading on the LSE's market for listed securities. The shares and GDRs sold in the combined offering cannot be traded until dealings in such shares commence on the ATHEX, which is expected to be on or about 31st October, 2003.
Lock-ups:	We and the selling shareholder have agreed, during the period of 180 days from the date of this offering circular, not to, directly or indirectly, offer, sell, contract to sell or issue or otherwise dispose of any shares of the same class or series as the shares or GDRs (other than any bonus ordinary shares transferred to Greek retail investors who hold ordinary shares purchased in the Greek offering for six months and any bonus ordinary shares transferred to our employees who hold ordinary shares purchased in the employee offering in December 2002 and held by them for 12 months, and, with respect to the agreement by the selling shareholder, any shares transferred to the PIO, or DEKA by the Hellenic Republic), including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive shares or GDRs or any such substantially similar securities, or purchase or sell any option or other guarantee or enter into any swap, hedge or other agreement that would have similar economic consequences to the foregoing, in each case without the prior written consent of the joint global coordinators (such consent not to be unreasonably withheld). Pursuant to the terms of a recent Greek interministerial decision, our employees, during the period of six months from the transfer of shares, cannot, directly or indirectly, offer, sell, or otherwise dispose of any shares purchased in the employee offering. The PIO has executed an undertaking agreeing to be bound by similar restrictions in respect of any shares transferred to it by the Hellenic Republic in the future during the period of 180 days from the date of this offering circular. Although the PIO has not executed an undertaking agreeing to be bound by similar restrictions in respect of its existing holding of 3.8% of the shares, the PIO must follow certain internal and legal procedures in order to sell, contract to sell or otherwise dispose of any of the shares, including the need to receive ministerial approvals.
Transfer Restrictions:	You should read "Transfer Restrictions and Settlement" for a more detailed discussion of the restrictions on transfers of the shares and GDRs, and the initial issuance of temporary Regulation S GDRs.

Payment and Settlement: The shares and GDRs are being offered by the international managers, directly or through their qualified affiliates, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that the shares and GDRs will be made available for delivery in Athens and London, respectively, on or about 31st October, 2003. The shares will be accepted for delivery through the facilities of the CSD against payment in immediately available funds. The Rule 144A GDRs and the Regulation S GDRs will be accepted for delivery through Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") or Clearstream Luxembourg, *société anonyme* ("Clearstream") against payment in immediately available funds. You should read "The Athens Exchange and Settlement" for a more detailed discussion of the settlement arrangements at the CSD.

GDR Security Numbers:

Temporary Regulation S GDRs

ISIN:	XS0178160809
Common Code:	017816080

Regulation S GDRs

ISIN:	XS0139847601
Common Code:	013984760

Rule 144A GDRs

ISIN:	XS0139849052
Common Code:	013984905

Share Security Number: ISIN: GRS434003000

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RISK FACTORS

An investment in our shares or GDRs involves certain risks. You should carefully consider all the information contained in this offering circular, including the risks described below, before making any investment decision with respect to the shares or GDRs.

FACTORS RELATING TO THE COMPANY

Tariffs are set by the Ministry of Development and the methodology for establishing future tariffs has not been finalised

The level of customer electricity tariffs that all suppliers, including ourselves, charge customers for electricity, the tariffs the HTSO charges all generators and suppliers, including ourselves, for connecting to and using the interconnected transmission system and the tariffs that we charge all suppliers for use of our distribution network are determined by the Minister of Development on the recommendation of the RAE, the independent regulator. For so long as we supply at least 70% of the Eligible Customer market, the Minister of Development will continue to set the maximum electricity tariff that we may charge to Eligible Customers and in any event, it will continue to set tariffs that we may charge to Non-Eligible Customers.

Although the Minister of Development has indicated to us in the past the criteria under which tariffs will be set, there can be no assurance as to the level of tariffs. Furthermore, although the RAE is required by Greek law to provide recommendations with respect to the level of tariffs, there is no requirement for the Minister of Development to follow such recommendations. For example, in July 2003 the RAE proposed a tariff increase of 3% and the Minister of Development increased tariffs by 2.5% in September 2003. In addition, these tariff increases may or may not be in line with inflation.

Future electricity tariffs, which we cannot currently control or predict, may change in ways that could have a material adverse effect on our business, financial condition or results of operations. You should read “Regulation of the Greek Electricity Sector” for a more detailed discussion of tariffs and the regulations applicable to Eligible Customers and Non-Eligible Customers.

Regulatory changes may have a material adverse effect on our business and results of operations

The laws, regulations and policies of the Hellenic Republic and the European Union affect our business, financial condition and results of operations. Regulation of the Greek electricity market has changed significantly since 2001, following the implementation into Greek law of the provisions of the 1996 Electricity Directive, by the Liberalisation Law, which was designed to liberalise and create more competition in the Greek electricity market. The restructuring and other changes to our business driven by the new regulatory framework may have a material adverse effect on our business, financial condition and results of operations.

The Liberalisation Law changed significantly how we operate and the regulations with which we must comply and has recently been amended to provide, among other things, for a time table for liberalisation. The regulatory framework implementing the Liberalisation Law is in the process of being completed and some of the detailed regulations implementing the Liberalisation Law, including the Network Code, which will govern access to, and operation of, the distribution network, have not been finalised. Accordingly, the obligations to which we are subject and the economic terms of some of our operations, such as generation or distribution, may change in the near future.

The relationships between us, the RAE and other market participants continue to evolve. Currently, we have a number of disputes with the RAE arising out of their regulation of the electricity system and the Liberalisation Law. We are challenging the RAE’s positions, including in the courts. If the RAE’s positions prevail, there could be an adverse impact on our business, financial condition or results of operations. In addition, there can be no assurance that we will not have further disputes with the RAE in the future arising out of the regulatory regime. You should read “Our Business—Disputes with the RAE” for a more detailed discussion of our current disputes with the RAE.

The European Commission monitors the implementation of the Electricity Directive and other applicable European Union laws in the Hellenic Republic to ensure that the Greek regulatory regime and electricity market complies with the Electricity Directive and other European Union laws and regulations, such as those relating to state aid. The European Commission and other European Union institutions together with national courts and tribunals, also enforce the European competition, environmental and other European Union rules. We cannot assure you that the European Commission will not take action or that Greek law and regulations will not change in the future pursuant to decisions of European Union institutions in respect of relevant directives and European

Union laws and regulations. Any such action by the European Commission or changes may also lead to the repayment by us of certain benefits received in the past. In addition, future changes in European Union or Greek government policy, including, for example, if it was thought that liberalisation and/or sufficient competition had not been satisfactorily achieved, may influence regulation and affect our business in ways that we cannot predict at this time. You should read "Regulation of the Greek Electricity Sector—Recent amendments to the 1996 Electricity Directive" and "Regulation of the Greek Electricity Sector—Recent amendments to the Liberalisation Law" for a more detailed discussion on regulatory changes.

We could have significant pension liabilities in the future

Prior to 1st January, 2000, we were required to provide pension, healthcare and welfare benefits for our employees and pensioners rather than participate in standard, state-sponsored social security programmes. Until that time, because of uncertainties regarding the level of our legal obligations arising from the pension, medical and other benefits of our employees and pensioners, we were accounting for such costs on a cash basis, rather than on an actuarially determined basis. Thus, no financial reserves were maintained to cover current or accrued pension liabilities. By 31st December, 1999, our potential exposure for social security liabilities was estimated to be approximately € 10.4 billion.

As of 1st January, 2000, the PIO, a specific pension fund established for our employees under the Liberalisation Law and pursuant to collective agreements with our unions, is responsible for all pension benefits, healthcare insurance and other social security expenses for our employees and pensioners. The PIO is a public entity supervised by the Hellenic Republic. Following its establishment, we are no longer obliged to make any payments in respect of pensions or healthcare, and we have no pension liability except certain contributions each year, generally determined for all employers in Greece, as a percentage of an employee's salary. All employer, employee and pensioner contributions are paid to the PIO. You should read "Our Business—Pension benefits" for a more detailed discussion of pension benefits.

Under the Liberalisation Law enacted on 22nd December, 1999, which ratified the collective agreements with our unions, the Hellenic Republic assumed the obligation to meet any differences between the total income of the PIO and its payment obligations for pension and healthcare benefits. Although, at present, we believe we have no obligation under existing laws to cover any future differences between the total income of the PIO and its payment obligations assumed by the Hellenic Republic, there can be no assurance that the existing social security laws will not change, or that we will not be required in the future, by law or otherwise, to contribute or provide additional funds or assets to the PIO.

The competition we face in the electricity generation and supply markets will increase and we expect to lose some of our current market share

To date, we have not faced significant competition in the electricity generation and supply markets in Greece. Although the market for high and medium voltage industrial customers has been opened to competition since February 2001, the market for all non-household customers is scheduled to be opened to competition on 1st July, 2004. Any increase in competition may have a material adverse effect on our business, financial condition or results of operations.

Electricity tariffs in Greece, as established by the Minister of Development, are currently among the lowest in the European Union. We do not believe that, under the current tariff regime, we will face any significant competition in the Greek electricity market. However, particularly if electricity tariffs increase significantly, we expect that we will face increased competition in the generation and supply of electricity in the Greek market and may lose a significant portion of our current share of that market, including a portion of our market which represents our higher margin areas.

The Hellenic Republic has had, and may continue to have, a significant impact on our operations

Governmental influence in the past

Prior to our transformation into a *société anonyme* in 2001, the Hellenic Republic significantly influenced our management policies. Certain of our operations and some of our commercial decision-making were affected by the political and economic objectives of the Greek government.

Although we now base business decisions on commercial criteria, we continue to have non-commercial obligations, including under some non-commercial contracts we entered into in the past. For example, long standing arrangements still in force with our two largest corporate customers, Aluminium of Greece and Larco, were not entered into on commercial terms but rather on terms consistent with Greek government policies. You should read "Relationship with the Selling Shareholder" and "Operating Review and Financial Prospects" for a more detailed discussion of our contract with Larco.

In addition, there can be no assurance that we will not be subject to influence from the Hellenic Republic in the future to undertake obligations, investments or enter into contracts under terms that are disadvantageous to us.

The Hellenic Republic will continue to be our majority shareholder after the combined offering

Following the combined offering, the Hellenic Republic will own between approximately 51.5% of our outstanding shares (assuming no return transfer of additional shares pursuant to the over-allotment option and including any bonus shares which may be transferred to (i) our employees either through this combined offering or the employee offering in December 2002 and (ii) retail investors) and approximately 53.8% of our outstanding shares assuming a return transfer of all of the additional shares pursuant to the over-allotment option and including any bonus shares which may be transferred to (i) our employees either through this combined offering or the employee offering in December 2002 and (ii) retail investors). If all shares retained by the Hellenic Republic to satisfy potential share bonus requirements are transferred, within the period of up to twelve months following the combined offering, to our employees and retail investors, the Hellenic Republic's shareholding may further decrease by approximately 0.49%. This holding will allow the Hellenic Republic to have significant influence over decisions submitted to a vote of our shareholders.

The Hellenic Republic will exercise its rights as a shareholder through the mechanisms of Greek corporate law and our articles of incorporation. Our articles of incorporation provide that certain decisions submitted to shareholders for a vote are to be determined by a simple voting majority at any general assembly of shareholders. Decisions subject to a simple majority of votes include: election of members of the board of directors and the Chief Executive Officer, the distribution of annual profits and the approval of our annual financial statements. So long as the Hellenic Republic holds a majority of our shares, the Greek government will have the right, as controlling shareholder (in addition to the decisions referred to above), to:

- affect a number of important actions through the exercise of its power to block capital increases and other amendments to our articles of incorporation; and
- elect six out of the 11 members of our board of directors, including the Chief Executive Officer.

Accordingly, actions of the Hellenic Republic, acting through the Minister of National Economy and Finance, could have a significant impact on our management, policies and business decisions. In addition, we have no assurances that forthcoming elections will not lead to a change in policy which will affect our business, our regulatory position and our board and management membership.

We expect to be able to follow our current commercially-oriented strategy as discussed in "Our Business—Strategy" for the foreseeable future. However, there can be no assurance that our current senior management will continue to serve in their current capacities or that our commercial initiatives and policies will not be discontinued if there is a change in government policy.

We may be required to take decisions that could have a negative impact on our profitability

Currently, our planned expenditure for additional generating capacity includes power stations in Lavrio, Atherinolakkos-Lasithi and Ilarionas. Additional generating capacity may, however, be required to meet expected demand and to fulfil our role as supplier of last resort under the Liberalisation Law. Depending on the number of new entrants to the Greek electricity market over the next few years, we may be required by the Hellenic Republic to build additional generating capacity. We currently operate in an environment of low tariffs relative to other European Union member states. As a result, it is possible that the rate of return on our investment in additional generating capacity, as required by our supply licences with respect to our obligations in the interconnected system or as required by the Liberalisation Law with respect to our obligations on the autonomous islands, might be lower than the rate of return we would apply in deciding to undertake new investment according to our financial guidelines. Accordingly, such investment may have an adverse effect on our profitability.

The HTSO may require us to invest in the interconnected transmission system to improve the capacity, efficiency and quality of the transmission system assets. We may be required to incur all expenses in connection with such investments. While the Liberalisation Law presently contemplates that we are entitled to compensation from the HTSO for all or part of these expenses, through payment of an annual fee, our eventual compensation by the HTSO will be linked to a rate of return on capital as determined by the Minister of Development following the RAE's recommendation. We do not have control over the determination of this rate of return on capital and there can be no assurance that the rate of return on capital and the compensation we will receive will cover the actual costs to us, including any financing cost, relating to our undertaking any investments at the HTSO's request.

We are subject to public service obligations for which we may not be adequately compensated

As the largest generator, the sole owner of transmission and distribution assets and the principal supplier of electricity in Greece, we are subject to public service obligations that affect our costs. For example, we are required to supply electricity on the autonomous islands at the same tariffs as in the interconnected system, although our costs of generation are higher on the autonomous islands than in the interconnected system. We do not expect the full cost of our public service obligations to be covered through passing the relevant cost to the customers through the tariffs or by other means. In addition, the cost of public service obligations may further increase in the future and such increase may not be reflected in tariff increases or other mechanisms. As a result, we may incur a significant financial burden in providing the public service obligations, which may have a material adverse effect on our business, financial condition and results of operations. In addition, public service obligations may not be imposed on prospective competitors, which may result in a competitive disadvantage for us.

The Minister of Economy and Finance communicated to us, in a letter dated 8th November, 2001, the intention of the Hellenic Republic to compensate us for certain costs related to public service obligations, subject to compliance with Greek and European Union law. A first annual payment of € 161 million was scheduled to take place in 2002 and similar annual payments were to continue until 2004 or earlier if an alternative mechanism for compensation was put into place. However, these payments have not yet been received and the timing and amounts to be paid still remain to be determined. The Minister of Economy and Finance has reconfirmed to us in a letter dated 20th November, 2002 that the position of the Hellenic Republic to compensate us as stated in the letter dated 8th November, 2001, and as described above, remains unchanged. The Hellenic Republic is still exploring whether these historic payment proposals are in compliance with European Union laws. Therefore, the timing and amount of payment to be made to us in respect of these public service obligations remains unclear. These amounts, as described above, in relation to the public service obligations are not reflected in our financial statements. You should read "Regulation of the Greek Electricity Sector—The Greek Legislative Framework" for a more detailed discussion on the current policy regarding public service obligations.

Finally, the Hellenic Republic has powers to require us to take certain actions with respect to matters affecting national security or the provision of services in developing regions.

Our business is subject to numerous and increasingly stringent environmental laws and regulations

Our core operations of electricity generation, transmission, distribution and mining, are subject to extensive environmental regulation under Greek law, including laws adopted to implement European Union directives and international agreements. Environmental regulations and standards affecting our business primarily relate to air emissions, water pollution, waste disposal and electromagnetic fields. The principal by-products and gases released by our electricity generation activities are sulphur dioxide (SO_2), nitrogen oxide (NO_X), carbon dioxide (CO_2), particulate matters such as dust and fly ash as well as gypsum. The primary focus of environmental regulation applicable to our business is to reduce those emissions.

We incur significant costs in complying with environmental legislation and regulation requiring us to implement preventative or remedial measures. In addition, it is likely that there will be future environmental laws or regulations or different interpretations or enforcement of existing laws and regulations on both a national and European Union level that are likely to lead to more stringent regulation of our business. These future laws or regulations may impose emission limits, taxes or remedial measures (such as a requirement to install costly pollution control equipment) and influence our policies in ways that affect our business decisions and strategy, such as by discouraging the use of certain fuels or requiring us to pay for water. Costs of complying with these and other environmental requirements could have a material adverse effect on our business, results of operation and financial condition. In some cases, environmental issues may require us to restrict or terminate existing operations or projects.

From time to time, we are party to environmental proceedings that arise in the ordinary course of business. Future related costs as a result of enforcement actions and/or third party claims for environmental damage could have a material adverse effect on our business, results of operations or financial condition. For example, if asbestos-containing materials were to be discovered in poor condition at any of our properties after comprehensive surveys were undertaken, or if any of our sites were found to be contaminated, we could incur material expenditure to remedy such situations and site values could be adversely affected.

The growing debate on the alleged potential long-term health effects of exposure to electromagnetic fields may give rise to proposals for stricter legislation. Low-frequency infrastructure, such as electricity transmission and distribution lines and substations, and high-frequency infrastructure, such as the transmission stations which our telecommunication business may use to provide fixed wireless telephony services, create electromagnetic fields that extend some distance from this infrastructure. In the event that the Greek government or the European

Union adopts in the future stricter laws and regulations that would require us to upgrade, move or make other changes to some of our electricity lines and transmission and distribution facilities as well as our telephony infrastructure, compliance with such laws could involve significant costs, limit our telecommunications business or our ability to maintain or expand the coverage for its operations. You should read "Our Business—Environmental Matters" for more information on electromagnetic fields.

Certain of our historic financial statements are subject to qualified audit reports

Ernst & Young and Arthur Andersen qualified their audit reports with respect to certain of our audited consolidated financial statements included in this offering circular, namely for the years ended 31st December, 1998, 1999, 2000, 2001, 2002 and for the six months ended 30th June, 2002. These qualifications are described in their audit reports included in this offering circular.

We have completed the revaluation of our fixed assets based upon the valuation performed by an international independent appraiser we engaged in 2001, as well as completed the process of updating our fixed asset register. Because, *inter alia*, we now have a fixed asset register which enables the auditors to properly complete their audit work, the Ernst & Young audit report in respect of our financial statements for the six month period ended 30th June, 2003 set out in this offering circular is not qualified.

We have incorporated the results of our revaluation into our statutory accounts for our twenty-four month accounting period ended 31st December, 2002. The book value of our fixed assets as at 30th June, 2003 and as at 31st December, 2002 is significantly higher than the book value of our fixed assets as at 30th June, 2002 and as at 31st December, 2001, respectively, included in our audited consolidated financial statements and other financial data included in this offering circular. As a result, depreciation charges for the six months ended 30th June, 2003 are higher than the same charges for the six months ended 30th June, 2002 and previous periods. You should read note 14 to our audited consolidated financial statements for more details on the asset revaluation.

We do not maintain insurance on our operating assets

Although we are currently considering obtaining insurance on our operating assets, we do not currently maintain insurance against the usual risks associated with our power stations, transmission and distribution assets, property, equipment (other than our information technology equipment) and operations. Business interruptions due to labour disputes, strikes, earthquakes, fires, forest fires and adverse weather conditions, among other factors, could result in a loss of revenues or impose liabilities or increased costs on us.

Any material damage to our key power stations, transmission and distribution assets or mining equipment could have a material adverse impact on our business, financial condition or results of operations.

Our exposure to legal liability is significant

We are defendants in a significant number of legal proceedings arising from our operations, with a total estimated exposure of approximately € 400 million. While we have obtained judgements in our favour in some of the legal proceedings at the first and second instance, we are not able to predict the ultimate outcomes, which may be unfavourable to us. We are also involved in certain litigation with potential liability which, although it may not involve financial penalties and therefore cannot be quantified, if determined unfavourably, could have a material adverse effect on our business, financial condition or results of operations.

The aggregate amounts we may be required to pay may be significant. We have established a reserve for € 141.7 million for litigation where we consider it probable that a claim will be resolved unfavourably and where we can reasonably estimate the potential loss involved. It is possible that we have made insufficient provisions for litigation risk. Accordingly, any claims settled unfavourably in excess of these provisions could have a material adverse effect on our business, financial condition and results of operations. You should read "Our Business—Legal Proceedings" for a more detailed discussion of these legal proceedings.

Fuel costs and hydrological conditions may have a significant impact on our operating costs

The prices of oil and natural gas significantly affect our operating costs. For the year ended 31st December, 2002, approximately 15.4% of our net electricity production, in terms of GWh, was from oil-fired power stations and approximately 13.8% was from natural gas-fired power stations, accounting for 40.2% and 24% of our

total fuel costs, respectively, during that period. As we do not currently hedge against volatility in oil and natural gas prices, any increase in the prices of oil or natural gas could have a material adverse effect on our business, financial condition and results of operations. Much of our oil-fired capacity is on the autonomous islands (as defined in "Our Business—Overview"), where we are the principal generator and supplier, and where our tariffs are fixed at the same levels as those for the interconnected system. We presently source all our oil supplies from Hellenic Petroleum ("ELPE") and all our gas supplies from DEPA. Although we do not envisage any disruptions to supplies or impact on prices as a result of this reliance, it is possible that this may occur in the future. Although our oil supplies are based on market prices, our gas supplies are priced by reference to tariffs and regulations determined ultimately by the Greek government. Once the liberalisation in the gas sector takes place (expected in 2005 or 2006) we cannot guarantee that the pricing formula for gas will remain in its current form or that current levels of gas tariffs will continue to apply.

In an average year, based on annual net production data from 1998 to 2002, approximately 8% of our annual net electricity production has been from our hydroelectric stations, despite the fact that this source represented approximately 27% of our total installed capacity during the same period. In dry years, we rely more heavily on thermal production, mainly from gas-fired and oil-fired power stations, as the lignite-fired power stations are base load stations, which increases our operating costs, and, to a lesser extent, on electricity purchases from abroad. As a consequence, lower rainfalls can have an adverse impact on our results of operations.

As tariffs are determined by the Minister of Development, we do not currently, and in the future may not be able to, pass any increased fuel costs to our customers. You should read "Our Business—Generation" for a more detailed discussion of our primary sources of electricity production.

Internal control requirements in Greece may differ from other jurisdictions, including the United States of America

We are continuously monitoring our internal control systems in order to improve transparency and decision making procedures and continue to make all adjustments necessary to ensure that we are in material compliance with regulations of the Greek Capital Markets Committee. You should read "Operating and Financial Review and Prospects—Internal Control" and "Management", for more information on our internal control systems. You should be aware that current internal control requirements in Greece may differ significantly from those in other jurisdictions, including the United States of America.

We may lose some of the rights and privileges that we have enjoyed in the past

In the past, in common with other public sector companies, we have enjoyed certain rights and privileges including, for example, an exemption from the mandatory obligation to insure our vehicles and immunity from confiscation of certain of our assets. There can be no assurance that we will continue to enjoy such rights and privileges in the future and the loss of such rights and privileges may require us to incur additional, unanticipated expenditures, including the repayment of the value of such rights and privileges enjoyed in the past.

We are subject to certain laws and regulations generally applicable to public sector companies

So long as the Hellenic Republic holds at least 51% of our share capital, we will, in some respects, continue to be classified as a public sector company in Greece. As a public sector company, we will be subject to certain laws and regulations generally applicable to public sector companies in Greece affecting some aspects of our business, including but not limited to the hiring, dismissal and compensation of employees and our procurement policies. These laws and regulations, which do not apply to our current competitors and are not likely to apply to future competitors, may have a material adverse impact on our results of operations and may also limit our operational flexibility.

Our ability to reduce staff is limited

A key part of our strategy to enhance our profitability and ability to compete successfully is to make our operations more efficient. Our ability to reduce staff, in order to improve efficiency and reduce our costs, is limited by:

- Greek laws and collective bargaining agreements with our unions; and
- our past practice of terminating employees' contracts only "for cause".

We depend on constrained hiring and natural attrition to achieve staff reductions. These methods will restrict our ability to reduce staff numbers to the optimum level and improve our profitability. There can be no assurance that, using these methods, we will be able to reduce staff to levels that will help us improve our profitability. Restrictions on our ability to reduce staff numbers could have a material adverse effect on our financial condition or results of operations.

Almost all of our employees are members of labour unions

Almost all our employees are members of labour unions. Our unions are considered to be strong and influential, but we believe that our relations with our unions are generally good, despite certain claims of employees and pensioners against us and occasional strikes. We cannot assure you that favourable relations will continue in the future. From time to time, our employees may engage in industrial action that may disrupt our operations. You should read "Our Business—Employees" for a more detailed discussion of our employees and labour unions.

We are in the process of perfecting title to our land

Although we are the legal successor to all assets formerly owned and registered in the name of PPC, which were transferred to us as part of our transformation to a *société anonyme,* legal title in land and buildings will not be perfected, and therefore title may not be enforced against third parties, until the property is registered at the relevant land registry in our name. You should read "Our Business—Property" for a more detailed discussion on our property.

In addition, disputes over some of our rights of way have prevented the construction and use of certain transmission assets in some areas.

We do not have all the licences and permits we need in respect of our operations

We are in the process of obtaining from the relevant Greek authorities a number of licences and permits we do not currently have but which are required for our operations, including, for example, certain environmental permits. There can be no assurance, however, that we will receive all required licences and permits in the near future. Failure to obtain or renew certain licences might, for example, result in interruptions to some of our operations. In addition, these licences and permits, once granted, or the existing licences and permits, once renewed, may, for example, have more stringent environmental conditions that will require us to make material additional, unanticipated expenditures.

Risks inherent to mining could increase the cost of our primary fuel or may result in revision of reserve data

Lignite-fired generation accounted for approximately 60.6% of our total power generation for the six months ended 30th June, 2003.

The lignite reserve data in this offering circular are estimates made by our Mining business unit. While we believe that our reserve data are accurate, such estimates necessarily lack complete precision and depend to some extent on statistical inferences. Exploitable reserves are not considered as such unless they can be economically and legally extracted. Reserve data are not indicative of future results of operations.

Increased production costs, increased stripping ratios and changes in the regulatory regime governing our mining operations may result in revision of reserve data from time to time and may render exploitable reserves uneconomical to exploit or unexploitable.

POLITICAL AND ECONOMIC RISKS

Political and economic developments in Greece and internationally could adversely affect our operations

Our business, financial condition, results of operations and prospects, as well as the market price and liquidity of our shares and GDRs, may be adversely affected by events outside our control and, in certain cases, outside the control of the Hellenic Republic. These events include, but are not limited to, the following:

- European Union legislation in the energy sector and environmental regulation;
- changes in Greek government policy;
- political instability, military conflict or terrorism in Europe, the Middle East or elsewhere; and
- taxation, environmental regulation and other political, economic or social developments affecting Greece.

The occurrence of these or other events could have a material adverse effect on our business, financial condition or results of operations.

RISKS RELATING TO THE COMBINED OFFERING

Our articles of incorporation contain significant restrictions on the voting rights of certain shareholders

Our articles of incorporation contain certain provisions which restrict the voting rights of all shareholders other than the Hellenic Republic. No beneficial shareholder (except for the Hellenic Republic), together with its affiliates, may vote more than 5% of our shares at a general assembly of shareholders. There are limited exceptions to this voting limit that permit depositaries, including The Bank of New York, the depositary for our GDRs, to vote, in the aggregate, a greater percentage of shares on behalf of the underlying investors who, individually, hold no more than 5% of our shares.

The Athens Exchange is less liquid than other major stock exchanges

The principal trading market for the shares is the ATHEX. The ATHEX is less liquid than major markets in Western Europe and the United States. As a result, shareholders may have difficulty in buying and selling shares, especially in large numbers. During the period 31st July, 2002 to 31st July, 2003, the average daily volume on the ATHEX was approximately € 107 million.

The market price of the shares and the GDRs is subject to volatility as well as market trends

The market price of the shares and GDRs may be subject to wide fluctuations in response to numerous factors, many of which are beyond our control. These factors include the following:

- actual or anticipated fluctuations in our operating results;
- the condition of the Greek economy and the economies of the other countries that have adopted the euro as their currency pursuant to the third stage of the European Economic and Monetary Union;
- political instability, military conflict or terrorism in Europe, the Middle East or elsewhere;
- potential or actual sale of large blocks of our shares or GDRs into the market;
- the entrance of new competitors and their positions in the market;
- changes in financial estimates by securities analysts;
- conditions and trends in the electricity sector in Greece and Europe;
- trends in environmental regulation;
- our earnings releases; and
- the general state of the securities markets (especially with respect to Greece and the utilities sector).

In addition, stock markets in general, and the ATHEX in particular, have recently been highly volatile. For example, for the period from 2nd January, 2002 to 31st December, 2002, the ATHEX Composite Index declined by 33.5%. You may not be able to trade large amounts of our shares or GDRs during or following periods of volatility.

Sales of large amounts of our shares and GDRs or, the perception that such sales could occur, may depress our share price or cause dilution

The value of the shares and GDRs may be adversely affected by sales of substantial amounts of our shares by the Hellenic Republic or the perception that such sales could occur.

Following the combined offering, the Hellenic Republic will own between approximately 51.5% of our outstanding shares (assuming no return transfer of additional shares pursuant to the over-allotment option and including any bonus shares which may be transferred to (i) our employees either through this combined offering or the employee offering in December 2002 and (ii) retail investors) and approximately 53.8% of our outstanding shares assuming a return transfer of all of the additional shares pursuant to the over-allotment option and including any bonus shares which may be transferred to (i) our employees either through this combined offering or the employee offering in December 2002 and (ii) retail investors). If all shares retained by the Hellenic Republic to satisfy potential share bonus requirements are transferred, within the period of up to twelve

months following the combined offering, to our employees and retail investors, the Hellenic Republic's shareholding may further decrease by approximately 0.49%. DEKA will not own any of our issued share capital following the combined offering. We and the selling shareholder have agreed that for a period of 180 days after this combined offering, we will not, without the prior written consent of the international managers, directly or indirectly, sell any shares of our company, except in limited circumstances as described under the section "Underwriting". Although the law currently requires that the Hellenic Republic maintains at least a 51% share in our company, the law may be amended in the future. If this were to occur, future sales of substantial amounts of our shares in the public market by the Hellenic Republic or by any other large shareholders or block of shareholders, or even the perception that such sales could occur, could have a material adverse effect on the market price of the shares and the GDRs. In addition, in the future, we may determine to raise capital (through offerings of our shares or GDRs, securities convertible into our shares or GDRs or rights to acquire these securities) by increasing the number of shares outstanding. We cannot predict the effect this dilution may have on our share price or GDR price.

Privatisation certificates may increase the volatility and affect the price of the shares and GDRs

The Hellenic Republic has issued privatisation certificates, one series of which, issued in October 2001 in an amount of € 1.7 billion, is still outstanding. The privatisation certificates provide their holders with a right to exchange certificates for shares at a 5% discount in privatisation offerings by the Hellenic Republic. Holders of privatisation certificates are entitled to a preferential allocation of 40% of the shares being offered in the international offering and the Greek offering. Any sales of our shares in the public market immediately after the combined offering by privatisation certificate holders who have exchanged their certificates for shares, or even the perception that such sales could occur, could result in increased volatility in the price of the shares and GDRs. We are not able to predict whether and to what extent holders of privatisation certificates will exercise their right to receive shares in this combined offering, or whether they will hold or sell any shares acquired pursuant to the privatisation certificates.

Pre-emptive rights may not be available to U.S. holders of our shares or GDRs

Under Greek law and our articles of incorporation, prior to the issuance of any new shares, we must offer holders of our existing shares pre-emptive rights to subscribe and pay for a sufficient number of shares to maintain their existing ownership percentages. These pre-emptive rights are generally transferable during the subscription period for the related offering and may be quoted on the ATHEX.

U.S. holders of shares or GDRs may not be able to receive (and trade) or exercise pre-emptive rights for new shares or for shares underlying GDRs unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement with respect to these shares or GDRs will be at our sole discretion and will depend on the costs and potential liabilities associated with any such registration statement, as well as the perceived benefits of enabling U.S. holders of shares or GDRs to exercise their pre-emptive rights and any other factors we may consider appropriate at the time.

If U.S. holders of shares or GDRs are not able to receive (and trade) or exercise pre-emptive rights granted in respect of their shares or the shares represented by their GDRs in any rights offering by us, then they may not receive the economic benefit of such rights. In addition, their proportional ownership interests in the company will be diluted.

USE OF PROCEEDS

We will not receive any proceeds from the sale of shares by the selling shareholder in the combined offering.

DIVIDEND POLICY

We may only pay dividends out of profits for the preceding financial year and any distributable reserves after the annual financial statements are approved by the general assembly of shareholders. Before the payment of dividends, we must allocate annually 5% of our net profits to the formation of a legal reserve as provided by our articles of incorporation until this legal reserve equals, or is maintained at a level equal to, at least one-third of our paid-in share capital. This reserve cannot be distributed during the life of the Company.

According to Greek law and our articles of incorporation, we must pay a minimum dividend equal to the greater of (a) 6% of our paid-up share capital or (b) 35% of our net profits for that year after the formation of legal reserves, which can be waived with a 70% affirmative consent of all shareholders. Calculation of all such amounts is based on our financial statements prepared according to Greek GAAP.

For the twenty-four month accounting period ended 31st December, 2002, we paid our shareholders a dividend, including an interim dividend of € 0.38 per share, of € 0.88 per share or an aggregate amount of € 204 million.

It is our intention to propose to pay to our shareholders a dividend for the year ending 31st December, 2003 of at least € 0.65 per share subject to receiving any necessary board recommendations and shareholder approval. This will be payable out of profits for the preceding financial year or out of our distributable reserves. We also intend to continue increasing the pay-out ratio until it is broadly in line with our European peers.

You should read "Description of our Share Capital—Dividends" for a more detailed discussion of the provisions of our articles of incorporation governing our dividends.

EXCHANGE RATES

Almost all of our operations are in Greece and, since 1st January, 2002, our accounts are denominated in euros.

The euro was introduced as the official currency of Greece on 1st January, 2001. The conversion rate between the euro and the Greek drachma was fixed on 20th June, 2000 at the rate of € 1 = GRD 340.75.

The following table sets out from 1st January, 2000 through 23rd October, 2003, the average, high, low and period-end noon buying rates for the euro expressed as U.S. Dollars per euro:

	Period End	Average(1)	High	Low
2000	0.9388	0.9236	1.0335	0.8270
2001	0.8901	0.8953	0.9535	0.8370
2002	1.0485	0.9458	1.0485	0.8594
January 2003	1.0739	1.0618	1.0861	1.0361
February 2003	1.0779	1.0785	1.0875	1.0708
March 2003	1.0900	1.0797	1.1062	1.0545
April 2003	1.1180	1.0862	1.1180	1.0621
May 2003	1.1766	1.1566	1.1853	1.1200
June 2003	1.1502	1.1674	1.1870	1.1423
July 2003	1.1231	1.1371	1.1580	1.1164
August 2003	1.0986	1.1155	1.1390	1.0871
September 2003	1.1650	1.1254	1.1650	1.0845
October 2003(2)	1.1805	1.1716	1.1812	1.1596

(1) The average of the noon buying rates in the City of New York for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of each full calendar month during the relevant period, except for monthly figures, which are averages for the month.

(2) Through 23rd October, 2003.

Source: Datastream.

CAPITALISATION

The following table sets out our capitalisation as at 30th June, 2003. You should read this table together with our financial statements and the related notes contained elsewhere in this offering circular. The sale of shares by the selling shareholder in the combined offering will not change our capitalisation.

Our capitalisation changed substantially upon incorporation of the revaluation of our fixed assets into our statutory accounts for the twenty-four month accounting period ended 31st December, 2002. You should read "Operating and Financial Review and Prospects" and the notes to our audited consolidated financial statements for more information.

	As at 30th June, 2003
	(euro thousands)
Debt[(1)]	
Short-term borrowings	53,676
Current portion of long-term debt	639,981
Long-term debt, net of current portion	3,362,696
Total debt	4,056,353
Shareholders' equity	
Share capital	1,067,200
Share premium	106,679
Reversal of fixed assets' statutory revaluation surplus included in share capital	(947,342)
Revaluation surplus	2,546,583
Retained earnings and reserves	576,496
Total shareholders' equity	3,349,616
Total capitalisation	7,405,969
Cash and cash equivalents:	36,401

(1) Our debt represents unsecured obligations. You should read notes 22 and 23 to the consolidated financial statements for a description of our short-term borrowings and long-term debt.

There have been no material changes to our capitalisation since 30th June, 2003.

SELECTED FINANCIAL AND OPERATING DATA

The following tables show selected financial data as at and for the five years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003, together with certain operating data as at and for the five years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003. The financial data as at and for the years ended 31st December, 1998, 1999, 2000, 2001 and 2002 and for the six months ended 30th June 2002 and 2003 has been derived from our audited consolidated financial statements, all prepared in accordance with IFRS and included elsewhere in this offering circular. Our audited consolidated financial statements have been prepared in accordance with IFRS, which differ in certain significant respects from Greek GAAP. You should read note 39 to the audited consolidated financial statements for a discussion of certain significant differences between IFRS and Greek GAAP that are relevant to our financial statements.

You should read this table together with "Operating and Financial Review and Prospects" and our audited consolidated financial statements and the related notes, included elsewhere in this offering circular. In addition, certain of our audited consolidated financial statements included in this offering circular have been qualified. You should read "Operating and Financial Review and Prospects" for a description of these qualifications.

SELECTED STATEMENTS OF INCOME DATA:

	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
	(euro thousands)						
Revenues	2,491,099	2,659,563	2,868,164	3,091,387	3,420,706	1,623,333	1,915,187
Payroll cost	637,673	680,373	684,948	731,034	767,445	390,620	433,498
Fuel	734,923	815,484	1,167,380	1,147,792	1,135,040	534,510	608,139
Depreciation & amortisation	157,004	177,928	214,354	216,032	243,552	118,822	215,230
Other expenses	370,824	389,465	352,065	388,133	524,423	225,836	339,700
Total expenses	1,900,424	2,063,250	2,418,747	2,482,991	2,670,460	1,269,788	1,596,567
Profit from operations	590,675	596,313	449,417	608,396	750,246	353,545	318,620
Financial income (expense), net	(602,902)	(543,219)	(399,125)	(241,244)	(171,936)	(94,832)	(40,159)
Other income (expense), net	27,111	37,312	15,363	31,351	14,622	4,895	8,829
Profit before tax	14,884	90,406	65,655	398,503	592,932	263,608	287,290
Income tax expense	(17,814)	(26,515)	(40,795)	(146,668)	(112,970)	(100,090)	(111,621)
Profit (loss) after tax	(2,930)	63,891	24,860	251,835	479,962	163,518	175,669
Earnings (loss) per share, basic and diluted (euro per share)	(0.01)	0.29	0.11	1.14	2.07	0.70	0.76
Weighted average number of shares	220,000,000	220,000,000	220,000,000	220,657,534	232,000,000	232,000,000	232,000,000

SELECTED BALANCE SHEET DATA:

	As at 31st December,					As at 30th June,	
	1998	1999	2000	2001	2002	2002	2003
	(euro thousands)						
Assets							
Cash and cash equivalents	57,297	74,814	13,952	47,278	28,407	40,827	36,401
PPC Personnel Insurance Organisation	0	0	272,569	167,759	61,294	151,597	2,487
Other current assets	1,242,713	1,365,608	1,271,106	1,239,382	1,225,714	1,250,182	1,271,633
Fixed assets, net(1)	4,871,307	5,245,743	5,783,486	6,247,492	8,987,619	6,376,714	8,965,432
Other non-current assets	180,860	179,143	164,076	124,347	183,207	215,472	194,068
Total assets	6,352,177	6,865,308	7,505,189	7,826,258	10,486,241(1)	8,034,792	10,470,021
Liabilities and Equity							
Current portion of debt	892,237	793,431	613,248	428,510	852,995	917,735	693,657
Other current liabilities	504,465	563,313	676,405	798,299	971,048	973,601	1,012,522
Long-term debt, net of current portion	3,476,916	3,875,536	4,511,968	4,411,777	3,377,534	3,704,762	3,362,696
Other non-current liabilities	1,441,177	1,531,158	1,583,674	1,725,336	1,997,524	2,043,569	2,051,530
Total liabilities	6,314,795	6,763,438	7,385,295	7,363,922	7,199,101	7,639,667	7,120,405
Equity							
Share capital	0	0	645,635	680,851	1,067,200	679,760	1,067,200
Share premium	0	0	0	106,679	106,679	106,679	106,679
State contributions	113,858	113,858	0	0	0	0	0
Revaluation Surplus	0	0	0	0	2,547,711	0	2,546,583
Accumulated Deficit and Reserves	(76,476)	(11,988)	(525,741)	(325,194)	(434,450)	(391,314)	(370,846)
Total equity	37,382	101,870	119,894	462,336	3,287,140	395,125	3,349,616
Total liabilities and equity	6,352,177	6,865,308	7,505,189	7,826,258	10,486,241	8,034,792	10,470,021

SELECTED CASH FLOW DATA:

	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
	(euro thousands)						
Cash Flow Data:							
Net Cash from Operating Activities	689,389	711,864	653,946	933,481	1,300,900	549,402	445,441
Net Cash used in Investing Activities	(549,686)	(481,100)	(767,530)	(527,172)	(442,971)	(234,959)	(224,175)
Net Cash from (used in) Financing Activities	(140,314)	(213,247)	52,722	(372,983)	(876,800)	(320,894)	(213,272)
Net increase (decrease) in cash and cash equivalents	(611)	17,517	(60,862)	33,326	(18,871)	(6,451)	7,994
Cash and cash equivalents at beginning of year/ period	57,908	57,297	74,814	13,952	47,278	47,278	28,407
Cash and cash equivalents at end of year/period	57,297	74,814	13,952	47,278	28,407	40,827	36,401

SELECTED OPERATING DATA:

	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
Installed capacity (MW)	10,296	10,997	11,121	11,158	11,739	11,713	12,069
Net production(2) (GWh)	41,834	44,777	48,483	48,054	48,902	23,452	25,233
Capital expenditure (euro thousands) (audited)	686,771	664,667	913,632	819,911	627,109	312,577	294,973

(1) The balance of fixed assets at 31st December, 2002 and 30th June, 2003 is significantly higher than previous years and periods due to the fixed assets revaluation.

(2) Net production equals gross production of electricity less internal consumption of electricity in the generating process.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following information together with the information in "Selected Financial and Operating Data" and the financial statements and related notes included in this offering circular. We have prepared the financial statements and related notes in accordance with IFRS which differ in certain respects from Greek GAAP. For a summary of the significant differences between IFRS and Greek GAAP that are relevant to our financial statements, you should read note 39 to the audited consolidated financial statements. Our auditors for the years ended 31st December, 1998, 1999 and 2000 were Arthur Andersen. Our auditors for the years ended 31st December, 2001 and 2002 and for the six months ended 30th June, 2002 and 30th June, 2003 were Ernst & Young. The Ernst & Young report with respect to our IFRS financial statements for the six months ended 30th June, 2003 is not qualified. The auditors have qualified their audit reports with respect to the IFRS financial statements for the years ended 31st December, 1998, 1999, 2000, 2001 and 2002 and for the six months ended 30th June 2002, which are included in this offering circular. The Ernst & Young report with respect to the IFRS financial statements for the years ended 31st December, 2001 and 2002 and for the six months ended 30th June 2002, are qualified as to (i) the accounting treatment of provisions relating to benefits for pensioners' electricity as a charge against equity rather than the income statement, (ii) the provision for possible risks from adverse movements in foreign exchange rates which are not in accordance with IFRS, and (iii) the sufficiency of detail of our fixed assets register, which precluded our auditors from performing certain audit tests. The Arthur Andersen report with respect to our IFRS financial statements for the years ended 31st December, 1998, 1999 and 2000 is qualified as to (i) the absence of provisions in our financial statements, prior to 2000, for pension and social security liabilities and (ii) the sufficiency of detail of our fixed assets register, which precluded them from performing certain audit tests. The audit report of Arthur Andersen, our former independent public accountants, is included for purposes of including the opinion of Arthur Andersen on our financial statements for the years ended 31st December, 1998, 1999 and 2000. The audit report set forth in Page F-2 is a copy of the audit report dated 26th October, 2001, rendered by Arthur Andersen that was included in our offering circular dated 7th December, 2002. Due to the fact that Arthur Andersen has ceased operations, your ability to assert claims against Arthur Andersen based on its report may be limited. This audit report has not been reissued by Arthur Andersen in connection with this offering circular. You should read the "Independent Auditors' Reports" included elsewhere in this offering circular for more information.

OVERVIEW

Tariffs, regulation and competition

Almost all of our revenue comes from electricity sales. The price of electricity has historically been determined by the Greek government through its setting of tariffs. Our revenues have therefore been dependent on the volume of electricity sales and the electricity tariffs we are required to charge. Since the enactment of the Liberalisation Law, the Minister of Development, acting on the RAE's recommendation, must approve all electricity tariffs, other than those charged by suppliers to Eligible Customers. However, for so long as we supply at least 70% of the Eligible Customer market, the Ministry of Development will continue to set the maximum electricity tariff that we may charge to Eligible Customers. You should read "Our Business—The Greek Electricity Market" for a more detailed discussion of tariffs.

For the periods covered by the financial statements included in this offering circular, our revenues from electricity sales consisted of amounts paid by each customer based upon the volume of electricity actually consumed at the electricity tariffs charged to that type of customer and the level of service required (either low, medium or high voltage). As of the last quarter of 2002, we also started receiving monthly payments from the HTSO under the Transmission Control Agreement in our capacity as owner of the interconnected transmission system. When new electricity suppliers enter the market, we expect our revenues from electricity sales to consist also of tariffs charged to the electricity suppliers who will use our distribution network to supply electricity to their customers. However, for as long as there is an absence of meaningful competition in the electricity market in Greece, we do not expect these revenues to have a significant effect on our results.

In addition, as the largest generator, the sole owner of transmission and distribution assets and the principal supplier of electricity in Greece, we are subject to public service obligations which may not be imposed on prospective competitors. For example, we are required under the Liberalisation Law to supply electricity to all customers who are not supplied by anyone else as well as to supply electricity on the autonomous islands at the same tariffs as in the interconnected system, notwithstanding the significantly higher cost in doing so. Our public service obligations also consist of an obligation to supply agricultural customers at low tariffs and an obligation to provide irrigation water from our hydroelectric reservoirs. Under the recent amendments of the Liberalisation Law, in the context of the setting of the regulated tariffs, the cost for the public service obligations will be

allocated to end customers through a methodology to be determined by the Minister of Finance and the Minister of Development, following the recommendation of the RAE. We do not expect the full cost of our public service obligations to be covered through passing the relevant cost to the customers through the tariffs.

Except as described below, electricity tariffs were increased by 3% for all customers in September 2000, by a weighted average of approximately 3.6% in July 2001 and by 3.85% in July 2002. On 9th September, 2003, the Minister of Development announced a 2.5% tariff increase for all customers retroactive to 1st September, 2003. In addition, the Minister of Development approved the separate charging for the first time of a renewable energy levy of € 0.60 per MWh. We sell electricity to two large customers, Aluminium of Greece and the state-controlled Larco, at heavily discounted tariffs. Pursuant to an arbitration award rendered against Aluminium of Greece in June 2002, we have been able to increase electricity tariffs for these customers by approximately 5% over the price that they were paying to us in the past with a retroactive effect as of 1st January, 1999. Pursuant to law, we are entitled to charge Larco the same price for electricity as we charge to Aluminium of Greece. However, the increased tariffs for Aluminium of Greece and Larco are still significantly below tariffs charged to other industrial customers. These customers accounted for approximately 7% of electricity sold and for approximately 2% of our revenues for the six months ended 30th June, 2003. You should read "Our Business—Legal Proceedings" and "Our Business—Distribution" for a more detailed discussion on these customers.

The regulatory framework for the Greek electricity industry has changed significantly over the last two years as a result of European Union and Greek government measures designed to increase competition in the electricity market. However, we do not believe that, under the current tariff regime, we will face any significant competition in the Greek electricity market. You should read "Our Business" and "Regulation of the Greek Electricity Sector" for a more detailed discussion of these changes.

Economic background

According to the Ministry of Economy and Finance's statistical service, the annual increase in the consumer price index in Greece was 2.6%, 3.2%, 3.4% and 3.6%, respectively, for each of the twelve months ended 31st December, 1999, 2000, 2001 and 2002. During the twelve months ended 31st August, 2003, the consumer price index increased by 3.3%.

During the past decade, economic growth in Greece has been higher than the average for the European Union. From 1999 to 2002, Greece's real gross domestic product grew at an average annual rate of approximately 4%, as compared with an average annual rate of approximately 2.2% for the European Union. For the first six months of 2003, Greece's real gross domestic product grew at an average rate of approximately 3.5% on an annualised basis. Growth in electricity demand in Greece has generally exceeded growth in gross domestic product. This is due principally to the significantly lower level of electricity consumption in Greece when compared to the EU average and reflects the tendency to converge to the EU average. You should read "Our Business—Greek Electricity Demand" for a more detailed discussion on growth in electricity demand.

Interest rates in Greece have declined significantly over the period covered by the financial statements included in this offering circular, driven by Greece's entry into EMU on 1st January, 2001. Market long-term rates in Greece for Greek government bonds declined from an average of 6.3% in 1999 to an average of 4.2% for the six months ended 30th June, 2003. Short-term rates for six-month ATHIBOR/EURIBOR declined from an average of 10% in 1999 to an average of 2.4% for the six months ended 30th June, 2003. As of 1st January, 2001, Greece's monetary policy is determined by the European Central Bank.

Asset revaluation

In 2001, we engaged an international independent appraiser to value our fixed assets in order to reflect their fair market value as at 31st December, 2000. The independent appraiser issued a report in September 2001, setting out the criteria used to derive the fair market value of our fixed assets. We have completed the revaluation of our fixed assets, based upon the valuation performed by the independent appraiser, as well as completed the process of updating our fixed asset register. We have incorporated the results of this revaluation in our statutory accounts for the twenty-four month period ended 31st December, 2002, our first financial period as a *société anonyme*, according to Greek law and to our articles of incorporation, while for IFRS reporting purposes, the results of this valuation were incorporated into our balance sheet at 31st December, 2002. Therefore, the fixed asset values in our audited consolidated financial statements included in this offering circular, for the years ended 31st December, 1998, 1999, 2000 and 2001 and for the six months ended 30th June, 2002 do not reflect the fair market value of such assets as established in the independent appraiser's valuation. As a result of the incorporation of the results of our revaluation at 31st December, 2002, the book value of our fixed assets as at

30th June, 2003 and as at 31st December, 2002 is significantly higher than the book value of our fixed assets as at 30th June, 2002 and as at 31st December, 2001, respectively, included in this offering circular. As a result, depreciation charges for the six months ended 30th June, 2003 are higher than the same charges for the six months ended 30th June, 2002. You should read note 14 to the audited consolidated financial statements for more details on the asset revaluation.

Supply of electricity at a reduced tariff to our pensioners

We supply electricity to our employees and to our pensioners at a reduced tariff. We are currently in a dispute with the PIO as to who is responsible for bearing the cost of supplying energy at a reduced tariff to our pensioners. According to legal opinions we have received from independent legal advisors, the electricity supplied at a reduced tariff represents an insurance benefit and, accordingly, the related obligation lies with the PIO. However, the outcome of this dispute is still uncertain. As a result, we have provided for the full amount of the actuarially estimated cost which at 30th June, 2003, amounted to € 217.6 million.

You should read note 21 to the audited consolidated financial statements for a more detailed discussion and for the historical treatment of this provision.

Selected segmental information

Prior to 2001, we managed our operations on an integrated basis, without separate, identifiable business units and had no separately reportable segments. As of 2001, in order to compete more effectively in a liberalised market, we implemented a new organisational and management structure, which more closely reflected our core business operations and would allow us to report on a segmental basis. We now present segment information, as required under IFRS, for each of the Generation, Transmission and Distribution business units. Our mining activities are accounted for as part of the Generation business unit in our accounting for segment information. For a discussion of segmental information, you should read "—Segmental Information" on page 36 below and note 38 to the audited consolidated financial statements.

Critical accounting policies

In addition to Greek GAAP (the basis for our statutory accounts), we prepare our financial statements in accordance with IFRS. Our main accounting policies under IFRS are set out in note 4 to our consolidated financial statements included in this offering circular. The preparation of our financial statements requires us to make certain estimates, judgements and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The significant accounting policies under IFRS, which we believe are most critical to understanding and evaluating our reported financial results, are discussed below.

Mining activities

We own and operate opencast lignite mines. The cost relating to the acquisition of the land and initial development of the mines is capitalised and amortised over the life of the mine or 20 years, whichever is shorter. We charge exploration and ongoing development costs to the cost of lignite production as incurred. We establish a provision for land restoration for our estimated present legal obligation for restoration. This provision which is calculated on the surface worked to date and the average cost of restoration per metric unit, is accounted for on an accrual basis. The lignite expense included in the income statement represents the cost of lignite consumed by our generation business unit.

Customers' contributions and subsidies for fixed assets

Our customers are required to contribute to the initial connection cost (metering devices, substations, network connections, etc.) or other type of infrastructure. We obtain subsidies from the Hellenic Republic and from the European Union (through the investment budget of the Hellenic Republic), in order to fund specific projects to be undertaken within a specific timeframe. Customers' contributions and subsidies are recorded upon collection and are reflected as deferred income on our balance sheet. Amortisation is accounted for in accordance with the useful life of the related assets.

Provisions and contingencies

We recognise provisions when we have a present obligation as a result of past events and it is probable that resources embodying economic benefits will be required to settle this obligation as well as a reliable estimate of the amount of the obligation can be made. We review provisions at each balance sheet date and adjust them to reflect the present value of the expenditure expected to be required to settle the obligation. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote, in which case they are not disclosed. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

Materials and consumables

Materials and consumables are stated at the lower of cost or net realisable value, where cost is determined by using the weighted average method. Upon purchase, we record these materials in inventory and expense them, or capitalise them, as appropriate, when installed. A provision for slow-moving materials is accounted for in our financial statements.

Retirement benefit plan

PIO has taken over all insurance obligations towards our employees and pensioners. In our view, this constitutes a defined contribution scheme. We recognise the contribution payable to the PIO as an expense in exchange for the services of an employee during a specific period and as a liability to the extent that this has not been paid to the PIO during the relevant year.

Interest charges

Although we are allowed under IFRS to capitalise interest charges that are directly attributable to the construction or production of an asset, as part of the cost of that asset, we expense such interest charges for the full amount within the period incurred.

Revenue recognition

Almost all of our revenues reported in the financial statements included in this offering circular came from electricity sales. The remaining balance of our revenues are from insignificant sales of lignite bricquets and dried lignite, ash and steam to customers in Greece, commissions received for the collection of municipal, public television and radio duties and, as of the last quarter of 2002, from fees charged to the HTSO in our capacity as owner of the interconnected transmission system. These sales, commissions and fees accounted for approximately 7.3% of our total revenues for the six months ended 30th June, 2003. Our revenues from electricity sales consist of amounts paid by each customer based upon the volume of electricity actually consumed at the electricity tariffs charged to that type of customer and the level of service required (either low, medium or high voltage). For large consumption customers, meters are read and bills are issued on a monthly basis. Metering the consumption of small- and medium-sized customers takes place every four months. However, bills are issued to these customers every two months and are based on either the actual meter reading or an estimation of consumption based on previous usage.

Revenues from electricity sales are recognised on an accrual basis.

For the periods covered by the financial statements included in this offering circular, virtually all of our revenues were generated in Greece. The remaining balance of our revenues were generated from electricity exports mainly to Italy.

The HTSO

As of the last quarter of 2002, we started charging fees to the HTSO in our capacity as owner of the interconnected transmission system. We also started receiving invoices from the HTSO for our use of the transmission system in our capacity as generator and supplier. For the first six months of 2003, we invoiced the HTSO € 118.7 million and the HTSO charged us € 148.4 million, consisting of € 122.5 million of transmission system usage fees and € 25.8 million relating to our share of other costs, primarily the cost to the HTSO of energy purchased from renewable resources. For the same period in 2002, we invoiced the HTSO € 4.7 million and the HTSO charged us € 5.6 million. You should read "Regulation of the Greek Electricity Sector—Supply" for more information on the HTSO and note 2 to our audited consolidated financial statements.

Internal Control

We are continuously monitoring our internal control systems in order to improve transparency and decision making procedures, and continue to make all adjustments necessary to ensure that we are in material compliance with the regulations of the Greek Capital Markets Committee. Pursuant to a corporate governance law applicable to listed companies enacted in Greece in May 2002 and which came into effect in part in June 2003, such companies are required to establish an internal audit department that will evaluate and monitor internal control procedures. According to the terms of this new law, the internal audit department should be supervised by up to three non-executive members of the board of directors. The current composition of our committee supervising the internal audit department is two non-executive members of the board. Our board of directors resolved on 19th November, 2002 that our internal audit department will report to the board of directors and will be supervised by two non-executive members of the board of directors. Our internal audit department currently consists of five internal auditors who have been appointed for a term of three years. Other provisions of the new law required us to establish internal regulations which cover the operations of the internal audit department. Our board of directors resolved on 19th November, 2002 to approve the terms of operations of the internal audit department, which was amended on 8th July, 2003 and 7th October, 2003. You should read "Management—Corporate governance" for a more detailed discussion on corporate governance.

Results of operations—overview

Our financial statements for the years ended 31st December, 1998, 1999, 2000 and 2001 were expressed in Greek drachmas. Solely for the convenience of the reader, drachma amounts for these periods have been translated into euro at the rate of € 1 = GRD 340.75.

The following table shows our statements of income for the years ended 31st December, 1999, 2000, 2001 and 2002 and for the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,				Six months ended 30th June,	
	1999	2000	2001	2002	2002	2003
	(euro thousands)					
Revenues:	2,659,563	2,868,164	3,091,387	3,420,706	1,623,333	1,915,187
Expenses:						
Payroll cost	680,373	684,948	731,034	767,445	390,620	433,498
Pension deficit	134,266	0	0	0	0	0
Lignite(1)	382,125	407,031	398,539	405,998	195,279	255,915
Liquid fuel	321,444	485,632	435,090	456,392	205,009	218,984
Natural gas	111,915	274,717	314,163	272,650	134,222	133,240
Depreciation and amortisation	177,928	214,354	216,032	243,552	118,822	215,230
Impairment loss	0	43,357	0	0	0	0
Utilities and maintenance	70,788	79,281	65,450	64,479	26,761	28,724
Transmission system usage	0	0	6,905	69,063	5,593	122,542
Materials and consumables	65,682	70,139	69,382	72,357	30,136	50,217
Energy purchases	17,180	31,322	122,988	149,345	76,258	64,210
Third party fees	12,860	18,098	24,890	15,668	5,930	9,130
Taxes and duties	14,603	15,375	21,092	22,516	10,904	12,227
Provisions	30,711	22,772	29,373	73,603	48,126	28,655
Other expenses	43,375	71,721	48,053	57,392	22,128	23,995
Total Expenses	2,063,250	2,418,747	2,482,991	2,670,460	1,269,788	1,596,567
Profit from operations	596,313	449,417	608,396	750,246	353,545	318,620
Financial expenses	(387,002)	(337,000)	(268,569)	(232,284)	(120,405)	(89,286)
Financial income	45,083	33,535	19,639	16,914	8,616	20,018
Foreign currency gains (losses)	(201,300)	(95,660)	7,686	43,434	16,957	47,823
Other income (expense), net	37,312	15,363	31,351	14,622	4,895	8,829
Loss in associates	0	0	0	0	0	(18,714)
Profit before tax	90,406	65,655	398,503	592,932	263,608	287,290
Income tax expense	(26,515)	(40,795)	(146,668)	(112,970)	(100,090)	(111,621)
Profit after Tax	63,891	24,860	251,835	479,962	163,518	175,669
Other Financial Data:						
EBITDA(2)	**798.097**	**692,666**	**869,044**	**1,027,849**	**491,356**	**582,706**
EBITDA margin(3)	**30.0%**	**24.2%**	**28.1%**	**30.0%**	**30.3%**	**30.4%**

(1) The lignite expense included in the income statement represents the cost of lignite consumed by our generation business unit.

(2) We define EBITDA as profit from operations plus depreciation and amortisation (including depreciation and amortisation included in lignite production cost and amortisation of deferred customers contributions and subsidy income). EBITDA is not a measurement of performance under IFRS, and you should not consider EBITDA as an alternative to (a) profit from operations or profit after tax (as determined in accordance with IFRS), or as a measure of our operating performance, (b) cash flows from operating, investing or financing activities (as determined in accordance with IFRS), or as a measure of performance under IFRS. EBITDA may not be indicative of our historical operating results, nor is it meant to be a projection or forecast of our future results. We believe that EBITDA is a measure commonly reported and widely used by investors in comparing performance without regard to depreciation, which can vary significantly depending upon accounting methods, interest expense or taxation, or non-operating factors. Accordingly, EBITDA has been disclosed herein to permit a more complete and comprehensive analysis of our operating performance relative to other companies operating in our industry. Because companies do not calculate EBITDA identically, our presentation of EBITDA may not be comparable to similarly titled measures used by other companies.

The following table presents our calculation of EBITDA:

	1999	2000	2001	2002	1H 2002	1H 2003
Profit from operations	596,313	449,417	608,396	750,246	353,545	318,620
Plus depreciation and amortisation	277,655	323,724	346,817	367,949	181,411	313,764
Less amortisation of deferred customers' contributions and subsidy income	(75,871)	(80,475)	(86,169)	(90,346)	(43,600)	(49,678)
EBITDA	**798,097**	**692,666**	**869,044**	**1,027,849**	**491,356**	**582,706**

(3) We define EBITDA margin as EBITDA as a percentage of revenues.

The following table shows certain financial data from our statements of income for the years ended 31st December, 1999, 2000, 2001 and 2002 and for the six months ended 30th June, 2002 and 2003, expressed in each case as a percentage of revenues:[1]

	Year ended 31st December,				Six months ended 30th June,	
	1999	2000	2001	2002	2002	2003
	(Percentage)[1]					
Expenses:						
Payroll cost	25.6	23.9	23.6	22.4	24.1	22.6
Pension deficit	5.0	—	—	—	—	—
Lignite[2]	14.4	14.2	12.9	11.9	12.0	13.4
Liquid fuel	12.1	16.9	14.1	13.3	12.6	11.4
Natural gas	4.2	9.6	10.2	8.0	8.3	7.0
Depreciation and amortisation	6.7	7.5	7.0	7.1	7.3	11.2
Impairment Loss	—	1.5	—	—	—	—
Utilities and maintenance	2.7	2.8	2.1	1.9	1.6	1.5
Transmission system usage	—	—	0.2	2.0	0.3	6.4
Materials and consumables	2.5	2.4	2.2	2.1	1.9	2.6
Energy purchases	0.6	1.1	4.0	4.4	4.7	3.4
Third party fees	0.5	0.6	0.8	0.5	0.4	0.5
Taxes and duties	0.5	0.5	0.7	0.7	0.7	0.6
Provisions	1.2	0.8	1.0	2.2	3.0	1.5
Other expenses	1.6	2.5	1.6	1.7	1.4	1.3
Total Expenses	77.6	84.3	80.3	78.1	78.2	83.4
Profit from operations	22.4	15.7	19.7	21.9	21.8	16.6
Financial expenses	(14.6)	(11.7)	(8.7)	(6.8)	(7.4)	(4.7)
Financial income	1.7	1.2	0.6	0.5	0.5	1.0
Foreign currency gains (losses)	(7.6)	(3.3)	0.2	1.3	1.0	2.5
Other income (expense), net	1.4	0.5	1.0	0.4	0.3	0.5
Loss in associates	—	—	—	—	—	(1.0)
Profit before tax	3.4	2.3	12.9	17.3	16.2	15.0
Income tax expense	(1.0)	(1.4)	(4.7)	(3.3)	(6.2)	(5.8)
Profit after tax	2.4	0.9	8.1	14.0	10.1	9.2

(1) Individual ratios may not sum to total due to rounding.
(2) The lignite expense included in the income statement represents the cost of lignite consumed by our generation business unit.

RESULTS OF OPERATIONS FOR THE SIX-MONTH PERIODS ENDED 30TH JUNE, 2002 AND 2003

Revenues

The following table shows the sources of our revenues for the six-month periods ended 30th June, 2002 and 2003:

	Six months ended 30th June,	
	2002	2003
	(euro thousands)	
Revenues:		
Revenue from electricity sales	1,600,762	1,775,976
Other[1]	22,571	139,211
Total revenues	1,623,333	1,915,187

(1) Other revenues include sales of lignite bricquets and dried lignite, ash and steam to industrial customers, commissions for the collection of municipal, public television and radio duties, and fees invoiced to the HTSO in our capacity as owner of the interconnected transmission system.

Total revenues increased from € 1,623.3 million for the first six months of 2002 to € 1,915.2 million for the same period in 2003, an increase of € 291.9 million, or 18%. This increase was due to an increase of approximately 5.3% in volume of sales (including an increase of sales to customers abroad (from € 0.5 million in the first six months of 2002 to € 22.1 million in 2003)), fees invoiced to the HTSO in our capacity as owner of the interconnected transmission system, which increased from € 4.7 million for administrative costs in 2002 to € 118.7 million in 2003, as well as an increase in tariffs of 3.85% for all customers, except for Larco and Aluminium of Greece, which took effect in July 2002.

Expenses

The table below shows a breakdown of our expenses for the six-month periods ended 30th June, 2002 and 2003:

	Six months ended 30th June,	
	2002	2003
	(euro thousands)	
Expenses:		
Payroll cost	390,620	433,498
Lignite	195,279	255,915
Liquid fuel	205,009	218,984
Natural gas	134,222	133,240
Depreciation and amortisation	118,822	215,230
Utilities and maintenance	26,761	28,724
Transmission system usage	5,593	122,542
Materials and consumables	30,136	50,217
Energy purchases	76,258	64,210
Third party fees	5,930	9,130
Taxes and duties	10,904	12,227
Provisions	48,126	28,655
Other expenses	22,128	23,995
Total expenses	1,269,788	1,596,567

Expenses increased from € 1,269.8 million for the first six months of 2002 to € 1,596.6 million for the same period in 2003, an increase of € 326.8 million, or 25.7%. This increase was due principally to an increase in depreciation expenses, as described below, as well as an increase in fees charged by the HTSO of € 116.9 million for the use of the transmission system. This increase in the HTSO fees was due to paying transmission usage fees in the first six months of 2003 instead of purely administrative fees paid to the HTSO in the first six months of 2002.

Depreciation and amortisation increased from € 118.8 million for the first six months of 2002 to € 215.2 million for the same period in 2003, an increase of € 96.4 million, or 81.1%. This increase was attributable principally to the revaluation of our fixed assets at 31st December, 2002. The amounts discussed are net of amortisation of deferred customers' contributions and subsidy income and do not include depreciation included in lignite production cost. You should read note 34 and note 14 to the audited consolidated financial statements for more information on these charges.

Lignite cost increased from € 195.3 million for the first six months of 2002 to € 255.9 million for the same period in 2003, an increase of € 60.6 million, or 31.0%. This increase was due principally to higher depreciation charges of € 29.9 million over the period, principally as a result of the revaluation of our fixed assets, which are included in lignite production cost and consequently in the lignite consumption figure, as well as the purchase of lignite from third parties for our new lignite-fired power station in Florina.

In addition, payroll cost increased by € 42.9 million in the first six months of 2003 over the same period in 2002, as a result of an approximately 5% increase in employees' basic wages, pursuant to our collective bargaining agreement with the General Federation of PPC Employees ("GENOP") and a bonus of € 28.5 million given to our employees. The increase in wages over this period was partially offset by a decrease in employee numbers of approximately 2% due to natural attrition. Payroll cost consists of wages and employee benefits for all of our employees, except for the employees of our Mining business unit, whose payroll cost are accounted for in the cost of lignite production, and certain employees involved in the construction of fixed assets, whose payroll cost is capitalised. For the six months ended 30th June, 2003, payroll cost reflected in our statements of income represented 70.0% of total payroll cost, as compared with 69.1% for the same period in 2002. The following table shows our total payroll cost less capitalisation and its allocation to various lines in our accounts:

	Six months ended 30th June,	
	2002	2003
	(euro thousands)	
Total payroll cost	565,359	619,369
Less:		
Capitalisation of payroll to fixed assets	(52,572)	(56,042)
Payroll cost included in lignite production	(122,167)	(129,829)
Payroll cost per statement of income	390,620	433,498

Materials and consumables increased by € 20.1 million, or 66.6%, for the first six months of 2003 over the same period in 2002 due primarily to materials consumed for the maintenance of certain projects in anticipation of the Olympic Games to be held in Athens in 2004 and in relation to our programme of preventive maintenance. Notwithstanding a decrease in the electricity production from oil sources over the period, liquid fuel cost increased from € 205.0 million in the first six months of 2002 to € 218.9 million over the same period in 2003, an increase of € 13.9 million, or 6.8%, as a result of higher consumption on the autonomous islands where the type of fuel consumed is more expensive.

The increase in expenses was partially offset by a decrease in energy purchases of € 12.0 million, or 15.8%, due to fewer imports and the impact of the appreciation of the euro against the U.S. dollar on U.S. dollar denominated purchases. In addition, provisions decreased from € 48.1 million for the first six months of 2002 to € 28.7 million for the same period in 2003, a decrease of € 19.4 million, or 40.3%, as a result of a decrease of € 17 million in provisions for litigation with employees and third parties, as well as a decrease in provisions for slow moving materials of approximately € 3 million.

Profit from operations

Profit from operations decreased from € 353.5 million for the first six months of 2002 to € 318.6 million for the same period in 2003, a decrease of € 34.9 million, or 9.9%, principally due to higher expenses (mostly depreciation expenses and transmission system fees paid to the HTSO), which offset the increased revenues over the same period. EBITDA, as defined above, was € 582.7 million for the first six months of 2003, as compared with € 491.4 million for the same period in 2002, an increase of € 91.3 million, or 18.6%. This increase was due to a € 291.9 million increase in revenue, offset by a € 200.5 million increase in expenses excluding depreciation and amortisation.

Financial expense

Financial expense consists primarily of interest charged on our borrowings. Financial expense decreased from € 120.4 million for the first six months in 2002 to € 89.3 million for the same period in 2003, a decrease of € 31.1 million, or 25.8%. This was due primarily to lower interest rates for the period as well as a reduction in our outstanding long-term debt of approximately € 564.5 million between 30th June, 2002 and 30th June, 2003.

Financial income

Financial income consists of interest on our time deposits, interest on government bonds issued to us by the Hellenic Republic, penalties for late payments by our customers and profits from the favourable movements in the fair value of our swap agreements. Financial income increased from € 8.6 million to € 20.0 million for the first six months of 2003, an increase of € 11.4 million, or 132.6%, compared with the same period in 2002. This was due primarily to a discount of € 5.5 million received from the Greek tax authorities for paying our income taxes for our first fiscal period as a *société anonyme* in one instalment, which was partially offset by the lower interest we earned on our time deposits.

Foreign currency gains

Foreign currency gains are primarily associated with borrowings denominated in currencies other than the Greek drachma or, subsequent to 1st January, 2001, the euro (mainly Japanese yen and Swiss francs). In addition, foreign currency gains (losses) are associated with agreements we entered into with foreign suppliers with respect to purchases of equipment. These purchases are mainly denominated in U.S. dollars and British pounds. We are also subject to exchange rate exposure for liquid fuel and part of our electricity purchases since these purchases are denominated in U.S. dollars. For the first six months in 2003, we had foreign currency gains of € 47.8 million as compared to foreign currency gains of € 17.0 million over the same period in 2002, as a result of the significant appreciation of the euro during the period against other currencies, especially the Japanese yen. Of the gains of € 47.8 million, € 22.7 million related to unrealised gains from the period end translation of bonds denominated in Japanese yen. These bonds were repaid in July 2003 and a gain of € 15.2 million was realised, € 7.5 million lower than the above unrealised gain.

Other income (expense), net

Other income (expense), net consists principally of disposal of fixed assets, governmental and European Union subsidies in respect of employee training and development costs, disposal of securities and materials and payments by contractors under penalty clauses. Net other income increased from € 4.9 million for the first six months of 2002 to € 8.8 million for the same period in 2003, an increase of € 3.9 million, or 79.6%. This increase was due primarily to certain expenses for the first six months of 2002 which were not incurred in 2003. These expenses in 2002 were for certain benefits to our employees relating to prior periods of € 12.8 million, as well as a negative adjustment of € 4.8 million of reimbursable costs charged to the Greek State, which, however, were partially offset by the collection during the same period of € 9.2 million pursuant to the terms of the arbitration award rendered against Aluminium of Greece in June 2002 as well as certain subsidies concerning expenses that were received in greater amounts in the first six months of 2002 than in the same period in 2003. You should read note 37 to the audited consolidated financial statements for more information on other income (expense).

Loss in associates

For the first six months of 2003, we recorded, for the first time, losses of € 18.7 million, relating to our share in the results of operations of WIND-PPC Holding N.V. (the "Holding Company") (an associate of PPC Telecommunications Services S.A.), which owns Tellas. You should read note 13 to our audited financial statements for more information on investments in associates. PPC Telecommunications Services S.A. holds 50% minus one share in the Holding Company.

Income taxes

The following table shows a breakdown of our income taxes for the periods indicated:

	Six months ended 30th June,	
	2002	2003
	(euro thousands)	
Income taxes:		
Current income taxes	108,804	115,833
Deferred income taxes	(8,714)	(4,212)
Total income tax expense	100,090	111,621

We recorded a total tax provision of € 111.6 million in the first six months of 2003 as compared with € 100.1 million for the same period in 2002, an increase of 11.5%, reflecting higher profit before tax. Under Greek law, we are subject to an income tax rate of 35.0%. Our effective tax rate for the six months ended 30th June, 2003 and 2002 was approximately 38.9% and 38.0%, respectively. The main reason for the effective tax rate being higher than the statutory rate was the existence of non-tax deductible expenses. You should read note 18 to our audited consolidated financial statements for more information on income taxes.

Profit after tax

Profit after tax increased from € 163.5 million in 2002 to € 175.7 million in 2003, an increase of € 12.2 million, or 7.5%. This increase was due principally to a decrease in operating income and financial expenses, as well as an increase in foreign currency gains, partially offset by our loss in associates in connection with our telecommunications activities.

RESULTS OF OPERATIONS FOR THE YEARS ENDED 31ST DECEMBER, 1999, 2000, 2001 AND 2002

Revenues

The following table shows the sources of our revenues for the years ended 31st December, 1999, 2000, 2001 and 2002:

	Year ended 31st December,			
	1999	2000	2001	2002
	(euro thousands)			
Revenues:				
Revenue from electricity sales	2,632,587	2,835,759	3,052,957	3,318,430
Other[1]	26,976	32,405	38,430	102,276
Total revenues	2,659,563	2,868,164	3,091,387	3,420,706

(1) Other revenues include sales of lignite bricquets and dried lignite, ash and steam to industrial customers, commissions for the collection of municipal, public television and radio duties and, fees invoiced to the HTSO in our capacity as owner of the interconnected transmission system.

2002 compared with 2001. Total revenues increased from € 3,091.4 million in 2001 to € 3,420.7 million in 2002, an increase of € 329.3 million, or 10.7%. The increase in revenues was attributable to the partial effect of an increase in tariffs of 3.85% for all customers (except for Aluminium of Greece and Larco) which took effect in July 2002 and the full effect of a weighted average of 3.6% tariff increase for all customers, except for Aluminium of Greece and Larco, which took effect in July 2001. Pursuant to an arbitration award rendered against Aluminium of Greece in June 2002 and with a retroactive effect as of 1st January, 1999, we have been able to increase electricity tariffs for Aluminium of Greece and Larco by approximately 5%, although they are still significantly lower than our tariffs to other Eligible Customers. The sums received under this award up to 31st December, 2001 are accounted for under other income (expense). The increase in revenues was also due to a 6% increase in volume of sales as well as fees of € 51.8 million invoiced to the HTSO in our capacity as owner of the interconnected transmission system for the first time in the last quarter of 2002.

2001 compared with 2000. Total revenues increased from € 2,868.2 million in 2000 to € 3,091.4 million in 2001, an increase of € 223.2 million, or 7.8%, due to a 2.8% higher volume of sales and the partial effect of an increase in tariffs of a weighted average of 3.6% for all customers, except for Aluminium and Larco, in July 2001 as well as the full effect of a 3% increase in tariffs in September 2000.

2000 compared with 1999. Total revenues increased from € 2,659.6 million in 1999 to € 2,868.2 million in 2000, an increase of € 208.6 million, or 7.8%, due to higher volumes of sales and a 3% increase in tariffs for all customers, except for Aluminium of Greece and Larco, in September 2000.

Expenses

The following table shows a breakdown of our expenses for each of the following years:

	Year ended 31st December,			
	1999	**2000**	**2001**	**2002**
	(euro thousands)			
Expenses:				
Payroll cost	680,373	684,948	731,034	767,445
Pension deficit	134,266	0	0	0
Lignite	382,125	407,031	398,539	405,998
Liquid fuel	321,444	485,632	435,090	456,392
Natural gas	111,915	274,717	314,163	272,650
Depreciation and amortisation	177,928	214,354	216,032	243,552
Impairment loss	0	43,357	0	0
Utilities and maintenance	70,788	79,281	65,450	64,479
Transmission system usage	0	0	6,905	69,063
Materials and consumables	65,682	70,139	69,382	72,357
Energy purchases	17,180	31,322	122,988	149,345
Third party fees	12,860	18,098	24,890	15,668
Taxes and duties	14,603	15,375	21,092	22,516
Provisions	30,711	22,772	29,373	73,603
Other expenses	43,375	71,721	48,053	57,392
Total expenses	2,063,250	2,418,747	2,482,991	2,670,460

2002 compared with 2001. Expenses increased from € 2,483.0 million in 2001 to € 2,670.5 million in 2002, an increase of € 187.5 million or 7.6%. This increase in cost was due principally to an increase in fees charged by the HTSO of € 62.2 million, for our use of the transmission system. The increase in the HTSO fees was due to the commencement of transmission usage fees charged by the HTSO in the last quarter of 2002 for an amount of € 69.1 million as compared to € 6.9 million relating to administrative fees paid to the HTSO in 2001. Provisions also increased from € 29.4 million in 2001 to € 73.6 million in 2002, an increase of € 44.2 million, or 150.3%, due to the provision made for the receivable from the PIO for an amount of € 18 million for the electricity supplied to the pensioners at a reduced tariff, as well as an increase of the provision for litigation of € 19 million. In addition, energy purchases increased from € 123.0 million in 2001 to € 149.3 million in 2002, an increase of € 26.3 million, or 21.4%, primarily to meet demand and to take advantage of the lower cost electricity imports during a period of high fuel prices. Liquid fuel cost increased from € 435.1 million in 2001 to € 456.4 million in 2002, an increase of € 21.3 million, or 4.9%, as fuel oil consumption increased over the period.

Other expenses also increased from € 48.1 million in 2001 to € 57.4 million in 2002, an increase of € 9.3 million, or 19.3%, as a result of writing-off certain projects that were permanently halted and a slight increase in transportation and travelling expenses. In addition, depreciation and amortisation expenses increased from € 216.0 million to € 243.6 million, an increase of € 27.6 million, or 12.8%, primarily due to the commencement of operations of our CCGT power station in Komotini during the first half of 2002.

In 2002, payroll cost increased from € 731.0 to € 767.4 million, an increase of € 36.4 million, or 5.0%. This increase was the result of an approximately 5% increase in employees' wages, pursuant to our collective agreement with GENOP and seniority adjustments, despite a reduction in our number of employees over the same period. For the year ended 31st December, 2002, payroll cost reflected in our statements of income represented 69.0% of total payroll cost, as compared with 68.1% for the year ended 31st December, 2001.

The following table shows our total payroll cost less capitalisation and its allocation to various lines in our accounts:

	Year ended 31st December,			
	1999	2000	2001	2002
	(euro thousands)			
Total payroll cost	1,002,626	1,040,305	1,073,435	1,111,772
Less:				
Capitalisation of payroll to fixed assets	(119,281)	(122,134)	(97,420)	(103,203)
Payroll cost included in lignite production	(202,972)	(212,323)	(224,417)	(241,124)
Payroll of the PIO	0	(20,900)	(20,564)	0
Payroll cost per statement of income	680,373	684,948	731,034	767,445

This increase in expenses was partially offset by a decrease in natural gas costs. Natural gas costs decreased from € 314.2 million in 2001 to € 272.7 million in 2002, a decrease of € 41.5 million, or 13.2% as a result of a decrease in the price of natural gas purchased. Third party fees also decreased from € 24.9 million in 2001 to € 15.7 million in 2002, a decrease of € 9.2 million, or 36.9%, as a result of higher consulting fees paid in 2001 regarding the implementation of our new organisational and management structure in line with our segmental reporting.

2001 compared with 2000. Expenses increased from € 2,418.7 million in 2000 to € 2,483.0 million in 2001, an increase of € 64.3 million or 2.7%. Energy purchases increased from € 31.3 million to € 123.0 million, an increase of € 91.7 million or 293.0%, primarily to meet demand and to take advantage of the lower-cost electricity imports during a period of high fuel prices. In 2001, payroll cost increased from € 684.9 million for 2000 to € 731.0 million in 2001, an increase of € 46.1 million, or 6.7%. This increase was the result of an approximately 6% increase in employees' wages, pursuant to our collective agreement with GENOP, despite a reduction in our number of employees over the same period.

Natural gas costs in 2001 increased from € 274.7 million in 2000 to € 314.2 million in 2001, an increase of € 39.5 million, or 14.4%, as a result of an increase in both volume and price of natural gas purchased. Third party fees also increased from € 18.1 million in 2000 to € 24.9 million in 2001, an increase of € 6.8 million, or 37.6%, as a result of consulting fees paid in 2001 regarding the implementation of our new organisational and management structure. The increase in expenses was partially offset by lower utilities and maintenance expenses in 2001. These expenses decreased from € 79.3 million in 2000 to € 65.5 million in 2001, a decrease of € 13.8 million, or 17.4%, in the context of our overall cost reduction programme. In addition, liquid fuel cost in 2001 decreased by € 50.5 million, or 10.4%, as compared with 2000, as a result of a decrease in fuel oil prices in the first six months of 2001 and a decrease in volume of liquid fuel purchased due to increases in the volume of imported lower-cost electricity. Other expenses also decreased in 2001 by € 23.6 million, or 32.9%, as compared with 2000, as a result of providing for a non-collectible VAT claim and a slight decrease in transportation and travelling expenses.

2000 compared with 1999. Expenses increased from € 2,063.2 million in 1999 to € 2,418.7 million in 2000, an increase of € 355.5 million or 17.2%. Fuel costs (liquid fuel and natural gas) in 2000 increased by € 327.0 million, or 75.4%, as compared with 1999 as a result of an increase in fuel oil prices in 2000. This increase was principally due to an increase in heavy fuel oil price (57%) and an increase in both volume (44.3%) and price (70.1%) of natural gas purchased. The increase in the volume of gas was mainly due to the commencement of operations of one unit of our gas-fired power station in Lavrio. Energy purchases increased from € 17.2 million to € 31.3 million, an increase of € 14.1 million, or 82.0%, in order to take advantage of lower cost electricity imports during a period of high fuel prices.

We recorded an impairment loss for an amount of € 43.4 million for the first time in 2000 relating to our hydroelectric power stations. This loss reflects the determination of management that certain assets had suffered permanent impairment following the valuation of the fixed assets conducted by the independent appraiser.

The increase in expenses was partially offset by the absence of pension deficit expenses following the creation of the PIO. The pension deficit expense for 1999 was € 134.3 million.

Other expenses increased from € 43.4 million in 1999 to € 71.7 million in 2000, an increase of € 28.3 million, or 65.2%, due primarily to a provision for a non-collectible VAT claim. Depreciation and amortisation increased from € 177.9 million in 1999 to € 214.4 million in 2000, an increase of € 36.5 million, or 20.5%, principally as a result of additional fixed assets entering service in 2000, particularly mines and machinery. The amounts discussed do not include amortisation of deferred customers' contributions and subsidy income and depreciation included in lignite production cost. You should read note 34 and note 14 to the audited consolidated financial statements for more information on these charges.

Profit from operations

2002 compared with 2001. Profit from operations increased from € 608.4 million in 2001 to € 750.2 million in 2002, an increase of € 141.8 million or 23.3 %. This increase was due principally to increased revenues for 2002 and a smaller increase in expenses. EBITDA was € 1,027.8 million in 2002, as compared with € 869.0 million in 2001, an increase of € 158.8 million or 18.3%. This increase was due to a € 329.3 million increase in revenue, offset by a € 170.5 million increase in expenses excluding depreciation and amortisation.

2001 compared with 2000. Profit from operations increased from € 449.4 million in 2000 to € 608.4 million in 2001, an increase of € 159.0 million, or 35.4%. This increase was due principally to higher revenues for 2001 and a smaller increase in expenses. EBITDA was € 869.0 million in 2001, as compared with € 692.7 million in 2000, an increase of € 176.3 million or 25.5%. This increase was due to a € 223.2 million increase in revenue, offset by a € 46.8 million increase in expenses excluding depreciation and amortisation.

2000 compared with 1999. Profit from operations decreased from € 596.3 million in 1999 to € 449.4 million in 2000, a decrease of € 146.9 million, or 24.6%. This decrease was attributable principally to higher fuel costs, increased depreciation and the impairment loss for 2000, which more than offset higher revenues and the elimination of pension liability payments. EBITDA was € 692.7 million in 2000, as compared with € 798.1 million in 1999, a decrease of € 105.4 million or 13.2%. This decrease was due to a € 208.6 million increase in revenue, offset by a € 314.0 million increase in expenses excluding depreciation and amortisation.

Financial expense

2002 compared with 2001. Financial expense decreased from € 268.6 million in 2001 to € 232.3 million in 2002, a decrease of € 36.3 million, or 13.5%. This decrease was attributable mainly to lower interest expense resulting from reduced interest rates, and to the reduction of our outstanding debt.

2001 compared with 2000. Financial expense decreased from € 337.0 million in 2000 to € 268.6 million in 2001, a decrease of € 68.4 million, or 20.3%. This decrease was attributable mainly to reduced interest rates.

2000 compared with 1999. Financial expense decreased from € 387.0 million in 1999 to € 337.0 million in 2000, a decrease of € 50.0 million, or 12.9%. This decrease was attributable mainly to reduced interest rates. Notwithstanding the decrease in interest rates, our total debt increased by 8.5% from € 4.7 billion at 31st December, 1999 to € 5.1 billion at 31st December, 2000 due to increased borrowings for capital expenditure.

Financial income

2002 compared with 2001. Financial income decreased from € 19.6 million in 2001 to € 16.9 million in 2002, a decrease of € 2.7 million, or 13.8%. This decrease was attributable mainly to lower short-term interest rates during this period and lower amounts in time deposits.

2001 compared with 2000. Financial income decreased from € 33.5 million in 2000 to € 19.6 million in 2001, a decrease of € 13.9 million, or 41.5%. This decrease was attributable mainly to lower short-term interest rates during this period and lower amounts in time deposits.

2000 compared with 1999. Financial income decreased from € 45.1 million in 1999 to € 33.5 million in 2000, a decrease of € 11.6 million, or 25.7%. This decrease was attributable mainly to lower interest rates during this period and lower amounts in time deposits.

Foreign currency gains (losses)

In 2002, foreign currency gains increased from € 7.7 million in 2001 to € 43.4 million in 2002, an increase of € 35.7 million. This was due to the appreciation of the euro against the currencies to which we have foreign currency exposure. In 2001, we recorded foreign currency gains of € 7.7 million as compared to foreign currency losses of € 95.7 million in 2000. This was due principally to the appreciation of the euro against the currencies to which we have foreign currency exposure. Foreign currency losses decreased from € 201.3 million in 1999 to € 95.7 million in 2000, a decrease of € 105.6 million, or 52.5%. This decrease was attributable principally to lower depreciation of the Greek drachma against the currencies to which we have foreign currency exposure.

Other income (expense), net

Net other income decreased from € 31.4 million in 2001 to € 14.6 million in 2002, a decrease of € 16.8 million, or 53.5%. This decrease was due primarily to a decrease in profits from the sale of materials and the retirement of fixed assets from € 7.9 million in 2001 to € 3.1 million in 2002. In addition, in 2001, we recorded profits of € 7.9 million and a charge of € 19.9 million, as a result of both a change in the method of recognition of certain benefits to our employees relating to prior periods (for € 12.8 million) and the adjustment of reimbursable costs charged to the Greek State for € 7.1 million, which was partially offset by the collection of € 13.1 million pursuant to the terms of the arbitration award rendered against Aluminium of Greece in June 2002. Other income (expense) increased from € 15.4 million in 2000 to € 31.4 million in 2001, an increase of € 16.0 million, or 103.9%. This increase was due primarily to the absence in 2001 of a tax relating to the statutory revaluation of our fixed assets in 2000 and to higher gains from the sale of materials. Other income decreased from € 37.3 million in 1999 to € 15.4 million in 2000, a decrease of € 21.9 million, or 58.7%. This decrease was due primarily to a tax incurred in 2000 relating to the statutory revaluation of our fixed assets. You should read note 37 to our audited consolidated financial statements for a more detailed discussion on other income.

Income taxes

The following table shows a breakdown of our income taxes for the periods indicated:

	Year ended 31st December,			
	1999	2000	2001	2002
Income taxes:				
Current income taxes	24,778	35,116	144,336	157,271
Deferred income taxes	1,737	5,679	2,332	(44,301)
Total income tax expense	26,515	40,795	146,668	112,970

2002 compared with 2001. We recorded a total tax provision of € 113.0 million in 2002, as compared with € 146.7 million in 2001, a decrease of € 33.7 million, or 23%. The applicable statutory tax rate during this period was 35% and our effective tax rates for 2002 and 2001 were 19.1% and 36.8%, respectively. The main reason for the effective tax rate being lower than the statutory rate in 2002 is the additional depreciation expense recorded in our statutory books following the appraisal of our fixed assets as of 1st January, 2001, while for IFRS reporting purposes such appraisal was recorded at 31st December, 2002.

2001 compared with 2000. We recorded a total tax provision of € 146.7 million in 2001, as compared with € 40.8 million in 2000, an increase of € 105.9 million, or 259.6%. The applicable statutory tax rate during this period was 35% and our effective tax rate for 2001 and 2000 was 36.8% and 62.1% respectively. The main reason for the effective tax rate being higher than the statutory rate is high non-deductible expenses, such as tax assessments and penalties, which more than offset non-taxable profits.

2000 compared with 1999. We recorded a total tax provision of € 40.8 million in 2000, as compared with € 26.5 million in 1999, an increase of € 14.3 million, or 54.0%. The applicable tax rate during this period was 35% and our effective tax rate for 2000 was 62.1%. The main reason for the effective tax rate being higher than the statutory rate is high non-deductible expenses, such as tax assessments and penalties, which more than offset non-taxable profits.

Profit after tax

2002 compared with 2001. Profit after tax increased from € 251.8 million in 2001 to € 480.0 million in 2002, an increase of € 228.2 million, or 90.6%, due to higher operating income, lower net financial expense and certain foreign currency gains.

2001 compared with 2000. Profit after tax increased from € 24.9 million in 2000 to € 251.8 million in 2001, an increase of € 226.9 million, or 911.2%. This increase was due principally to an increase in operating revenues, the reversal of foreign currency losses into foreign currency gains, the absence of impairment loss recorded in 2000 for an amount of € 43.4 million as well as a decrease in financial expenses.

2000 compared with 1999. Profit after tax decreased from € 63.9 million in 1999 to € 24.9 million in 2000, a decrease of € 39.0 million, or 61%. This decrease was due principally to higher fuel costs and the impairment loss for 2000, which more than offset the elimination of pension payments.

Segmental Information

Prior to 2001, we have managed our operations on an integrated basis, without separately identifiable business units. In 2001, we introduced an organisational and management structure reflecting our core business operations, separated into the following four business units: Generation, Transmission, Distribution and Mining. Following these efforts, effective 1st January, 2002, we have adopted segmental information reporting according to IFRS 14, with separate identification of Generation, Transmission and Distribution activities. Our mining activities are included in the Generation segment as a key component of our electricity generation value chain.

The table below provides segmental information for the year ended 31st December, 2002:

	Generation	Transmission	Distribution	Eliminations	Consolidated
Revenues					
External sales of electricity	0	0	3,318,430	0	3,318,430
Other external sales	12,160	61,548	28,568	0	102,276
Inter-segment sales	2,312,206	166,290	274,733	(2,753,229)	0
Total revenues	2,324,366	227,838	3,621,731	(2,753,229)	3,420,706
Depreciation and Amortisation					
Depreciation and amortisation	167,861	27,056	173,032	—	367,949
Inter-Segment Costs					
Inter-segment costs	127,293	3,797	2,622,139	(2,753,229)	0
Income					
Segment result	381,168	108,727	103,037	—	592,932
Income taxes	—	—	—	—	(112,970)
Net profits	—	—	—	—	479,962
Capital Expenditure					
Capital expenditure	319,078	72,361	232,700	—	624,139
Assets					
Segment assets	5,469,061	1,362,790	3,330,689	—	10,162,540
Unallocated corporate assets	—	—	—	—	323,701
Total consolidated assets	—	—	—	—	10,486,241
Liabilities					
Segment liabilities	685,213	86,969	1,783,995	—	2,556,177
Unallocated corporate liabilities	—	—	—	—	4,642,924
Total consolidated liabilities	—	—	—	—	7,199,101

The table below provides segmental information for the six-month periods ended 30th June, 2002 and 2003[1]:

	Generation		Transmission		Distribution		Eliminations		Consolidated	
	For the six months ended 30th June,									
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Revenues										
External sales of electricity	482	22,135	0	0	1,600,280	1,753,841	0	0	1,600,762	1,775,976
Other external sales	3,840	8,967	4,736	108,412	13,995	21,832	0	0	22,571	139,211
Inter-segment sales	1,111,150	1,732,606	80,246	0	120,710	98,422	(1,312,106)	(1,831,028)	0	0
Total revenues	1,115,472	1,763,708	84,982	108,412	1,734,985	1,874,095	(1,312,106)	(1,831,028)	1,623,333	1,915,187
Depreciation and amortisation										
Depreciation and amortisation	83,947	175,261	9,075	37,253	88,389	101,250	—	—	181,411	313,764
Other Non-Cash Expenses										
Other non-cash expenses	41,584	92,743	0	5,679	1,270,522	1,732,606	(1,312,106)	1,831,028	0	0
Income										
Segment results	200,143	617,859	29,837	16,916	33,628	(347,485)	—	—	263,608	287,290
Income taxes	—	—	—	—	—	—	—	—	(100,090)	(111,621)
Net profits	—	—	—	—	—	—	—	—	163,518	175,669
Capital expenditure										
Capital expenditure	168,703	119,279	36,099	41,721	105,835	128,760	—	—	310,637	289,760
Assets										
Segment assets	4,281,295	5,652,354	711,036	1,341,467	2,660,573	3,133,807	—	—	7,652,904	10,127,628
Unallocated corporate assets	—	—	—	—	—	—	—	—	381,888	342,393
Total assets	—	—	—	—	—	—	—	—	8,034,792	10,470,021
Liabilities										
Segment liabilities	760,598	807,601	82,415	94,199	1,513,628	1,740,885	—	—	2,356,641	2,642,685
Unallocated corporate liabilities	—	—	—	—	—	—	—	—	5,283,026	4,477,720
Total liabilities	—	—	—	—	—	—	—	—	7,639,667	7,120,405

(1) Effective 1st January, 2003, power stations on the autonomous islands are included for segment information presentation purposes in the Generation segment as opposed to prior periods when they were included in the Distribution segment.

LIQUIDITY AND CAPITAL RESOURCES

Cashflow and Liquidity

Our primary source of liquidity is cash generated from operations. Operating profit before working capital changes (as defined in our financial statements) for the first six months of 2003 was € 591.4 million as compared with € 557.7 million for the same period in 2002, an increase of 33.7 million. This increase was in part due to an € 91.3 million increase in EBITDA and certain other factors, including changes in depreciation and amortisation.

Net cash provided by operating activities for the first six months of 2003 was € 445.4 million as compared with € 549.4 million for the same period in 2002. This decrease of € 104.0 million was primarily due to payment of income tax-related amounts of € 215.7 million in the first six months of 2003 (which we were not required to pay in the first six months of 2002), which was in part off-set by an increase in operating profit before working capital changes and the decrease of the PIO balance by € 38.9 million.

Operating profit before working capital changes was € 1,105.6 million in 2002, as compared with € 897.2 million in 2001, an increase of € 208.4 million. This increase was primarily due to a € 158.8 million increase in EBITDA and certain other factors, including changes in depreciation and amortisation.

Net cash from operating activities increased from € 933.5 million in 2001 to € 1,300.9 million in 2002, an increase of € 367.4 million. This increase was primarily due to the increase in operating profit before working capital changes, the collection of € 23.0 million of amounts in dispute with the tax authorities, the extension of payment terms on all of our new contracts with suppliers and the commencement of accounting for social security payable to the PIO.

Net cash used in investing activities for the first six months of 2003 was € 224.2 million as compared with € 235.0 million during the same period in 2002, a decrease of 4.6%, mainly due to a decrease of 4.1% in capital expenditure for property, plant and equipment. Net cash used in investing activities was € 527.2 million in 2001 as compared to € 443.0 million in 2002. This decrease was principally due to lower proceeds from subsidies and customers' contributions and lower capital expenditure and proceeds from government bonds.

Net cash used in financing activities was € 320.9 million in the first six months of 2002 as compared with € 213.3 million for the same period of 2003. In the first half of 2002, cash flows from financing activities were used to repay € 266.2 million in long-term debt as well as interest payments of € 101.8 million and the payment of an interim dividend of € 13.2 million, with additional short-term borrowings of € 53.2 million being obtained during the same period. In the first half of 2003, cash flows from financing activities were used to repay € 370.0 million in long-term debt and € 49.7 million in short-term borrowings, as well as interest payments of € 79.7 million, while additional long-term debt of € 287.5 million was obtained during the same period. Net cash used in financing activities in 2002 was € 876.8 million as compared with net cash used in financing activities of € 373.0 million in 2001. In 2002, net cash in financing activities was used to repay € 867.5 million in long-term debt, interest payments of € 203.9 million, as well as the payment of an interim dividend of € 88.1 million, while additional long-term debt of € 181.3 million and short-term borrowings of € 101.3 million were obtained during the same period. In 2001, net cash in financing activities was used to repay € 698.7 million of long-term debt, € 27.7 million of short-term borrowings and interest payments of € 263.3 million, which were partly offset by € 141.9 million from proceeds of our shares offered in December 2001 and by € 474.6 million of additional long-term debt obtained during the same period.

As at 30th June, 2003, we held € 51 million in liquid assets, consisting of shares in National Bank of Greece with a market value of € 10.9 million, in Heracles Cement S.A. with a market value of € 3.5 million and in Evetam with a book value of € 0.2 million, and cash and cash equivalents of € 36.4 million.

	Amount (in Euro thousands)
Cash and Cash Equivalents[1]	36,401
Marketable and other Securities	14,627
	51,028

(1) Includes € 6,806 million, representing blocked deposits due to litigation.

Capital resources

As at 30th June, 2003, our total outstanding long-term debt (including the current portion) was € 4,002.7 million and our short-term debt was € 53.7 million. Financial expense totalled € 89.3 million for the six months ended 30th June, 2003.

We have entered into unsecured agreements with both domestic and international banks. We have entered into four credit facilities as at 30th June, 2003, for an aggregate amount of € 353.5 million. The unused portion of these facilities as at 30th June, 2003 amounted to € 299.8 million. Under certain loans, we would be in default if the Hellenic Republic ceased to hold at least 51% of our share capital. As a result of our transformation from a public corporation to a *société anonyme*, a number of the standard provisions in our loans needed to be amended to reflect the consequences of this transformation. We have informed all relevant banks of our transformation into a *société anonyme*. We have entered into a number of loan agreements with the European Investment Bank (EIB), which, as at 30th June, 2003, represented approximately 22.1% of our total borrowings. The Hellenic Republic guarantees 96.6% of existing EIB loans, while the remaining 3.4% of these loans are guaranteed by commercial banks. We pay to the Hellenic Republic a commission in the range of 0.50% to 1% on the outstanding balance of the loans guaranteed and a commission of 0.48% to the commercial banks.

As at 30th June, 2003, 17.3% of our total debt was denominated in foreign currencies and approximately 21.3% of our debt was guaranteed as to principal and interest by the Hellenic Republic. As at 30th June, 2003, 61.6% of our total debt was linked to floating rates and 38.4% was linked to fixed rates. We have entered into a number of interest rate swap agreements in order to hedge some of our floating interest rate exposure. You should read "Operating and Financial Review and Prospects—Quantitative and qualitative disclosures about market risk" for a discussion of those contracts. The average annual interest rate on our outstanding debt as at 30th June, 2003 was approximately 3.75% taking into account the effect of the swap agreements we have entered into.

Debt

The following tables summarise our long-term debt (including the current portion) in accordance with IFRS as at 30th June, 2003:

Maturity	Amount (in Euro thousands)
Within one year	639,981
1-5 years	2,550,163
Over 5 years	812,533
Total	4,002,677

Interest Rate Composition	Amount (in Euro thousands)
Bank loans and bonds	
— Fixed rate	1,558,152
— Floating rate	2,444,525
	4,002,677

Off-balance sheet arrangements

We do not engage in any off-balance sheet arrangements.

Capital expenditures

The table below sets out the capital expenditures by type of asset for the periods indicated: [(1)]

	Year ended 31st December,				Six months ended 30th June,	
	1999	2000	2001	2002	2002	2003
			(euro thousands)			
Land	6,814	4,161	4,921	2,174	112	2,590
Mines	47,231	31,425	34,406	14,926	6,131	2,712
Buildings	203,751	44,141	106,950	63,456	15,796	143,852
Machinery	553,955	466,169	560,601	605,250	228,486	669,725
Transportation	6,031	7,322	2,078	1,622	476	1,032
Furniture & equipment	17,564	15,316	9,030	17,577	6,670	6,614
Construction in progress, net[(2)]	(170,679)	345,098	101,925	(77,896)	54,906	(531,552)
Total	664,667	913,632	819,911	627,109	312,577	294,973

(1) These expenditures do not include software expenditures

(2) Construction in progress includes both additions to construction in progress as well as transfers to categories of property, plant and equipment.

Capital expenditures have remained high during recent years as a result of the need to construct new generating facilities in Komotini, Florina and Lavrio, and to upgrade the machinery used in our mines and generating stations. These include environmental upgrades for our power stations. In addition, we have been installing additional lines and substations in our distribution network throughout Greece to meet increased demand by existing and new clients.

COMMITMENTS

Although the actual amount of our capital expenditures in future periods will depend on various factors that cannot presently be foreseen, we expect to make capital expenditures for 2003 of approximately € 760 million, not taking into account customers' contributions and subsidies, equivalent to € 550 million after taking into account customers' contributions and subsidies. The expenditures are scheduled to be primarily concentrated in the Generation business unit and the Distribution business unit. We expect to fund our net capital expenditures through cash flow from operations.

We expect capital expenditures for the period 2004 to 2007 to be approximately € 3.1 billion in total not taking into account customers' contributions and subsidies (equivalent to a total of € 2.3 billion taking into account customers' contributions and subsidies), principally in the Generation business unit (which will include certain environmental expenditure according to our environmental audit report) and Distribution business unit. These investments will be subject to application of our stringent investment criteria and the overall impact of competition on our market.

In the Generation business unit, we plan to ensure compliance of our power stations with environmental regulations or with new terms that could be imposed in our environmental permits. For example, we are upgrading existing lignite electrostatic precipitators and fitting new lignite electrostatic precipitators in unit III of Megalopolis A. Similarly, we are upgrading existing ash precipitators and adding new ash electrostatic precipitators in Kardia 3 and 4. We are also in the contractual phase regarding ash precipitators for four units of our Agios Dimitrios power station.

Based upon an environmental audit report conducted by an independent environmental consultant, our aggregate environmental capital expenditure for the years 2001 to 2010 is estimated to be approximately € 425 million.

We do not currently expect to install any additional generating capacity beyond that which the new power stations at Messochora, Lavrio and Atherinolakkos-Lasithi will provide. Up to 2006, we are planning to construct a new CCGT Unit at our Lavrio station for an installed capacity of approximately 400 MW. In this respect, the Minister of Development issued the relevant license in July 2003. In addition, we are planning to construct a new hydroelectric power station in Ilarionas, Western Macedonia with generating capacity of 120 MW to be operational by 2009. Accordingly, and under the assumption that new entrants will enter the electricity market and provide

additional capacity in Greece, we do not expect to further increase significantly our new capacity investments in Greece over the next few years. However, we will continue to re-evaluate our prospects for increasing our generating capacity on an annual basis, particularly if new entrants do not start generating activities.

As the operator of the interconnected transmission system, the HTSO may require us to invest in this system to improve the efficiency and quality of the transmission system assets. We are required to undertake any improvements requested by the HTSO in respect of the interconnected transmission system and may be required to incur all expenses in connection with any such investment. Although we are entitled to compensation by the HTSO for all or part of this expenditure, our actual cost of investment could exceed the amount that we would receive as compensation. In addition, the HTSO prepares a five year development programme under which we are required to make capital investments. You should read "Risk Factors—We may be required to take decisions that could have a negative impact on our profitability" for a more detailed discussion on these investments.

In the Distribution business unit, we plan to continue upgrading the network and installing new electricity lines and substations, especially in connection with the Olympic Games in Greece in 2004. A significant part of our capital expenditure in the Distribution business unit is financed by customer contributions and with respect to the Olympic Games, by subsidies from the Hellenic Republic.

Our expected equity contribution to our telecommunications joint venture will be approximately € 80 million in total between 2002 and 2012. Up to this date, our equity contribution to the share capital of the Holding Company is € 40 million. We and WIND have agreed to each contribute a further € 40 million in equity contributions, through 2012. Additionally, we expect to invest approximately € 36 million in constructing the fibre optic backbone along our existing transmission and distribution lines, which is leased to Tellas for use pursuant to the terms of an exclusive agreement we signed in March 2003. We have already spent approximately € 11 million in building this network. The rental payments we receive from Tellas pursuant to the terms of our contract cover the cost of our capital expenditure relating to this investment. We expect Tellas to break-even on a cash flow basis by 2007.

In addition, our shareholders, at the general meeting held on 22nd November, 2002, approved a contract to be signed between ourselves and the Hellenic Republic regarding the option in DEPA. We are currently considering whether to exercise the option which was granted to us by the Hellenic Republic to acquire up to 30% of DEPA's shares. We are currently negotiating with the Hellenic Republic the price and the terms and the conditions regarding the exercise of this option. In case we acquire the stake in DEPA, we expect to finance it with cash generated from our operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to both foreign exchange risk and interest rate risk on our debt position and foreign exchange risk on our fuel purchases. We also purchase some electricity from outside Greece and some infrastructure equipment from foreign suppliers. As a consequence, we are subject to market risks from changes in foreign exchange rates.

Foreign exchange risk

Our principal foreign exchange risk relates to foreign currency borrowings and to fuel purchases. It also relates, to a lesser extent, to electricity imports and agreements with foreign suppliers for the purchase of certain infrastructure equipment. Our foreign currency risk is primarily in respect of Japanese yen, Swiss francs and U.S. dollars.

Our exchange rate exposure for electricity imports is principally limited to electricity imports denominated in U.S. dollars. In the first six months of 2003, about 75.2% of our electricity imports by value were denominated in U.S. dollars.

In addition, we are subject to exchange rate exposure for purchases of certain infrastructure equipment. We are also subject to exchange rate risk for liquid fuel and natural gas purchases since these purchases are priced directly and indirectly, respectively, in U.S. dollars. We do not manage these exposures through financial instruments. However, we closely monitor our exchange rate risk and review our current position on an on-going basis.

Most of our debt is denominated in euro and as a result is not subject to significant exchange rate risk. As at 30th June, 2003, we were bearing exchange rate risk on only € 702 million out of approximately € 4.06 billion in total debt outstanding. As at 30th June, 2003, our debt bearing foreign exchange risk represented 17.3%, and as a result of having entered into swap agreements, 21.8% of our total borrowings.

With respect to our long-term debt, we closely monitor the fluctuations in foreign currency exchange rates and in interest rates and evaluate the need to enter into any financial instruments to mitigate those risks on an on-going basis. We use currency swap agreements in managing the exposure to foreign exchange and interest rate risk. As at 30th June, 2003, we had one cross-currency and interest rate swap agreement and six interest rate swap agreements outstanding, with an outstanding aggregate notional amount of € 1.1 billion. Our net foreign exchange gains were € 7.7 million and € 43.4 million for the years ended 31st December, 2001 and 2002, respectively and € 47.8 million for the six months ended 30th June, 2003. The 2001 and 2002 foreign exchange gains were mostly a result of appreciation of the euro against the Japanese yen.

Interest rate risk

Our outstanding total debt as at 30th June, 2003 amounted to approximately € 4,056 million, of which approximately € 2,498 million, or 61.6%, was floating rate, principally based on EURIBOR, and approximately € 1,558 million, or 38.4%, was fixed rate. In order to increase our fixed rate debt position, we have entered into swap agreements to fix the interest rate on some of our floating rate debt and as a result, the effective split between floating and fixed rates was 35.8% and 64.2%, respectively, as at 30th June, 2003.

In interest rate swap agreements, we agree with other parties to exchange, at specified intervals, the difference between interest amounts calculated by reference to the notional principal amount and the fixed or floating interest rates that we have agreed with the other parties.

As at 30th June, 2003, we had six interest rate swap agreements outstanding with an outstanding notional amount of approximately € 940 million. As our revenues are not linked to interest rates, our principal interest rate risk is that a general rise in interest rates will result in a higher interest expense on the unhedged portion of our floating-rate debt. If interest rates were to increase by 100 basis points from their level on 31st December, 2002, assuming the same level, composition and hedging of our debt portfolio, our interest expense for the year 2003 would increase by a total of approximately € 16 million.

Market Risk

We have not entered into any hedging transactions to cover our exposure to price movements arising from the purchase of natural gas, liquid fuel and electricity.

THE MARKET FOR OUR SHARES

MARKET INFORMATION

Our shares are admitted to the ATHEX and have traded on the ATHEX since 12th December, 2001. Our shares are included in the ATHEX Composite Index and the FTSE/ATHEX-20 Index.

The table below sets forth for the periods indicated the high, low and month-end closing prices of our shares on the ATHEX, as well as the average daily turnover:

Period	High	Low	Close	Average daily turnover
			(euro)	
December 2001[1]	12.22	11.74	12.18	30,516,558
2002	15.26	12.08	13.20	4,075,854
January 2003	14.72	13.26	13.96	5,353,193
February 2003	14.24	13.76	14.24	2,507,714
March 2003	14.50	13.14	13.18	3,596,889
April 2003	13.66	13.16	13.58	2,519,931
May 2003	14.38	13.16	13.58	4,227,635
June 2003	16.04	13.80	15.70	6,161,462
July 2003	18.46	15.72	18.36	5,559,242
August 2003	18.48	16.78	17.68	6,099,251
September 2003	17.94	16.16	16.72	5,612,282
October 2003[2]	18.06	16.80	17.60	6,820,942

On 23rd October, 2003, the closing price of the shares on the ATHEX was € 17.60.

(1) From 12th December, 2001.
(2) Through 23rd October, 2003.

Source: Effect Finance

Our existing GDRs are admitted to the official list maintained by the UKLA and to trading on the LSE's market for traded securities, and have traded on the LSE since 12th December, 2001. The table below sets forth for the periods indicated the high, low and month-end closing prices of our GDRs on the LSE, as well as the average daily turnover:

Period	High	Low	Close	Average daily turnover
			(euro)	
December 2001[1]	12.20	11.40	12.00	2,523,650
2002	14.55	11.91	13.50	123,679
January 2003	14.00	13.50	14.00	93,951
February 2003	N/A[2]	N/A	N/A	1,750
March 2003	N/A	N/A	N/A	42,533
April 2003	N/A	N/A	N/A	4,900
May 2003	N/A	N/A	N/A	—
June 2003	15.25	15.25	15.25	115,261
July 2003	N/A	N/A	N/A	—
August 2003	N/A	N/A	N/A	—
September 2003	N/A	N/A	N/A	—
October 2003[3]	N/A	N/A	N/A	—

The last closing price of the GDRs on the LSE was € 15.25 on 25th June, 2003.

(1) From 12th December, 2001.
(2) N/A means information is not available due to limited trading of our GDRs.
(3) Through 23rd October, 2003.

Source: Bloomberg

No significant trading suspensions with respect to our shares have occurred on the ATHEX, nor have any significant trading suspensions with respect to our GDRs occurred on the LSE, since they commenced trading.

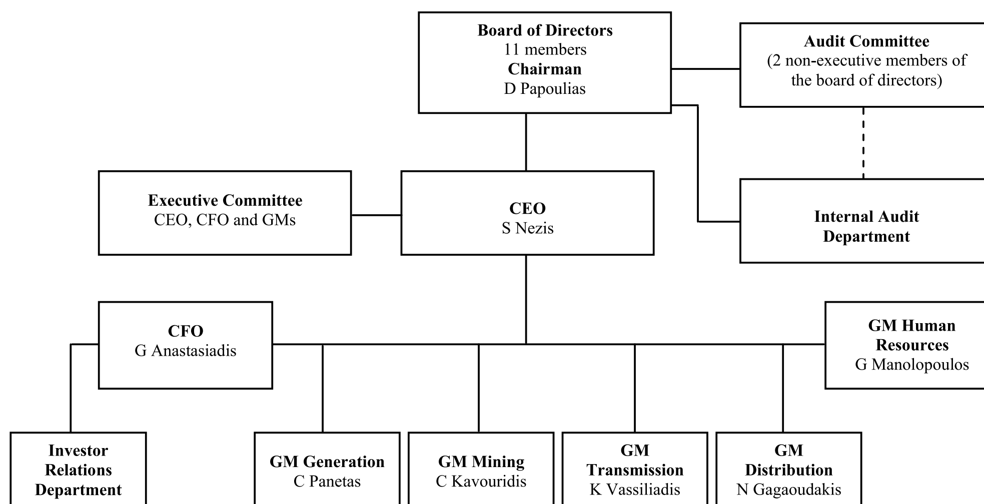
OVERVIEW

We are the largest electricity generator, the sole owner of transmission and distribution assets and the principal supplier of electricity in Greece, providing electricity to approximately 6.78 million customers as at 30th June, 2003. In the year ended 31st December, 2002, we generated approximately 97% of the 50,607 GWh of electricity produced in Greece.

We are among the largest industrial enterprises in Greece in terms of assets and revenues. In the year ended 31st December, 2002, we achieved total sales of electricity of € 3,318 million, profit from operations of € 750 million and profit after tax of € 480 million. As at 30th June, 2003, we had an installed generating capacity of 12,069 MW.

As an integrated electric utility, we generate electricity in our 95 power generating stations, facilitate the transmission of electricity through 11,151 kilometres of our high voltage power lines and distribute electricity to consumers through 201,676 kilometres of distribution network. We also produce almost all the lignite for our lignite-fired power stations from our five lignite mines.

The following diagram illustrates our organisational structure:



The following table shows selected operating data for our electricity operations for the five years ended 31st December, 2002 and for the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
Installed capacity (MW)	10,296	10,997	11,121	11,158	11,739	11,713	12,069
Net production(1) (GWh)	41,834	44,777	48,483	48,054	48,902	23,452	25,233
Electricity sold to final customers(2) (TWh)	39.6	41.1	44.3	45.5	48.2	22.7	24.4
Customers at end of period (millions)	6.3	6.4	6.5	6.6	6.7	6.7	6.8
Customers served per employee	188	195	206	224	234	229	238
Electricity sold per employee (MWh)	1,183	1,249	1,401	1,510	1,674	783	858
Number of employees	33,505	32,888	31,645	29,453	28,795	28,994	28,448

(1) Net production equals gross production of electricity less internal consumption of electricity in the generating process.
(2) Including sales to our mines and customers abroad.

Electricity demand and generation vary widely across Greece. On the mainland, generation capacity is concentrated in the north in close proximity to the majority of our lignite mines, our primary fuel source. On the islands, power generation depends on proximity to the mainland and accordingly on the feasibility of connection to the mainland transmission system. Corfu and the other Ionian islands, as well as certain of the Aegean islands, are connected to the mainland transmission system and together with the mainland transmission system constitute the interconnected system. The remaining islands are served by autonomous generating power stations fired principally by oil, as well as wind and other renewable resources. We refer to these islands as the autonomous islands. Most of the power stations on the autonomous islands are small, reflecting the populations they serve, although our stations on Crete and Rhodes are comparable in size to certain of our mainland stations.

Although our electricity generating costs vary from station to station, depending on fuel costs and efficiency of our stations, the prices that we charge our customers (other than certain large customers and customers in certain special categories (e.g. municipalities)) are, by law, standardised across Greece, including customers on the autonomous islands. For the first six months of 2003, the average tariff per 100 KWh ranged from € 3.1 for medium voltage agricultural customers to € 10.5 for commercial low voltage customers. Our margins are generally higher in respect of the interconnected system than the autonomous islands, where fuel costs are generally higher, total costs of production are generally higher due to the nature of the generation assets and station efficiency is generally lower.

On mainland Greece, we own and operate 37 generating power stations, consisting of 12 thermal stations, 22 hydroelectric stations and three wind parks, supplying electricity to the interconnected system. On the autonomous islands, we own and operate 33 autonomous thermal stations, two hydroelectric stations, 18 wind parks and five solar (photovoltaic) power stations. In 2002, approximately 93% of the electricity we generated was from thermal sources (electricity produced from lignite, natural gas and oil), more than 6% was from hydroelectric sources and significantly less than 1% was from wind and other renewable resources. We do not operate any nuclear power stations. In 2002, our five lignite mines in Greece (the responsibility of our Mining business unit) produced all the lignite used by our seven lignite-fired power stations, which generated approximately 64% of our total electricity production. In 2002, we were the second largest lignite producer in the European Union in terms of metric tonnes extracted, mining approximately 70.3 million tonnes of lignite. In 2003, we started purchasing about half of the lignite needed for our new lignite-fired power station at Florina from a private mine in order to secure a consistent supply of sufficiently high calorific value lignite.

We conduct our generation activities through our Generation business unit and our Distribution business unit. The Generation business unit handles electricity generation in the interconnected system and the autonomous islands of Crete and Rhodes, the largest islands in terms of electricity production and consumption. You should read "Our Business—Generation" for a more detailed discussion of our generation activities in the interconnected system and the autonomous islands of Crete and Rhodes. The Distribution business unit is responsible for the generation of electricity on the rest of the autonomous islands.

We are the sole owner of the network of high voltage 400 kV, 150 kV and 66 kV lines that comprise the Greek transmission system. The transmission system transports all the electricity transmitted to the distribution network for sale in Greece. At 30th June, 2003, the high voltage system consisted of a total of 11,151 kilometres of power lines and 628 transformers. Our electricity transmission activities (including the physical operation and maintenance of the interconnected transmission system at the direction of the HTSO) are conducted by the Transmission business unit for the interconnected system and by the Distribution business unit on the autonomous islands. The transmission system in the interconnected system, transporting electricity from power stations or, in the case of imported electricity, from the interconnection points, to our distribution network throughout the interconnected system and to certain directly connected high voltage customers, is referred to as the interconnected transmission system.

We are the sole electricity distributor in Greece, responsible for ownership and operation of the distribution network and for sales of electricity to almost all final customers. As of 1st August, 2003, we are no longer the sole supplier of electricity as the supplier "ATEL HELLAS S.A." started supplying imported electricity to an Eligible Customer ("HARTOPIIA THRAKIS S.A.") for a total of 2 MW. Of our sales to end customers in the year ended 31st December, 2002, measured by volume, approximately 30.6% were to industrial customers, 30.2% were to customers in the commercial and other services sector, 33.9% were to residential customers and 5.3% were to the agricultural sector. At 30th June, 2003, our distribution network consisted of approximately 95,724 kilometres of medium voltage (22, 20, 15 and 6.6 kV) and 105,952 kilometres of low voltage (220 and 380 volt) power lines and 132,510 medium voltage transformers with a total capacity of 22,300 MVA. All of our electricity distribution activities (including electricity sales and distribution) are conducted by the Distribution business unit.

OUR REORGANISATION

Until the enactment of the Liberalisation Law, we operated as a wholly owned state utility whose objective was to develop the country's energy resources and to provide low cost electricity to support the development of the Greek economy. In 1999, the Hellenic Republic enacted the Liberalisation Law, which incorporated the provisions of the 1996 Electricity Directive into Greek national legislation and which created the framework for the liberalisation of the Greek electricity market. The Liberalisation Law provided for, among other provisions, the transformation of PPC into a *société anonyme*, to enable us to adopt commercial objectives. Our transformation into a *société anonyme* became effective on 1st January, 2001.

As part of our transformation into a commercial entity capable of competing in a liberalised market, we adopted a new organisational structure which more closely reflects our core business operations. Each business unit is responsible for controlling its own costs and achieving its own operating targets, with the General Manager of each business unit reporting directly to our Chief Executive Officer.

The new organisational structure implemented in 2001 promoted the separate accountability and performance of the business units, and improved the transparency of accounts and the financial relationship between the various business units. Each business unit has separate management as well as increased autonomy and flexibility in respect of the operations within its sphere. Further reorganisation has taken place within certain business units to optimise their operations.

STRATEGY

Prior to our reorganisation and our initial public offering, our principal objective as the monopoly electricity supplier in Greece was, as required by law, to meet the electricity needs of Greece. Following the enactment of the Liberalisation Law and our transformation into a *société anonyme,* our primary focus has shifted to maximising shareholder value.

In order to meet that goal, our main strategic objectives are as follows:

- maintain the leading position in the Greek electricity market;
- continue restructuring to further reduce personnel, cut costs and improve efficiency of operations;
- continue capital expenditure rationalisation and debt reduction; and
- explore long-term growth opportunities.

Maintain the leading position in the Greek electricity market

Despite the liberalisation of the Greek electricity market in 2001 and the granting of seven principal generation licences (for large gas-fired power stations with a total capacity of approximately 2,900 MW) and ten supply licences, we do not currently face meaningful competition, nor expect to face meaningful competition from competing generating capacity before the end of 2005 at the earliest. Moreover, we expect that independent suppliers will remain constrained by the limited interconnector capacity and the current low tariff levels in Greece.

We aim to sustain our leading position in the Greek electricity market by taking advantage of our lignite-driven low-cost generation fuel mix. Our lignite-generated electricity is significantly cheaper than electricity generated from oil or natural gas and represented approximately 64% of our electricity generation in 2002. We believe that our rights to a majority of the extensive exploitable lignite reserves in Greece will allow us to maintain this competitive advantage. In addition, we will continue to build on our technical expertise, our commercial knowledge of the Greek electricity market as well as our strong brand name. We continue to increase customer loyalty by improving our customer service offerings.

Revenue growth in the electricity industry is driven mainly by growth in consumption and tariff increases. As electricity consumption per capita in Greece is currently low compared to other European countries and the growth rate in Greece's gross domestic production is higher than the European Union average, we expect that, over the next few years, electricity consumption in Greece will grow at a faster rate than the European Union average. Furthermore, as tariffs in Greece are currently significantly lower than the European average for both residential and industrial customers, and at such levels they are unlikely to provide sufficient incentive for new generating capacity, we believe there is scope for tariff increases in the future. We believe that our low generation cost competitive advantage and our expertise in the Greek electricity market put us in a strong position to capitalise on the potential growth prospects of this market.

Continue restructuring to further reduce personnel, cut costs and improve efficiency of operations

We are continuing to restructure our operations to further improve our competitiveness. Key objectives of our restructuring programme include achieving further personnel and cost reductions and delivering improved operating efficiencies.

Reduce personnel

In comparison to our European peers in the electricity sector, we believe that our historic staffing levels were relatively high. We have a target of reducing our staffing levels from approximately 31,600 employees as at 31st December, 2000, to approximately 25,000 employees by 2007 through natural attrition and constrained hiring. Significant progress has already been achieved, reducing our staffing levels to 28,448 employees as at 30th June, 2003 (a reduction of approximately 10% from year-end 2000 levels). Until we achieve this target, we first look for suitable candidates within our own organisation before looking to recruit externally. Our new hires are limited principally to replacing key or specialist technical personnel. Between 2001 and 2007, we estimate that for every ten people leaving the organisation, through retirement or otherwise, we will employ one new person. Our ability to reduce staff numbers more rapidly is mainly constrained by Greek labour laws.

Reduce costs and improve operating efficiency

In addition to reducing staffing levels, we aim to reduce our non-fuel, non-personnel operating unit costs by increasing our operating efficiency to reflect European industry best practice standards. Our management committee sets key performance indicator targets annually and each business unit reports progress on these targets and objectives on a monthly basis. In addition, we incentivise our General Managers through a bonus scheme to achieve these performance targets. We intend to reduce our non-fuel, non-personnel operating unit costs and increase our operating efficiency through the following steps:

- *Further optimise our maintenance activity.* We will seek to further reduce our maintenance costs through implementation of preventive and predictive procedures for repairs and maintenance programmes focusing on probable fault areas.
- *Invest in improving the efficiency of our operations.* We are continuing to reduce costs through selective investments in improving the efficiency of our stations and equipment. In the Generation business unit, we will seek to further improve the efficiency, availability and thermal performance of our thermal stations by investing in more efficient practices. At the same time, we seek ways to maximise the efficiency of our hydroelectric stations. In the Transmission business unit, we will continue to upgrade and improve the efficiency and reliability of our transmission system in accordance with the HTSO's planning and instructions as the operator of the transmission system. In the Distribution business unit, we are improving the efficiency of our distribution network, including the use of new technologies and by adding ten network control centres to be operational by 2004. In the Mining business unit, we continue to invest in upgrading our heavy machinery to improve efficiency through the reduction of downtime, the improvement of load factor and the reduction of scheduled maintenance.
- *Improve our inventory management, procurement practices and outsourcing procedures.* We have already made substantial progress in working capital management and intend to further reduce the average age of our non-fuel supply inventories through improved inventory management while also focusing on minimising outsourcing costs. At the same time, we continue to improve our procurement practices, including the renegotiation of long-term supply contracts on more favourable terms. In addition, we intend to utilise our property portfolio more efficiently by continuing to reduce the number of our warehouses.

To date, as a result of our cost reduction and efficiency improvement programmes, we have already achieved considerable progress in each of the above objectives.

Continue capital expenditure rationalisation and debt reduction

As part of the restructuring programme undertaken in 2000, we introduced measures to rationalise our capital expenditure and have implemented stricter financial criteria for assessing all investments. We have reduced our capital expenditure from approximately € 819.9 million in 2001 to approximately € 627.1 million in 2002. We will continue to seek to control our capital expenditure through improved planning, implementation and centralised engineering and procurements.

As a result primarily of improved profitability and rationalised capital expenditures, we have reduced our total debt levels by approximately € 566 million between 30th June, 2002 and 30th June, 2003. We expect this trend to continue in the future. More specifically, we aim to reduce further our debt levels, in order to achieve a debt to equity ratio adjusted for the asset revaluation of 1:1 by the end of 2005.

Explore long-term growth opportunities

We continue to explore long term growth opportunities, including:

Expansion outside Greece

We believe that our leading market position in the Greek electricity market, our technical expertise and our resources provide us with a strong platform for pursuing focused expansion in neighbouring countries. We continue to monitor investment opportunities in the South-Eastern European region. Any new potential investments will be subject to strict investment criteria with a view to enhancing shareholder value. For example, we have explored certain opportunities to invest in distribution companies in Romania. However, after careful consideration, we took the decision not to proceed with these investments as they did not satisfy our investment criteria.

Telecommunications

In 2001, we decided to expand our activities in telecommunications through Evergy, renamed Tellas as of November 2002, our joint venture with WIND, in which we own 50% minus one share. Tellas launched a wide range of telecommunications services in February 2003 encompassing fixed line and fixed wireless telephony, data/internet and broadband multimedia services. As of 31st July, 2003, Tellas has acquired an estimated 5.6% of the market for fixed line telephony (including both residential and business customers), corresponding to approximately 350,000 connections. We believe that Tellas has benefited and will continue to benefit from our extensive electricity transmission and distribution network, our service infrastructure, our retail outlets and, subject to applicable laws, our customer database. We believe that we can gain significant synergies in the long term and economies of scale by sharing customer service points, back office operations and brand name between our electricity and our telecommunications operations, subject to compliance with applicable legislation. You should read "Our Business—Telecommunications" for a more detailed discussion of our investments in the telecommunications industry.

Development of Renewable Resources

As a complement to our existing energy operations and as part of our commitment to minimise the environmental impact of our operations, we continue to invest in electricity generation from renewable resources and further pursue business opportunities in this area.

HISTORY

PPC was established in 1950 as a corporation for electricity generation, transmission and distribution throughout Greece. Prior to the establishment of PPC, concessions to generate, transmit and distribute electricity were granted by the Greek government to private companies and municipal entities. PPC commenced operations in 1953 by generating and selling electricity to those existing concession-holding entities. Between 1957 and 1963, PPC acquired the businesses of existing concession-holding entities including the Athens-Piraeus Electricity Company Limited, which served the largest metropolitan area of Greece and accounted for a substantial portion of the country's total electricity consumption.

Laws were passed by the Greek Parliament providing for certain exceptions to PPC's exclusive right of power generation, mainly to enable industrial entities to produce electricity principally for their own consumption. They also enabled private commercial generation from renewable resources and co-generation.

Under the Liberalisation Law and pursuant to Presidential Decree 333/2000, PPC was transformed, effective 1st January, 2001, into a *société anonyme* wholly owned by the Hellenic Republic for the purpose of carrying out the business of an electricity company. PPC S.A. was established for a term of 100 years. This term expires on 31st December, 2100 and may be extended by a resolution of the general assembly of shareholders. All assets, rights, liabilities, obligations and employees of PPC were transferred to us on 1st January, 2001.

THE GREEK ELECTRICITY MARKET

The Greek electricity market is subject to extensive governmental regulation. This regulatory framework has been subject to significant change over the past three years as the Hellenic Republic has sought to implement the 1996 Electricity Directive. You should read "Regulation of the Greek Electricity Sector" for a more detailed discussion of the current regulatory framework in Greece. As a result of the Liberalisation Law, the electricity supply market has been restructured to increase competition. In this direction, further amendments to the Liberalisation Law have been introduced in July 2003 to comply with the 2003 Electricity Directive. You should read "Regulation of the Greek Electricity Sector—the Greek Legislative Framework" for a more detailed discussion on these recent developments. A Ministerial decision established that the market comprising all high or medium voltage electricity users, representing approximately 35% of the electricity supply market in terms of power consumption, was opened for competition in February 2001.

Pursuant to this Ministerial decision, electricity customers are categorised as follows:

- "Eligible Customers" are all high and medium voltage electricity users, such as large industrial and commercial customers, as set forth by a Ministerial decision published by the Minister of Development. Under the Liberalisation Law, Eligible Customers have regulated access to the transmission system and distribution network and are entitled to purchase electricity from the supplier of their choice on the basis of commercial contracts agreed between the customer and the supplier.
- "Non-Eligible Customers" are all low voltage electricity users, such as residential and small-and medium-sized business customers. Non-Eligible Customers must purchase their electricity from us at regulated tariffs.

From 1st July, 2004, the definition of Eligible Customers will change to include most non-household customers (representing approximately a further 25% of the electricity supply market in terms of power consumption), while every customer (except for customers on autonomous islands), including household customers, will be included in this definition beginning from 1st July, 2007. The changes in the definition of Eligible Customers will not affect customers on the autonomous islands.

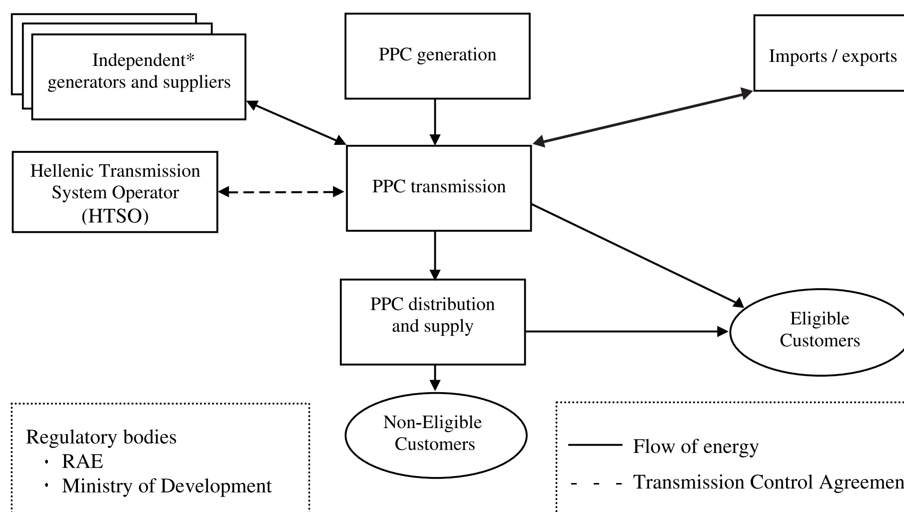
You should read "Regulation of the Greek Electricity Sector—Supply" for more detail on Eligible Customers and Non-Eligible Customers.

In addition, the Liberalisation Law provides for the following:

- the introduction of competition in power generation through the granting of authorisations to generate electricity in the interconnected system and through a tendering procedure for authorisations to provide generating capacity on the autonomous islands. As at 30th June, 2003, the Minister of Development had granted seven principal generation licences for large natural gas- fired stations, 49 licences for smaller thermal stations and co-generation stations and three licences for large hydroelectric power stations as well as a number of licences for electricity generated from renewable resources following consultation with the RAE. The RAE is currently reviewing the applications made by other interested parties.
- the introduction of competition in the supply of electricity through the granting of authorisations to third parties to supply electricity.
- the rules governing the access by third parties to the transmission system and the distribution network.
- the establishment of the HTSO as an independent entity to operate and ensure the maintenance and development of the interconnected transmission system and its interconnections with other networks. As a result, we are obliged to develop and maintain the interconnected transmission system based on the HTSO's planning and instructions. We own the interconnected transmission system pursuant to an exclusive licence for the ownership of the transmission system awarded by the Ministry of Development. The HTSO commenced operations on 3rd May, 2001. You should read "Regulation of the Greek Electricity Sector" for a more detailed discussion of the HTSO.
- the establishment of the RAE, an independent authority responsible for regulating the energy market. The RAE mainly has an advisory and supervisory role while decision making power ultimately lies with the Minister of Development. The RAE commenced operations on 1st July, 2000. You should read "Regulation of the Greek Electricity Sector" for a more detailed discussion of the RAE.

In addition, the Liberalisation Law provides for the establishment of the PIO as a separate pension fund in order to provide pension and social security benefits of our employees. The PIO was established on 1st January, 2000. You should read "Our Business—Employees" for a more detailed discussion of the PIO.

The following diagram shows the electricity flows in the industry as currently contemplated under the Liberalisation Law:



* *As of 30th June, 2003, there were no independent power producers, with the exception of small renewable resources generators and industrial entities producing electricity for their own consumption.*

Our Transmission and Distribution business units are required to transmit and distribute electricity both on our behalf and on behalf of other generators and suppliers.

GREEK ELECTRICITY DEMAND

The demand for electricity in Greece has grown at an average annual growth rate of approximately 4.8% during the five years ended 31st December, 2002. The following table shows the annual rate of growth in gross domestic product ("GDP") in real terms and the annual rate of growth in electricity demand for the five years ended 31st December, 2002, and an average growth rate for 1998 to 2002:

	Year ended 31st December,					Average for 1998-2002
	1998	1999	2000	2001	2002	
	(Percentage)					
Growth in real GDP[1]	3.4	3.6	4.2	4.1	3.9	3.8
Growth in electricity demand[2]	5.4	2.9	8.0	4.0	3.6	4.8

Sources:
(1) Ministry of Economy and Finance—Greece
(2) HTSO—Greece. However, according to Company data, during the same five years, our electricity sales in Greece grew at an average rate of 6.0%, 3.6%, 7.1%, 3.6% and 4.7%, respectively, or an average of 5.0% during this five year period.

Per capita electricity consumption in Greece is lower than that in a number of other countries in the European Union. In 2002, electricity consumption in Greece was 5.1 MWh per capita, compared to an average of 6.7 MWh per capita for the European Union. The following table compares per capita electricity consumption in the year ended 31st December, 2002 in Greece with that of other countries in the European Union:

	Per Capita Consumption[1]
	(MWh/inhabitant)
European Union	6.7
France	7.5
Germany	6.4
United Kingdom	6.1
Spain	5.6
Italy	5.5
Greece	5.1
Portugal	3.8

(1) The production of power plants and combined heat and power plants less transmission, distribution and transformation losses and own use by heat and power plants, divided by total population.

Source: Eurostat and International Energy Agency

We believe that the current levels of per capita electricity consumption in Greece indicate that demand for electricity is likely to continue to grow and that, in the medium term, the rate of growth is likely to be higher than the European Union average.

We expect that the anticipated increases in electricity demand will result in a need for additional installed capacity in Greece in the near term to cover expected growth in demand. Between the second half of 2003 and 2006, we expect our generation capacity to increase by approximately 7%. We expect that the commencement of operations at the oil-fired power stations in Crete, at the hydroelectric station in Messochora and at our CCGT station in Lavrio will provide sufficient installed capacity to satisfy the anticipated increased demand until 2006. You should read "Our Business—Generation" for a more detailed discussion of additional generating capacity.

Demand for electricity in Greece is affected by a number of factors including changes in economic activity, the relative energy requirements of individual sectors of the economy, improvements in the efficiency of electricity use, the price to consumers of electricity relative to other forms of energy, the weather, the time of day, the day of the week, and the time of year. Although demand does not vary as significantly throughout the year as in some other European countries, the lowest demand generally occurs in April and demand increases to peak load in July due to the increasing use of air conditioning during the summer. The maximum demand for electricity in Greece typically occurs on a summer weekday. The minimum level of electricity demand typically occurs on a spring weekend. To date in 2003, the maximum demand in Greece was 9,040 MW on 18th July, 2003 between 1:00 p.m. and 2:00 p.m., as compared to 8,924 MW on 16th July, 2002. The minimum level of demand was 2,963 MW on 28th April, 2003 between 6:00 a.m. and 7:00 a.m.

The following table shows, for the interconnected system, our peak capacity demand, net available capacity at the summer peak load (net of stations in conservation or unavailable due to environmental retrofitting), and our reserve margin during the five years ended 31st December, 2002 and to date in 2003. Reserve margin represents the difference between peak capacity demand and the total net available capacity.

	1998	1999	2000	2001	2002	2003[(1)]
	(in MW, except Percentages)					
Peak capacity demand	7,372	7,366	8,531	8,600	8,924	9,040
Net available capacity	8,787	9,421	9,345	9,359	9,838	10,130
Reserve margin	1,415	2,055	814	759	914	1,090
As a percentage of net available capacity	16.1%	21.8%	8.7%	8.1%	9.3%	10.8%

(1) Year to date.

OUR ELECTRICITY PRODUCTION AND IMPORTS

We own and operate 95 generating power stations in Greece, consisting of 12 thermal stations, 22 hydroelectric stations and three wind parks throughout the interconnected system as well as 33 thermal stations, two hydroelectric stations, 18 wind parks and five solar power stations located on the autonomous islands.

We generated a total of 48,902 GWh of electricity during the year ended 31st December, 2002 representing a compound annual growth rate of approximately 4% per annum since 1998.

The following table shows the net electricity production in GWh we generated during the five years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
	(GWh)						
Interconnected system	38,454	41,240	44,727	44,076	44,711	21,564	23,194
Autonomous islands	3,380	3,537	3,756	3,978	4,191	1,888	2,039
Total	41,834	44,777	48,483	48,054	48,902	23,452	25,233

We also import and export electricity through interconnections currently in place with Albania, Bulgaria, the Former Yugoslav Republic of Macedonia ("FYROM") and Italy. The current usable interconnection capacity with Albania, Bulgaria and FYROM is limited by transmission constraints both within Greece and within Albania, Bulgaria and FYROM. Total current interconnection capacity is approximately 600 MW (or 700 MW taking into account a 100 MW reserve margin). You should read "Our Business—Transmission" for a more detailed discussion of our interconnections. You should also read "Regulation of the Greek Electricity Sector".

We are generally a net importer of electricity. In 2002, this was due to liquid fuel and natural gas prices favouring imports. We were a net exporter for the first time in our history in the year ended 31st December, 2000, exporting 11 GWh. We usually import electricity from countries that have a different peak profile and therefore which export electricity to us in the summer.

The following table shows our company's imports and exports for the five years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
				(GWh)			
Imports(1)	2,500	1,811	1,729	3,562	4,601	2,240	1,637
Exports(1)	890	1,647	1,740	1,062	1,705	692	804
Balance of Imports/ Exports	(1,610)	(164)	11	(2,500)	(2,896)	(1,548)	(833)

(1) Our imports include our purchases from foreign sources; both imports and exports include electricity exchanges through our international interconnections.

In addition to our generating capacity, there is currently private thermal generating capacity in Greece of 223 MW operated by certain industrial enterprises permitted by law to produce electricity principally for their own consumption and of 311 MW generated by independent power producers, primarily from renewable resources.

The following table shows total supply of electricity in Greece and takes into account our net electricity production and our purchases from domestic sources and foreign sources as well as purchases from independent power producers and net electricity exchanges with neighbouring countries, for the five years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
				(GWh)			
Net electricity Production	41,834	44,777	48,483	48,054	48,902	23,451	25,233
Renewables and Independent Power Producers	44	112	401	744	751	387	535
Purchases from Foreign Sources(2)	1,668	355	244	2,246	3,391	1,553	1,514
Net electricity exchanges(1)	(58)	(191)	67	(254)	(112)	(58)	(88)
Total	43,488	45,053	49,195	50,790	52,932	25,333	27,194

(1) Electricity exchanged with neighbouring countries through our international interconnectors. Net electricity exchanges are not equal to the balance of imports/exports in the table above, as exports and purchases from foreign sources are excluded.
(2) Company data.

OUR BUSINESS UNITS

We operate through four business units—Generation, Transmission, Distribution and Mining. Each of these business units is described in detail below.

Generation

The Generation business unit is responsible for electricity generation in the interconnected system and on the autonomous islands of Crete and Rhodes. It is also responsible for the development of new thermal and hydroelectric stations and for additions to the capacity of existing stations in the interconnected systems and those islands. The Distribution business unit is responsible for the generation of electricity on the rest of the autonomous islands.

As at 30th June, 2003, we operated throughout the interconnected system and the islands of Crete and Rhodes eight lignite-fired power stations (including the new lignite-fired power station in Florina and the Liptol station, which is operated by the Mining business unit), four oil-fired power stations and two oil-fired units at the Lavrio power station near Athens, one natural gas-fired power station at Agios Georgios, one combined cycle gas turbine ("CCGT") power station at Komotini, two CCGT power units at the Lavrio station and 24 hydroelectric stations. In addition, as at 30th June, 2003, our Distribution business unit operated a total of 30 thermal stations, 21 wind parks and five solar power stations located primarily on the autonomous islands.

As at 30th June, 2003, the total installed generating capacity of our stations was 12,069 MW. Of this total generating capacity, 10,686 MW is the capacity of the power stations connected to the interconnected system which supplies power to mainland Greece and certain nearby islands connected to each other and to the interconnected system through submarine cables. The islands of Crete and Rhodes are not linked to the interconnected system but have autonomous generation systems operating principally on heavy fuel oil and diesel oil with a total installed capacity of 590 MW and 206 MW, respectively. The total installed generating capacity on the other autonomous islands is 587 MW.

We expect to increase our generation from renewable resources in the future, driven in part by current incentives such as capital subsidies and guaranteed fixed prices for electricity operated from renewable resources. You should read "Our Business—Competition" for a more detailed discussion of our generation from renewable resources.

The following table sets out details of our total installed capacity in MW by primary energy source utilised at the dates specified:

Installed capacity (MW)	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
				(MW)			
Interconnected System							
Thermal							
Lignite	4,900	4,900	4,908	4,933	4,958	4,958	5,288(1)
Oil	857	857	777	750	750	751	750
Natural Gas	537	1,107	1,100	1,100	1,581	1,581	1,581
Total Thermal	6,294	6,864	6,785	6,783	7,289	7,290	7,619
Hydroelectric	2,858	2,958	3,060	3,060	3,060	3,060	3,060
Wind and other renewable resources	5	5	5	5	5	5	7
Total Interconnected System	9,157	9,827	9,850	9,848	10,354	10,355	10,686
Autonomous Islands							
Thermal							
Lignite	—	—	—	—	—	—	—
Oil	1,117	1,147	1,238	1,277	1,352	1,325	1,352
Natural Gas	—	—	—	—	—	—	—
Total Thermal	1,117	1,147	1,238	1,277	1,352	1,325	1,352
Hydroelectric	1	1	1	1	1	1	1
Wind and other renewable resources	21	22	32	32	32	32	30
Total Autonomous Islands	1,139	1,170	1,271	1,310	1,385	1,358	1,383
Total Thermal	7,411	8,011	8,023	8,060	8,641	8,615	8,971
Total Hydroelectric	2,859	2,959	3,061	3,061	3,061	3,061	3,061
Total Wind and other renewable resources	26	27	37	37	37	37	37
Total	10,296	10,997	11,121	11,158	11,739	11,713	12,069

(1) In May 2003, a new lignite-fired power station started operating in Florina.

The weighted average age of our thermal and hydroelectric stations, weighted to reflect installed capacity of the power stations, is approximately 18 and 24 years, respectively. The expected useful life of a thermal station is approximately 350,000 hours of operation, or approximately 45 years based on normal operating parameters. We do not currently have plans to decommission any of our power stations in the foreseeable future. However, recent amendments in the Liberalisation Law allow us to refurbish or replace capacity of up to 1,600 MW with new assets, which does not include our new 400 MW Lavrio license.

The following table shows, for both the interconnected system and the autonomous islands, by primary source utilised at 31st December, 2002, certain information relating to our power stations for the year ended 31st December, 2002:

	No. of Stations	Installed Capacity	Net Production	Weighted Average Age of Stations	Forced Outage Factor[1]	Average Thermal Efficiency	Average Thermal Efficiency	Immediate Availability[2]	Capacity Utilisation	Total[3]
		(MW)	(GWh)	(years)	(%)	(Kcal/KWh)	(%)	(%)	(%)	(%)
Interconnected System										
Thermal										
Lignite	7	4,958	31,197	21.8	8.0	2,653	32.4	82.8	96.4	82.8
Oil	1 + 2 Units	750	3,394	31.0	5.3	2,389	36.0	86.8	63.5	86.1
Natural Gas	2 +2 Units	1,581	6,725	2.8	4.7	2,050	42.0	83.5	67.4	82.1
Total Thermal	11	7,289	41,316	18.7	7.2	2,552	33.7	83.4	88.0	83.0
Hydroelectric	22	3,060	3,381	24.0	1.0	—	—	98.0	—	98.0
Wind and other renewable resources	1	5	14	11	2.0	—	—	—	—	—
Total Interconnected System	34	10,354	44,711	20.2	—	—	—	—	—	—
Autonomous Islands										
Thermal	—	—	—	—	—	—	—	—	—	—
Lignite	—	—	—	—	—	—	—	—	—	—
Oil	33	1,352	4,122	13.2	6.5	2,523	34.1	84.9	48.6	84.4
Natural Gas	—	—	—	—	—	—	—	—	—	
Total Thermal	33	1,352	4,122	13.2	6.5	2,523	34.1	84.9	48.6	84.4
Hydroelectric	2	1	1	58.9	—	—	—	—	—	—
Wind and other renewable resources[4]	25	32	68	8.2	2.0	—	—	—	—	—
Total Autonomous Islands	60	1,385	4,191	13.1	—	—	—	—	—	—
Total Thermal	44	8,641	45,438	17.8			—			
Total Hydroelectric	24	3,061	3,382	24.0			—			
Total Wind and other renewable resources	26	37	82	8.6	2.0	—	—	—	—	—
Total	94[5]	11,739	48,902	19.4	—	—	—	—	—	—

(1) The forced outage factor represents the amount of energy that a power station did not produce during the year because of unplanned outages as a percentage of the maximum energy that the station could have produced during that year, operating continuously at installed capacity.

(2) Immediate availability is the amount of available energy that a power station could have produced, net of energy losses of such power station (excluding network failures) during the year, as a percentage of the maximum energy that the station could have produced during that year, operating continuously at installed capacity.

(3) Total availability is the amount of available energy that a power station could have produced, net of all energy losses during the year, as a percentage of the maximum energy that the station could have produced during that year, operating continuously at installed capacity.

(4) Including our five solar stations.

(5) During the first half of 2003, a new power station at Florina became operational.

For the year ended 31st December, 2002, approximately 70% of our electricity production in the interconnected system was generated from lignite-fired power stations, approximately 15% from natural gas stations, approximately 7% from oil-fired power stations, approximately 7% from hydroelectric stations, and significantly less than 1% from wind parks and other renewable resource stations. In the autonomous islands, almost all of our production was generated from oil-fired power stations.

The following table sets out details of the sources of our net electricity production by primary source utilised for the five years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003:

Electricity production (GWh)	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
				(GWh)			
Interconnected System							
Thermal							
Lignite	29,181	29,210	30,943	32,042	31,197	15,159	15,283
Oil	3,852	3,531	4,143	3,543	3,394	1,847	1,598
Natural Gas	1,584	3,692	5,572	5,814	6,725	3,142	3,391
Total Thermal	34,617	36,433	40,658	41,399	41,316	20,148	20,272
Hydroelectric	3,837	4,798	4,055	2,666	3,381	1,410	2,914
Wind and other renewable resources	—	9	14	11	14	6	8
Total Interconnected System	38,454	41,240	44,727	44,076	44,711	21,564	23,194
Autonomous Islands							
Thermal							
Lignite	—	—	—	—	—	—	—
Oil	3,336	3,489	3,678	3,886	4,122	1,852	2,001
Natural Gas	—	—	—	—	—	—	—
Total Thermal	3,336	3,489	3,678	3,886	4,122	1,852	2,001
Hydroelectric	1	1	1	1	1	1	1
Wind and other renewable resources	43	47	77	91	68	35	37
Total Autonomous Islands	3,380	3,537	3,756	3,978	4,191	1,888	2,039
Total Thermal	37,953	39,922	44,336	45,283	45,438	22,000	22,273
Total Hydroelectric	3,838	4,799	4,056	2,667	3,382	1,411	2,915
Total Wind and other renewable resources	43	56	91	102	82	41	45
Total	41,834	44,777	48,483	48,054[1]	48,902	23,452	25,233

(1) The decrease in net electricity production in 2001 was counterbalanced by increased electricity imports during the period.

The following power stations or units have been constructed or are currently under construction and are expected to be, or have recently been, put into commercial operation between 2003 and 2005:

Florina . . . . 330 MW installed capacity, lignite-fired power station. The power station started operating in May 2003 and now is fully operative. The construction cost for this power station was approximately € 631 million.

Chania, Crete . . . . A diesel-fired gas turbine unit, with an installed capacity of approximately 28 MW, installed in our power station in Chania. Commercial operation commenced in July 2003. The construction cost for this unit was approximately € 16 million.

Linoperamata, Crete . . A diesel-fired gas turbine unit, with an installed capacity of approximately 28 MW. Commercial operation commenced in July 2003. The construction cost for this unit was approximately € 16 million.

Atherinolakkos Lasithi, Crete . . . . A heavy oil-fired power station comprising two diesel engines with 102 MW total installed capacity. Commercial operation of the station is expected to commence in the second half of 2004. The budgeted construction cost for this power station is approximately € 109 million.

A heavy fuel oil-fired power station (with natural gas-firing capabilities) comprising two steam turbine units with 90-100 MW total installed capacity. Commercial operation of this station is expected to commence in 2006. The budgeted construction cost for this power station is approximately € 120 million.

Messochora . . . . 162 MW installed capacity, hydroelectric station. Commercial operation of the station is expected to commence in late 2005 or early 2006. The budgeted construction cost for this power station is approximately € 360 million, of which approximately € 256 million has already been invested.

Of the total costs budgeted for the construction of the above power stations or units, approximately 75% had been incurred as at 30th June, 2003.

In addition, we are planning to construct a new CCGT Unit at our Lavrio station by 2006 with an installed capacity of approximately 400 MW. In this respect, the Minister issued the relevant license in July 2003. We are also planning to construct a new hydroelectric power station in Ilarionas, Western Macedonia with generating capacity of 120 MW to be operational by 2009.

In making decisions regarding the types of power stations in which we intend to invest, we consider the balance between fuel costs and other costs of operation and investment costs. Lignite-fired power units have a higher investment cost per MW of capacity than gas- or oil-fired power units. On the other hand, our lignite fuel costs are significantly lower than those of gas- or oil-fired power units.

Base load, intermediate and peak load

Lignite-fired stations are best for, and are generally used for, continuous base-load operation. They have low unit fuel costs which make operation throughout the day economically efficient. Gas- and oil-fired stations are better for intermediate load and are shut down during periods of low demand and restarted when demand increases. Hydroelectric stations, which are constrained by the capacity of their reservoirs and unpredictability of rainfall as well as our irrigation obligations, are generally run at peak load. The generating capacity provided by our hydroelectric stations is important in meeting peaks in demand, which may be relatively steep in the summer. These stations are designed to be available for immediate response. If the generating capacity of our hydroelectric stations is limited, we have to rely more heavily on thermal production, mainly from our gas-fired and oil-fired stations.

Maintenance

We generally carry out scheduled maintenance during periods of lower demand in the spring and autumn of each year. On average, generation by each of our thermal stations is interrupted for approximately 38 days per year for maintenance. We conduct maintenance on our hydroelectric stations when they are not in operation. Our employees generally carry out maintenance work although outside contractors may be used as required. In accordance with our business strategy, we have begun to implement a programme of preventative maintenance and repair procedures as a means of reducing costs. By the end of 2003, we also plan to implement a programme of predictive maintenance.

Our sources of electricity generation

We produce electricity from thermal sources, including lignite, oil and natural gas, water flows and other renewable resources. We do not operate any nuclear power stations and have no plans to develop a nuclear power generating capacity.

Thermal Production

As at 30th June, 2003, we had 12 thermal stations (including the Florina station) comprising 31 generating units with a total installed capacity of 7,619 MW in the interconnected system. In addition, at 30th June, 2003, we had two thermal stations in Crete and one in Rhodes, comprising a total of 32 generating units with a total installed capacity of 778 MW. In July 2003, two diesel-fired gas turbine units commenced operation in Chania and Linoperamata, Crete. As at 30th June, 2003, we also had 30 smaller thermal stations, comprising 225 generating units with an installed capacity of 574 MW located on the autonomous islands, operated by the Distribution business unit. All but one of our thermal stations consist of two or more generating units.

Our lignite-fired power stations are steam-condensing units that consist of closed-cycle systems in which water is transformed into steam (by burning lignite to heat water) and used in a turbogenerator to generate electricity. Residual steam is turned back into water through a cooling process by using cooling towers or, in some cases, sea or river water and in some cases is used to supply district heating systems. Our combined cycle units use a gas turbine together with a steam turbine: heat from the exhaust gases from the burning of natural gas or diesel oil is recovered and used to create steam which is then used to power a steam turbine that drives the electrical generator. Our natural gas-fired power stations are steam turbine units that burn natural gas to produce steam to turn a turbine that drives the electrical generator.

Lignite

We own and operate eight lignite-fired power stations with a total installed capacity of 5,288 MW, representing 43.8% of total installed generating capacity as at 30th June, 2003. Our lignite-fired power stations are part of the interconnected system. All of our lignite-fired power stations are located close to our mines, in order to reduce transportation costs and facilitate supply of lignite, most of which is transported by conveyor belts. As we currently mine almost all of the lignite used in our lignite-fired stations from our own mines, production costs are the principal costs of this thermal production source.

The lignite in our mines has a calorific value of between 1,050 and 2,300 kcal/kg, which is relatively low compared to the average calorific value of lignite produced in other lignite mines in Europe. However, given our low costs of mining lignite, it is an economical fuel source. In addition, lignite extracted in the Lignite Centre of Western Macedonia, representing approximately 80% of the lignite we currently mine, generally has a low sulphur content and, combined with its high levels of calcium oxide (a desulphurising agent), is less environmentally harmful. Each of our lignite-fired power stations is constructed to use the lignite deposits located close to the station. We design our power stations to burn the lignite produced in the neighbouring mines, taking into account its specific calorific value and other characteristics in order to maximise efficiency of operations and minimise emissions.

We generally keep sufficient quantities of lignite in stock for approximately 25 days' operation of each of our lignite-fired power stations. This is to ensure security of supply and to allow for blending operations. Lignite is stored in each station's stockyard.

At the end of 2001, we entered into five-year supply contracts with two private mines in the Florina area to purchase a substantial quantity of lignite with high calorific value that is required for our power station at Florina over the next five years. Over this five-year period, we had expected that approximately 85% of the lignite required by the Florina station would be supplied by these two private mines, while approximately 15% of the lignite would be supplied from our mines in the Florina region. However, one of the suppliers has been unable to meet his supply obligations and we are in the process of terminating this supply contract. The supplies for the Florina power station are now expected to be met as to 50% from our Achlada mine in Florina and as to 50% by additional supplies from the other private mine. Otherwise, we do not currently buy lignite from private mines (although we have in the past) because we have sufficient supplies of the appropriate quantity and quality of lignite from our own mines.

We expect lignite to continue to be the predominant source of energy for our electricity production in the interconnected system for the foreseeable future. In 2002, lignite accounted for approximately 70% of total generation supplied to the interconnected system. The following table shows lignite use from our two production areas, Lignite Centre of Western Macedonia and Lignite Centre of Megalopolis (located in the Peloponnese region) for each of the five years ended 31st December, 2002 and for the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,					Six months ended 30th June,	
	1998	**1999**	**2000**	**2001**	**2002**	**2002**	**2003**
				(thousand tonnes)			
Lignite Centre of Western Macedonia	48,155	47,416	51,373	52,019	55,821	28,409	26,845
Lignite Centre of Megalopolis	11,948	13,131	12,514	14,299	14,515	7,481	6,475
Total	60,103	60,547	63,887	66,318	70,336	35,890	33,320

Oil

We own and operate in the interconnected system one oil-fired power station and two oil-fired units at the Lavrio station, with a total installed capacity of 750 MW, representing 6.2% of total installed generating capacity as at 30th June, 2003. In addition, we own and operate two oil-fired power stations in Crete and one in Rhodes, with a total installed capacity of 778 MW, representing 6.4% of the total installed generating capacity as at 30th June, 2003. We also own and operate 30 oil-fired power stations located on the other autonomous islands, which are significantly smaller than the oil-fired power stations of the mainland and those in Crete and Rhodes. They have a total installed capacity of 574 MW, representing 4.8% of total installed generating capacity as at 30th June, 2003. The aggregate of installed generating capacity fired by oil is 17.4%. You should read "Our Business—Distribution" for a more detailed discussion of generation on the autonomous islands.

Heavy fuel oil and diesel oil are currently supplied primarily by Hellenic Petroleum ("ELPE"), an oil company controlled by the Hellenic Republic. Although our supply contract with ELPE came to an end on 31st December, 2002, we have renewed it on similar terms for a further 24 months. Heavy fuel oil and diesel oil prices are based on prices published according to Platt's and are set in U.S. dollars. Pursuant to a contract with ELPE, we maintain for the account of ELPE, an inventory of heavy fuel oil and diesel oil as part of ELPE's obligation to maintain reserves equal to a 90-day supply of heavy fuel oil and diesel oil used during the past calendar year. We are compensated by ELPE pursuant to the terms of this contract.

The following table shows the volume of heavy fuel oil and diesel oil we consumed during the five years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
Heavy Fuel Oil(1)	1,496	1,485	1,622	1,536	1,512	769	721
Diesel Oil(2)	444	389	455	440	552	234	264

(1) Heavy fuel oil in thousands of metric tonnes.
(2) Diesel oil in thousands of kilolitres.

We expect to decrease the use of oil-fired generating units in the interconnected system as a proportion of the total generating capacity due to our increasing use of natural gas and lignite for power generation. However, we expect that oil will continue to play a significant role in generating electricity on the autonomous islands. Virtually all electricity generated in the year ended 31st December, 2002 on the autonomous islands was generated from oil-fired power stations.

Natural Gas

We own and operate one natural gas-fired power station at Agios Georgios, one CCGT power station at Komotini and two CCGT units at the Lavrio station with a total installed capacity of 1,581 MW, representing 13.1% of our total installed capacity as at 30th June, 2003. We commenced generating electricity from natural gas in 1997, when we began converting the heavy fuel oil-fired power station in Agios Georgios, near Athens. All of our gas-fired power stations are part of the interconnected system.

We are the largest purchaser of natural gas in Greece. We purchase approximately 70% of DEPA's gas sales under a gas purchase contract which commenced in 1994 and which terminates in 2016. Pursuant to the terms of our gas purchase contract, we are subject to a minimum "take-or-pay" obligation, under which we commit to pay for a minimum amount of gas irrespective of actual consumption. To date, we have exceeded our contractual "take-or-pay" gas purchase obligations and expect to continue meeting our obligations. As part of the contract, DEPA is required to remit part of its profits to us if DEPA's net profits exceed 8% of its total revenue. To date, DEPA has not reached this threshold. You should read "Relationship with the Selling Shareholder" for more information on our contract with DEPA.

The gas purchase contract also entitles us to the most competitive natural gas price offered by DEPA for the purposes of electricity generation, including co-generation. The prices offered by DEPA consist of a border price and transmission price element which are determined by formulae which take into account market prices of heavy fuel oil, gas oil and certain types of crude oil. As part of the expected liberalisation of the Greek gas market, recent amendments of the Liberalisation Law provide that DEPA is obliged to charge a tariff, separate from the border price, for access of the electricity generators to the gas transmission system. The access to transmission tariff will be determined by the Minister of Development in consultation with the RAE. Accordingly, we expect a reduction of the transmission price element of DEPA's offered gas price from 2005 onwards.

The following table shows the volume of natural gas we used during the five years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
	(millions normal m³)						
Natural Gas	488.9	996.9	1,439.0	1,432.0	1,507.0	731.0	743.0

Hydroelectricity

We own and operate 24 hydroelectric stations with a combined installed capacity of 3,061 MW, representing 25.3% of total installed generating capacity as at 30th June, 2003. Generation of electricity from hydroelectricity amounted to 3,382 GWh (or 6.9% of our electricity production) during the year ended 31st December, 2002 as compared to 2,667 GWh during the previous year, and 2,915 GWh (or 11.5% of our electricity production) during the six months ended 30th June, 2003. The average annual hydroelectricity production over the past five years of approximately 3,748 GWh may vary depending on annual variations in rainfall levels. The increase in 2002 was due to increased rainfall levels that year. Generally, we use hydropower as a peak load source. Due to public service obligations, such as the provision of irrigation water, some of our hydroelectric stations also operate during off-peak times. Hydroelectric stations generally require lower levels of maintenance and staffing than other types of power stations.

The following table sets out, as at, and for the six months ended 30th June, 2003, certain information relating to our hydroelectric stations:

	No. of Stations	Installed Capacity	Net Production
		(MW)	(GWh)
Natural inflows	22	2,362	2,596
Pump storage	2	699	319
Total	24	3,061	2,915

At times of low electricity demand, generally in the evening and at night, pump storage hydroelectric stations pump water from a source at a lower level to a higher level where it is stored in a lake or reservoir for release at times of high electricity demand.

The weighted average age of all our hydroelectric stations, at 30th June, 2003, was 24 years.

The Hellenic Republic manages Greece's water resources and currently allows us to use water without charge for the purposes of generating electricity in our hydroelectric stations. You should read "Our Business—Environmental Matters" for a more detailed discussion of regulation relating to the use of water.

Irrigation obligations

We are obliged by law to provide water from our hydroelectric stations for irrigation purposes. The terms for the provision of such public service are determined on an annual basis by a joint ministerial decision. We expect that we will receive some compensation for this public service obligation by passing the cost to our customers. You should read "Regulation of the Greek Electricity Sector" and "Relationship with the Selling Shareholder" for a more detailed discussion of our public service obligations.

We do not consider the supply of irrigation water to be a material financial burden on us even though it may require us to release water, thereby generating electricity at times of the day that may not be the most economical for us.

Production from wind and other renewable resources

Currently, we produce very small amounts of electricity from renewable resources. As at 30th June, 2003, all of our generation from renewable resources was from wind turbine parks and solar stations, with a total installed capacity of 37 MW and net production of 44.3 GWh, all but three of which are located in the autonomous islands. The Distribution business unit is responsible for our generation from renewable resources.

Since February 2001, we have applied to the Minister of Development to be granted a generation authorisation for the construction of 36 wind parks, three geothermal fields and one solar unit with a total installed capacity of approximately 428 MW. To date, we have received authorisation for 12 wind parks with an installed capacity of approximately 27 MW and for one geothermal field with an installed capacity of 8 MW. We have also received preliminary approval from RAE for eight additional wind parks with an installed capacity of approximately 45 MW. We expect some of these additional power stations to commence operation in 2006. Separately, two PPC subsidiaries, PPC Renewables and PPC Rhodes (previously called COGEN), continue to investigate opportunities to increase generation from renewable resources, either directly or through joint ventures.

Capital investment programme

In addition to the construction of additional generating capacity, and in accordance with our business plan, we are upgrading existing lignite electrostatic precipitators and fitting new lignite electrostatic precipitators in unit III of Megalopolis A. Similarly, we are upgrading existing ash precipitators and adding new ash electrostatic precipitators in Kardia 3 and 4. We are also in the contractual phase regarding ash precipators for four units of our Agios Dimitrios power station. We have also provided in our business plan for the retrofitting of flue gas desulphurisation ("FGD") installations at unit III of our Megalopolis A power station by the end of 2007.

Employees

As at 30th June, 2003, our Generation business unit employed 6,457 full-time employees.

Transmission

We own the interconnected transmission network on which the HTSO transports electricity on high voltage lines from the power stations where it is generated (whether owned by us or other generators) or, in the case of imported electricity, from the interconnection points, to our distribution network throughout the interconnected system and to certain directly connected high voltage customers. This transmission system is referred to as the interconnected transmission system. We own the interconnected transmission system pursuant to an exclusive licence for the ownership of the transmission system, although, pursuant to the Liberalisation Law, the HTSO is responsible for its operation, maintenance and development and for access to it by third parties. Our Transmission business unit carries out the physical operation and maintenance of the interconnected transmission system at the direction of the HTSO.

The backbone of the interconnected transmission system comprises three double-circuit lines of 400 kV, transmitting electricity from power stations in Northern Greece, where approximately 65% to 70% of our electricity on the mainland is generated, to the principal consumption centres in Central and Southern Greece, where approximately 65% to 70% of the electricity generated is consumed. The interconnected transmission system also comprises further 400 kV and 150 kV lines. In addition, 150 kV and 66 kV lines connect certain Ionian islands to the interconnected transmission system.

The following map shows the 400 kV transmission lines of the interconnected transmission system as at 30th June, 2003:

As at 30th June, 2003, the interconnected transmission system comprised a total of 10,357 kilometres of transmission lines, as presented in the following table. Our Transmission business unit does not operate the 641 kilometres of our transmission lines on the autonomous islands and the 153 kilometres of 150 kV underground lines in Athens, which are operated by the Distribution business unit.

	Transmission Lines (Interconnected Transmission System)				
	400 kV/DC	**400 kV/AC**	**150 kV**	**66 kV**	**Total**
			(km)		
Overhead	106	2,272	7,789	39	10,206
Submarine	—	—	108	15	123
Underground	—	—	28	—	28
Total	106	2,272	7,925	54	10,357

The average age of our transmission lines is 19 years for the 400 kV lines and 28 years for the 150 kV lines.

We are constructing a fibre-optic network along our transmission lines, which is leased to Tellas pursuant to an exclusive agreement we signed with Tellas in March 2003. This network is expected to comprise approximately 2,000 kilometres once completed; to date, we have completed approximately 1,530 kilometres. You should read "Our Business—Telecommunications" for further information about Tellas.

Corfu and the other Ionian islands, as well as certain of the Aegean islands, are linked to the interconnected transmission system. However, most of the remaining islands, including Crete and Rhodes, are not linked to the interconnected transmission system because their distance from mainland Greece renders it uneconomical to establish a submarine cable link to the interconnected transmission system. These islands are served instead by autonomous power stations and transmission and distribution facilities located on the islands. We own and operate the transmission and distribution systems on all the autonomous islands. These systems are the responsibility of the Distribution business unit. You should read "Our Business—Distribution" for a more detailed discussion of transmission and distribution on the autonomous islands.

Under Greek law, we benefit from rights of way for all of our transmission lines and pylons. We generally expropriate the land needed for the construction of pylons pursuant to authorisations by the Hellenic Republic and at a price determined by the Greek courts.

As at 30th June, 2003, our transmission system also incorporated 505 power transformers and auto-transformers with a total capacity of 38,575 MVA.

The following table gives details of our high voltage transformers in the interconnected transmission system as at 30th June, 2003:

	HV Transformers (Interconnected Transmission System)		
	kV	**MVA**	**Number of units**
Step-up[(1)]	400	5,343	17
	150	7,482.9	65
	20	7	2
Step-down[(2)]	150	14,778.5	361
Step-down and Ancillaries[(1)]	150	804.5	18
Autotransformers	400/150	9,880	37
Converter transformers	400	199	1
Autotransformers[(3)]	66/20	25	1
	66/15	50	2
	20/15	5	1
Total	—	38,575	505

(1) Operated by the Generation business unit.
(2) Includes transformers operated by the Transmission, Distribution and Mining business units.
(3) Operated by the Distribution business unit.

The average age of our high voltage transformers is 22.3 years for the step-up transformers, 16 years for the step-down transformers and 17 years for the autotransformers.

Operation of the system

The HTSO operates the interconnected transmission system and the interconnections with other networks in accordance with the Grid Code. Pursuant to the Liberalisation Law, we currently hold a 49% share in the HTSO, although this share will be reduced as other generators enter the market, and the Hellenic Republic holds 51%. Each generator's share in the HTSO, which will be allocated from the 49% share that we currently hold for a nominal payment, will be proportional to its installed capacity.

The HTSO can instruct us to undertake improvements, additions and maintenance to the interconnected transmission system, but must remunerate us for our costs in doing so at a rate of return on capital set by the RAE, under the terms of the Transmission Control Agreement. The amount of remuneration is calculated by reference to a formula which reflects our actual cost of maintaining and updating the transmission system, depreciation, and return on invested capital. We will own the additions or improvements to the interconnected transmission system built by us. You should read "Regulation of the Greek Electricity Sector" for a more detailed discussion of the HTSO's powers.

The HTSO provides access to the interconnected transmission system for authorised generators, suppliers, Eligible Customers and to us in our role as distribution network operator and allows for the interconnection of the interconnected transmission system with the mainland distribution system, which is the responsibility of the Distribution business unit. In the scheduling and despatch of generation, the HTSO is obliged to give priority load allocation to electricity generated from renewable resources or co-generation facilities.

The HTSO charges an access tariff and a usage tariff to authorised generators and electricity customers for providing access to and use of the interconnected transmission system. The access tariff is calculated by reference to the cost of the assets we must use to connect the generating units to the transmission system. The HTSO charges a usage tariff to authorised generators, including us, and electricity customers, for the use of the interconnected transmission system. This tariff is set annually by the HTSO following the RAE's approval and is based on the total anticipated annual cost of maintenance, development and operation of the system for that year. In the current year, in the absence of full calculations from the HTSO, estimates made by the RAE have been used in setting the tariff. You should read "Regulation of the Greek Electricity Sector" for a more detailed discussion of the tariff structure.

As at 30th June, 2003, the peak carrying capacity of the interconnected transmission system was approximately 14,040 MW and the peak historical demand, experienced on 18th July, 2003, was 9,042 MW, representing approximately 64.4% of the peak carrying capacity.

The following table shows annual power loss from the interconnected transmission system for the periods indicated, as a percentage of power generated in the interconnected system (including exports and imports) for the five years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,					Six months ended 30th June,	
	1998	**1999**	**2000**	**2001**	**2002**	**2002**	**2003**
	(Percentage)						
Power loss	3.6	3.5	3.1	3.2	2.7	2.9	2.9

Interconnections

The interconnected transmission system is connected with the transmission systems of Albania, Bulgaria, FYROM and Italy. Historically, imports have been used to support the reliability of the Greek electricity grid in case of emergency or to replace our hydroelectric generation during dry periods. The interconnection with Bulgaria comprises a single 400 kV line. The interconnections with Albania and FYROM each comprise 150 kV and 400 kV lines. We expect that the 150 kV line to FYROM will be upgraded to a 400 kV line before the end of the first half of 2004. The total nominal capacity of the interconnectors (not including the Italian interconnector) is approximately 4,000 MW, although the regulator currently limits such capacity to 600 MW (or 700 MW taking into account a 100 MW reserve margin). The interconnection with Italy comprises a 400 kV direct current transmission line with 500 MW capacity (which is not currently used for imports to Greece due to higher electricity tariffs in Italy).

By Ministerial decision dated 22nd October, 2001, 370 MW of the 600 MW of interconnection capacity available to importers through the interconnection with Albania, Bulgaria and FYROM is allocated to us and the

balance is auctioned on an annual and daily basis. Of the 370 MW of capacity allocated to us, 220 MW will be made available for one-year periods and 150 MW will be made available on a daily basis. We will pay a tariff for the long-term allocation; this tariff is the same as the price set by the auction for annual allocations to third parties. No tariff is charged for daily capacity, whether directly allocated to us or through the auction. This Ministerial decision will be in effect until the end of 2004.

Greece is a member of the Union for Co-ordination of Transmission of Electricity ("UCTE"), the intra-European transmission network. The Greek network is not currently physically interconnected with UCTE (Zone 1) due to damage to the transmission installations in Croatia and Bosnia-Herzegovina sustained during the conflicts in the early 1990s. However, it is expected that these transmission installations will be restored by the end of 2003, which will allow us to re-connect to UCTE through our interconnection with FYROM.

Greece plans to build a 400 kV interconnection line with Turkey; we are currently undertaking an engineering and construction study for this line. This project is included in the HTSO's five-year development plan.

Interruptions

Except as described below, we have not experienced blackouts in our interconnected transmission system over the past decade. In 2001, we experienced failures due to transformer malfunction in January and June, which caused brownouts in the Thessaloniki area. There are currently no particular areas where faults or interruptions occur; however, the distribution and transmission cables on the islands and in some regions close to the sea are sometimes subject to inefficiencies due to saline pollution of the insulators. Since 3rd May, 2001, the HTSO has been responsible for restoring transmission faults in the interconnected transmission system which result in any interruptions.

The following table shows the average interruption time in minutes in the interconnected transmission system for the five years ended 31st December, 2002:

	Year ended 31st December,				
	1998	1999	2000	2001	2002
			(minutes)		
Average interruption time	40.2	45.8	18.3	30.9	49.7

We believe our interruptions have been in line with or ahead of other electricity companies in the European Union in terms of both frequency of occurrence and duration of interruption.

Capital investment programme

The HTSO assumed responsibility for the maintenance and development of the interconnected transmission system on 3rd May, 2001, when it took over the operation of the system. As described above, we continue to be primarily responsible for the development and implementation of the maintenance and investment in the interconnected transmission system and expect to invest through our capital expenditure programme.

Employees

As at 30th June, 2003, the Transmission business unit employed 1,738 full-time employees, of which approximately 470 were employed in the engineering and construction of the system and approximately 1,200 were employed in the physical operation and maintenance of the system (net of HTSO employees).

Distribution

The Distribution business unit distributes electricity throughout Greece (including both the interconnected system and the autonomous islands) and supplies electricity to all of our customers, including high and medium voltage customers. The term "distribution" refers to the transportation of electricity from the transmission network to the customer purchasing the electricity for his own use. The Minister of Development is required to grant us an exclusive licence to own and to operate the distribution network, which we have yet to receive. Under the Liberalisation Law, we must provide access to the distribution network to third parties. These parties include generation licence holders, supply licence holders and Eligible Customers. The details of this access will be set out in the Network Code. The regulator is in the process of developing and reviewing all the codes, including the

Network Code. Consequently, there could be further delays in the publication of this Code. Delays in the publication of this Code or in receiving the licence to own and to operate the distribution network have not had to date an adverse effect on our business. You should read "Regulation of the Greek Electricity Sector" for more detail on the Network Code.

Our customers include all Non-Eligible Customers and the Eligible Customers that choose to purchase from us as their supplier. In addition, the Distribution business unit is responsible for the generation of electricity on the autonomous islands (excluding Crete and Rhodes, where electricity is generated by the Generation business unit), and operation of the transmission system on the autonomous islands (including Crete and Rhodes) and 150 kV underground lines in Athens.

Distribution network

The following table sets out our distribution network throughout Greece as at 30th June, 2003:

	Distribution Lines (km) (Interconnected System and Autonomous Islands)		
	22, 20, 15, 6.6kV	**230-400 Volt**	**Total**
Overhead	87,500	96,300	183,800
Submarine	1,024	2	1,026
Underground	7,200	9,650	16,850
Total	95,724	105,952	201,676

The Distribution business unit also operates the 641 kilometres of transmission lines on the autonomous islands and 153 kilometres of 150 kV underground lines in Athens:

	Transmission Lines (km) (Autonomous Islands and Athens)		
	150 kV	**66 kV**	**Total**
Overhead	501	137	638
Submarine	—	—	—
Underground	155	1	156
Total	656	138	794

As at 30th June, 2003, our distribution network also incorporated 132,510 medium voltage transformers with a total capacity of 22,300 MVA. The following table gives details of our medium voltage transformers throughout Greece as at 30th June, 2003:

	MV Transformers (Interconnected System and Autonomous Islands)		
	kV	**MVA**	**Number of Units**
Step-down	22, 20, 15, 6.6/0.4	21,300	132,400
Step-down and ancillaries	22, 20, 15, 6.6/0.4	—	—
Autotransformers	20/15	1,000	110
Total		22,300	132,510

As at 30th June, 2003, our transmission network on the autonomous islands and Athens incorporated 113 high voltage transformers with a total capacity of 5,659 MVA. The following table gives details of our high voltage transformers in the autonomous islands and Athens as at 30th June, 2003:

	HV Transformers (Autonomous Islands and Athens)		
	kV	**MVA**	**Number of Units**
Step-up	22, 20, 15, 6.6/150, 66	1,284	38
Step-down	150, 66/22, 20, 15, 6.6	4,340	73
Step-down and ancillaries	150, 66/22, 20, 15, 6.6	10	1
Autotransformers	150, 66/22, 20, 15, 6.6	25	1
Total		5,659	113

Under Greek law, we have been granted rights of way for all of our distribution cables and poles.

We have experienced an average power loss from our distribution system of 5.5% per annum of power distributed during the period 1998 to 2002. Our losses on the distribution network are in line with the losses of other electricity companies in the European Union.

Virtually the entire Greek population is covered by the distribution network. We are obliged under Greek law, as owner and operator of the distribution network, to upgrade and to extend the distribution network by installing additional lines and transformers to meet actual and projected demand.

Interconnected system

Under the Liberalisation Law, as the sole distributor of electricity in Greece, in addition to distributing electricity to customers, we are required to provide access to the distribution network for all generators and suppliers, who have been authorised to generate and supply electricity, and Eligible Customers.

We have the right to charge a one-time connection fee imposed at the time of the connection, following a methodology which is approved by the Ministry of Development, to all electricity suppliers, customers and generators for providing access to our distribution network. You should read "Regulation of the Greek Electricity Sector" for a more detailed discussion of access to our distribution network and "Operating and Financial Review and Prospects" for more details on our fees.

Pursuant to the Liberalisation Law, the HTSO has taken over all power purchase contracts for the interconnected transmission system, under which we purchased power from co-generators or electricity generators using renewable resources, or the excess electricity produced by industrial producers generating for their own consumption prior to the existence of the HTSO. As of 30th June, 2003, these power purchase contracts corresponded to approximately 311 MW of installed capacity. As of the same date, the HTSO also had four contracts with co-generators for approximately 39 MW of installed capacity. Since the HTSO does not operate the transmission lines on the autonomous islands, power purchase contracts for the autonomous islands entered into with independent producers, including renewable sources, remains with the Distribution business unit as the operator for the distribution network. As of 30th June 2003, our Distribution business unit had 47 power purchase contracts for performance on the autonomous islands corresponding to approximately 88 MW.

The following table sets out the amount of electricity that we sold by class of customer in the interconnected system and our total operating revenue from sale of electricity to those customers for the four years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,								**Six months ended 30th June,**			
	1999		**2000**		**2001**		**2002**		**2002**		**2003**	
	GWh	**(euro-million)[1]**	**GWh**	**(euro-million)[1]**	**GWh**	**(euro-million)[1]**	**GWh**	**(euro-million)[1]**	**GWh**	**(euro-million)[1]**	**GWh**	**(euro-million)[1]**
Eligible Customers:												
Industrial HV	6,014	176	6,585	235	6,719	232	7,028	238	3,516	120	3,429	111
Industrial MV	4,923	265	5,249	280	5,418	300	5,550	318	2,682	151	2,709	160
Commercial MV	1,843	123	2,104	141	2,344	162	2,480	183	1,149	82	1,178	91
Agricultural MV	266	8	330	9	334	10	326	10	104	3	121	4
Others MV	528	36	614	43	661	48	689	52	342	25	382	29
Total Eligible Customers:	13,574	609	14,881	708	15,475	752	16,073	801	7,793	382	7,820	394
Non Eligible Customers:												
Residential LV	12,191	904	12,907	916	13,207	954	14,280	1,071	7,622	566	7,939	616
Industrial LV	1,513	115	1,377	113	1,395	114	1,371	118	682	58	686	60
Commercial LV	6,282	575	6,622	634	7,118	703	7,543	769	3,632	364	3,893	408
Agricultural LV	1,918	65	2,346	78	2,228	78	1,940	72	465	17	449	17
Others LV[2]	1,212	92	1,245	98	1,292	102	1,310	109	665	54	688	58
Total Non Eligible Customers:	23,116	1,750	24,497	1,839	25,240	1,951	26,444	2,139	13,067	1,060	13,654	1,159
Total	36,690	2,359	39,379	2,547	40,715	2,703	42,517	2,940	20,860	1,442	21,474	1,554

(1) Operating revenues are presented on the basis of our accounting records, excluding unbilled revenue for medium and low voltage customers.
(2) Includes, among others, municipalities and other public entities, some of which are Eligible Customers.

The following table sets out the number of customers per category in the interconnected system as of 30th June, 2003:

	Six months ended 30th June, 2003
	Number of customers
Eligible Customers:	
Industrial HV	25
Industrial MV	3,049
Commercial MV	2,592
Agricultural MV	486
Others MV	782
Total Eligible Customers	6,934
Non-Eligible Customers:	
Residential LV	4,597,395
Industrial LV	82,658
Commerical LV	1,027,844
Agricultural LV	177,606
Others LV	106,683
Total Non-Eligible Customers	5,992,186
Total	5,999,120

Within customer groups, we supply electricity to our customers, whether private or public, on generally similar contractual terms and tariffs. For the first six months of 2003, the average tariff per 100 KWh ranged from € 3.1 for medium voltage agricultural customers to €10.5 for commercial low voltage customers. However, two large customers, Aluminium of Greece and Larco, enjoy special contractual conditions and significant discounts on tariffs.

Autonomous Islands

The Distribution business unit is responsible for the generation of electricity on the autonomous islands (excluding Crete and Rhodes), and for the transmission and distribution of electricity on all of the autonomous islands. In addition, under the Liberalisation Law, in relation to the autonomous islands, we are obliged to:

- purchase all the electricity generated from renewable resources and any surplus electricity produced by industrial entities producing electricity for their own consumption (if produced by renewable resources or by means of co-generation) on the islands, subject to technical constraints;
- purchase all electricity generated by private generators authorised to generate electricity on the islands, following a successful tender; and
- distribute electricity to all customers on the autonomous islands, regardless of whether such electricity is generated by us or by third parties on the islands.

We are required to provide electricity to the autonomous islands at the same tariffs we provide electricity in the interconnected system, even though the cost of providing electricity is much higher on the autonomous islands. This represents our most significant public service obligation.

The following table sets out the amount of electricity that we sold by class of customer in the autonomous islands and our total operating revenue from sale of electricity to those customers for the four years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,								Six months ended 30th June,			
	1999		2000		2001		2002		2002		2003	
	GWh	(euro-million[1])	GWh	(euro-million[1])	GWh	(euro-million[1])	GWh	(euro-million[1])	GWh	(euro-million[1])	GWh	(euro-million[1])
HV & MV Customers[2]:												
Industrial HV	0	0	0	0	0	0	0	0	0	0	0	0
Industrial MV	101	7	132	8	146	9	161	10	81	5	82	5
Commercial MV	315	21	328	22	365	25	389	28	117	8	175	11
Agricultural MV	31	1	39	1	31	1	29	1	9	0	8	0
Others MV[3]	102	7	128	9	137	10	145	11	66	5	68	5
Total HV & MV Customers	549	36	628	40	680	45	725	50	272	18	333	22
LV Customers[2]:												
Residential LV	1,245	97	1,300	97	1,339	103	1,495	120	791	64	859	73
Industrial LV	139	11	123	10	129	11	126	11	66	6	72	6
Commercial LV	1,032	96	1,092	104	1,186	116	1,225	129	499	51	544	58
Agricultural LV	219	8	194	10	187	7	190	7	70	3	54	2
Others LV[3]	225	16	226	18	237	19	245	21	118	10	121	11
Total LV Customers	2,860	228	2,935	239	3,077	257	3,311	289	1,544	133	1,650	150
Total	3,409	264	3,563	279	3,757	302	4,036	338	1,816	152	1,983	172

(1) Operating revenues are presented on the basis of our accounting records, excluding unbilled revenue for medium and low voltage customers.
(2) There are no Eligible Customers on the autonomous islands.
(3) Includes, among others, municipalities and other public entities.

The following table sets out the number of customers per category on the autonomous islands as of 30th June, 2003:

	Six months ended 30th June, 2003
	Number of customers
MV Customers[1]:	
Industrial MV	179
Commercial MV	418
Agricultural MV	23
Others MV	120
Total MV Customers	740
LV Customers:	
Residential LV	571,710
Industrial LV	8,849
Commercial LV	152,509
Agricultural LV	26,485
Others LV	18,798
Total LV Customers	778,351
Total	779,091

(1) There are no Eligible Customers on the autonomous islands.

Customer Services

The Distribution business unit is responsible for metering and billing all of our customers to whom we supply electricity. Metering the consumption of small-and medium-sized customers takes place every four months. However, bills are issued to these customers every two months and are based on the actual meter reading or an estimation of consumption based on previous usage. For large consumption customers, meters are read and bills are issued on a monthly basis. Bills are paid at our customer centres, the branches of the Greek Post Office and Lottery Tickets selling points and by direct debit at most Greek banks.

Our Distribution business unit manages the billing and cash collection activities for approximately 6.8 million customers. There are no restrictions under Greek law prohibiting disconnection of supply for non payment and accordingly proposed and actual disconnection is the principal method used to ensure prompt payment of bills. In practice, this has resulted in the company having a low non payment and default record such that this is not material in assessing the financial performance of the company.

We are required by law to collect public television and radio taxes and municipal taxes from all of our customers. These taxes are included as separate items on the bills that we send to our customers and on average represent about 25% of the bills (not including VAT), or approximately € 180 million in aggregate, every two months. We deduct a 2% and 0.5% commission for the municipal taxes and public television and radio taxes, respectively, and make payment to the relevant municipality and government bodies by the 25th day of the second month following our issue of the bill to our customer. There is no credit risk to us if such taxes are not paid by the customers.

The Distribution business unit is also responsible for the operation of 277 points of service throughout Greece. Since 2001, we have been providing telephone customer service, which includes handling by telephone a customer's request to open and close accounts and to establish connections. This service is currently available to approximately 50% of our customers and covers specific geographic areas. We expect this service to be available to almost all of our customers throughout Greece by the end of 2003. In March 2002, we launched a unified, nation-wide call centre with a single call-in number, providing general customer information as well as information about the customers' connections and their accounts. In addition, we have introduced a separate service unit for Eligible Customers, which became operational in December 2001 and currently has 11 regional units. As part of our continuing effort to improve the services we offer our clients, we have reached an agreement with five major banks in order for our customers to be able to make bill payments through ATM machines, in addition to direct debit which is already available.

Interruptions

We have not experienced any substantial unplanned interruptions in our distribution network over the last three years and up to 30th June, 2003. We believe our unplanned interruptions have been in line with other electricity companies in the European Union in terms of both frequency of occurrence and duration of interruption. We aim to further improve the quality offered to our customers by introducing ten new control rooms in addition to upgrading existing facilities. Of these control rooms, three will start operating in the next few months, three are under construction and the rest will be in place by 2004.

Capital investment programme

Investment expenditure on the distribution network during 2002 was approximately € 216 million, taking into account customers' contributions and subsidies. This investment was used for installing additional lines and substations throughout Greece to meet increased demand by existing and new clients. Budgeted investment expenditure on the distribution network for 2003 is approximately € 236 million, taking into account customers' contributions and subsidies, and will also be used for extending the distribution network. In connection with the Olympic Games which will take place in Athens in 2004, we invested approximately € 33 million (over and above normal investment) and we plan to invest an additional € 113.7 million (over and above normal investment) up to and including 2004 which will be subsidised by the Hellenic Republic.

Employees

As at 30th June, 2003, the Distribution business unit employed 11,493 full-time employees, of which 3,850 were responsible for operations and maintenance, 1,800 for supply, 2,960 for extending the distribution network, 1,980 for support services, 800 for generation (on the autonomous islands except Crete and Rhodes) and 103 employees were handling transmission on Crete and Rhodes.

Mining

Our Mining business unit is responsible for extracting lignite from our lignite mines in Greece to provide fuel for our lignite-fired power stations. The Mining business unit is the second largest lignite producer in the European Union and sixth in the world, mining all of the approximately 70.3 million tonnes of lignite used by our lignite-fired power stations during the year ended 31st December, 2002. We have been purchasing lignite from a private mine to supply the lignite needed for our Florina power station, which commenced commercial operation in May 2003. This represents 1.7% of the lignite expected to be consumed by our lignite-fired power stations on an on-going basis.

We have the right under concessions granted by the Hellenic Republic to exploit approximately 65% of the exploitable lignite reserves in Greece, although we can increase that to approximately 95% of the exploitable reserves if the Hellenic Republic grants us exploitation rights for the reserves for which we currently hold exclusive exploration rights.

Lignite is a key strategic fuel for us for the following reasons:

- *Secure supply.* We have exclusive rights to exploitable reserves, which are calculated to last, at current use, for approximately 40 years in Western Macedonia and approximately 20 years in Megalopolis and as a result, have guaranteed access to our principal fuel. In addition, as an indigenous fuel source, our lignite supply will not be interrupted by political instability outside Greece.
- *Low extraction cost.* Our lignite is extracted from open-cast mines applying continuous mining methods, using high-capacity equipment (such as bucket-wheel excavators, belt conveyors and spreaders).
- *Stable cost.* Our extraction costs have remained relatively stable over time compared to the purchase costs of other fuel sources, particularly oil and natural gas.

In addition, the lignite we use, which is generally lower in sulphur, has lower emissions and is generally less polluting than other European lignite.

Use of Lignite

We operate five open-cast lignite mines in the Western Macedonia region of Northern Greece and in the Peloponnese region in Southern Greece. Our four mines in the Western Macedonia region—Main Field, South Field, Kardia Field and Amynteon Field (incorporating our Florina mines)—comprise the Lignite Centre of Western Macedonia, and produced approximately 55.8 million tonnes of lignite during the year ended 31st December, 2002. Our mining complex in the Peloponnese region, the Lignite Centre of Megalopolis, produced approximately 14.5 million tonnes during the same period. We have located additional lignite reserves at Drama, in Northern Greece and at Elassona, in Central Greece pursuant to exploration licences first granted to us in 1985 and 1994, respectively.

In addition to its lignite mining activities, the Mining business unit also operates the Liptol lignite-fired co-generation power station in the Ptolemais area in Western Macedonia. The Liptol station comprises two units with an installed capacity of 10 MW and 33 MW, respectively, and supports an industrial plant producing home-heating briquettes and dried lignite, as well as supplying power to the transmission grid. Since 2001, we have expanded our sales of briquettes to include exports to a metallurgical producer in FYROM.

Since transportation of lignite is expensive relative to its extraction cost and calorific value, lignite can be used economically only within relatively short distances of the mines from which it is extracted. All of our lignite-fired power stations are located in close proximity to our mines, allowing lignite to be transported directly from the mine to the power station, mainly by conveyor belts. Lignite from the Lignite Centre of Western Macedonia is used in the five principal generating power stations, which are located within a radius of 12 kilometres from the mines, with a total installed capacity of 4,108 MW as at 30th June, 2003. Lignite from the Lignite Centre of Megalopolis is used in generating power stations, the units of which are located within a radius of two kilometres from the mines, with a total installed capacity of 850 MW as at 30th June, 2003.

The quality of Greek lignite varies highly both within and across mines. The calorific value of Greek lignite ranges from 1,050 to 1,100 kcal/kg in the Lignite Centre of Megalopolis; from 1,800 to 2,300 kcal/kg in the Florina area of Western Macedonia; from 1,300 to 1,400 kcal/kg in the Ptolemais area of Western Macedonia, comprising the Main Field, South Field and Kardia mines; and from 1,050 to 1,300 kcal/kg in the Amynteon mine in Western Macedonia. However, lignite extracted in the Lignite Centre of Western Macedonia, where our principal lignite mines are located, generally has a low sulphur content and, combined with its high levels of calcium oxide (a desulphurising agent), is less environmentally harmful. The sulphur content of the lignite we mine in the Lignite Centre of Western Macedonia ranges from 0.3% to 0.6% and in the Lignite Centre of Megalopolis, from 0.8% to 1.5%. Our Florina and Megalopolis power stations are the only ones to require desulphurisation as the lignite they use has a higher sulphur content and lower calcium oxide content than the lignite from Western Macedonia which is used in our other power stations. Each of our lignite-fired power stations is designed to burn the lignite produced in the neighbouring mines, taking into account its specific calorific value and other characteristics. We apply homogenisation methods to blend lignite of differing quality characteristics to ensure consistent operating efficiency at our lignite-fired stations as well as high lignite

recovery factors from our deposits. Except as described below in respect of supplies for our Florina power station, we do not currently buy any lignite from private mines as we have sufficient supplies of lignite in terms of both quality and quantity from our own mines.

Reserves

According to the Greek Institute of Geology and Mineral Exploration in its report for 2002, the total proven lignite reserves in Greece amount to approximately 5.8 billion tonnes located widely across Greece, of which approximately 3.9 billion tonnes remain as exploitable reserves for electricity generation.

The following table sets out the probable, proven and exploitable reserves at each of our mines as at 31st December, 2002:

Mine	Probable reserves	Proven reserves	Exploitable Reserves	Mining Rights Expiring
		(million tonnes)		
Lignite Centre of Western Macedonia, of which:				
Main Field	0	534.4	418.4	5th March, 2026(1)
South Field	100	607.3	607.3	5th March, 2026(1)
Kardia Field	0	439.3	428.3	5th March, 2026(1)
Amynteon Field (excluding Florina)	0	386.8	304.8	23rd August, 2018(2)
Florina	24	140.5	140.5	21st August, 2024(2)
Total for the Lignite Centre of Western Macedonia	124	2,108.3	1,899.3	—
Lignite Centre of Megalopolis	10	273.1	257.1	5th March, 2026(1)
Total	134	2,381.4	2,156.4	—

(1) Mining rights can be renewed for an additional 25 years, for a maximum extension of 50 years.
(2) Mining rights can be renewed for a further 20 years.

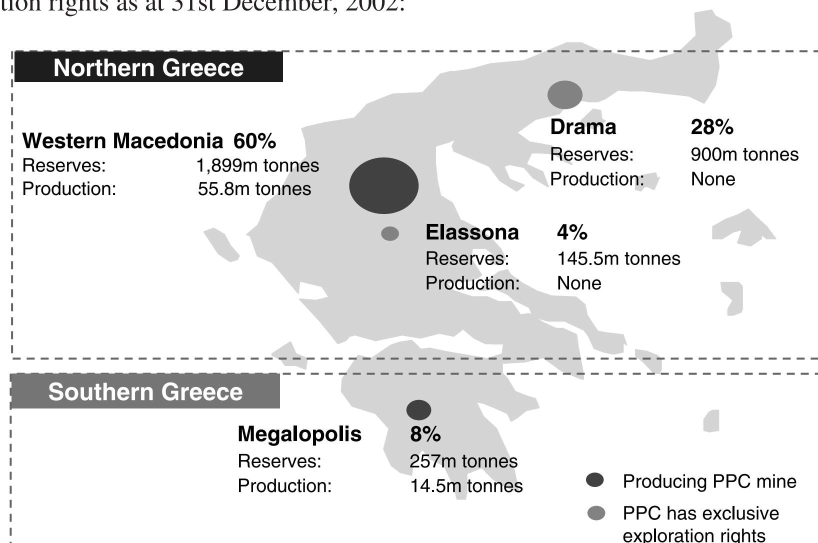
In addition, we have exclusive exploration rights for the deposits at Elassona and Drama, expiring in 2005. We are planning to apply to the Ministry of Development for an extension of the exploration rights. The proven and exploitable reserves are 145.5 million tonnes at Elassona and 900 million tonnes at Drama.

"Probable reserves" refers to lignite deposits that are estimated using a grid of drill-holes that are more than 300 metres apart, and "proven reserves" refers to that part of a lignite deposit that has been established using dense drill-hole data (up to 300 metres between drill holes). "Exploitable reserves" means that part of proven lignite reserves which can support one or more lignite-fired units, taking into account its calorific value, quantity, stripping ratio, the cost of alternative fuels and current extraction technology. Because lignite cannot be transported long distances economically, we consider a new lignite deposit to be exploitable only if it is located relatively close to an existing lignite-fired power station or is large enough to justify constructing a new power station nearby.

We calculate our exploitable reserves using evaluation methods generally used in the international lignite mining industry, including internationally accepted standards of mapping, drilling, sampling, assaying and interpretation. The results of our calculations in respect of the Lignite Centre of Western Macedonia and Lignite Centre of Megalopolis have been tested by Rheinbraun Engineering GmBH, a German mining company, between 1993 and 1996, as part of the Technical Mine Master Plan project, which we prepared jointly with Rheinbraun Engineering GmBH. As part of our annual report to the Ministry of Development, we update our estimates of exploitable lignite reserves annually at each of our mines. Despite reported figures, reserves may not conform to geological or other expectations, and the volume and quality of the lignite may be below expected levels.

Based on the total amount of the exploitable lignite reserves, the current rate of power consumption and the present rate of lignite-fired generation, we estimate that our remaining reserves will last for approximately 40 years in the Lignite Centre of Western Macedonia and approximately 20 years in the Lignite Centre of Megalopolis.

The following map shows the location of our exploitable lignite reserves and the reserves for which we have exclusive exploration rights as at 31st December, 2002:



The following table sets out the exploitable lignite reserves, stripping ratio, average ash content and calorific value of the lignite mined in our mines as at or for the period indicated:

Mine	Exploitable reserves as at 31st December, 2002	Stripping ratio[1] for the year ended 31st December, 2002	Average ash content, water-free	Calorific value
	(million tonnes)	(m^3/tonne)	(Percentage)	(kcal/kg)
Lignite Centre of Western Macedonia, of which:				
Main Field	418.4	5.3	33.8	1,323
South Field	607.3	5.2	32.0	1,300
Kardia Field	428.3	3.6	25.9	1,462
Amynteon Field (excluding Florina)	304.8	7.3	35.9	1,550
Florina	140.5	9.3	39.5	1,768
Lignite Centre of Megalopolis	257.1	1.7	38.2	1,050

(1) The stripping ratio is defined as the cubic metres of waste material that must be extracted in order to produce one tonne of lignite. We expect stripping ratios to remain stable in the near term.

Excavation

Lignite deposits in Greece have an average total depth of 150 to 200 metres and typically form in layers of lignite that alternate with layers of soil. The lignite layers have an average thickness of two metres and a number of beds ranging from 20 to 30 metres in the Lignite Centre of Western Macedonia, while in the Lignite Centre of Megalopolis, the lignite layers vary in thickness from a few centimetres to five metres. The upper-most layer of soil covering the lignite seam is known as overburden, while the soil found between the lignite layers is known as intermediate layers.

We extract lignite by continuous operation of bucket-wheel excavators, belt conveyors and spreaders. Lignite, overburden and intermediate layers are extracted by bucket-wheel excavators, in a system of benches known as terrace mining. Belt conveyors transport the extracted lignite to stockyards at the nearby lignite-fired power stations and to storage areas within the mine areas, as well as waste material to the dumping sites. Spreaders are used to dump the waste materials, comprising overburden and intermediate layers, in the dumping grounds. In order to access lignite in areas where there are hard overburden formations, we also use cast blasting. Heavy trucks are then used to remove debris (typically less than 10% of total excavated material). For certain parts of our lignite deposits, whose shapes do not permit easy removal using bucket-wheel excavators, as well as some hard formations, we rely on contractors using specialised mining equipment to aid in the efficient extraction of the lignite.

Most of our electrically-driven high-capacity mining equipment has been acquired over the course of the past 30 years and is expected to be in operation for a further 30 years or more due to our extensive programme of maintenance and upgrading. Our diesel engine equipment, such as bulldozers and tractors, is generally replaced every eight to ten years.

The following table sets out annual lignite production volumes of each of our five mines during the five years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
	(million tonnes)						
Lignite Centre of Western Macedonia, of which:							
Main Field	6.20	5.35	6.18	4.34	6.64	3.04	3.39
South Field	18.33	18.59	20.97	20.39	17.27	8.97	7.68
Kardia Field	14.92	15.43	14.86	18.43	23.34	12.02	11.38
Amynteon Field (excluding Florina)	7.20	8.28	8.82	8.56	8.58	4.38	4.39
Florina(2)	—	—	—	—	—	—	—
Lignite Centre of Megalopolis	11.52	13.30	12.48	14.45	14.50	7.48	6.48

(1) Individual numbers may not sum due to rounding.

(2) No lignite production to 30th June, 2003, as the Florina power station started operating in May 2003 and initially used only lignite from a private supplier.

Lignite production per employee (excluding employees on short-term contracts) for the year ended 31st December, 2002 was approximately 11,720 tonnes. The following table shows the production per employee, calculated as tonnes of lignite mined per employee in the Mining business unit, excluding employees of our co-generation station and briquette factory, during the five years ended 31st December, 2002 and the six months ended 30th June, 2002 and 2003:

	Year ended 31st December,					Six months ended 30th June,	
	1998	1999	2000	2001	2002	2002	2003
Tonnes of lignite mined per employee	8,662	9,196	9,862	10,707	11,717	5,940	5,665

The decrease in both our lignite production volumes and our lignite production per employee for the first six months of 2003 were due to adverse weather conditions.

Development of mines

We own the land on which our mines are located. We acquired this land mainly through expropriation from private owners and, to a lesser extent, through concessions from the Hellenic Republic. The Hellenic Republic owns all lignite deposits, and has granted mining rights to us that allow us to extract the lignite.

A new mine in Florina, the Achlada mine, came into operation in late 2002 and has started delivery of lignite to our Florina station, which came into operation in May 2003. The Achlada mine will be supplying 20% of the lignite required for the Florina power station by the end of 2003. In 2001, we entered into two five-year lignite supply contracts with two private mines to supply 85% of the lignite required for the Florina power station. The remainder was to be supplied from our Achlada mine. However, one of the suppliers has been unable to meet its supply obligations. To compensate for this shortfall, our Achlada mine and the other private mine will each provide one-half of the lignite required by our power station. In addition, to further secure our lignite supply for the Florina station, we have decided to accelerate the development of a second mine in Florina, the Kleidi mine. The land for the Kleidi mine has been acquired and the environmental and exploitation studies have been completed. Excavation is expected to begin by the end of 2003. The Kleidi mine has 33 million tonnes of exploitable reserves, representing approximately 23.5% of our exploitable reserves in Florina.

We have extended one of our existing mines in the Ptolemais area of the Lignite Centre of Western Macedonia, opening the Mavropigi mine. Preliminary planning studies for new mines in Elassona and Drama have been completed.

We have spent approximately € 4.2 million each year during the period 1997 to 2002 on exploration and verification of reserves in our existing operating mines and in Florina, Drama and Elassona. We carry out the

exploratory work to locate and assess the viability of new lignite reserves, in some cases jointly with the Greek Institute of Geology and Mineral Exploration. If we discover additional lignite reserves, the Ministry of Development may grant us the right to mine these reserves. Our concession to explore for lignite expires on 25th July, 2005 in respect of Drama and on 4th August, 2005 in respect of Elassona. If we decide to mine the deposits at Drama and Elassona in order to support new lignite-fired power stations, we will need to apply to the Ministry of Development for an exploitation licence for these deposits. In the meantime, we are planning to apply for an extension of our exploration rights.

Mining rights to our reserves at Ptolemais, part of the Lignite Centre of Western Macedonia, as well as our reserves at the Lignite Centre of Megalopolis, have been granted to 5th March, 2026. Pursuant to Greek law, we have the right to renew these mining rights for an additional 25 years, and on our application to the Ministry of Development, this right of renewal can be extended for a further 25 years, for a maximum extension of 50 years. Mining rights to our reserves at Amynteon and Florina, also part of the Lignite Centre of Western Macedonia, expire on 23rd August, 2018 and 21st August, 2024, respectively, with a right of renewal for a further 20 years.

We do not currently pay any royalty, concession fee or other fee for the lignite we extract. However, under Greek law, we are subject to a special levy for lignite-generated electricity equal to 0.4% of our annual turnover. We pay this levy to a special fund, from which payments are allocated to the prefectures in which our lignite-fired power stations are located. The amounts for each prefecture are allocated according to production from the lignite-fired stations of each prefecture. By law, the prefectures must use funds raised by this special levy to pay for social and economic development programmes. The mines not operated by us do not pay a special levy for lignite-generated electricity to the municipalities but instead pay a levy to the Hellenic Republic amounting to 6% of their cost of extracting lignite.

Once a mine's exploitable reserves are exhausted, we are required to restore the land. Restored mining areas now are our property. We restore exhausted mines by levelling the land, planting vegetation and landscaping. In the year ended 31st December, 2002, we spent approximately € 3.1 million of operating costs on land restoration and other environmental projects relating to our mines.

Licences

We hold all exploration and extraction concessions and other secondary licences (such as transportation and storage of explosives) required to carry out our mining operations. We have submitted all required environmental impact assessment studies to the Minister of the Environment and are awaiting final approval of the environmental permits for those of our mines which have not yet been granted by the Minister of Environment. We expect these permits to be granted by the end of 2003. You should read "Our Business—Environmental Matters" for a more detailed discussion of the regulatory regime applicable to our mining operations.

Employees

As at 30th June, 2003, the Mining business unit employed 6,013 full-time employees.

TELECOMMUNICATIONS

In addition to our core electricity operations, we have invested in the telecommunications industry. In this respect, a wholly-owned subsidiary, PPC Telecommunications S.A., was established in October 2000. In December 2000, PPC Telecommunications formed Evergy, renamed Tellas as of November 2002, together with NBG Greek Fund Limited, Alpha Ventures S.A. and General Bank of Greece. The three latter parties exited Tellas in 2002. In December 2000, Tellas was awarded a fixed wireless LMDS licence for the installation, operation and exploitation of a public fixed wireless telecommunications network and the provision of fixed telecommunication services in Greece, at a price of €11.7 million. This licence was issued to Tellas in January 2001. PPC Telecommunications was granted an individual licence for the installation of fixed line telecommunications network and the provision of fixed line voice telephony services by the National Telecommunications and Post Commission (EETT) in June 2001. This licence was transferred to Tellas in April 2003.

In August 2001, we, PPC Telecommunications and Tellas entered into a joint venture agreement with WIND, the shareholders of which were ENEL S.p.A., the major Italian electricity company, and France Telecom. WIND is now a 100% subsidiary of ENEL S.p.A. The holding company WIND-PPC Holding NV (the "Holding Company"), a Dutch Company, was incorporated in the Netherlands in December 2001. PPC Telecommunications holds 50%

minus one share in the Holding Company, with an option, subject to certain financial results of Tellas, to acquire the majority of the shares after August 2004 and WIND holds 50% plus one share. The joint venture pursues its activities in Greece through Tellas, which was contributed by PPC and has become a 100% subsidiary of the Holding Company. The necessary EU clearance for the joint venture was granted in 2001.

In February 2003, Tellas launched a wide range of telecommunications services, encompassing fixed line and fixed wireless telephony and a full mix of voice and internet services both to residential and business customers.

As of 31st July, 2003, Tellas has acquired an estimated 5.6% of the market for fixed line telephony (including both residential and business customers), corresponding to approximately 350,000 connections. Up to this date, our equity contribution to the share capital of the Holding Company is € 40 million. We and WIND have each agreed to contribute a further € 40 million in equity contributions through 2012. We expect Tellas to break-even on a cash flow basis by 2007.

Additionally, we expect to invest approximately € 36 million in constructing the fibre optic backbone along our existing transmission and distribution lines, which is leased to Tellas for use pursuant to the terms of an exclusive agreement we signed in March 2003. We have already spent approximately € 11 million in building this network. The rental payments we receive from Tellas pursuant to the terms of our contract cover the cost of our capital expenditure relating to the investment.

Tellas's Board of Directors has seven members, four of which come from WIND and three from our company. The chairman of Tellas is Mr. Stergios Nezis.

EMPLOYEES

We had a total of 28,448 full-time employees at 30th June, 2003. The following table shows a breakdown of employees by category as at the dates indicated:

	As at 31st December,					As at 30th June,	
	1998	1999	2000	2001	2002	2002	2003
Category:							
Administration	4,092	3,964	3,823	2,892	2,759	2,836	2,747
Generation	7,290	7,217	6,934	6,647	6,541	6,564	6,457
Transmission	2,321	2,236	2,148	1,784	1,761	1,763	1,738
Distribution	12,922	12,756	12,283	11,906	11,652	11,673	11,493
Mining	6,880	6,715	6,457	6,224	6,082	6,158	6,013
Total	33,505	32,888	31,645	29,453	28,795	28,994	28,448(1)

(1) As of this date, 936 employees have been transferred to the PIO and 165 employees to the HTSO.

We are currently pursuing a policy of workforce rationalisation, through a combination of natural attrition and constrained hiring, pursuant to which only one out of every ten retirees will be replaced by a new hire. Such workforce rationalisation is expected to result in a reduction of approximately 20% from the number of employees we had at 31st December, 2000, in all employment levels by 2007.

Approximately 92% of our employees, including management, belong to unions. Over 80% of all employees belong to GENOP, the largest union in Greece, with the balance belonging to two smaller unions, the New Federation of Personnel and the Federation of PPC Personnel. Management are non-participating members of unions.

We believe that our relations with our employees and our unions are generally good, despite certain claims of employees and pensioners against us. You should read "Our Business—Legal Proceedings" for a more detailed discussion of these claims. As a result, we have not experienced any significant industrial disputes, strikes or other work stoppages since August 1992 but experience some occasional strikes. Our management expects this situation to continue in the future, since it co-operates with the unions to ensure stable labour relations.

Wages are set pursuant to the guidelines of our personnel charter and collective labour agreements. Each year, our management and representatives of GENOP negotiate a collective labour agreement that sets wage increases and other labour practices. GENOP is the most representative union of our employees and accordingly, the one with whom we are required by law to negotiate. Our collective labour agreements are usually for a one-year period except for those for 1999 and 2001, which were for two-year periods. Negotiations for new agreements commence prior to the expiration of the preceding collective labour agreement and the new agreement enters into force immediately upon its signing. The collective labour agreements for 1998, 1999, 2001 and 2003 resulted and will result in annual wage increases of approximately 7%, 5%, 6%, 6%, 6% and 7% for each of the years 1998-2003, respectively.

Our employees' compensation does not include any performance-based profit-sharing or bonus schemes. Currently, there are no plans to introduce an employee share option scheme. Under our personnel charter and the collective labour agreements, compensation is based almost exclusively on the length of service and the employees' qualifications. New employees join at a relatively low salary level, which increases depending on length of service rather than on performance. Our Chief Executive Officer and the six General Managers may receive a bonus of 20% of their annual salaries if they meet agreed targets. In 2003, an exceptional bonus payment of approximately € 1,000 was made to each of our employees relating to the satisfactory performance of our company during the year.

In addition, our employees receive certain benefits in kind. We fund four day care centres and two camping facilities operated by the PIO. Our employees and pensioners receive up to 18,000 KWh of electricity per household per year at a reduced price.

Personnel matters are subject to our personnel charter, our collective labour agreements, general labour legislation, and specific laws and regulations for public companies pertaining to the hiring and dismissal of employees. Hiring in the public sector, and also in our company, is based on a publicly announced exam or selection process. The criteria for this selection process are stipulated in the law and vary depending on the category of position to be filled. Candidates are selected mainly on the basis of their academic qualifications, age and family situation. Large layoffs of more than 30 personnel are prohibited under Greek labour law and collective bargaining agreements. Our employees can be dismissed, *inter alia,* for embezzlement of funds or for poor performance; however, this happens rarely.

We fulfil the requirements of Greek legislation about Occupational Health and Safety. Moreover in 2003, we established a special division, the Internal Prevention and Protection Service which was approved by the Greek Ministry of Labour. In the past five years, our employees have made no material claims against us relating to occupational health and safety.

Pension benefits

Our employees receive pension, healthcare and welfare benefits as required by Greek law and collective bargaining agreements with our unions.

Prior to the pension reform in Greece in 1992, we had no obligation to make employer contributions according to a defined contribution formula. We were, however, responsible for all payments and liabilities in respect of pensions or healthcare. Under Greek law, until 1st January, 2000, we paid pensions and related employee benefits out of our overall income rather than out of a separate fund as the liability arose. No separate fund nor any financial reserves were maintained to cover current or accrued pension liabilities.

Since 1st January, 2000, our employees and pensioners are covered by the Public Power Corporation Personnel Insurance Organisation (the "PIO"), a specific pension fund established for us under the Liberalisation Law. The PIO is a public entity supervised by the Hellenic Republic. The PIO has taken over our responsibility for meeting liabilities in respect of pensions, healthcare for our employees and pensioners, and other social security expenses. We are no longer obliged to make any payments in respect of pensions or healthcare as we had been prior to 1st January, 2000 and we have, in effect, no pension liability except as described below. All employer, employee and pensioner contributions are paid to the PIO. Although the PIO began operating in August 2001, we continued paying pension liabilities and healthcare to our pensioners to April 2002. In August 2002, we were reimbursed by the Hellenic Republic for pension liabilities that we covered for 2000 and 2001 in an amount of € 84.1 million, out of a total amount of € 108.2 million outstanding as of 31st December, 2001. The remaining € 24.1 million relates to the cost of electricity supplied at a reduced tariff to our pensioners, which we are currently claiming from the Greek State. In addition, we are claiming € 15.9 million of similar costs from the PIO.

We are currently in a dispute with the PIO as to who is responsible for bearing the cost of supplying electricity at a reduced tariff to our pensioners. According to legal opinions we have received from independent legal advisors, the electricity supplied at a reduced tariff represents an insurance benefit and, accordingly, the related obligation lies with the PIO. However, the outcome of this dispute is still uncertain. Our financial statements for the six month period ended 30th June, 2003 include a provision for the full amount of the present value of this potential exposure, which has been actuarially estimated at € 217.6 million as at 30th June, 2003.

In addition, we are aware that certain employees' and pensioners' unions have made various allegations in protest letters. These letters, which have no legal effect, were addressed to the Greek Capital Markets Committee and copied to our company. The most significant allegation in these letters is that our assets should have been

valued at 11 trillion Greek Drachmas (approximately € 33 billion) instead of 2.97 trillion Greek Drachmas (approximately € 9 billion), an undervaluation of approximately € 24 billion. In addition, the letters state that: (a) the PIO's property is existing and is incorporated in our company's property; (b) our company should transfer ownership of certain buildings and securities to the PIO which had previously been held by the Social Security Fund for one of the predecessor entities of our company ("TAP/HEAP/EHE"); and (c) we have an obligation to comply with all our liabilities towards the PIO, as they derive from the Liberalisation Law and legislation in force. The relations between our company and the PIO, as well as our relevant obligations, are regulated by the Liberalisation Law. Two judgments were issued by the Council of State, the highest Greek court, confirming that the PIO is the successor to our company on all social security matters. Consequently, we believe that the PIO is independent of us. Based on the Liberalisation Law and other provisions of law in force, we believe that these protest letters or the allegations made in them will not have an effect on our financial condition or our property.

The PIO started paying pension liabilities on 1st May, 2002. As an employer, we are required to contribute an amount that varies depending on when an employee has entered the labour force, in accordance with the terms of the pension reform law of 1992:

- for employees who entered the labour force prior to 1st January, 1993 (the "old regime"), our contributions, from 1st January, 1993, amount to 31.5% (36.5% for employees working under hazardous conditions) of each employee's salary, up to a monthly salary of € 3,223; and
- for employees who entered the labour force after 1st January, 1993 (the "new regime") our contributions amount to 21.4% (28.4% for employees working under hazardous conditions) of each employee's salary.

In addition, we are required to contribute to the main social security fund 6.5% of each employee's salary, up to a monthly salary of €1,884 for employees who entered the labour force prior to 1st January, 1993, and up to their full salary for employees who entered the labour force after 1st January, 1993.

The PIO is mainly financed by:

- our social security contributions;
- our employees' and pensioners' contributions; and
- payments by the Hellenic Republic to cover the difference between the total income of the PIO and its payment obligations for healthcare and pension benefits which are provided for in the annual state budget and in accordance with article 34 of the Liberalisation Law. The Hellenic Republic assumed this obligation in consideration for the property arising from employee and employer's contributions, such property being incorporated in our company and not in a separate fund. The Hellenic Republic, in accordance with the Liberalisation Law, has met all payments to date to meet the differences between the total income of the PIO and its payment obligations for pension and healthcare benefits.

In addition, according to the Liberalisation Law, the PIO is entitled to receive 20% of the proceeds from the sale of the first 25% of our existing shares and 15% from the sale of any existing shares by the Hellenic Republic thereafter. The proceeds will be invested by the PIO. The PIO will be entitled to 80% of the return on the invested proceeds as revenue. The remaining 20% of the return will constitute capital for the PIO and will be used in a manner to be determined by its board of directors and approved by the Ministers of Economy and Finance, Development, Labour and Social Security. According to a recently adopted law which will come into effect once it is published in the government gazette, the PIO is entitled to receive from the Hellenic Republic shares in our company instead of proceeds from the sale of our shares. As a result, pursuant to the offering of our shares in 2001 and 2002, the PIO currently holds 3.8% of our shares.

Our employees are eligible for minimum pension benefits at the age of 62.5 if they have worked with us for at least 25 years. In order to qualify for a full pension, an employee must have worked for an employer who has contributed to a pension benefit plan for at least 32 years. Employees who have worked under hazardous conditions are eligible for minimum pension benefits at the age of 52.5. They are entitled to a full pension if they have worked for 27 years for an employer who has contributed to a pension benefit plan. These age limits increase by six months every year until maximum ages of 65 and 55, respectively. Pension benefits are determined by reference to the employee's final salary.

The administrative assets involved in the provision of pensions and healthcare (including our own medical centres and testing laboratories) have been transferred to the PIO pursuant to a decision by our board of directors in June 2002.

ENVIRONMENTAL MATTERS

Our electricity operations are subject to extensive environmental laws and regulations, including Greek laws implementing European Union directives and international agreements on the environment. Our environmental management guiding principles are to comply with all relevant legislation, to minimise, to the extent reasonably possible, adverse effects that our activities may have on the environment and to improve continuously the environmental performance of all our activities in general.

We are substantially in compliance with applicable environmental legislation.

Environmental regulations affecting our business relate primarily to air emissions, water pollution and waste disposal. We are also subject to other regulations and standards, such as those relating to noise and electromagnetic fields.

Generation—Thermal and Hydroelectric Power Stations

EU legislation

Regarding SO_2, NO_2 and NO_x

The principal EU Directive on air emissions affecting the electricity industry is the directive on the limitation of emissions of certain pollutants into the air from large combustion plants (“LCPD”). The LCPD applies to combustion plants with a thermal input of 50 MW or more. It requires each EU member state to establish and implement a programme of progressive reduction of total SO_2 emissions and total NO_x emissions from generation stations licensed before 1st July, 1987 and to establish emission concentration limits for SO_2, NO_x and particulate matter from individual generation stations licensed after 1st July, 1987. The European Commission reviewed the LCPD and issued a revised directive in October 2001. The revised LCPD imposes stricter conditions for the operation of large combustion plants, whether existing or new, and requires compliance with emission limit values and increased monitoring. The main effect of the revised LCPD for us will be the need to reduce SO_2 and particulate matter emissions. In this regard, we have created a programme, incorporated into our overall business and capital expenditure plans, that we believe will allow us to make the necessary reductions by the deadline of January 2008. Accordingly, we do not expect that this programme will have a material impact on our business.

The EU Directive on national emission ceilings (“NECD”) for certain atmospheric pollutants was issued at the same time as the revised LCPD. It requires member states to reduce emissions of SO_2, NO_x and volatile organic compounds and ammonia by 2010, using 1990 levels as a base. We do not believe that this directive will have a material effect on our business because the emission ceilings set by this directive for Greece are higher than the current total annual emissions in Greece.

In addition, an EU Directive 1999/30 EC (“99/30”) imposes reduced pan-European limit values and thresholds for SO_2, NO_x and NO_2 particulate matter and lead in ambient air. This directive establishes limit values and thresholds for the concentrations of those gases and particulates which apply to ambient air generally. Compliance with these limits must be attained in phases, some of which must be met by January 2005 while others must be met by January 2010. Similarly, hourly limit values for NO_x and NO_2 must be met by January 2010.

The EU Directive on integrated pollution prevention and control (“IPPC”) requires all existing and new combustion stations with a net thermal input of over 50 MW to operate using best available techniques (“BAT”) in order to minimise their environmental impacts. Existing combustion stations have until 30th October, 2007 to upgrade their operations to BAT standards. Specific BAT for large combustion plants have not yet been finally defined by the European Commission although a draft reference document has been published in March 2003. Best available techniques will address atmospheric emissions, water consumption and discharge, waste generation, noise and energy consumption.

Given the actions being taken to comply with the LCPD, we do not believe the additional requirements imposed by the NECD, 99/30 and the IPPC will have a material impact on our business or capital expenditure plans.

Future developments

A draft Environmental Liability Directive is currently being negotiated at the EU level. It proposes a pan-European liability regime that would make any polluter pay for the remediation of harm it causes to the environment. As currently drafted, the directive is not intended to apply retrospectively to existing contamination. In any event, the draft directive does not seem likely to be adopted in the near future following

which member states are likely to have a further two years to implement it into domestic legislation. However, given the current uncertainty surrounding its precise form (including the final form of the non-retroactivity principle), it is not possible to predict with certainty its potential impact, if any, on our business or operations.

Principal Greek Legislation regarding SO_2, NO_x and particulate emissions

Greece implemented the LCPD and 99/30 by ministerial decisions in 1993 and 1996 and in 2002, respectively. Greece also implemented the IPPC by law in 2002 and by ministerial decisions in 2002 and 2003. As of 30th June, 2003, Greece had not implemented the EU Directives regarding the revised LCPD and the NECD.

We are taking the necessary steps to comply with the above regulatory framework, both national and European, in some instances in advance of Greece's implementation of EU Directives. We have introduced a significant programme of environmental measures that covers our entire thermal operations, which is intended to satisfy all current Greek and European Union environmental regulatory requirements for SO_2, NO_x and particulate emissions from our large power stations. This programme includes a phased upgrading of dust control measures, such as replacing old lignite and ash electrostatic precipitators at our lignite-fired power stations and reducing SO_2 emissions by using FGD installations at our Megalopolis B lignite-fired power station and our Meliti-Achlada lignite-fired power station in Florina. We have also provided for the retrofitting of FGD at unit III of our Megolopolis A lignite-fired power station in our business plan by the end of 2007. In accordance with our business plan, we are upgrading existing lignite electrostatic precipitators and fitting new lignite electrostatic precipitators in unit III of Megalopolis A. We are also preparing technical specifications regarding the upgrading of existing lignite and ash electrostatic precipitators and adding new precipitators for Units I and II of Megalopolis A. We are upgrading existing ash precipitators and adding new ash electrostatic precipitators in Kardia 3 and 4. We are also in the contractual phase regarding ash precipitators for four units of our Agios Dimitrios power station. We have a programme of on-going replacement of burners in existing heavy fuel oil units in order to improve combustion and reduce NO_x and particulate emissions. We may also have to reduce the hours of operation of our oil-fired stations and of our two lignite-fired units in I and II of Megalopolis A. You should read "Risk Factors—Our business is subject to numerous and increasingly stringent environmental laws and regulations" for a discussion of how future regulations could affect our capital expenditure for environmental purposes.

In accordance with the provisions of our environmental permits, we are also required to monitor emissions and discharges and to prepare regular environmental reports for evaluation by the competent local and central authorities. We address these requirements by using our computerised quality standards and automatic monitoring networks in the areas where our power stations are located. We are in the process of improving and extending our monitoring networks, including the installation of further automatic monitoring equipment.

In addition, all of our power stations that are currently under construction are designed to comply with the expected impact of both existing and anticipated Greek and European Union environmental legislation.

CO_2 emissions

Both the European Union and Greece have signed and ratified the Kyoto Protocol, which establishes reduction targets for emissions of CO_2 and other greenhouse gases. The target applicable to the Hellenic Republic in the 2008-2012 period allows for a 25% emission increase from Greece's emission levels in 1990. This increase is not expected to cover the country's projected emission growth rates through 2012, however, and it is expected that some reduction will be required in order to meet the target. The Hellenic Republic has adopted guidelines to implement the Kyoto Protocol and the European Union adopted a proposal for a directive on emissions trading that would establish a scheme for greenhouse gas allowance trading. Potential future reductions mandated by the Hellenic Republic could require us to modify our operations to reduce emissions, purchase emission allowances, or both.

We are contributing to the national action plan for the abatement of CO_2 and other greenhouse gas emissions. We have started this process by establishing an emission reduction plan. This plan involves measures to reduce levels of CO_2 mainly by increasing the use of natural gas and hydropower, developing renewable sources, conserving energy and implementing more efficient lignite technologies. Given our present plans for introducing, and capital expenditure upon, upgrading equipment to improve thermal efficiency (such as upgrading steam turbines and cooling towers and installing information systems for the on-line monitoring of the efficiency and operational control for all units at Lavrio, Agios Georgios, Aliveri and Agios Dimitrios) and our overall strategic approach to environmental matters, we do not anticipate that this plan will result in significant extra costs or have a material adverse impact upon our business. We are investigating, as part of this plan, participating in the purchase, sale and/or trading of emission allowances. We are also participating in various other European initiatives to reduce CO_2 emissions. We have reduced CO_2 emissions per unit of energy produced in the decade 1990-2000. While electricity

production has increased by 55% over that period, CO_2 emissions increased by 25%. The average CO_2 emission factor for our electricity generation declined from 1.3 kg/kWh in 1990 to 1.07 kg/kWh in 2002, a reduction of approximately 18%.

Waste management

There are various waste management laws and regulations in Greece applicable to management and disposal of liquid, solid industrial and hazardous waste. We hold environmental permits under these laws, which include terms governing our waste management practices. For example, hazardous waste from our activities is disposed of by authorised waste management contractors. We have also equipped all of our thermal power stations with waste water treatment plants, and significant investments have been made to install or upgrade these plants at several stations. Pursuant to the implementation of the EU landfill directive into Greek law, we are required to review our waste management practices for ash, which may result in changes to our practices, although we do not anticipate any significant costs or adverse impacts on our business.

Asbestos

Limited studies have been undertaken in respect of asbestos-containing materials which may be present at our properties. We have implemented a hazardous materials management programme, which includes the preparation of an inventory for all our premises identifying asbestos-containing materials in poor condition and plans for dealing with them appropriately. We are currently managing asbestos-containing materials in poor condition at our closed power station in Faliro, Athens.

We have submitted an application to the Ministry of Environment for authorisation to develop an environmentally-controlled land fill for asbestos-containing material. We have obtained a positive opinion from the Ministry of Environment as a first step in the licensing process on our preliminary environmental impact assessment and further to this opinion, we have submitted a full environmental impact assessment in order to obtain our licence, which we expect to be granted by the end of 2003. If we receive authorisation, we expect to dispose of the bulk of our asbestos waste at this facility. If authorisation is delayed or denied, we will need to seek one or more alternative asbestos disposal sites. The additional costs of disposing of asbestos at these third-party sites could be substantial.

Contaminated land

Although contaminated land assessments have not been carried out at all of our sites, at present there appears to be no requirement for large-scale remedial projects at our sites in the short term. It is unlikely that this will be required at the mining areas or at the lignite-fired power stations for the foreseeable future. We are in the process of remediating some localised contamination at five of our small power stations on the autonomous islands. Remediation may be warranted at some of our oil-fired stations, depots and underground cables in the future.

Water

The EU Directive establishing a framework for community action in the field of water policy came into force on 12th December, 2000. Its coverage includes the protection of inland surface waters, transitional waters, coastal waters and groundwater. Greece is required to implement this directive by the end of 2003. This implementation process commenced in July 2002 with the government's preparation of initial draft legislation. Pursuant to the terms of this directive, water will be subject to regulation to avoid long term deterioration of water quality and quantity. For example, it is likely that water will be regulated to avoid shortages downstream, major surface water abstractions, or over-abstraction of groundwater. Depending on how these measures are implemented in Greece, for example by charging for water use and recovery of water services, we may need to re-evaluate our water policy.

Environmental Authorisations

All our major operations require an environmental permit, which is issued by Ministerial decision following an extensive environmental impact assessment and this authorises the construction and operation of new power stations and the operation of existing power stations. Depending on the nature of the operation a water use permit may also be required. All but one of our thermal power stations located on the mainland have the environmental permits that enable them to operate. We expect to receive the environmental permit for one of our lignite-fired stations located in Megalopolis by early 2004. We have applied for environmental permits for our thermal power stations located on the autonomous islands. We have received most of these and we expect to have the remaining permits by the end of 2003.

The majority of our hydroelectric power stations were built before 1990. For these power stations, we do not hold environmental permits as we were not required under law at the time to do so. Since 1994, we have been required to obtain environmental permits for our hydroelectric power stations and we are in the process of obtaining these. Until that time, during the operation of these hydroelectric power stations, we apply terms equivalent to the terms contained in the environmental permits of projects which are located in the same water catchment area.

We were given the right under law to use water for our hydroelectric power stations and therefore we do not require water use permits for our hydroelectric power stations that were existing or under construction in 1989. Any future stations will require such permits as required under current law and as may be required by the expected new water use legislation implementing the EU Directive on water policy.

Some of our permits for our hydroelectric power stations are likely to be affected by legislation relating to protection of conservation sites pursuant to the EU Directive on the conservation of natural habitats and of wild fauna and flora, which has been implemented in Greek law.

We are currently in the process of obtaining various environmental permits that we do not currently have but which are required for our operations as well as water use permits for our new hydroelectric projects. We have constructed a hydroelectric power station at Messochora which we have been unable to operate as the relevant environmental permit which was originally granted for the whole Acheloos river diversion project, including Messochora, was challenged and the Ministry of the Environment was required to conduct further environmental studies. A new environmental permit has now been issued which covers our project. This permit contains environmental terms similar to those of the original permit and therefore no additional controls have been imposed on our operation of the power station. This decision to grant us this new permit has in turn been challenged. However, we do not expect this challenge to change the permit or otherwise delay the operation of our station at Messochora by the end of 2005 or early 2006. You should read "Legal Proceedings—Environmental Proceedings" for additional discussion regarding Messochora. Conditions that may be imposed in our permits may require additional capital expenditure over amounts budgeted (such as building smaller dams to increase water flow) or modification of our operating practices. Once the necessary environmental permits have been obtained, operating licences must be acquired. A number of our power stations did not have operating licences due to an ambiguity in the law in the past, which made it unclear whether or not these licences were required. Under Greek law, we have been granted interim operating licences until 31st July, 2005 for our existing power stations and those currently under development. A ministerial decision provides a fast-track procedure for us to obtain the operating licences we need and we expect to obtain them by the date established in the law. You should read "Risk Factors—We do not have all the licences and permits we need in respect of our operations" for additional discussion on our licences and permits.

Transmission and Distribution

PCBs

To comply with obligations arising under the EU Directive concerning the removal and disposal of polychlorinated biphenyls ("PCBs"), we are following a comprehensive plan in all our business units for phasing out existing PCBs by 2007 which is within the deadline established by the directive. The expenditure related to this plan is included within our environmental expenditure plan.

Electromagnetic fields

In the context of our business, electromagnetic fields arise from transmission and distribution lines and substations. The level of expression of public concern about the potential effects of exposure to electromagnetic fields has increased significantly in recent years. There is inconclusive scientific evidence about the alleged potential long-term health effects of low frequency electromagnetic fields. Although there is some contradictory epidemiological data that suggests that chronic low level exposure to electromagnetic fields may be associated with health effects, the International Commission on Non-Ionizing Radiation Protection ("ICNIRP"), an independent scientific body working under the auspices of the World Health Organisation, has stated in its 1998 guidelines that, *inter alia,* in the absence of support from scientific studies, the epidemiological data are insufficient to develop long term exposure guidelines. In 1999, an EU recommendation was issued on the limitation of exposure of the general public to electromagnetic fields adopting the 1998 ICNIRP guidelines and relevant exposure limits (0 Hz-300 GHz). The construction and operation of our transmission and distribution lines and substations is within the guidelines established by the ICNIRP and the above EU recommendation.

The relevant authorities, when considering applications for new environmental permits, will apply the reference levels for long term exposure to electromagnetic fields established by the EU recommendation, which have been incorporated into Greek law by an Inter-ministerial decision in April, 2002. You should read "Risk Factors—Our business is subject to numerous and increasingly stringent environmental laws and regulations" for more information on electromagnetic fields.

Landscape safeguards

We have taken the following actions to reduce the visual impact of our transmission and distribution lines:

- acting with local authorities to install underground cables in medium and low voltage networks;
- using insulated cables in all new overhead low voltage networks;
- using existing routes of power lines whenever possible;
- soliciting proposals internationally for the design of new towers for our transmission lines aimed at reducing the environmental and aesthetic impact of towers in non-urban areas of particular landscape value; and
- acting to reduce the impact of lines in environmentally sensitive or protected areas.

Environmental authorisations

The Ministry of Environment has advised us that environmental permits are not required for installations managed by the Distribution business unit of 22 kV or less, or for underground lines of less than 150 kV. For all other installations, we are required to hold an environmental permit. We currently hold environmental permits for approximately 10% of the existing transmission network installations for which permits are required.

Mining

Waste management

We use the majority of fly ash for slope stabilisation during mine exploitation operations and for restoration works in exhausted open cast mines. The remainder is used by the cement industry and also for other novel construction techniques, such as dam construction. Also, industrial waste from our operations is disposed of in overburden dumps in our Ptolemais and Megalopolis mine complexes. These practices are carried out under the environmental terms of our lignite-fired power station permits and are referred to in environmental impact assessment studies of the mines and the environmental permits of the mines.

The local municipal authorities dispose of municipal waste into two small uncontained sites in reclaimed mining areas of the Western Macedonia and Megalopolis Lignite Centres where we also place overburden and fly ash. We may have some liability associated with this practice of municipal waste disposal in the past. However, we expect this practice to change as new contained landfill sites for municipal waste are expected to be constructed by the local authorities under specific environmental permits that have been issued. These sites are to be constructed and operated by local authorities on the basis of contractual arrangements for the use of the land by the authorities for the disposal of municipal waste. In respect of the past and existing operations, in Western Macedonia, a municipal enterprise responsible for the waste disposal had entered into a contract with us in respect of the use of our land for the waste disposal. We are in the process of amending this contract to better address any environmental issues that may arise from the municipality's use of our land. We are in the process of negotiating a similar contract with the municipality at Megalopolis. The necessary environmental permits for these operations of the local municipal authorities on our land have been obtained.

Pursuant to the implementation of the EU landfill directive into Greek law, we are required to review our waste management practices for ash, which may result in changes to our practices although we do not anticipate any significant costs or adverse impact on our business.

Landscape safeguards

We are restoring certain depleted mining areas in an ongoing restoration programme.

Environmental authorisations

We have submitted to the Ministry of Environment environmental impact assessments and applications for environmental permits for all of our mining operations. In September 2001, we were granted an environmental permit relating to mine operations for the new West Field Mine at Ptolemais. Based on this permit, we anticipate

that no additional requirements will be imposed on our current practices. Without these permits we cannot be sure of the precise environmental requirements which will be imposed by the Ministry, even though the permit granted to us in September 2001 for the Ptolemais West Field mine did not include any additional requirements to our current practices. We anticipate that environmental permits for our other mining operations will be issued by the end of 2003. In addition, we have submitted environmental impact assessments to the Ministry of Environment in respect of our Achlada and Kleidi mines in the Florina basin and expect to receive the environmental permits in due course.

Localised air pollution

Dust generation is a local air pollution issue in the vicinity of some mine areas. Some additional controls over the generation and suppression of fugitive dusts around a number of areas of the mining operation may be required to prevent local nuisance. In our Mining business unit, we have provided for fugitive dust controls at certain of our mines in the Lignite Centre of Western Macedonia.

Water

Our exploration and mining activities are subject to significant regulation in connection with their impact upon both surface and underground water and waste water disposal. Our ability to mine in accordance with current practices is highly dependent upon our ability to lower the water table in connection with our mining operations. This is permitted, under certain conditions, in our mining licences, pursuant to environmental impact assessments and related environmental permits, which we expect to be granted in late 2003. All of our present activities and practices are in material compliance with regard to surface and underground water as required by our licences and permits and with applicable EU and Greek law. There can be no guarantee, however, that any new regulations and/or requirements will not be imposed in such a way that would cause us to change practices and/or incur costs which may be material. In our Mining business unit, we have provided for monitoring of water discharge from the Lignite Centre of Megalopolis into the Alfios River.

Cost of compliance

The costs of ensuring compliance with applicable and forthcoming environmental regulation generally consist of costs associated with equipping newly constructed facilities with required technology or modifying existing facilities to comply with applicable regulation. These costs may vary depending on the stringency of new environmental regulation, our business structure, changes in environmental enforcement in Greece and changes in scientific knowledge. Based on a comprehensive environment audit report conducted by our environmental consultant in 2001, our environmental capital expenditure for the years 2001 to 2010 is estimated at approximately € 425 million. We estimate that a significant portion of this amount will be spent to modify existing facilities to comply with applicable and forthcoming environmental regulation and to conform our licences and permits to conditions that may be imposed on us. As an example of such planned expenditure, we have provided for key investments to be made mainly in connection with the implementation of the revised LCPD.

INSURANCE

We face risks of accidents in our operations, including risk of fire and risks related to construction activities, transportation and third party liabilities. We require our contractors to maintain insurance in respect of the usual risks associated with construction activities. In addition, we obtain insurance for the transportation of fuel, for our points of service where bills are paid and for our information technology equipment. We do not obtain insurance for our car fleets as we are specifically exempted by law from doing so. Historically, we did not obtain insurance cover for the usual risks associated with our stations, transmission and distribution assets, property, equipment (other than our information technology equipment) and operations as well as environmental liabilities. We are currently considering obtaining insurance on our operating assets.

We believe that our policy towards insurance has been and continues to be satisfactory when measured on the basis of our history of loss. We continuously monitor our risks, accidents and damages both on an aggregate and on a business unit-by-business unit basis.

You should read “Risk Factors—We do not maintain insurance on our operating assets”.

LEGAL PROCEEDINGS

We are currently defendants in a number of legal proceedings (court actions, arbitration and mediation proceedings), all in Greece, incidental to our mining and electricity-related operations. Under law, we continue to be a defendant in these legal proceedings even though many of them commenced when we were a public corporation. The pending legal proceedings include various civil and environmental claims, disputes relating to the construction and operation of several power stations and other matters that arise in the normal course of business. In addition, we have a number of disputes with the RAE arising out of their regulation of the electricity system and the Liberalisation Law. While some of these legal proceedings have been judged in our favour at the first and second instance, because of the nature of these proceedings, we are not able to predict the ultimate outcomes, some of which may be unfavourable to us. In addition, some of these proceedings have been brought on behalf of various groups of employees and pensioners. Although we do not believe the plaintiffs will be able to obtain judgement for the amounts claimed, there can be no assurance of this.

Our total estimated exposure in respect of the legal proceedings we are currently defending against excluding interest, imposed by law or contract is approximately € 400 million. You should read "Risk Factors—Our exposure to legal liability is significant". We have established a reserve for litigation and contingent liabilities where we consider it probable that a claim will be resolved unfavourably and where we can reasonably estimate the potential liability. We have briefly summarised below the most significant proceedings in which we are involved.

Construction Claims

We are currently the defendant in a number of civil actions brought against us by several construction companies claiming mainly increased compensation under construction contracts with us. The aggregate value of these claims is approximately € 34.9 million. The most significant claims include two claims brought by the consortium METON S.A.—AEGEK S.A. for approximately € 12.3 million and € 3.7 million, respectively, relating to the construction of our hydroelectric station in Messochora. A judgement was entered in our favour by the court of first instance regarding the second claim relating to Messochora. An action has also been initiated against us by Kataskevi S.A.—Fotios Tsioras and Alpha Bank on 18th August, 1989 before the Civil courts of Athens, claiming approximately € 3.6 million in relation to the transportation of lignite in our lignite-fired power station in Ptolemais. In addition, in relation to the claim brought by the consortium EDOK S.A.—ETER S.A. for an amount of approximately € 2.9 million for the award of a construction bid for the hydroelectric station in Aoos, Northern Greece, a judgement was entered in our favour by the court of first instance in 2002, against which the plaintiffs have filed an appeal.

In addition to the pending court actions to which we are party as described above, we are also involved in mediation proceedings with several construction companies. These companies were our contractors for the construction of some of our power stations and mediation is provided for in our contracts as a means of dispute resolution. The aggregate amount of these claims is approximately € 76.1 million. The most significant mediation proceedings in which we are currently involved have been initiated by NOEL for the installation of desulphurisation equipment at our station in Megalopolis IV, claiming approximately € 57.5 million. A settlement of the claim was reached and we have been ordered to pay the subsequent acquiror of NOEL € 8.2 million. We have already paid NOEL's subsequent acquiror € 3.3 million and intend to pay the remaining amount by the end of October 2003. Another significant mediation proceeding has been initiated by the consortium ALSTOM-ANSALDO-AEGEK regarding the construction of our power station at Komotini, claiming approximately € 65.6 million. A committee to consider an amicable settlement has been formed but no decision has been rendered to date. We have filed a counter-claim against ALSTOM-ANSALDO-AEGEK for € 21.4 million.

Arbitration

We have initiated an arbitration proceeding against Aluminium of Greece on 18th December, 1999, claiming approximately U.S.$ 13.2 million on the basis of an adjustment of the price at which we sell them electricity. Aluminium of Greece had filed a counterclaim for a reduced price readjustment. You should read "Relationship with the Selling Shareholder" for a more detailed discussion on the tariffs we apply to Aluminium of Greece. An arbitration award was rendered in June 2002 in our favour granting us the right to increase by approximately 5% the price at which we sell electricity to Aluminium of Greece with a retroactive effect as of 1st January, 1999. We have already received payment from Aluminium of Greece of € 12.8 million, reflecting payment of sums due to us on the basis of the approximately 5% increase from 1st January, 1999 to 30th April, 2002. As of 1st May, 2002, we charged Aluminium of Greece new prices reflecting the approximately 5% increase.

Employees' and pensioners' claims

Over the last five years, there have been a number of actions initiated by approximately 15,600 of our employees and 970 pensioners, claiming various salary supplements, allowances and pension benefits. The sums claimed pursuant to such actions amount to approximately € 122.4 million. Of these actions, all of the courts that have conducted the proceedings, including the Supreme Court, have decided against the plaintiffs in lawsuits for approximately € 92.4 million. Of the amounts claimed, we expect that approximately € 21 million will be paid by the PIO as it relates to proceedings for pension benefits. In this respect, we have received two decisions of the Supreme Court confirming that PIO is the successor of PPC for social security matters.

Claims relating to fire incidents

There are approximately 54 actions pending against us in respect of six incidents of alleged electricity-generated fires on the island of Crete and in Thiva between 1993 and 1998, claiming a total of approximately € 46.4 million. These lawsuits have been filed with the local courts of Rethymnon, Ierapetra and Chania in Crete and the local courts of Thiva. Of the 54 actions, in the 12 that were filed with the local court of Rethymnon, Crete, a judgement has been entered against us for € 4.1 million, instead of € 14.2 million as was originally claimed by the plaintiffs. We have filed an appeal against this judgement. In the case of the three lawsuits filed with the local court of Ierapetra, Crete, a judgement has been entered against us in both the court of first instance and the court of appeal. A number of the remaining actions are being discussed at first instance while some are pending before the local courts of appeal.

Environmental proceedings and litigation

Due to the nature of our operations, we are involved in a number of administrative law proceedings relating to environmental issues. These proceedings may not involve financial penalties and therefore cannot be quantified. From time to time, these proceedings may relate to pollution incidents, breaches of environmental law, permits or operational licences leading to fines, civil liability, payment of damages to third parties, requirements to clean up any contamination or upgrade a station or equipment.

Plaintiffs often seek the relocation of distribution or transmission lines or installations that are near or close to inhabited areas, as for example in Argiroupolis and Vrilissia, where four petitions have been filed before the Supreme Court, contesting our environmental permits for a high voltage installation (in the two petitions concerning Argiroupolis) and for a distribution center (in the two petitions concerning Vrilissia).

These administrative law proceedings also involve judicial review of our environmental permits before the Supreme Court. For example, our environmental permit relating to the construction of additional units in our thermal power station on the island of Crete has been challenged in the Supreme Court. The final hearing in this case took place in May 2003 and the proposal of the judge was in our favour.

In addition, the inhabitants of Messochora have challenged the recent environmental permit granted for the Acheloos project, including Messochora, as well as ancillary specific construction relating to Messochora on environmental grounds and the law relevant to the expropriation of the land for flooding of the Messochora dams. The hearing relating to the environmental permit for Acheloos is scheduled to take place on 5th December, 2003. We may also be involved, currently only indirectly, with litigation or proceedings at the European Union level.

Disputes with the RAE

We have a number of disputes with the RAE arising out of their regulation of the electricity system and the Liberalisation Law. In the course of April and May 2003, the RAE issued and notified to us three decisions imposing fines for alleged violations of the Liberalisation Law and the terms of our generation licence. The alleged violations concern: (i) the proper unbundling of accounts relating to our electricity activity; (ii) the separate charge of a levy relating to the generation from renewable resources in our supply invoices; and (iii) the failure to notify and obtain prior approvals for the operation of generation facilities in certain autonomous islands.

The Ministerial decision on tariffs of 9th September, 2003 clarified that we are entitled to charge a levy of € 0.60 per MWh for renewable generation to all customers from 1st September, 2003. We have been charging our customers this levy since March 2003. The RAE disputes whether this should have been charged. Our board of directors, in its meeting on 30th September, 2003, decided to repay our customers the income from this levy for the period from 28th March to 31st August, 2003, an estimated total amount of up to approximately € 12 million.

The total amount of fines is approximately € 1.2 million. We are challenging the RAE's decisions and have filed petitions for a second review before the RAE. The RAE has rejected our petitions concerning the renewables' levy, the alleged lack of approvals for the operation of generation facilities, as well as the proper unbundling of our accounts.

We intend to challenge these decisions before the administrative court of appeals. Up to this date, the relevant tax authorities have not requested us to pay the fines imposed by the RAE, although under Greek administrative law, partial payment of the fines may be required for the hearing of the cases before the administrative court of appeals.

Miscellaneous

We are currently involved in a number of other proceedings relating to matters that arise in the normal course of our business for an aggregate value of approximately € 120 million. The most significant include a claim brought against us by Hellenic Porcelain S.A. for € 25.5 million. In 2002, the trial was suspended by court decision due to the plaintiff's failure to provide security for costs and claims. The period set by the court during which the plaintiff had to provide such security has expired and Hellenic Porcelain S.A. has not paid this security.

PROPERTY

We are the legal successor to all property rights of former PPC before its transformation into an S.A. with respect to approximately 5,745 principal properties, 95 of which are power stations. Our properties are for the most part held free of encumbrances. Although we own all properties formerly owned and registered in the name of PPC, legal title in land and buildings will not be perfected and therefore title may not be enforced against third parties until the property is registered at the relevant land registry in our name. We are in the process of registering this property free of charge at the relevant land registries following a simplified registration procedure established under Greek law. We expect to have most of our principal properties registered by the end of 2004.

We own all of our principal operating facilities. We have acquired the land pertaining to our mines and power stations mostly through expropriations from private owners and sale and purchase contracts. In addition, we have the right to use certain properties through concessions from the Hellenic Republic. The land relating to our hydroelectric power stations acquired through expropriations will revert to the Hellenic Republic, at no charge, once this land is not necessary for the fulfilment of its purposes pursuant to a decision of our board of directors, as approved by the Minister of Development. We lease the headquarters for our business units pursuant to standard commercial leases. The majority of these leases have been renewed over the last five years on substantially similar terms for the next 12 years.

The following table identifies our most significant real property holdings with respect to our operations as at 30th June, 2003. You should read "Our Business—Generation" for a more detailed discussion of our power stations.

Location	Type of Property	Use	Area
1. Agios Dimitrios	Land, buildings, power stations	Thermal power station	Western Macedonia
2. Thissavros	Dam	Hydroelectric power Station	Eastern Macedonia
3. Kardia	Land, buildings, power stations	Thermal power station	Western Macedonia
4. Lavrio	Land, buildings, power stations	Thermal power station	Athens/Attica
5. Amyndeon	Land, buildings, power stations	Thermal power station	Western Macedonia
6. Pournari	Dam	Hydroelectric power Station	Macedonia
7. Megalopolis	Land, buildings, power stations	Thermal power station	Peloponnese
8. Polifito	Dam	Hydroelectric power station	Macedonia
9. Chania	Land, buildings, power stations	Thermal power station	Crete
10. Sfikia	Dam	Hydroelectric power station	Western Macedonia
11. Kastraki	Dam	Hydroelectric power station	Central Greece
12. Komotini	Land, buildings, power stations	Thermal power station	Thrace
13. Florina	Land, buildings, power stations	Thermal power station	Western Macedonia

Management of our urban real estate is the responsibility of a separate property management department, the Housing Department. The Mining business unit is responsible for the management of our mines and the Generation business unit is responsible for the management of our power stations.

Under Greek law, we benefit from rights of way for all of our transmission lines and pylons. We generally expropriate the land needed to conduct our operations pursuant to authorisation by the Hellenic Republic and at a price determined by Greek courts. Additionally, under Greek law, we have been granted rights of way for all distribution cables and poles.

COMPETITION

Historically, we have not faced competition in the generation, supply, transmission and distribution of electricity in Greece. In the year ended 31st December, 2002, we generated approximately 97% of the electricity produced in Greece and purchased the majority of imported electricity and all other generated electricity except for the electricity retained by industrial producers for their own consumption. Industrial producers (including autogenerators) and independent producers generated approximately 3% of the electricity produced in Greece in 2002. In the same period, we transmitted, distributed and supplied substantially all of the electricity used in Greece. In 2002, Aluminium of Greece imported some of its electricity consumption.

The regulatory framework under the Liberalisation Law enables the development of competition in electricity generation and supply in Greece. The Greek electricity market opened to competition on 19th February, 2001 and subsequent Greek legislation aims to incentivise the provision of new generation capacity in the market. For more information on these measures, you should read "Regulation of the Greek Electricity Sector". If electricity tariffs increase, we expect that liberalisation of the electricity market will result in competition in the generation of electricity and in the supply of electricity to Eligible Customers.

Generation

Entities other than exempt entities that wish to generate electricity in Greece must obtain a licence from the Minister of Development. You should read "Regulation of the Greek Electricity Sector" for more detail.

In addition to the license held by us, as at 30th June, 2003, the Minister of Development had granted seven principal generation licences for large natural gas-fired stations covering total generating capacity of approximately 2,900 MW in the interconnected system, 49 licences for smaller thermal stations and co-generation stations covering total generating capacity of approximately 850 MW (of which 198 MW has been granted to Aluminium of Greece) and 3 licences for large hydroelectric power stations with total generating capacity of 246 MW. The RAE is currently reviewing the applications of other interested parties. The licences contain terms pursuant to which the licences can be revoked or extended. However, we do not expect these new generation licence holders to be able to deliver electricity before the end of 2005 at the earliest and we do not expect to have more than two competitors in the market before 2007. There will also be a tender process by the HTSO to enter into capacity availability agreements with new power stations to be commissioned no later than 1st July, 2007 for up to a total of 900 MW. Additional tenders for up to 400 MW capacity may be made during that time period. We may participate in up to 50% of the capacity tendered during the second round of the tender process if this is available. In addition, recent amendments in the Liberalisation Law allow us to replace capacity of up to 1,600 MW with new assets, which does not include our new 400 MW Lavrio license. We may participate on equal terms in tenders for capacity above 1,300 MW (future tenders) and for units commissioned after 1st July, 2007. The Minister of Development had also granted a number of licences for generation from renewable resources in the interconnected system and in the autonomous islands.

We expect new power generators to build primarily natural gas-fired power stations and the first generation licences granted by the Minister of Development and applications reviewed by the RAE support this expectation. Competition in the area of electricity generation will be affected by the substantial capital investment required to construct power stations in Greece, the historically volatile price of fuels such as natural gas and oil, the limited access to natural gas supply via the single pipeline from Russia through Eastern Europe and the limited capacity of the liquefied natural gas terminal currently importing natural gas from Algeria.

There is already a degree of competition between us and independent generators from renewable resources and cogenerators, which generated approximately 3% of the electricity generated in Greece in the year ended 31st December, 2002. We expect competition from generators from renewable resources and cogenerators to grow in the near to medium term. The regulatory framework continues to provide incentives for such producers, including capital investment subsidies from the Hellenic Republic and the European Union, the requirement that the HTSO give priority load allocation to electricity generated by such means and guaranteed fixed prices for electricity generated from renewable resources, which are currently higher than prices for electricity generated from non-renewable sources. These incentives make renewables and co-generation particularly attractive methods of generation and are likely to result in growth in this sector. We, too, may benefit from these incentives and we plan to expand our efforts in renewables, including through our subsidiary PPC Renewables and joint ventures with other generators, and may pursue co-generation projects if an appropriate opportunity arises.

Transmission

Under Greek law, we are the exclusive owner of the interconnected transmission system under a licence awarded by the Minister of Development in November 2001, although the HTSO is responsible for its operation, maintenance and development. The HTSO charges a tariff to all electricity generators and suppliers that use the interconnected transmission system. We may face competition in the provision of maintenance services and development work in respect of the interconnected transmission system to the extent the HTSO retains third parties to undertake this work.

Distribution/Supply

The Ministry of Development is required to grant us an exclusive licence to own and operate the distribution network, including the high voltage lines on the autonomous islands, which we have not yet received. As of 1st August, 2003, we are no longer the sole supplier of electricity as the supplier "ATEL HELLAS S.A." started supplying imported electricity to an Eligible Customer ("HARTOPIIA THRAKIS S.A") for a total of 2MW. Pursuant to the Liberalisation Law, we will continue to be the sole supplier of electricity to Non-Eligible Customers. As at 30th June, 2003 the Minister of Development had issued ten electricity supply licences to various entities, covering a total of 2,693 MW. As of the same date, the HTSO had granted five import licenses for a total of 200 MW.

The Liberalisation Law permits Eligible Customers to choose their supplier, including to purchase electricity directly from domestic generators or from imports, and requires us to provide access to the transmission and distribution network to third parties, which include generation licence holders, supply licence holders and Eligible Customers. The HTSO is required to grant access to the interconnected transmission system to any supplier, on the terms set out in the Grid Code, who supplies Eligible Customers connected directly to the

interconnected transmission system. Specific regulations governing access to the distribution network are set out in the Grid Code and Network Code (which is subject to finalisation), as discussed in greater detail in "Regulation of the Greek Electricity Sector". Based on the criteria for determining Eligible Customers, approximately 35% of the electricity supply market in terms of power consumption (including industrial producers generating electricity for their own consumption), was opened to competition in February 2001. From 1st July, 2004, the definition of Eligible Customers will change to include all non-household customers, while all remaining customers will be included in this definition beginning 1st July, 2007. The changes in the definition of Eligible Customers will not affect any customers on the autonomous islands.

The current regulatory framework imposes certain requirements on any entity wishing to obtain authorisation to supply electricity to Eligible Customers in Greece. Any supplier in Greece must either be the owner of "adequate generating capacity" in an EU Member State or guarantee the availability of sufficient generating capacity as well as provide certain long-term guarantees concerning reserve capacity and available transmission capacity and demonstrate adequate creditworthiness to the RAE and the Minister of Development. If the supplier's capacity is not installed in Greece, the supplier must demonstrate that it has acquired sufficient interconnector and transmission access rights to deliver the electricity to Greece.

We expect some competition for Eligible Customers to come from suppliers who may seek to import electricity through the international interconnecting lines. The Greek network is currently interconnected to foreign networks through lines shared with Albania, Bulgaria, FYROM and Italy with a current interconnection capacity available for imports of approximately 1,200 MW, taking into account a 100 MW reserve margin. Part of this interconnection capacity has been allocated to us until 2005 while part of it is subject to a tender procedure. You should read "Our Business—Transmission" for more detail. Although the relative geographical isolation of Greece from the other EU member states and the limitations in our existing interconnections place practical restrictions on such suppliers' ability to import electricity into the Greek market, we expect that we, as well as competitors, may benefit from lower-priced electricity available in or through the South Eastern European region for export, especially once our connection to the UCTE is re-established.

We expect a competitive supply market to develop gradually over time, depending in part on the development of electricity tariffs. There will initially be a limited amount of produced or imported electricity available to sell to Eligible Customers, increasing over time as more generators start delivering electricity from new stations and electricity tariffs increase. We believe that this gradual increase in competition will permit us to adapt to the new conditions and maintain a strong competitive position.

REGULATION OF THE GREEK ELECTRICITY SECTOR

INTRODUCTION

The regulatory framework for the Greek electricity industry has changed significantly over the past three years as a result of the European Union and Greek government measures designed to introduce competition in the electricity market. These changes have had and will continue to have a number of significant effects on our business. The Liberalisation Law implemented this new regulatory framework, based on the 1996 Electricity Directive in 1999 while a Ministerial decision established that the market comprising all high or medium voltage electricity users, representing approximately 35% of the electricity supply market in terms of power consumption, was opened to competition in February 2001. The deadlines to gradually open up the electricity supply market, including opening up competition to every non-household customer from 1st July, 2004, have been enacted in Greece by recent amendments to the Liberalisation Law to comply with the 2003 Electricity Directive.

The regulatory framework implemented by the Liberalisation Law distinguishes between the activities of generation, transmission, distribution and supply. The framework also distinguishes between the interconnected transmission system and the distribution network and between the interconnected system and the autonomous islands. The Liberalisation Law provides for changes in the electricity market including:

- the introduction of competition in power generation through the granting of authorisations to generate electricity in the interconnected system and through a tendering procedure for authorisations to provide generating capacity on the autonomous islands;
- the introduction of competition in the supply of electricity through the granting of authorisations to third parties to supply electricity;
- the rules governing the access by third parties to the transmission system and the distribution network;
- the establishment of the HTSO as an independent entity to operate and ensure the maintenance and development of the interconnected transmission system and its interconnections with other networks; and
- the establishment of the RAE, an independent authority responsible for regulating the energy market. The RAE mainly has an advisory and supervisory role while decision making power lies with the Minister of Development.

EUROPEAN UNION LEGISLATIVE FRAMEWORK

1996 Electricity Directive

The key legislation governing the electricity market in the European Union is the 1996 Electricity Directive, which is still partially in force, and the 2003 Electricity Directive which comes fully into force from 1st July, 2004.

The 1996 Electricity Directive established common rules for the generation, transmission, distribution and supply of electricity in the European Union, and established obligatory minimum standards with which all Member States must comply in respect of their domestic electricity sectors. Among other things, the 1996 Electricity Directive provides for the accounting unbundling of integrated electric utility companies into distinct activities, allows third parties to apply for authorisation and participate in generation and supply activities, requires designation of an independent operator of the high voltage transmission system, and provides for third party access to the transmission system and distribution network on a non-discriminatory and transparent basis.

Recent amendments to the 1996 Electricity Directive

In June 2003, the European Parliament and the Energy Council amended the 1996 Electricity and Gas Directives by jointly adopting two new directives with common rules, respectively, for the European Union electricity and the gas markets. These directives are aimed at accelerating the liberalisation of the electricity and gas sectors in the European Union. The main elements of the 2003 Electricity Directive are :

- acceleration of the market opening so that, with effect from 1st July, 2004, every non-household customer and from 1st July, 2007, every customer, including households, should be able to purchase electricity from any supplier of his choice;
- strengthening of obligations in relation to the separation of key market functions and, in particular, a requirement that transmission and distribution are carried out by separate legal entities, where vertical integration exists;

- enhancement of the regulatory authorities' role in order to ensure that transmission and distribution tariffs are non-discriminatory and cost-reflective;
- monitoring of security of supply and launching of tendering procedures for new capacity to contribute to the security of supply; and
- establishment of common minimum standards for public service requirements, especially for vulnerable customers.

The 2003 Electricity Directive is accompanied by European Union Regulation concerning access conditions for the cross-border exchange of electricity, intended to facilitate the development of a pan-European market for electricity through harmonised access tariffs and standard procedures for dealing with capacity constraints and congestion.

Other than enacting legislation to comply with deadlines to open up competition to customers, the Hellenic Republic has not yet adopted enacting legislation, to implement the 2003 Electricity Directive in its entirety.

THE GREEK LEGISLATIVE FRAMEWORK

The Liberalisation Law

Prior to the Liberalisation Law, the regulatory framework for the Greek electricity industry gave us an almost exclusive right to generate, transmit, distribute and supply electricity. Other than ourselves, certain industrial entities were allowed to produce electricity primarily for their own consumption and certain private commercial generation was allowed from renewable resources and co-generation. The Greek government regulated the tariffs we charged to our customers and any tariff increase required the approval of the Minister of National Economy and Finance. We decided which generating units to use at any particular time on the basis of our internal operational procedures. We also operated the transmission system and distribution network.

On 22nd December, 1999, the Liberalisation Law came into force to comply with the 1996 Electricity Directive. The Liberalisation Law, which is now the primary legislation governing the Greek electricity sector, began the transformation of the Greek electricity sector from a monopoly to an industry open to competition. The principal regulatory provisions of the Liberalisation Law may be summarised as follows:

- the electricity sector is supervised by the Minister of Development;
- the RAE is established as the independent regulatory authority whose principal responsibilities are to supervise and monitor the liberalising energy sector;
- in exercising their powers, both the Minister of Development and the RAE must act in such a way as to protect the environment, satisfy Greece's electricity requirements, verify the ability of licenced generators and suppliers to finance their activities, promote competition in generation and supply, protect the interests of consumers, promote efficiency, take into account the cost of research and development and protect the public against health and safety dangers;
- the operation of any electricity business, defined as the activities of generation, transmission, distribution or supply of electricity, requires a licence. Licences are granted by the Minister of Development, on the basis of a recommendation from the RAE based on principles set out in the Authorisations Regulation. Entities operating electricity business, subject to delivering their public service obligations, must aim to achieve a competitive electricity market by not discriminating against separate categories of consumers;
- we retain the ownership of the interconnected transmission system while the right to operate and plan its development is granted to the HTSO. We retain the right to use the interconnected transmission system for non-electricity purposes provided this does not compromise the safe, secure and economic operation of the interconnected transmission system and provided that there is no cross-subsidisation of non-electricity activities by electricity customers;
- we retain the ownership of, and the right to operate, the distribution network;
- the operation of the electricity market is principally governed by four Codes, each as approved by a Ministerial decision: the Grid Code, regulating the physical operation of the interconnected transmission system; the Power Exchange Code, regulating financial transactions in respect of the interconnected transmission system; the Network Code, regulating the distribution network; and the Supply Code, regulating supply to all customers;

- as an integrated electricity business, we are required to keep separate accounts for our generation, transmission and distribution businesses;
- the HTSO must despatch generation in merit order of the bids reflecting variable costs submitted on the day–ahead despatch process from all technically-available generation units, subject to transmission constraints and the requirement to prioritise the despatch of electricity generated from renewable resources, co-generation and, in respect of up to 15% of annual consumption, indigenous fuel sources; and
- tariffs for all electricity businesses other than supply to Eligible Customers are approved by the Minister of Development following an opinion provided by the RAE. There are also special interim provisions regulating the price we can charge to Eligible Customers for electricity while we supply 70% or more of the Eligible Customer market, setting a maximum tariff we can charge.

Recent amendments to the Liberalisation Law

The Greek Parliament adopted in July 2003 a law that significantly amended several provisions of the Liberalisation Law. The amended Liberalisation Law came into effect on 29th August, 2003.

The most significant changes to the Liberalisation Law are summarised as follows:

Establishment of a mandatory day–ahead market: The current despatching system, which is structured on variable cost-based bids that are submitted daily to the HTSO by the available generation units, was transformed into a mandatory day-ahead electricity market system, that is structured on market–based bids, made on an hourly basis, reflecting at least the variable operating costs of each unit.

Settlement of Imbalances: A new definition for imbalances has been determined as the difference between the schedule resulting from the day–ahead market and the despatching in real time. The HTSO may also enter into agreements with generators in order to ensure the provision of ancillary services and reserve power to the day–ahead market participants, on a minimum cost and non-discriminatory basis.

Provision for capacity-adequacy mechanisms: To help ensure security of supply, the HTSO is entitled to enter into capacity-availability agreements following the launch of tender procedures. During the first implementation phase, the HTSO may enter into capacity-availability agreements for up to 1,300 MW of new generation capacity that must be commissioned by 1st July, 2007. In the first phase, there will be a tender process by the HTSO to enter into capacity availability agreements with new power stations to be commissioned no later than 1st July, 2007 for up to a total of 900 MW. Additional tenders for up to 400 MW capacity may be made during that time period. We may participate in up to 200 MW if this additional capacity tender is made during the second round of the tender process if this is available. After this, we can participate on equal terms to third parties. The HTSO may also establish and operate market mechanisms that would ensure capacity adequacy, under the supervision of the RAE. These mechanisms could, in principle, impose specific obligations on suppliers, as load serving entities, and provide incentives for capacity availability.

Supply. The definition of electricity suppliers has been changed to include traders in addition to traditional load serving entities. Electricity supply licenses will be granted not only to those applicants who own adequate generation capacity within the EU, but also, to those who are able to secure the availability of adequate generation capacity within the EU (e.g. on a contractual basis). In granting supply licenses, the new regime will also evaluate the applicant's creditworthiness, record of good practise and experience.

1,600 MW Generation license–cold reserve: The new law grants us an electricity generation license to build new capacity or refurbish existing capacity of up to 1,600 MW, provided that the old capacity of an equivalent amount is put in cold reserve. The operation and management of the units in cold reserve shall be conducted in accordance with the Grid Code and as directed by the HTSO (on the basis of contracts to be agreed between us and the HTSO and pursuant to which we will be paid) exclusively to provide ancillary services and reserve power to the system.

The Regulator

The RAE, the Greek regulator, commenced operations in July 2000. The Liberalisation Law provides that the RAE is an independent administrative authority consisting of five members, who have specific scientific and professional qualifications, appointed by the Minister of Development.

The RAE's principal responsibilities are:

- advising the Minister of Development on setting and adjusting tariffs in each area of the electricity market on the basis of general considerations established by the Liberalisation Law. This responsibility has particular impact on the tariff payable by Non-Eligible Customers. You should read "Tariffs" for a more detailed description of tariffs;
- advising the Minister of Development on the granting of licences or licence exemptions for generation, transmission operation, transmission ownership, distribution and supply of electricity;
- monitoring and supervising the operation of the liberalised electricity market;
- overseeing the separation within the Greek electricity market of generation, transmission, distribution and supply of electricity into separate accounting units;
- protecting the interests of electricity consumers. For this purpose, the RAE can preside over mediation and arbitration proceedings between electricity market participants and can impose fines and other sanctions for violation of electricity regulations; and
- advising the Minister of Development on issuing the Grid, Power Exchange, Network and Supply Codes.

The RAE's costs of operations are mainly financed by a levy on generators, suppliers and Eligible Customers.

Public service obligations

The 1996 Electricity Directive allows Member States to impose and publish public service obligations, which are in the general economic interest, on domestic electricity undertakings. The public service obligations must be clearly defined, transparent, non-discriminatory and verifiable. They must relate to security, including security of supply, regularity, quality, price of supplies or environmental protection.

The Liberalisation Law provides that the Minister of Development takes into account our public service obligations in the setting of our regulated tariffs and charges.

Stranded costs

Stranded costs are costs arising from contractual commitments, investment decisions or legislative obligations that electricity companies undertook for reasons of public policy and at a time when the electricity market was not open to competition and which could have been recovered in a monopoly regime, but not in a regime of competitive electricity pricing.

Article 24 of the 1996 Electricity Directive permits Member States to introduce transitional regimes to deal with such commitments or costs. In common with most Member States, the Greek government has opted to grant financial compensation to us for the stranded costs we have incurred. In October 2002, the European Commission approved the application of the Hellenic Republic in respect of a stranded costs regime allowing us to recover stranded costs for a total amount of up to € 1,430 million. These stranded costs fall into three categories and relate to the costs associated with: (a) the operation of financially non-competitive power stations in a liberalised market, for an amount of up to € 929 million and recoverable until 2015; (b) investments outside our usual scope of business, for an amount of € 324 million and recoverable until 2006; and (c) our contract with Aluminium of Greece expiring in 2006, for an amount of up to € 178 million.

There are a number of procedural requirements to be met in order to allow the implementation of recovery of stranded costs. The Hellenic Republic is currently exploring the process by which we will benefit from the European Commission's decision on stranded costs.

THE INTERCONNECTED SYSTEM

Generation

Licensing

Under the Liberalisation Law, any entity or person wishing to generate electricity must obtain either a generation licence or an exemption. The procedure for obtaining a licence or an exemption and the terms of a licence are set out in the Authorisations Regulation for Generation and Supply, which was issued pursuant to the Liberalisation Law and came into force on 8th December, 2000. Licences and exemptions are only available to European Union entities and citizens.

In respect of the interconnected system, a prospective generator must submit an application in the form provided by the Authorisations Regulation to the RAE. The RAE makes a recommendation taking into account certain factors, which include: system security, protection of the environment, efficient generation, the proposed primary fuel source and generation technology, the technical and financial capabilities of the applicant, the long-term energy planning for Greece, consumer protection and national security. The application procedure should generally take no more than six months from the submission of an application to the issue of a decision by the Minister of Development.

Generating plants with a capacity of no more than 20 KW, reserve plants with a capacity of no more than 150 KW (or, in the case of industrial plants, 900 KW), research plants with a capacity of no more than 2 MW and plants established by the Centre for Renewable Sources of Energy are entitled to apply for an exemption from the requirement for a generation licence.

A generation licence states the specific licencee and the location, fuel type and capacity of the licensed plant. It also imposes certain obligations on the licensed generator, the principal obligations being:

- to maintain unbundled accounts as required by the Liberalisation Law;
- to ensure that no change in control occurs in respect of itself or, where the licencee is a consortium, any member of the consortium, without the consent of the Minister of Development;
- not to dispose of any asset of considerable value used in the course of its licenced activity without the consent of the Minister of Development;
- not to modify substantially or close the licensed plant without the consent of the Minister of Development; and
- not to act in an anti-competitive manner or exploit or abuse, where relevant, a dominant market position.

A generation licence has a specified, renewable term and can be revoked for, among other things, a breach of any of the principal obligations listed above and the insolvency of the licencee.

Other licences

The Liberalisation Law does not affect the existing licensing regime, which obliges generating plants to obtain installation and operation licences and other secondary licences and permits before they can be constructed and operated. These licences relate principally to planning, operational and environmental compliance measures.

Our status

As required by the Liberalisation Law and pursuant to a Ministerial decision, we were granted a single generation licence for all our existing generation stations and those under construction in January 2002. If we wish to construct any new generating stations, we will need to apply for a new generating license for that station. For example, in July 2003, we received a license for the construction of the new 400 MW power station at Lavrio. This license requires us to place into reserve 400 MW of existing capacity, on the commencement of commercial operations at Lavrio, assuming that security of supply conditions permit. In addition, major modifications to the operation of our generating stations (e.g. refurbishment, refuelling or closure) will require us to apply for a modification of our license. Due to the recent amendments to the Liberalisation Law, we were also granted a generation license to build new capacity or refurbish existing capacity of up to 1,600 MW, provided that the old capacity of an equivalent amount is put in cold reserve.

A number of our stations do not have all the necessary operating licences due to an ambiguity in the previous legislation. Since this point has now been clarified, we are in the process of applying for all outstanding operating licences. In the meantime, a recent law grants us an interim single operation licence for all our existing generation plants, and for those under construction, until 31st July, 2005.

Transmission

Structure

The Liberalisation Law provides that we remain the owner of the interconnected transmission system but the HTSO has the responsibility for its operation and planning. The Transmission Control Agreement described below governs the relationship between us and the HTSO. We require a licence in respect of our ownership and the HTSO requires a licence in respect of its operation. These licences have been granted to us and the HTSO by decisions of the Minister of Development on the basis of a recommendation from the RAE.

Our status as owner

We own the interconnected transmission system pursuant to an exclusive licence for the ownership of the transmission system. As owner of the interconnected transmission system, our role under the Liberalisation Law is to maintain and develop the system according to the HTSO's planning and maintenance instructions.

We also receive a fee from the HTSO, pursuant to the Transmission Control Agreement, which takes into account both our operating and depreciation costs, and a rate of return for us on invested capital in the transmission business. For the year 2003, this fee is being charged at a provisional level of €207.3 million for the year, as set by the RAE. We are challenging the appropriate level of this fee.

The HTSO

The HTSO was incorporated on 12th December, 2000 by a Presidential Decree issued under the Liberalisation Law. Under the Liberalisation Law, the Hellenic Republic must always own at least 51% of the share capital of HTSO. We currently own the remaining 49%. As capacity is installed the new licencee is entitled to acquire a share of this 49% in proportion to its generating capacity for a nominal value.

The HTSO is financed by connection and system use charges that it is entitled to levy on users, including ourselves, of the interconnected transmission system.

Most of the HTSO's current employees have been seconded to the HTSO by us under a secondment agreement dated 16th February, 2001 between us and the HTSO. The majority of these employees are engaged in the long-term planning of the interconnected transmission system and the operational control of scheduling and dispatch. We are bound by confidentiality provisions existing under our transmission system ownership licence intended to prevent the disclosure of confidential information between our Transmission business unit and the rest of our business units.

The principal responsibilities of the HTSO under the Liberalisation Law are to:

- provide access to the interconnected transmission system to all generators, suppliers and directly-connected customers and us in our capacity as the distribution system operator by applying transparent, non-discriminatory criteria;
- manage the scheduling of the electricity injections into the system and the electricity absorptions by the system during the operation of the day–ahead market;
- manage the despatch of generation in real time, including the use of the interconnectors;
- administer the settlement of generation–demand imbalances within the framework of the operation of the day–ahead market;
- maintain the stability and security of the interconnected transmission system, including by purchasing ancillary services and reserve power;
- maintain the smooth operation of the transmission system in real time by securing electricity supplies in order to cover the needs of balancing the generation-demand imbalances;
- secure the availability of sufficient capacity and adequate reserve capacity margins by concluding generation capacity contracts;

- publish annual forecasts of the demand for generation and transmission capacity; and
- develop a high quality, efficient and economic transmission system.

The HTSO's licence was issued by a Decision of the Minister of Development on 24th April, 2001. Under this licence, operational control over the interconnected transmission system was transferred on 3rd May, 2001 from us to the HTSO, including the transfer of the control centres that manage scheduling and despatch. The principal obligations of the HTSO under the licence are to:

- enforce and comply with the Grid Code and Power Exchange Code;
- monitor the compliance of licensed suppliers and generators with law and the terms of their licences;
- calculate, subject to the Minister of Development's approval, and levy charges for connection to, and use of, the interconnected transmission system;
- be responsible for the maintenance and development of the interconnected transmission system; and
- act in a transparent, non-discriminatory and objective manner.

System Development

Under the Grid Code, the HTSO is responsible for preparing, and updating annually, a study for the development of the Interconnected Transmission System, which includes technical details of all system development projects planned for the next five year period.

The most recent study which has been approved by the Minister of Development following an opinion of the RAE was published in May 2003 and covers the period from 2003 to 2007 inclusive. We determine the capital expenditure programme for transmission in light of this development study.

Transmission Control Agreement

The relationship between the HTSO and us in our capacity as owner of the interconnected transmission system is governed by a transmission control agreement (the "Transmission Control Agreement"). We remain the owner of all the assets in the interconnected transmission system but we may not dispose of any of these assets without the HTSO's prior consent. However, we may, with the HTSO's prior consent, use the system for non-energy related purposes, for example, we currently use it for our telecommunications business. The HTSO must give us this consent unless it reasonably believes that our proposed use threatens the security or efficiency of the interconnected transmission system. In this case, the Minister of Development, following the RAE's recommendation, determines whether we receive the consent.

Under the Transmission Control Agreement, the HTSO is obliged to operate the interconnected transmission system in accordance with the Grid Code, agreed operating protocols and good industry practice. We, through our Transmission business unit, are obliged to maintain and develop the interconnected transmission system to ensure its operational and technical integrity, as provided in our licence, and in accordance with the planning and maintenance instructions of the HTSO. We are also obliged to provide connections to new users on request from the HTSO in accordance with the terms of an agreement between us, the HTSO and the new user. We are compensated for the operation and development of the transmission system by payment from the HTSO of an annual fee which is calculated on the basis of a formula set out in the Grid Code and which is linked to a rate of return based on our actual cost of maintaining and updating the transmission system, depreciation and return on invested capital. For the year 2003, the RAE has set this fee at € 207.3 million, which is the same level as 2002. We are currently in discussion with the HTSO over the basis for, and appropriate level of the fee payable from the HTSO pursuant to the Transmission Control Agreement. This fee is currently set on a provisional basis by the RAE. We can also recover our additional costs where the HTSO issues further instructions to us or impedes our efficient management of our assets. Depending on its nature, any dispute is resolved either by the RAE or the Greek courts.

Connection and Use of System

Certain entities are connected directly to the interconnected transmission system. All entities who import or export energy to or from the interconnected system are effectively making use of the interconnected transmission system. The terms for, and costs of, connection to the system and use of it are dealt with in the Grid Code and the Power Exchange Code, respectively.

Connection

One of the HTSO's responsibilities is to provide access to the interconnected transmission system to all licencees, those exempted from an obligation to obtain a licence and all Eligible Customers. In practice, the users who are connected to the interconnected transmission system are licensed or exempt generators, us in our capacity as owner and operator of the distribution network and certain large industrial customers who wish to receive or import high voltage electricity. The minimum standards for connection and the technical and operational performance and also the procedure for connection are set out in the Grid Code. Parties who wish to be connected to the interconnected transmission system sign a standard form transmission connection agreement ("Transmission Connection Agreement").

The Transmission Connection Agreement, which has to be signed for each new connection, is a tripartite agreement between the HTSO, us in our capacity as owner of the interconnected transmission system and the user. It gives the user the right to connect and stay connected to the interconnected transmission system in return for the payment of a one-time construction fee to us, as well as a minimal one-time connection fee to the HTSO. It also governs more technical matters relating to connection such as access to equipment and defining the boundary between the interconnected transmission system and the user's apparatus. A Transmission Connection Agreement provides for the parties to enter into a connection works agreement where construction of a connection is required and it outlines the circumstances in which the HTSO is entitled to disconnect the user. Any dispute under a Transmission Connection Agreement is resolved by arbitration under rules established by the RAE.

Use of system

All licensed generators and licensed suppliers, including us in our capacity as owner and operator of the distribution network, are required to enter into a standard form transmission use of system agreement ("Transmission Use of System Agreement") which is a bilateral contract with the HTSO. Depending on whether the user is a supplier or a generator, this agreement will give the user the right to take power from or put power in to the interconnected transmission system, in return for the payment by the user to the HTSO of monthly use of system charges.

Our status

We have entered into Transmission Use of System Agreements as owner and operator of the distribution network, as a licensed generator and as a licensed supplier. We have also entered into Transmission Connection Agreements as owner and operator of the distribution network, as a licensed generator and as owner of the interconnected transmission system.

Ancillary Services

The HTSO can enter into agreements with generators, following the launch of a tendering procedure, in order to procure ancillary services, which include, among other things, the generation of electricity in a manner that responds to frequency regulation commencement or increase of generation at very short notice (standby and spinning reserves) and black start generation. The HTSO needs to employ these services from time to time to maintain the stability and security of the interconnected transmission system and, under the terms of its licence, is obliged to do so in the most efficient way possible. The HTSO can obtain these services by entering into ancillary services agreements with generators who are able to provide them. The generator is paid on a monthly basis for making these services available and also receives payments when the HTSO actually requires those services.

We are currently the sole provider of ancillary services.

Interconnections

The interconnected transmission system is connected with the transmission systems of Albania, Bulgaria, FYROM and Italy. The administration of the interconnectors with Albania, Bulgaria and FYROM and the payments for flows across them are regulated in interconnector agreements originally entered into between us and the Albanian, Bulgarian and ex-Yugoslavian electricity authorities and are now the responsibility of the HTSO. The administration of the Italian interconnector is regulated by an interconnection agreement between the Italian transmission system operator, *Gestore della Rete di Trasmissione Nazionale,* and the HTSO, as operators of their respective transmission systems. Pursuant to this agreement, a joint committee of the two transmission system operators has been established to operate the interconnector. The trial program of the two transmission system operators for the allocation and management of the transmission capacity of the interconnector has been completed and the system is now operating on a commercial basis.

Access to the interconnectors is available to all electricity market participants who are subject to the provisions of the Power Exchange Code. The Grid Code sets out the procedure by which access is obtained and the costs for this. By a Ministerial decision dated 22nd October, 2001, the Minister of Development allocated to us approximately 62% of the net transmission capacity, or 370 MW of the 600 MW of interconnection capacity available to importers through the interconnection with Albania, Bulgaria and FYROM. This allocation is applicable only during the transitional period that terminates at the end of 2004. Following the latest northern interconnection capacity tender process launched by the HTSO in April 2003, three supply companies and two Eligible Customers (Aluminium of Greece and AGET Iraklis) were granted 200 MW of interconnection capacity. You should read "Our Business—Transmission" for more detail.

Distribution

The Liberalisation Law gives us the exclusive right to own and operate the distribution network. This role is carried out by our Distribution business unit.

Third party access to the distribution network is regulated by the RAE, and we must provide access to the distribution network in an efficient, transparent, timely and non-discriminatory manner. The Minister of Development is required to grant us an exclusive licence to own and to operate the distribution network, which we expect to receive after publication of the Network Code. Delays in the publication of the Network Code or in receiving the license to own and operate the distribution network have not had to date an adverse effect on our business.

We have the right to charge a one-time connection fee imposed at the time of the connection, following a methodology which is approved by the Ministry of Development, to all electricity suppliers, customers and generators for providing access to our distribution network. All users who connect to the distribution network will be required to enter into a standard form connection and use of network agreement with us. We are also entitled to charge a tariff for use of the medium and low voltage systems to all end-users, which is subject to approval by the Minister of Development.

Supply

Licensing

One of the principal means by which competition is to be introduced to the Greek electricity market is by allowing new suppliers to enter the market. The Liberalisation Law provides that, while we remain the sole supplier in relation to Non-Eligible Customers, new suppliers can be licensed to supply electricity to Eligible Customers. Under the Liberalisation Law, as amended, any entity wishing to supply electricity requires either a supply licence or an exemption. The procedure for obtaining a licence and the terms of a licence are set out in the Liberalisation Law and the Authorisations Regulation for Generation and Supply. Licences and exemptions are only available to European Union entities.

A supply licence specifies the maximum demand to be supplied by the licencee, and is specified by the licencee in its application for a supply licence. The most important conditions for the issue of a supply licence is that the licencee must either own sufficient generating capacity installed in the European Union or the licensee must guarantee the availability of sufficient generation capacity installed in the European Union, in order to meet this demand. The licensee must also demonstrate that it has the necessary financial standing and solvency. In the case of any capacity that is not installed in Greece, the prospective licencee must also demonstrate that it can guarantee the availability of the necessary capacity of the transmission systems and of the interconnectors required for the transmission of the electricity in Greece.

The RAE makes a recommendation to the Minister of Development in relation to an application for a supply licence, taking into account certain factors, which include system security, protection of the environment, the financial and technical capabilities of the applicant, the long-term energy planning for Greece, consumer protection and national security. The procedure should generally take no more than six months from the submission of an application to the issue of a decision by the Minister of Development.

Entities who are exempt from the requirement for a generation licence are in certain cases entitled to an exemption from the requirement for a supply licence to the extent of their exempt generating capacity. This does not apply to reserve generating capacity.

The principal obligations set out in the supply licence are that the licencee must:

- maintain unbundled accounts as required by the Liberalisation Law;

- ensure that no change in control occurs in respect of itself or, where it is a consortium, any member of the consortium, without the consent of the Minister of Development;
- own or guarantee the availability of sufficient generating capacity in the European Union to match its licensed maximum demand and not modify or change the ownership of this capacity without the consent of the Minister of Development;
- guarantee the availability of reserve generating capacity within the European Union of not less than 15% of its licensed maximum demand and not modify this capacity without the consent of the Minister of Development;
- in respect of any generating or reserve capacity located outside Greece, ensure the availability of adequate transmission access and interconnector rights to allow for the delivery of this electricity to Greece and not change the details of this capacity without the consent of the Minister of Development;
- match any increase in demand by its consumers of more than 8% above the originally licensed capacity level with an increase of capacity, reserve capacity and associated transmission rights; and
- not act in an anti-competitive manner or exploit or abuse a dominant market position.

A supply licence has a specified, renewable term and can be revoked for, among other things, a breach of any of the principal obligations listed above and insolvency of the licencee.

Our status

The Liberalisation Law grants us the right to acquire two supply licences, one to supply Eligible Customers and one to supply Non-Eligible Customers. Our Distribution business unit carries out this licensed activity. We have not yet received these supply licences which specify certain terms and conditions, however, an interim provision of the Liberalisation Law allows us to supply our customers until we receive our licenses.

Eligible Customers

As contemplated by the 1996 Electricity Directive, the Liberalisation Law distinguishes between Eligible and Non-Eligible Customers. The Liberalisation Law provides that the percentage of Eligible Customers must represent a percentage of power consumption equal to the percentage of the electricity market liberalisation determined each time by the European Commission. In order to comply with these requirements, the Liberalisation Law provides that Eligible Customers are all customers consuming more than 100 GWh per year per point of consumption, and others defined by RAE based on decisions of the Minister of Development. One such decision of the Minister of Development dated 9th January, 2001 expanded the characterization of Eligible Customers, with effect from 19th February, 2001, to include all high- or medium-voltage electricity users together currently representing 35% of the electricity market by consumption, which exceeds the current requirements of the 34.5% of the European Commission. However, pursuant to the 2003 Electricity Directive, this percentage of Eligible Customers will be increased, since all non-household consumers will be defined as Eligible Customers from 1st July, 2004, with the exemption of the autonomous islands in line with the 2003 Electricity Directive. However, by a decision of the Minister of Development, following the European Commission's approval, small groups of non-household customers may be exempted and defined as non-Eligible Customers, if there are technical constraints to ensure a reliable supply of electricity to them. Such exemptions will not be applicable after 1st January, 2006. As of 1st July, 2007, all customers (including household customers) will be considered Eligible Customers, with the exemption of all of the customers on the autonomous islands.

Eligible Customers are entitled to purchase electricity from the supplier of their choice on the basis of commercial contracts agreed between the customer and the supplier. All dealings between licenced suppliers and Eligible Customers are set out in the Supply Code Edition One.

The principal provisions of the Supply Code Edition One require:

- all licenced suppliers to publish, within two months of their licence being issued, details of their standard terms as well as information on tariffs;
- certain terms to be automatically included in supply contracts between suppliers and Eligible Customers which cannot be excluded or overridden;
- special provisions to be made in relation to any supplier that supplies more than 40% of the Eligible Customers, by volume of demand, defined as a Major Supplier;

- us to send to all Eligible Customers, within two months of the Supply Code Edition One coming into effect, details of our tariffs and principles by which we set our contract prices; and
- us to offer supply terms to any Eligible Customer who requests such terms, including the tariff contained in such terms (which must have been approved by the Minister of Development), for as long as we have at least 70%, by volume of demand, of the Eligible Customer market.

The Liberalisation Law also obliges us to supply any Eligible Customer previously supplied by another supplier, which may require further generating capacity. In effect, as with Non-Eligible Customers, we are required to act as a supplier of last resort. In charging for this supply, we can include an element compensating us for the additional costs arising from the fact that the customer was previously supplied by another entity once approved by the Minister of Development based on a RAE opinion.

Non-Eligible Customers

Non-Eligible Customers are principally residential consumers and small and medium-sized businesses connected to the low voltage network. All consumers on the autonomous islands are also Non-Eligible Customers. Under the Liberalisation Law, we have the exclusive right and obligation to supply electricity to Non-Eligible Customers. The terms on which we provide this supply are regulated by the Supply Code Edition Two.

The principal provisions of the Supply Code Edition Two require:

- all Non-Eligible customers are entitled to have access to any information related to the structure of our tariffs, the charges imposed and the methodology used for their calculation;
- us to publish any modification in the structure of the tariffs, the related charges imposed and the methodology used for their calculation, within ten days following the approval of our tariffs by the Minister of Development;
- all standard terms of the Supply Code, including the connection terms, to be automatically included into supply contracts between us and Non-Eligible Customers and not to be excluded or overridden;
- all minimum requirements for the supply of Non-Eligible Customers to be approved by the Minister of Development;
- us to disconnect the Non-Eligible customers who are in payment default.

Public Service Obligations

As the incumbent electricity provider in Greece, we must carry out certain public service obligations, including:

- charging customers on the autonomous islands electricity tariffs that are the same as the electricity tariffs we are entitled to charge to Non-Eligible Customers on the interconnected system, although these tariffs do not cover the average cost of generation on the autonomous islands;
- providing electricity to certain customers at a discount, including agricultural customers, municipalities, large families, earthquake victims and small newspaper publishers. Consequently, the price charged to these customers does not allow us to recover our costs of generation; and
- irrigation obligations, which require us to release water from our hydroelectric station, thereby generating electricity at times of the day that may not be the most economical for us.

The Minister of Economy and Finance communicated to us in a letter dated 8th November, 2001, the intention of the Hellenic Republic to compensate us for certain costs related to public service obligations, subject to compliance with Greek and European Union law. A first annual payment of € 161 million was scheduled to take place in 2002 and similar payments to continue until 2004 or earlier if an alternative mechanism for compensation was put into place. However, these payments have not yet been received and the timing and amounts to be paid still remain to be determined. The Minister of Economy and Finance has reconfirmed to us in a letter dated 20th November, 2002 that the position of the Hellenic Republic to compensate us as stated in the letter dated 8th November, 2001, and as described above, remains unchanged. The Hellenic Republic is still exploring whether these historic payment proposals are in compliance with European Union law. Therefore, the timing and amount of payment to be made to us in respect of these obligations remains unclear. Current amounts due to us in relation to these public service obligations are not reflected in our financial statements.

Tariff Policy

The Minister of Development, acting on the RAE's recommendation, must approve all tariffs charged within these arrangements, other than those charged by suppliers to Eligible Customers, price terms set out in bilateral contracts between generators and suppliers and our internal transfer prices. There are also special interim provisions restricting the tariffs we are entitled to charge Eligible Customers while we remain as a supplier to more than 70% of the Eligible Customer market. These tariffs are described in more detail below.

The RAE published in June 2001, a consultation paper setting out the policy it intends to follow in recommending electricity tariffs to the Minister of Development.

In September 2000, the Minister of Development advised us, by letter, of the general criteria which the Minister of Development believes future tariff policy must satisfy, although these are not of a binding nature and we cannot be certain that the RAE or the Minister of Development will follow these principles in the future.

The general criteria, as expressed in the letter from the Minister of Development, are that tariffs must move within pre-determined limits for a reasonable period of time, they must take into account differences in levels of consumption, and must offer incentives to limit wasteful energy consumption.

The Minister of Development recognises that as new producers enter the generation market there will be a need for more complex criteria, although it does not believe that the entry of new producers into the market will result in significant fluctuations in tariffs in the short-term.

While we have not been directly compensated for our current public service obligations, the Liberalisation Law provides that the Minister of Development takes into account the cost of our public service obligations, as well as stranded costs, during the approval process of our regulated tariffs and charges. Furthermore, pursuant to recent amendments of the Liberalisation Law, it is provided that these costs are allocated uniformally to all customers, on the basis of a methodology to be determined by a joint decision of the Minister of Economy and Finance and the Minister of Development issued following the RAE's opinion. This cost allocation methodology will take into account the electricity consumed by each customer, as well as several factors (coefficients) that differentiate the cost allocation per category of customers, in order to result in a charge that counterbalances the financial consequences among the various categories of customers. The arithmetical figures of the factors used in this methodology are determined annually by a decision of the Minister of Development following the RAE's opinion and are issued in the Government Gazette. The annual charge for each customer per site of consumption cannot exceed the amount of € 600,000, a cap which is readjusted annually on the basis of the annual fluctuations of the consumers' price index, as this is published by the National Statistical Service of Greece. The methodology and implementation to compensate us for the stranded costs and the costs of public service obligations we incur, from customers of other suppliers, has not yet been determined. There can be no assurance, either at present or in future, that we will recover all the stranded costs and public service obligations that we incur.

Although the RAE is required under law to provide recommendations with respect to the level of tariffs, there is no requirement under Greek law for the Minister of Development to follow the recommendations of RAE. For example, in July 2002, the RAE proposed a tariff increase of 4% and the Ministry of Development increased tariffs by 3.85% for all customers (except for Aluminium of Greece and Larco, who purchase electricity pursuant to bilateral contracts with us). In July 2003, the RAE proposed a tariff increase of 3%. On 9th September, 2003 the Minister of Development approved a 2.5% tariff increase for all our customers (except for Aluminium of Greece and Larco) retroactive to 1st September, 2003. In addition, the Minister approved for the first time the separate charging of a renewable energy levy to all electricity customers that amounted to € 0.60 per MWh.

Tariffs are currently set for end user prices. The tariff our Distribution business unit charges to Non-Eligible Customers in carrying out our supply business in the future is expected to comprise the following elements:

- a charge where we pass through the high voltage use of system charge (described below) imposed on us as a supplier through the Transmission Use of System Agreement, except in the case of customers in the autonomous islands;
- a charge where we pass through the medium and low voltage use of system charges (described below) imposed on us as a supplier, assuming the customer is connected to either the medium voltage or the low voltage network;
- a charge for the cost to us of purchasing the energy supplied which may represent the sums charged to us for the purchase of energy from third party generators but in practice will be the transfer pricing costs levied by our Generation business unit, including administration costs and a profit element; and
- a pro rata share of the charge levied on us as a supplier through the Uplift mechanism.

High voltage use of system charge

The price charged for using the interconnected transmission system is charged by the HTSO to us both as a generator and as a supplier through the Transmission Use of System Agreements. The total payments made by the HTSO to us in our capacity as owner of the interconnected transmission system under the Transmission Control Agreement and to any other third parties for the maintenance and development of the interconnected transmission system are allocated as to 30% to all generators and as to 70% to all licenced suppliers. The portion allocated to generators is further allocated to each individual generator on the basis of its geographical location and volume of generation. The portion allocated to suppliers is further allocated to each supplier pro rata to the demand of its customers, ignoring any customers on the autonomous islands.

Medium and low voltage use of system charges

As owner and operator of the distribution network, we will charge all suppliers a regulated tariff for use of the distribution network. The tariff for the medium voltage system for the year 2002 has been approved by a Ministerial decision and includes allowances for our operating costs, depreciation costs and return on capital. It also includes economic incentives for us to meet certain reliability and quality targets. The tariff comprises capacity and energy components. For customers with a load factor of less than 48.6%, the tariff is € 910.52 per MW for capacity and € 4.625 per MWh for the energy component. For customers with a load factor of more than 48.6%, the tariff is € 2,529.22 per MW for capacity and no charge for the energy component.

Transmission Control Agreement charges

The fee paid to our Transmission business unit by the HTSO under the Transmission Control Agreement takes into account our operating and depreciation costs. It also allows us an agreed rate of return on capital (set by the RAE) and includes an economic incentive to achieve certain performance levels.

System operation and trading

System operations and trading mechanisms are set out in the Power Exchange Code and the Grid Code, and generally provide for the trade of electricity in the interconnected system. However, due to the recent amendments to the Liberalisation Law, we expect that these Codes shall be reviewed in order to reflect the changes made to the structure of the electricity market.

Scheduling and despatch

Since it is not possible to store electricity, the volume of generation at any time must match the volume of demand at that time to avoid brownouts or blackouts. The process of instructing generating plants to begin, increase, decrease or cease generation on a real time basis is known as despatch. The process of determining in advance which generating plants are likely to run is known as scheduling. In the Greek electricity market, the HTSO is responsible for both scheduling and despatch in accordance with the provisions of the Grid Code.

Day-ahead scheduling

Despatch takes place on an hourly basis, with each hour in a day being termed a Despatch Hour. On each day the HTSO is required to publish by 11:00 a.m. a forecast of demand across the whole interconnected transmission system for each Despatch Hour in the next day. By 12:00 noon on that day each generator is required to make a declaration to the HTSO of its operational availability in each Despatch Hour in the next day.

According to the recent amendments to the Liberalisation Law, the system for scheduling and despatch will be amended to create a day ahead market. Under the new system, each generation unit must submit bids for each Despatch Hour, which must reflect at least the variable operating costs of each unit.

HTSO will determine, according to the economic merit order of the bids received, which units will be scheduled to run. In making this determination, the HTSO must also take into account factors including the following:

- declarations made by suppliers of their intention to import electricity;
- prioritisation of generation from renewable and indigenous sources; and
- the impact of international transit and exchanges.

All generating units committed to run, will receive the System Marginal Price, determined by the HTSO to reflect the highest price of the generating units and including the impact of the capacity availability mechanisms.

All suppliers will pay the System Marginal Price for the power which they buy from the HTSO.

Actual despatch

On a real-time basis, the HTSO issues despatch instructions to generating units to begin, increase, decrease or cease generation and provide ancillary services, with the overall aim of matching generation to demand whilst maintaining adequate reserve capacity, system stability and the quality of supply. In choosing which generating units to despatch, the HTSO is also subject to requirements in the Liberalisation Law to prioritise generation from renewable and indigenous sources.

Imbalances

The HTSO is responsible for system balancing. Any imbalances are settled by the HTSO at a uniform price. Under the amended Liberalisation Law, this price will be set so as to promote the availability of generation, to allocate costs to those market participants causing imbalances to reflect variable operating costs of generation and to minimise total costs. The imbalances are separately defined per market participant (mainly generator or supplier) and are settled by the HTSO at a uniform price each hour of the day. During such settlement process, the HTSO should use a cost-based price for the settlement of imbalances, ensure that the costs for the settlement reflect the variable costs of the participating generation units, minimise costs as necessary and allocate costs to the market participants which cause the imbalance in the day–ahead market.

Capacity Adequacy

The HTSO under the amended Liberalisation Law, will be the operator of a mechanism designed to ensure capacity adequacy. A mechanism will be established pursuant to which the HTSO may enter into generation capacity availability agreements, initially for up to 1,300 MW and then as decided by the Ministry of Development following receipt of an opinion from the RAE.

The new system will be implemented through changes to the Grid Code, Power Exchange Code and other secondary legislative acts. These changes are expected to be approved by the Minister of Development by the end of 2003 and implemented shortly thereafter.

System trading arrangements

All licensed suppliers and licensed generators must, under the terms of their licence, comply with the Power Exchange Code. The HTSO is also subject to the provisions of the Code, as are we in our capacities as owner and operator of the distribution network and owner of the interconnected transmission system. Generators or suppliers who are exempt from the requirement to have a licence are represented in the system trading arrangements by a special representative appointed by the HTSO.

As part of these system trading arrangements, the HTSO operates a trading account known as the Uplift Account to which it allocates a number of costs and benefits arising from the trading arrangements. For the year 2003, the uplift charge has been set at € 1.17 per MWh of electricity traded.

Pursuant to the Power Exchange Code, the Uplift will consist of the following sub-accounts:

- ancillary services account;
- account for HTSO's administrative costs;
- net interconnection cost account;
- account for generation units with use of renewable resources and co-generation units;
- account for constrained-on and constrained-off payments;
- account for loss controls; and
- account for additional charges.

The balance on this account is charged to all suppliers.

Renewable Generators and co-generators in the interconnected system

The Liberalisation Law requires the HTSO to purchase the energy generated by Renewable Generators and co-generators producing from renewable resources who are connected to the interconnected system under 10-year renewable power purchase contracts. The HTSO has taken over the 68 contracts we had in place with Renewable Generators and relevant co-generators as at 30th September, 2002.

Renewable generators receive payment for their generation through the HTSO. The Liberalisation Law sets a tariff payable to the renewable generator under power purchase contracts (consisting of an energy component equal to 90% of the energy charged under the medium voltage general use customer tariff, plus a capacity component equal to 50% of the capacity charged). To the extent that this tariff exceeds the costs of other generation, the HTSO recovers this shortfall through a special sub-account of the Uplift Account. This is a public service obligation imposed on the HTSO to encourage generation from renewable resources which might not otherwise be economic. The cost of this is passed on to suppliers and ultimately to customers. For the year 2003, the special levy imposed on suppliers for the recovery of HTSO's cost for the payment of renewable contracts has been set at € 0.60 per MWh.

Any renewable generator who received a generation licence from the RAE following evaluation of its proposal to build a renewable generation power station is entitled to receive the tariff payable to renewable generators. We are treated in the same way as other applicants in building renewable generation power stations.

AUTONOMOUS ISLANDS

On the autonomous islands, all of which fall within the Distribution business unit, we remain the monopoly supplier and are the exclusive owner and operator of the distribution network, which, in the case of Crete, Rhodes and Lesvos, includes a limited high voltage network. The autonomous islands are the subject of a separate regulatory regime, which is described in this section.

Generation

As operator of the distribution network, we prepare, subject to approval from the RAE, a forecast of the demand for generating capacity. If this forecast indicates a need for new capacity, in accordance with the Liberalisation Law and the Electricity Directives, the Minister of Development may issue an invitation for bids to construct such capacity. In the event that this process still results in insufficient generating capacity on these islands, or is unsuccessful, the Minister of Development is entitled to grant a generation licence to us to ensure continuous electricity supply. We may be obliged to ensure a continuous uninterrupted supply of electricity on the autonomous islands and, accordingly, to construct additional generating capacity. The Ministry of Development is considering submitting a request to the European Union for derogration from the bidding requirements for construction of new generating capacity on the autonomous islands.

As operator of the distribution network, we manage the despatch of generation on each autonomous island on the terms to be set out in the Network Code once it is published.

There are similar provisions in relation to Renewable Generators as for the interconnected system. On the autonomous islands we, as operator of the distribution network, take on the responsibility for entering into 10-year contracts with all Renewable Generators. A capped electricity tariff, pursuant to the Liberalisation Law, applies and we are compensated for any shortfall between our payments under these contracts and the price we receive for the generation by a payment from the HTSO. The HTSO charges this payment to the Special sub-account of the Uplift Account. In addition, we, as operator of the distribution network, must buy all energy generated by Renewable Generators in the autonomous islands and as a result must pay for whatever level of generation a Renewable Generator produces.

Distribution

All the lines on the autonomous islands, notwithstanding that some lines on Crete, Rhodes and Lesvos are high voltage, form part of the distribution network. Consequently, we have the exclusive right to own, operate and exploit this network and will do so in accordance with the Network Code.

Supply

Pursuant to the Liberalisation Law, the Minister of Development is required to grant us an exclusive supply licence for the Non-Eligible Customers, which comprise all our customers on the autonomous islands. Accordingly, we supply these customers on the basis described in "Supply—Non-Eligible Customers" above. As required under a Ministerial decision, we have applied for this supply licence which specifies certain terms and conditions. However, an interim provision of the Liberalisation Law allows us to supply our customers until we receive our licences.

Initiative for the establishment of a Regional Electricity Market in South East Europe (REM-SEE)

In November 2002, the energy ministers of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Federal Republic of Yugoslavia, Former Yugoslav Republic of Macedonia, Turkey, Greece and Romania, and the Special Representative of the Secretary General of the United Nations for Kosovo signed a Memorandum of Understanding regarding the creation of a Regional Electricity Market in South East Europe (REM-SEE). The European Commission and the Stability Pact for South East Europe also signed as "non-participating sponsors" of the initiative, while Austria, Italy, Hungary, Republic of Moldova and Slovenia signed as "observers", particularly interested in this initiative. The REM-SEE seeks to integrate the Greek electricity market, as the rest of the South East Europe's electricity markets, into the wider European Union's Internal Electricity Market and to reconstruct the Western Balkans electricity systems after war damages. Furthermore, it fosters mutual trust amongst the participants and eventually leads to regional institutions that are optimal for the operation of an integrated electricity system. The market design currently under discussion includes a region-wide day-ahead power market. The proposed timetable is for the market design to be developed during 2004, for implementation to begin from 2005 and for the regional market to start operating from 2007. We are fully supportive of the initiative and believe that it provides opportunities for us, while we further expect that it will result in the reduction of the regulatory pressure on our activities since the establishment of the REM-SEE will affect accordingly the definition of the relevant market.

MANAGEMENT

DIRECTORS AND MANAGEMENT

Our board of directors is the supreme administrative body of the Company and is ultimately responsible for the overall management of the Company. Our board has the power to take all actions consistent with the corporate purpose described in our articles of incorporation, except for actions that by law or under our articles of incorporation may only be taken by our shareholders at the general assembly. The board of directors develops our strategy and business development, supervises and controls the management of our property and approves, on the recommendation of our Chief Executive Officer, our business plan and strategy and their implementation on an annual basis. The board may, following a recommendation of the Chief Executive Officer, delegate the exercise of part of its responsibilities (except for those responsibilities that by Greek law or our articles of incorporation may only be exercised by the board of directors), including the day-to-day management of the Company or its representation, to the Chairman, the Chief Executive Officer or one or more members of the board, the executive committee, the General Managers or our employees. Day-to-day management of the Company has been delegated to the Chief Executive Officer and to the six General Managers.

The Chief Executive Officer is elected by the general assembly of shareholders for a term of three years and is our highest executive officer, responsible for day-to-day supervision of the operations of the Company. The Chief Executive Officer reports to our board and may, pursuant to our articles of incorporation, submit his proposals for achieving the Company's objectives, as set out in our strategy and business plan, to the board of directors. His primary responsibility is overseeing our business units and other departments, and co-ordinating their actions. In addition, our Chief Executive Officer may decide on the Company's entry into transactions with a value determined each time by a decision of the board of directors, but in no case exceeding €0.3 million. The Chief Executive Officer is subject to a management contract with the Company, represented by the Chairman, which sets out the business targets the Chief Executive Officer undertakes to achieve during his term, the means by which such targets may be achieved, and the conditions under which he may be entitled to additional remuneration.

The Chief Executive Officer together with the six General Managers form the executive committee, which decides all matters delegated to it by the board of directors. The six General Managers in charge of operations at each of our business units report to the Chief Executive Officer and are responsible for their respective business units or departments. The scope of the General Managers' duties is determined by resolution of our board of directors, upon a recommendation of the Chief Executive Officer. Our executive committee is responsible for the co-ordination and efficient operation of our business, our administration, the performance of each business unit, the implementation of board of directors' decisions and the procurement and award of projects with a value below € 3 million and which are not considered to need the board of directors' approval.

Our board of directors consists of 11 members. Six members of our board (including the Chief Executive Officer) are elected by the general assembly of shareholders (in which the minority shareholders who voted in the special assembly for the election of the minority shareholders' representatives cannot participate) as provided by our articles of incorporation. Two members of our board are elected as representatives of the minority shareholders by a special assembly of minority shareholders, excluding the Hellenic Republic as a majority shareholder. Two members of our board are elected by our employees as their representatives under the supervision of an election committee formed by the labour unions. Finally, one member of our board is nominated by the Greek Economic and Social Committee and appointed by a decision of the Minister of Development. Members of the board are elected or formally appointed, as the case may be, for a term of three years. Members are eligible for re-election or re-appointment.

Currently, we have two members of the board elected by minority shareholders. In accordance with our articles of incorporation, we convened a special assembly of minority shareholders on 20th February, 2002. Upon the election of those two members, two members of our board of directors elected previously by the general assembly of shareholders resigned. The members of our current board of directors, except for the representatives of the minority shareholders, have been appointed by Ministerial decision on 5th June, 2000. According to the presidential decree relating to the transformation of PPC into a *société anonyme,* the term of the members of our current board, except for the employees' representatives, was fixed for three years from the date of the general assembly of shareholders approving their appointment, or until 8th January, 2004. For this first term of service on the board of the *société anonyme,* our current employees' representatives on the board of directors were appointed until the expiration of their original term (prior to the transformation into a *société anonyme*), or until 4th June, 2003, which has been renewed until 8th January, 2004.

The quorum for our board meetings is a majority of members of the board. Resolutions are adopted by a majority of votes of those present. The board meets at least once per month upon the call of the Chairman. A board meeting must also be called upon the request of four members of the board.

The current composition of the board of directors is as follows:

Name	Position	Date initially appointed	Date current term expires
Vassilios Avramidis*	Member (representative of the employees)	5th June, 2000	8th January, 2004
Miltiadis Gargaretas	Member	26th February, 2002	8th January, 2004
Ioannis Manos*	Member (representative of the minority shareholders)	20th February, 2002	8th January, 2004
Athanassios Matsaridis*	Member (representative of the employees)	5th June, 2000	8th January, 2004
Stergios Nezis*	Chief Executive Officer and Managing Director	5th June, 2000	8th January, 2004
Demetrios Papoulias*	Chairman	5th June, 2000	8th January, 2004
Maria Souani	Member (representative of the employees)	5th June, 2000	8th January, 2004
Spiridon Theodoropoulos*	Member (representative of the minority shareholders)	20th February, 2002	8th January, 2004
Vassilios Trapezanoglou*	Member	5th June, 2000	8th January, 2004
Helen Tsamadou*	Member	5th June, 2000	8th January, 2004
Eleftherios Vouyoukas*	Member	5th June, 2000	8th January, 2004

* Owns shares in our Company, in an amount of less than 1% of our share capital.

Demetrios Papoulias, Chairman. Dr. Papoulias, 64, is Chairman of our board of directors. He served as Chairman of the Board of the Hellenic Telecommunications Organisation (OTE) from 1996 to 1998, as Deputy Governor of the Hellenic Bank of Industrial Development (ETBA) from 1993 to 1995 and as Secretary General for the Public Sector at the Ministry of National Economy of Greece from 1985 to 1987. Dr. Papoulias is a professor at the Department of Economic Sciences of the University of Athens, where he teaches Strategic Management and Operational Research. He holds a PhD from Oxford University, United Kingdom.

Stergios Nezis, Chief Executive Officer. Mr. Nezis, 60, is our Chief Executive Officer and Managing Director. He is also Chairman of PPC Renewables S.A. since June 2000. He is currently Chairman of the board of directors of Tellas and the Holding Company and a member of the board of directors of Ethniki Hellenic General Insurance S.A. He served as Managing Director of APCO S.A. (now MORNOS S.A.) from 1981 to 1984. He served as Managing Director and General Manager of Phosphoric Fertilizers Industry S.A. from 1984 to 1989. During the same period, he was a member of the board and Executive Director of the Commercial Bank of Greece, responsible for the following industries in the Bank's group: Elefsina Shipyards (member of the board of directors), Juice and Tinned Products Industry (chairman of the board of directors) and Hellenic Bags and Plastic Items Industry (managing director). Between 1989 and 2000, he was the Managing Director and General Manager of SCA Hygiene Products S.A., the subsidiary of the Swedish multinational SCA, responsible for Greece, Cyprus and the Balkans, and he remains a member of its board of directors. Mr. Nezis holds a degree in Chemical Engineering from the National Technical University of Athens and a Master in Business Administration from the Athens University of Economics. He is a member of the Technical Chamber of Greece, the Hellenic Management Association, the Hellenic Association of Chief Executive Officers and a member of the board of the General Council of Federation of the Greek Industries.

Vassilios Avramidis, Director. Mr. Avramidis, 53, is a member of our board of directors as one of our employees' representatives. He has been an employee in our company since 1979 on the technical staff in the Lignite Centre of Western Macedonia. He has previously worked in the private sector as an engineer. From 1994 to 2000, he also served as President of the Labour Centre of Ptolemais, Eordea and has been a member of the General Council of the General Federation of Greek employees (GSEE).

Miltiadis Gargaretas, Director. Dr. Gargaretas, 50, is an engineer and is currently the President of the board of directors of the HTSO. Dr. Gargaretas is also a special advisor on energy issues to the Minister of

Development. He has been a freelance engineer in the construction sector since 1980. From 1981 to 1999, he served as special advisor to the Ministries of Environment, Planning and Public Works, Internal Affairs and Public Administration and Defence. He holds a B.Sc. in Power Engineering, an M.Sc. in Nuclear Power Stations and a Ph.D. in Electricity Networks from the Polytechnic University of Bucharest. In addition, he is a member of the Technical Chamber of Greece.

Ioannis Manos, Director. Mr. Manos, 59, has been a member of our board of directors as one of our minority shareholders' representatives since February 2002. He has studied Law at the University of Athens, and Economics and Political Science in Paris, Brussels and Geneva. He holds an LLM in Public Law and a PhD in Political Science. From 1974 to 1994, he served as Advisor to the Governor at the National Bank of Greece. From 1979 to 1988, he was also Professor at the Institute Technique de Banque and at the Conservatoire National des Arts et Métiers in France. In 1994 he was elected Secretary General of the Hellenic Banking Association and became a member of the Executive Committee of the European Banking Federation. From 2000 to 2002, he was President and Managing Director of the General Bank of Greece. He is also a member of the board of the Hellenic Open University, the Athens Bar Association and the 2004 Olympic Games Committee.

Athanassios Matsaridis, Director. Mr. Matsaridis, 53, is a member of our board of directors as one of our employees' representatives. He has been an employee in our company since 1975. In 1988, he was elected as a member of the Executive Committee of GENOP. In 1997, he was elected as General Secretary of GENOP. A year later, he was elected as the prefecture governor in the Prefecture of Kozani, Northern Greece. In 1999, Mr. Matsaridis was re-elected as General Secretary of GENOP.

Maria Souani, Director. Mrs. Souani, 37, is a member of our board of directors as one of our employees' representatives. She has been working in the Administration department of our company since 1987. She is a member of GENOP and GSEE.

Spiridon Theodoropoulos, Director. Mr. Theodoropoulos, 45, has been a member of our board of directors as one of our minority shareholders' representatives since February 2002. Mr. Theodoropoulos has studied Economics at the University of Athens. He has served as Chairman of various companies in the food sector. Since 1986, he is the major shareholder and Chairman of CHIPITA INTERNATIONAL S.A., a food company listed on the Athens Exchange. He is also a member of the board of Titan Cement Co. In addition, he is Vice-Chairman of the board of the Confederation of Greek Industries.

Vassilios Trapezanoglou, Director. Mr. Trapezanoglou, 56, is a General Manager at Piraeus Bank. He studied Mathematics in Thessaloniki, Applied Informatics in Grenoble, France and Regional Development in Athens. He joined Piraeus Bank in 1998 and was responsible for the Information Technology, Organisation and Electronic Channels division of Piraeus Bank up to April 2001. Since April 2001, he is responsible for the division of retail banking products and electronic distribution channels. He is the Chairman of eVision S.A., Exodus S.A., Piraeus Direct Services S.A. and Project On-Line S.A. He is also Vice-President of Multifin S.A. From 1975 to 1998, he was IT Manager in Hellenic Aspropyrgos Refineries (1975-1981), IT and Organisation director of Motor Oil Hellas (1981-1991) and IT Director at Xiosbank (1992-1998). He has participated in several technical committees and councils. He was a member of the board of Greek Computer Society (Association of Computer Scientists) from 1977 to 1986 and President from 1983 to 1986. He is a member of the Executive Jury, created by the European Union and the Confederation of European Academies of Engineers, which awards annual European IT prizes (ITEA).

Helen Tsamadou, Director. Mrs. Tsamadou, 65, is an honourary lawyer. She has been a member of our board of directors since June 2000, and a member of our committee supervising the internal audit department. Mrs. Tsamadou is also a member of the board of directors of ABNY of New York, the National Insurance Company. and the Loans and Consignment Fund. Mrs. Tsamadou was Manager at the legal division of the National Bank of Greece until February 2000 and has participated in a number of international transactions, privatisation projects and international offerings involving the National Bank of Greece, the Hellenic Telecommunications Organisation, Hellenic Petroleum, Duty Free Shops, Hellenic Finance bond issues and Hellenic Republic privatisation certificates. Mrs. Tsamadou is a graduate of the National and Kapodistrian University of Athens, Law School and the American University, Washington College of Law (LLM). She was an advisor to the Minister of Development and at present is an advisor to the Minister of National Economy and Finance on legal matters.

Eleftherios Vouyoukas, Director. Mr. Vouyoukas, 47, is an international energy economist specialising in international energy issues. Prior to his appointment to our board, he has worked as a senior economist at the Corporate Planning Department of BP plc, as head of the Economic Analysis Division at the International Energy Agency of the OECD and as a senior consultant mainly for international organisations. Mr. Vouyoukas has studied Economics and Econometrics at the Universities of Essex and Southampton in the United Kingdom and at Queen's University in Canada.

The business address of each of the members of the board of directors is 30 Chalkokondyli Street, Athens 10432.

The Chief Executive Officer and the General Managers comprise our Executive Committee. The General Managers are appointed by the board of directors for five year terms of office which may be renewed.

The current composition of the executive committee is as follows:

Name	Position	Date initially appointed	Year current term expires
Stergios Nezis*	Chief Executive Officer	5th June, 2000	2004
Grigoris Anastasiadis*	Chief Financial Officer	1st November, 2000	2005
Konstantinos Kavouridis	General Manager of the Mining business unit	7th September, 2000	2005
Konstantinos Vassiliadis	General Manager of the Transmission business unit	1st October, 2000	2005
Konstantinos Panetas	General Manager of the Generation business unit	7th September, 2000	2005
Nikolaos Gagaoudakis	General Manager of the Distribution business unit	7th September, 2000	2005
Georgios Manolopoulos	General Manager of Human Resources	7th September, 2000	2005

* Owns shares in our Company, in an amount of less than 1% of our share capital.

Grigoris Anastasiadis, Chief Financial Officer. Mr. Anastasiadis, 55, became our Chief Financial Officer in November 2000. Prior to his current position, he was the Chief Financial Officer of Panafon Telecommunication S.A. (now Vodafone S.A.) since 1993. At the time of leaving Panafon Telecommunication S.A., Mr. Anastasiadis was also the Managing Director of Panafon Services S.A. He is currently a member of the board of directors of Tellas, the Holding Company and Larco. Mr. Anastasiadis has a degree in Economics from the Athens University of Economics and Business.

Konstantinos Kavouridis, General Manager of the Mining business unit. Dr. Kavouridis, 53, has been the General Manager of our Mining business unit since September 2000. He is also the President of PPC Telecommunications S.A. He is a mining engineer with a PhD in Mining and Mineral Technology from Imperial College University of London. Since 1989, he has been appointed as Associate Professor in the Technical University of Crete. Mr. Kavouridis has co-operated with private mines as production manager as well as with IGME, the Greek Institute of geological and mineral exploration. He has more than 20 years' experience in the lignite industry and has held different senior management positions within the Company. He is currently the chairman of the board of directors of PPC Telecommunications, S.A. During the period 1994 to 2000, he was the director of Ptolemais-Amynteon Lignite Centre. Dr. Kavouridis is a member of the Executive Committee of CECSO, the European Association of Solid Fuels, the Coal Preparation Experts Committee of ECSC (European Coal and Steel Community), and the General Department of Energy and Transport of the European Commission. He also represents our company in DEBRIV, a German association of the lignite industry.

Konstantinos M. Vassiliadis, General Manager of the Transmission business unit. Mr. Vassiliadis, 53, has been the General Manager of the Transmission business unit since October 2000. Prior to this assignment he had been, since July 1997, Managing Director and Chief Executive Officer of Electric Railways Athens Piraeus SA, which is the owner and operator of Athens Metro Line 1. In August 1996, Mr. Vassiliadis became the first Director of Operations of Attiko Metro SA, and from this position, he initiated the setting up of the operation of the new Athens Metro Lines 2 and 3. He has spent a major part of his professional career in the design and construction of Lines 2 and 3 of the Athens Metro, having worked both for the initial design team (1985-1991) and later (1992-1994) for the contractor, the Olympic Metro Consortium. He is currently a member of the board of directors of each of the HTSO, Tellas and the Holding Company. Mr. Vassiliadis holds a degree in Electrical and Mechanical Engineering from the National Technical University of Athens and a Master of Science from University of London.

Konstantinos Panetas, General Manager of the Generation business unit. Mr. Panetas, 56, has been the General Manager of the Generation business unit since September 2000 and is the Managing Director of PPC Crete S.A. Prior to his current position, Mr. Panetas was the General Manager of PPC Distribution for seven years. Since joining the Company in 1972, Mr. Panetas has served in various management positions and has

represented the Company at international conferences and associations on numerous occasions. He is currently a member of the board of directors of PPC Renewables S.A. and president of the board of directors of Vorino Pellis S.A., a small hydroelectric project in northern Greece. Mr. Panetas has also been a member of the board of directors of DEPA since 1996. Mr. Panetas holds a degree in Electrical and Mechanical Engineering from the National Technical University of Athens.

Nikolaos Gagaoudakis, General Manager of the Distribution business unit. Mr. Gagaoudakis, 58, has more than 30 years' experience in the electricity industry dealing primarily with transmission system projects. He has held different senior management positions in the Company. Mr. Gagaoudakis holds an Engineering degree from the National Technical University of Athens. He is the Vice President of PPC Telecommunications S.A.

Georgios Manolopoulos, General Manager for Human Resources and Organisation. Mr. Manolopoulos, 65, is the General Manager for Human Resources and Organisation since September 2000. Since November 2000, he has been a member of the board of directors of PPC Telecommunications S.A.. From March 1995 to September 2000, he served as deputy General Manager of Administration. He has been employed in the Company since 1966 in various positions. Mr. Manolopoulos holds a degree in Business Science from the Athens University of Economics and Business and a degree in Political Science from Panteion University of Social and Political Sciences.

The business address for each of the members of the executive committee is 30 Chalkokondyli Street, Athens 10432.

Compensation

The aggregate compensation of all members of our board of directors, of our executive committee and our executive officers listed above (or persons who have left or been replaced during 2002 and 2003) paid or accrued, excluding social security contributions, for the 12 months ended 31st December, 2002 was approximately € 1.6 million. The aggregate amount paid or accrued for social security contributions for the 12 months ended 31st December, 2002 was approximately € 146,159.

Interest of management in certain transactions

Some of our directors and managers have an interest in our share capital. Our directors and executive officers may purchase shares in the employee offering. We do not have a share option scheme for our directors or other employees.

No director has any interest in a transaction entered into by us or any of our subsidiaries which is or was unusual in its nature or conditions or significant as it relates to us and our subsidiaries as a whole and which was effected during the current or immediately preceding financial year or was effected during an earlier financial year and remains in any respect outstanding or unperformed.

No director has been granted by us or any of our subsidiaries a loan or any guarantee for his benefit except for our directors and managers who participated in the employee offering in December 2002. Under the terms of the employee offering, in order to acquire shares in the employee offering, these directors and managers were granted loans (in the form of salary advances) by us in December 2002 which will be fully repaid by December 2003. In addition, one of our directors has received a loan from us of a de minimis amount. As at 30th June, 2003, the total outstanding amount of all loans to directors and managers was approximately € 60.5 thousand.

Corporate governance

Pursuant to a new corporate governance law applicable to listed *sociétés anonymes* enacted in Greece in May 2002 which came into effect in part in June 2003, such companies are required to establish an internal audit department that will evaluate and monitor internal control procedures. According to the terms of this new law, the internal audit department should be supervised by up to three non-executive members of the board of directors. The current composition of our committee supervising the internal audit department is two non-executive members of the board. These members are currently Mrs. Tsamadou and Mr. Manos. Our board of directors resolved on 19th November, 2002 that our internal audit department will report to the board of directors and will be supervised by two non-executive members of the board of directors.

Our internal audit department currently consists of five internal auditors who have been appointed for a term of three years. The members' term may be extended for an additional three years. The current members of our internal audit department are Mrs. T. Ioannidou, Mr. V. Karatzas, Mr. S. Tsirbas, Mr. K. Avaliotakis and Mrs. T. Tzima-Giza. Mrs. T. Ioannidou was appointed by our board of directors as head of the department.

In order to comply with the requirements of the new corporate governance law, our shareholders appointed Mr. Nezis as executive member of the board of directors and the remaining ten directors as non-executive

members of the board of directors by a decision at the extraordinary general assemblies held on 15th and 22nd November, 2002. No independent directors were appointed, as two members of the board are representatives of the minority shareholders.

Other provisions of the new law required us to establish internal regulations, which cover the operations of the internal audit department. Our board of directors resolved on 19th November, 2002 to approve the internal operation regulation of the internal audit department and its terms of operations, which was amended on 8th July, 2003 and 7th October, 2003.

The internal regulations also include, among others, a shareholder relations department, a company announcements department and provisions for procedures to monitor stock exchange transactions and other related party transactions of the members of our board of directors, our General Managers and other persons who could be considered insiders of the Company. The new law also requires members of a board of directors and any third parties to whom certain board functions have been delegated to inform the board of directors of any conflicts or interested transactions. As of 2003, our board of directors are required to submit to the competent authorities an annual report describing our transactions with our affiliated companies. On 7th October, 2003 the first report of the internal audit department was submitted to our board of directors. Due to the size and complexity of our company, we were not able to fully develop our internal control system and obtain the proper certifications for such system by 30th April, 2003, as we committed to do in the Greek prospectus relating to the offering of our shares by the Hellenic Republic in December 2002 and as required by the Greek Capital Markets Committee. As a result, we could be subject to fines by the Greek Capital Markets Committee for not meeting the April deadline. We have now received the required certifications for our internal control system and we continue to take steps towards fulfilling our commitment as described above.

RELATIONSHIP WITH THE SELLING SHAREHOLDER

SHAREHOLDING

The Hellenic Republic currently owns, directly or through DEKA, approximately 67.22% of our outstanding shares. Following the combined offering, the Hellenic Republic will own approximately between 51.5% of our outstanding shares (assuming no return transfer of additional shares pursuant to the over-allotment option and including any bonus shares which may be transferred to (i) our employees either through this combined offering or the employee offering in December 2002 and (ii) retail investors) and approximately 53.8% of our outstanding shares (assuming a return transfer of all of the additional shares pursuant to the over-allotment option and including any bonus shares which may be transferred to (i) our employees either through this combined offering or the employee offering in December 2002 and (ii) retail investors). If all shares retained by the Hellenic Republic to satisfy potential share bonus requirements are transferred, within the period of up to twelve months following the combined offering, to our employees and retail investors, the Hellenic Republic's shareholding may further decrease by approximately 0.49%. DEKA will not own any of our issued share capital following the combined offering. Pursuant to the Liberalisation Law, the Hellenic Republic's participation in our share capital may not be less than 51% of the voting shares in existence at any time. This requirement can only be changed by legislation.

THE HELLENIC REPUBLIC

The Minister of Economy and Finance oversees the Hellenic Republic's shareholding in our company. The Minister of Development has overall governmental responsibility for the Greek electricity sector, including responsibility for regulation of our company. You should read "Regulation of the Greek Electricity Sector" for a more detailed discussion.

The Hellenic Republic recognises the distinction between its role as shareholder and its role as regulator. In accordance with our articles of incorporation, the Hellenic Republic can only exercise its power as a shareholder at our general assembly of shareholders. The Hellenic Republic currently elects six out of the 11 members of our board, including the Chief Executive Officer. After the combined offering, it will continue to elect six out of the 11 members of our board.

Our articles of incorporation allow certain resolutions submitted for a vote to the shareholders to be determined by a majority of votes cast at a general assembly of shareholders. You should read "Description of Our Share Capital" for a more detailed discussion. The Hellenic Republic's holding of our shares following the combined offering will still allow the Hellenic Republic to continue to have majority influence over resolutions relating to matters submitted for a vote of the shareholders of the Company. You should read "Risk Factors—The Hellenic Republic has had, and may continue to have, a significant impact on our operations" for a more detailed discussion.

COMMERCIAL RELATIONSHIP WITH THE HELLENIC REPUBLIC

The commercial relationship between our company, as a supplier of electricity, and the Hellenic Republic and state-owned companies, as customers, is conducted on a normal arm's-length customer and supplier basis, although concerns may be raised regarding delays in the payment of debts to us by various public entities. We have, however, obligations under some non-commercial arrangements we entered into in the past. For example, arrangements with our two largest corporate customers, Aluminium of Greece and Larco, representing approximately 7.4% of the electricity supplied by us for the six month period to 30th June 2003, were not entered into on commercial terms but rather on terms consistent with Greek government policies. We also deal with the various departments, agencies and municipalities of the Hellenic Republic as separate customers, and the provision of services to any one department or agency does not constitute a material part of our revenue.

In addition, pursuant to the enactment of Law 3021/2002, we are required to obtain clearance from the National and Radio TV Council, in the form of media certificates, for our supply contracts for goods and services entered into with third parties exceeding a value of € 250,000. We have not received this clearance for certain of our existing supply contracts prior to the enactment of this Law in June 2002. We do not believe that the absence of such certificates will have a material adverse effect on our business, financial condition or results of operations.

In the ordinary course of our business, we enter into agreements with entities owned or controlled by the Hellenic Republic. The most significant agreements are summarised below:

Agreement with Larco

On 5th June, 1992, we entered into a supplementary contract with Larco for the supply of electricity, while our original contract was signed on 28th March, 1968. We sell electricity to Larco at a discount which, however, is determined by movements in an index for world aluminium prices, as required by Law 2367/1995 and subsequent decisions of the Minister of Development that sets electricity tariffs until 30th March, 2006. Under the terms of this law (including the subsequent Ministerial decisions), we are entitled to charge Larco the same prices for electricity as we charge to Aluminium. Pursuant to an arbitration award rendered in our favour against Aluminium of Greece in June 2002, we have been able to increase electricity tariffs by approximately 5% over the price that Aluminium of Greece was paying to us in the past, with a retroactive effect as of 1st January, 1999. These increased prices also apply to Larco.

Larco became insolvent and was restructured in 1989. As part of this restructuring, we were required to write off debts Larco owed to us in exchange for shares in Larco. As a result, we currently own approximately 28.6% of Larco following the restructuring.

Agreement with ELPE

On 12th September, 1997, we signed an agreement with DEP S.A., (renamed ELPE in 1998) and Refinery of Thessaloniki S.A. for the purchase of liquid fuel. Although our contract expired on 31st August, 2001, it was extended until 31st December, 2002. We entered into a new contract on similar terms, which will expire on 31st December, 2004.

Prices for delivery of the liquid fuel are determined on a weekly basis and are based on an average of the high prices of the relevant liquid fuel for the preceding week, as published in Platt's Oilgram Marketscan.

Agreement with DEPA

On 9th June, 1994, we entered into a contract with DEPA to purchase a total of 1.8 billion cubic metres per year of natural gas. The contract will terminate on 31st December, 2016 and can be extended up to 31st December, 2020, under the same terms and conditions, provided that either DEPA's contract with the Russian natural gas supplier Gazexport expiring on 31st December, 2016 is renewed under the same terms and conditions, or DEPA has found another supplier of natural gas under the same terms and conditions. Pursuant to the terms of our gas purchase contract with DEPA, we are subject to a minimum "take-or-pay" obligation, under which we commit to pay for a minimum amount of gas irrespective of actual consumption. To date, we have exceeded our contractual annual "take-or-pay" gas purchase obligations and expect to continue meeting our annual obligation. As part of the contract, DEPA is required to remit part of its profits to us if DEPA's net profits exceed 8% of its total revenue. To this date, DEPA has not reached this threshold.

The gas purchase contract also entitles us to the most competitive natural gas price offered by DEPA for the purposes of electricity generation. The prices charged by DEPA consist of a border price and a transmission price element, which are determined by formulas which take into account market prices of heavy fuel oil, gas oil and certain types of crude oil. As part of the expected liberalisation of the Greek gas market, recent amendments to the Liberalisation Law provide that DEPA is obliged to charge a tariff, separate from the border price, for access of the electricity generators to the gas transmission system. This access transmission tariff will be determined by the Minister of Development in consultation with the RAE. Accordingly, we expect a reduction of the transmission price element of DEPA's offered gas price from 2005 onwards.

Investment in DEPA

Law 2593/1998 gave the Ministry of Development the power to grant us the option to purchase from the Hellenic Republic all or part of DEPA's shares. Our shareholders, at the general meeting held on 22nd November, 2002 approved a contract to be signed between ourselves and the Hellenic Republic regarding the option in DEPA. We are currently considering whether to exercise the option which was granted to us by the Hellenic Republic to acquire up to 30% of DEPA's shares. We are currently negotiating with the Hellenic Republic the price and the terms and conditions regarding the exercise of this option.

THE HELLENIC REPUBLIC AS SOVEREIGN

We are subject to the regulatory authority of the Minister of Development and the RAE.

The Liberalisation Law provides that certain expenses that we incur in providing public service obligations, such as provision of electricity on the autonomous islands at the same electricity tariffs as in the interconnected system and provision of water from our hydroelectric stations for irrigation purposes, will be partly compensated through the Uplift and through tariffs. You should read "Our Business—Generation" and "Regulation of the Greek Electricity Sector" for a more detailed discussion of compensation of our public service obligations.

INDEBTEDNESS GUARANTEED BY THE HELLENIC REPUBLIC

In the normal course of our business, we have entered into a number of loan agreements with the European Investment Bank. As at 30th June, 2003, we had 44 loan agreements with the European Investment Bank. The Hellenic Republic has guaranteed our principal and interest payment obligations under these agreements. In exchange, we pay to the Hellenic Republic a commission in the range of 0.50% to 1% on the outstanding balance of the loans guaranteed. The total principal amount guaranteed by the Hellenic Republic as at 30th June, 2003 was € 865.2 million.

PRIVATISATION CERTIFICATES

Holders of privatisation certificates issued by the Hellenic Republic are entitled to exercise rights to exchange their certificates for ordinary shares sold in the international offering and the Greek offering on a preferential basis. The Hellenic Republic issued a series of privatisation certificates in October 2001, in an amount of € 1.7 billion. Holders of privatisation certificates are entitled to a preferential allocation of 40% of the shares being offered in the international offering and the Greek offering. Holders of these privatisation certificates are entitled to a 5% discount from the offer price. To the extent that holders of privatisation certificates do not exercise their right to exchange their certificates for our shares, the shares will be made available in the combined offering.

THE ATHENS EXCHANGE AND SETTLEMENT

GENERAL

The ATHEX commenced operations in 1880 to trade Greek government bonds and shares of the National Bank of Greece. Four years later, the ATHEX officially opened as an exchange following the election of its first board of directors. The ATHEX created a new market, known as the parallel market, in 1988 to help smaller and newly established companies issue shares to the public. Historically, these companies were unable to meet the stricter listing criteria of the main market. In 2000, the ATHEX created the New Stock Market ("NEHA") for the listing of the shares of small and medium capitalisation innovative companies with potential for rapid growth.

The ATHEX has operated continuously since 1880 and recently established a number of subsidiaries, including the Thessaloniki Stock Exchange Centre, whose purposes are the facilitation of the listing on the parallel market of companies operating in Northern Greece and the trading, through the ATHEX trading system, by investors residing in Northern Greece. Additionally, the ATHEX has established the Systems, Development and Support House of the Capital Markets and the Capital Market Training Centre, the purposes of which are the proposal of measures for modernising and enhancing capital markets in Greece and the provision of educational support to persons involved in capital market activities, respectively. In 1995, the ATHEX's corporate status was transformed into a company limited by shares (a *"société anonyme"*). Today, all the shares in the ATHEX are held by a listed company under the trade name "Greek Stock Exchanges Holdings Société Anonyme", which was formed on 29th March, 2000. All the shareholders of ATHEX, prior to its acquisition by Greek Stock Exchanges Holdings Société Anonyme, are now shareholders in the latter. The Hellenic Republic sold a major part of its holding of the share capital in July 2003 to 7 Greek banks and currently owns less than 5%. Greek Stock Exchanges Holdings Société Anonyme has a share capital of approximately € 359 million.

As at 30th June, 2003, 348 companies had shares listed on the Main and Parallel Markets of the ATHEX (234 and 114 companies, respectively) and six companies had shares listed on the New Stock Market, with an aggregate market capitalisation of € 72.015 billion.

The ATHEX is one of the two stock exchanges operating in Greece, the other being the Athens Derivatives Exchange. The Greek capital markets and the ATHEX in particular are regulated under a series of laws and regulations issued by the Ministry of Finance, the Capital Markets Committee ("CMC"), and the board of directors of the ATHEX.

MEMBERSHIP OF THE ATHEX

All transactions through the ATHEX may only be carried out by brokers that are members of the ATHEX. Membership of the ATHEX is subject to the licensing requirements stipulated in the Investment Services Directive and to the approval of the board of directors of the ATHEX. Brokerage firms that are members of the ATHEX must appoint at least one official representative authorised to conduct ATHEX transactions. The CMC generally approves such appointment, provided the representative fulfils certain qualifications required by law and passes an examination set by the CMC.

As at 30th June, 2003, the ATHEX had 86 members, the vast majority of which were brokerage firms. The minimum capital requirement in order to qualify as an ATHEX member is € 0.6 million. ATHEX members may engage in transactions on the trading floor on behalf of their clients or on their own behalf. Brokerage firms with a share capital in excess of € 2.9 million are also permitted to provide underwriting services on behalf of an issuing company for new issuances of shares on the ATHEX. Pursuant to the EU Investment Services Directive, which was implemented in Greece in April 1996 pursuant to Law 2396/1996, investment services may only be provided in Greece by "Investment Services companies" with a minimum share capital of € 0.6 million, or € 2.9 million if engaging in underwriting, that have received an appropriate operating licence from the CMC. Investment services within the scope of the Directive include the receipt and transfer of orders from investors to effect stock exchange transactions, the execution of such orders (or engagement in transactions on the trading floor on behalf of client-investors) and the underwriting, in total or in part, of an issue of securities. Effecting transactions on the ATHEX is also subject to the granting of membership to an Investment Services company by the ATHEX. Since 1st January, 2000 credit institutions have been entitled to become members of the ATHEX. "Orders Companies" are companies that are only allowed to receive and transfer their clients' orders to Investment Services companies, and are prohibited from engaging in transactions on the trading floor on their clients' behalves or from acting as a custodian for their clients' shares. The receipt and transfer of shares by Orders Companies are governed by Law 2396/1996 as well as the CMC. Following a resolution of the board of

directors of the ATHEX in March 2001, as of June 2001 investment services companies established in the European Union or the European Economic Area may become "remote members" of the ATHEX without being required to obtain a permanent establishment in Greece.

STOCK MARKET INDICES

The most commonly followed index in Greece is the ATHEX Composite Index, a market capitalisation index which tracks the price movement in the shares of 60 leading Greek companies. PPC constituted approximately 7.14% of the index, as at 30th June, 2003.

The following table sets out the movement of the ATHEX Composite index. The highs and lows are for the periods indicated and the close is on the last trading day of the period:

Year	High	Low	Close
1998	2,825.5	1,380.1	2,737.6
1999	6,355.0	2,798.2	5,535.1
2000	5,794.9	3,213.4	3,388.9
2001	3,360.5	2,105.6	2,591.6
2002	2,646.4	1,727.1	1,748.4
2003(1)	2,310.5	1,467.3	2,092.2

(1) Through 23rd October, 2003.

Another composite index, the FTSE/ATHEX-20, was introduced in September 1997. This index is made up of the 20 largest companies listed on the ATHEX, including PPC. PPC constituted approximately 4.47% of the FTSE/ATHEX-20 Index, as of 30th June, 2003.

TRADING ON THE ATHEX

ATHEX trading takes place every week from Monday to Friday, except for public holidays. The daily trading session starts at 11:00 a.m. and ends at 4:00 p.m. Athens time. The ATHEX consists of three separate markets: the Main Market (where the vast majority of securities is traded), the Parallel Market (for smaller companies, which may not satisfy the stricter listing criteria of the Main Market) and NEHA (for small, innovative companies with potential for rapid growth). The Main Market's, the Parallel Market's and NEHA's schedules each consist of a pre-opening session and a continuous automated matching session.

A 30-minute pre-opening session, operating through a call auction method, precedes the trading session from 10:30 a.m. to 11:00 a.m. The call auctions provide for the entry of orders to be collected and then executed in a batch. Auction matching takes place at one price. The objective of the pre-opening auction is to maximise the volume of shares traded at the auction price by calculating the price at which the greatest number of securities can be matched.

The trading system of the ATHEX is fully automated and orders are placed from remote locations. After the pre-opening auction session, orders are executed in continuous trading following the price and time priority rule: orders are ranked by price and orders at the same price are ranked based on time of entry into the system. Incoming orders always match with pre-existing orders already included in the ranked list. Buy and sell orders can match in any number of multiples of the lot size defined for that security. Depending on the order's price type (limit or market), the order matches against eligible orders in the book, progressing from the best price to the worst available until the order's quantity is exhausted.

If no "limit order" exists (or an order for which the price is specified) for a security on a given day, the system uses the previous closing price as the opening price. If limit orders have been entered at a specified price prior to the commencement of the trading period, the system uses these orders to determine the opening prices.

On 1st June, 2001, the ATHEX introduced a two-scaled price fluctuation limit. In principle, all securities' prices are eligible to 12% fluctuations from the closing price of the preceding trading session. However, if the price of a security remains at the best bid offer (if all incoming purchase orders at limit up or sale orders at limit down) for 15 minutes then the 12% limit is extended by a further 6%. Thus, on aggregate, the price of a security listed on ATHEX on a certain day is not permitted to fluctuate more than 18% from its closing price on the previous day. The 6% expansion applies only to securities of the continuous trading state; it does not apply to

securities which are under surveillance by the ATHEX. Securities may be put under surveillance by the ATHEX in special circumstances, such as when an investigation is conducted into the corporate affairs of the issuer or when the securities are experiencing particularly low levels of trading volume. The price fluctuation of securities of the auction market is limited to the 12% range. Newly listed securities are allowed to fluctuate freely during the first three sessions of their listing.

Trades of equity securities with a value exceeding €600,000, or representing at least 5% of a listed company's share capital, may be conducted through the ATHEX but following a special procedure. Under this special procedure, the parties involved, the number of shares to be sold and the price range are pre-agreed. These trades, known as block trades, may be conducted through a special procedure of the electronic trading system. There is a limit to the parties in a block trade; in particular, up to three persons may participate as either buyers or sellers. This limitation in the number of parties involved does not apply to block trades of equity securities of a listed company with total assets of at least € 1.5 million. Block trades may take place at prices that follow certain rules based on the price deviation percentage from the current traded price:

- at the current price of the security, when the value of the block trade ranges from € 0.6 million to € 1.1 million;
- at 5% from the current price of the security, when the value of the block trade ranges from € 1.1 million to € 2.3 million; and
- at 10% from the current price of the security, when the value of the block trade ranges from € 2.3 million and above.

All block trades require the approval of the ATHEX's Trading Committee and the prior approval of the president of the ATHEX if the trade value is at least € 1.2 million.

Equity securities representing up to 0.5% of the total number of equity securities of the same class of a listed company may be traded over the counter without being subject to the price fluctuation limitations, provided that neither party is participating in the transaction in the ordinary course of its business.

The above price limitations do not apply in the following five instances:

- when the shares traded represent more than 30% of the total number of shares of a particular category (i.e., preferred or common);
- for simultaneous transfers of shares of more than one category between the same parties, provided the percentage of the total shares offered or asked equals or exceeds 30% of the share capital of the issuer, irrespective of the percentage per category of shares transferred;
- for block trades exceeding € 146.7 million of (a) majority Greek government-owned listed companies' shares or (b) block trades of shares of listed companies with total assets exceeding € 1.5 billion and conducted through specific offering procedures set forth in a decision of the board of directors of the ATHEX;
- for block trades resulting in the sale of at least 10% of the total paid up share capital of a listed company having total market capitalisation of at least € 14.6 million;
- for transfers of share blocks in the context of an initial public offering or in the context of an initial public offering and a private placement as long as they are regulated by an ad hoc ATHEX board of directors' decision; and
- for transfers of share blocks by underwriters who acquired shares for stabilisation purposes to shareholders who previously sold the shares for the same purposes in the context of an initial public offering or in the context of an initial public offering and a private placement.

All prices of completed transactions are published on electronic screens in the ATHEX, although the prices of block trades do not affect the current trade price or the closing price. All transactions require cash settlement within three business days of the trade date. Trades are noted in the official register of the ATHEX, and all information on bids and offers is made available to Telerate and Reuters on a continuous basis. Bond trading is conducted by agreement among brokers on the electronic system.

Shares may be traded in lots of five, 10 and 25 shares according to the trading lot size of each security.

Prices of all securities listed on the ATHEX are published in the ATHEX official daily price bulletin.

SETTLEMENT, CLEARANCE AND THE CENTRAL SECURITIES DEPOSITARY

Settlement of both registered and bearer shares listed on the ATHEX is effected through the CSD. The CSD was founded in February 1991 as a *société anonyme*. The CSD is responsible for settling and clearing ATHEX transactions, and holding the shares deposited with it in book entry form. The CSD is administered by a seven-member board of directors. Its main shareholder is the Greek Stock Exchanges Holdings Société Anonyme (70%) and the remaining shares are held by the members of the ATHEX, banks listed on the ATHEX, companies managing mutual funds and portfolio investment companies.

Book entry of listed securities was introduced by virtue of Law 2396/1996, as amended. The dematerialisation of Greek shares commenced in March 1999, with the market becoming fully dematerialised in December 1999.

To participate in the dematerialised system of securities ("SAT"), which is necessary in order to own and trade securities in the ATHEX each investor is required to open a dematerialisation account, which is identified by a dematerialised account number ("SAT account"). Shareholders who wish to open an SAT account can appoint one or more ATHEX members or custodian banks as authorised operators ("Operators") of their SAT accounts. Only the Operators have access to balances and other information concerning a SAT account.

The settlement and clearance procedure through the CSD consists of three stages:

- first, a notification by the ATHEX to the CSD of the transactions completed within each trading day. More specifically, on trade date T, following the closing of the trading day, the ATHEX sends electronically to the CSD a file containing information on the trading activity of the day. The file is downloaded to the Dematerialised Securities System ("DSS"), where securities and values of trades (buy or sell) are aggregated per investor, broker, security and type of trade, and then the weighted average value of the trade is calculated by dividing the total value of the trades by the quantity of securities traded (trade averaging);
- second, a notification by the brokers to the CSD of the SAT account of the seller and buyer and the number of shares to be debited and credited to their respective SAT accounts. The brokers are required to notify to the CSD each trade along with the broker's account for the securities to be credited or debited to the relevant accounts. This is completed by day T+3. Following the notification of the SAT account of the seller, the shares sold are "temporarily blocked" for transfer purposes. Under Greek law, a person may not enter into sales of securities on the ATHEX if such person does not have full and unencumbered title to, and possession of, the securities being sold at the time the order is matched. Short sales of securities listed on the ATHEX are strictly regulated by the Capital Markets Commission and permitted in the case of contracts previously executed on the Athens Derivatives Exchange; and
- third, settlement cycles are carried out on day T+3 in time intervals determined by the DSS, which also transfers the securities from the securities accounts of the sellers to the securities accounts of the buyers and simultaneously executes the equivalent debits and credits of the brokers' cash accounts in the cash settlement bank. The settlement is multilateral and is executed in accordance with the delivery versus payment principle. By day T+3, brokers are required to deposit in the cash account, which they hold for this purpose in the cash settlement bank, the amount of cash corresponding to their cash obligation. The results of the settlement, as reflected in the investors' securities accounts and the brokers' cash accounts, are deemed final and irrevocable. Bilateral clearance is also possible in exceptional circumstances, and in accordance with the DSS regulations. The transfer of shares is effected by debiting the SAT account of the seller and crediting the SAT account of the buyer on the settlement date.

The ATHEX may invalidate a transaction if it considers it necessary for the protection of the investors, in particular in cases of fraud.

Liabilities of brokerage firms resulting from their trading activities are guaranteed by the Athens Exchange Guarantee Fund, to which each ATHEX member contributes, and which is operated as a separate legal entity.

FOREIGN INVESTMENT AND FOREIGN EXCHANGE CONTROLS IN GREECE

There are currently no exchange controls in Greece that would restrict the payment of dividends or other capital distributions to a holder of shares or GDRs outside Greece, and there are currently no restrictions in Greece that would affect the right of a non-Greek holder of shares or GDRs to dispose of his shares or GDRs, as the case may be, and receive the proceeds of such disposal outside Greece.

All forms of capital movement in and out of Greece have been deregulated. Foreign investors may purchase securities listed on the ATHEX, as well as Greek Government bonds and treasury bills. Repatriation of capital and dividends and any other income on securities is fully deregulated provided the foreign investor has the following documents:

- the certificate of a broker or other relevant person evidencing the purchase of the securities;
- the certificate of the company as to the entitlement of the payment of dividends; and
- in the event of the sale of securities, the certificate of a broker, or some other form of written proof, that the relevant securities were sold for euros in Greece with a view to exporting the sale proceeds.

DESCRIPTION OF OUR SHARE CAPITAL

We were incorporated as a *société anonyme* on 1st January, 2001 under the Liberalisation Law and pursuant to Presidential Decree 333/2000 for a term of 100 years, which may be extended by a resolution of the shareholders' general assembly. We have our corporate seat in the Municipality of Athens, Greece. We are registered under number 47829/06/B/00/2 in the Register of Companies and our executive offices are at 30 Chalkokondyli Street, 10432 Athens, Greece. Presidential Decree 333/2000 constitutes our articles of incorporation. The following discussion of our articles of incorporation is qualified in its entirety by reference to the full text of our articles of incorporation.

GENERAL

Our authorised share capital as at the date of this offering circular is € 1,067,200,000 divided into 232 million registered shares with a nominal value of € 4.60 each. The Hellenic Republic owns approximately 57.22% of our issued share capital and DEKA owns 10% of our issued share capital. The PIO owns approximately 3.8% of our issued share capital and Fidelity Management & Research Company, Fidelity Management Trust Company and Fidelity International Limited, collectively own 5% of our issued share capital. Our initial share capital, created by Presidential Decree 333/2000, was GRD 220 billion (€ 645.6 million) divided into 220 million registered shares with nominal value of GRD 1,000 each. Our shareholders approved a capital increase of 12 million shares at an extraordinary general assembly held on the 15th and 22nd November, 2001. Following the completion of the initial combined offering of our shares by us and the Hellenic Republic on 12th December, 2001, our total paid-up share capital increased to GRD 232 billion (€ 680.9 million) divided into 232 million shares. By a decision of our shareholders at the extraordinary general assembly held on 6th June, 2002, our share capital and the nominal value of our shares were converted into euro by means of a share capital reduction of € 1.09 million, which allowed for the rounding up of the nominal value of our shares to € 2.93 each. By a decision of our shareholders at the extraordinary general assembly held on 15th November, 2002, which was adjourned and concluded on 22nd November, 2002, our share capital increased by € 387,440,000 through the increase of the par value per share by € 1.67, to € 4.60. For this increase, we used the reserve resulting from the redenomination of the share capital from GRD to euro and we capitalised part of the fixed assets statutory revaluation surplus. Our extraordinary general assembly of our shareholders held on 15th November, 2002, was adjourned and concluded on 22nd November, 2002.

FORM AND TRANSFER OF SHARES

Our ordinary shares are in registered and dematerialised (book-entry) form. Transfers of ownership of dematerialised shares are effected through the ATHEX and the CSD by registration of the transaction in the CSD's records. The securities accounts of the investors are credited and debited by the account operators after each transaction. Transfers may also be effected, subject to certain requirements pursuant to Law 3632/1928, through an "off-exchange" transaction under a written agreement. A copy of this agreement, together with a form indicating the securities accounts of the parties, must be delivered to the CSD, which subsequently registers the transfer in its records.

The CSD issues certificates to shareholders containing provisions regarding the capacity of the shareholders, the share identification data, the number of shares owned, the reason for the certificate's issuance as well as any possible encumbrances over the shares. These certificates are issued by the CSD following a shareholder's request addressed to the CSD, either directly or through an account operator. Certificates may also be issued directly by an account operator through the Dematerialised Securities System ("DSS"), following a shareholder's request to the account operator, provided that the shares for which the certificates are requested are held through an account managed by the account operator. The person whose name appears in the CSD's records will be considered to be the shareholder of a dematerialised share.

Pursuant to Greek law and under limited circumstances, companies may purchase their own shares. The most common of such circumstances is the acquisition of shares by a company for the purposes of distribution of the company's shares to its employees or to the employees of an affiliated company.

In addition, companies whose shares are listed on the ATHEX may acquire, directly or through a third person, shares representing up to 10% of their own share capital. This process allows stabilisation of a company's share price in circumstances where it is believed that the share price is substantially lower than that which would correspond to the state of the market, given the financial condition and prospects of the company. According to Greek company law, the decision to stabilise is taken by the company's general assembly of shareholders on the basis of a 20% quorum of the entire paid-up share capital and an absolute majority of 50% of the paid-up share capital represented at the general assembly plus one share. According to our articles of incorporation, a 50% quorum of the entire paid-up share capital and an absolute majority of 50% of the paid-up

share capital represented at the general assembly plus one share, is required for us to take a decision to stabilise. The decision of a company's board of directors to convene a general assembly and the decision of the general assembly of the shareholders must be communicated to the ATHEX and the CMC. The purchased shares must be fully paid-up and acquired from the market and the Collective Investments in Tradeable Securities Organisations ("OSEKA"); otherwise, the purchase may be declared invalid by the CMC. The purchased shares must be sold or distributed to the company's employees within three years of their purchase or otherwise must be cancelled. The board of directors must communicate both the decision to sell and the decision to cancel to the ATHEX. In addition, the decision to sell must be published in at least two daily newspapers with circulation throughout Greece, at least 10 days in advance of the purchase, and any decision to cancel the purchase must be communicated to the Ministry of the National Economy. All shares acquired by us cannot be voted but may be taken into account for the purpose of assessing a quorum.

DISCLOSURE REQUIREMENTS

When, as a result of a transfer of shares listed on the ATHEX, a person owns or indirectly controls a percentage equal to or in excess of 5%, 10%, 20%, 33⅓%, 50% or 66⅔% of the voting rights of the relevant company, or such ownership or control falls below these levels, the holder is required to notify the company and the ATHEX of his holdings and percentage of voting rights in writing within one calendar day. When a person holds an interest of more than 10% of the voting rights of a company whose securities are listed on the ATHEX and that person's interest increases or decreases by more than 3% (or 1½% when the shares of the company have been listed on the ATHEX for less than 12 months) of the total voting rights in the company, then that person is similarly required to notify the company and the ATHEX authorities within one calendar day, and at the latest one hour prior to the commencement of the ATHEX session that follows the transaction.

Decision 14212/1/195/19.07.2000 of the CMC regulates the public take-over bid for securities that are listed on the ATHEX. Pursuant to this decision, anyone who proceeds with a take-over bid for a public company must address to the shareholders a bid for the acquisition of at least 50% of the total number of shares of that company, specifying the minimum number of shares which must be accepted for the bid to remain in force. In addition, any person who acquires shares and due to such acquisition holds more than 50% of the total voting rights of the company for whose shares he is bidding, is obliged within 30 days to make a public take-over bid for the remaining shares of that company (subject to certain exceptions and qualifications).

Such a public take-over bid must be announced, prior to its announcement to the public, to the CMC and the board of directors of the target company and within the next day in the Daily Price Bulletin of the ATHEX, one major daily newspaper, one major financial newspaper, and if the company is listed on a foreign stock exchange, in a financial newspaper at the registered seat of that foreign stock exchange. The bidder must also issue and make public (following the approval of the CMC) an information memorandum containing certain data required by the CMC. The results of the bid are to be published within 48 hours from the end of the acceptance period.

If a shareholder holds 10% or more of any class of shares of a listed company and intends within three months or less to acquire or transfer shares of the same class representing more than 5% of the share capital of the company, the shareholder must notify the ATHEX of the intended transaction volume, the time period within which the transactions will be effected and the brokerage company through which the transactions will be effected.

For 30 days from the end of the period for which quarterly financial statements of the company are being issued or for a shorter time period until the publication of such financial statements, as well as from the time any confidential information comes to their possession in any way, shareholders holding more than 20% of the share capital of a company, members of a company's board of directors, executive officers of a company, a company's internal auditors and legal counsel, as well as a company's affiliates, may effect transactions in shares of the company or in derivatives related to shares of the company or its affiliates, only after prior notification to the board of directors of the company and publication of such notification in the Daily Price Bulletin of the ATHEX at least one day prior to the transaction.

VOTING RIGHTS AND RESTRICTIONS

Each share gives the holder the right to cast one vote at a general assembly of shareholders.

In case the participation percentage of a shareholder or affiliated companies exceeds 5% of our share capital, such shareholder will not have the right to vote at the general assembly for the percentage of his holdings exceeding 5%.

Banks holding as nominees and other organisations with registered offices abroad which, according to the laws of the country of their establishment based on the shares they hold, issue titles, or depositary receipts, representing shares and provided such titles have been issued in favour of a particular shareholder at a percentage above 5%, will not have the right of presentation and voting in favour of the specific shareholder as concerns the percentage of the shareholder's holdings exceeding 5%.

The Hellenic Republic cannot, by law, hold less than 51% of our voting shares after each increase of share capital.

DIVIDENDS

We may only pay dividends out of profits for the preceding financial year and any distributable reserves after the annual financial statements are approved by the general assembly of shareholders. Before the payment of dividends, we must allocate annually 5% of our net profits to the formation of a legal reserve until this legal reserve equals, or is maintained at a level equal to, at least one-third of our share capital.

According to our articles of incorporation and Greek company law, we are required to pay a minimum dividend equal to the greater of (a) 6% of our paid-up share capital or (b) 35% of our net profits for that year after the formation of legal reserves. According to Law 148/1967, as amended, a company's general assembly, acting with the majority of at least 65% of the paid-up share capital, may decide not to pay the minimum dividend. In this case, the undistributed dividends of up to at least 35% of the net profits for that year are transferred to a special reserve account. This reserve account must be capitalised within four years from its formation by the issuance of new shares, which are distributed to the shareholders as a share dividend. By a resolution of the general assembly, passed by a majority representing at least 70% of the paid-up share capital, the undistributed dividends can be transferred into reserves or otherwise applied. Under our articles of incorporation, the general assembly of shareholders can decide to distribute any net profits remaining after allocation to the ordinary reserve and distribution of the minimum dividend through the issuance of new shares, which are distributed to the shareholders as share dividends. This decision requires an Increased Quorum and Increased Majority, each as defined below. However, the decision not to distribute a dividend of net profits equal to 6% of the share capital would require a unanimous decision of all shareholders present at a general assembly of our shareholders.

Within six months following the end of our financial year, an annual general assembly of our shareholders is convened to approve our financial statements and the distribution of a dividend to shareholders with respect to the previous financial year. The annual general assembly is duly convened when a quorum representing one-third of the paid-up share capital is present. Decisions of the annual general assembly are taken by an absolute majority of voting shareholders in attendance. The amount approved for distribution shall be paid to shareholders within two months of the resolution approving our annual financial statements. Dividends not claimed by shareholders within five years of their distribution are forfeited in favour of the Hellenic Republic.

According to Greek company law, we may pay interim dividends with the approval of the board of directors if, at least 20 days before such payment, our interim financial statements are submitted to the Greek Ministry of Development and published in the Greek Government's Gazette and in a Greek financial newspaper. Such dividends cannot exceed one-half of the net profits as set forth in the interim financial statements. The board of directors has the authority to declare and pay such dividends without obtaining the approval of shareholders in the general assembly.

Finally, according to our articles of incorporation and Greek company law, no distribution may be made if at the end of the last financial year our own funds that are shown in the balance sheet are lower, or will be lower after the distribution, than the aggregate of the share capital and the reserves that may not be distributed.

GENERAL ASSEMBLY OF SHAREHOLDERS

Pursuant to our articles of incorporation and Greek company law, the general assembly of shareholders (which is the supreme corporate body of a Greek *société anonyme*) is entitled to decide on any and all company affairs. Its resolutions are binding on our board of directors and executive officers as well as all shareholders, including those absent from the general assembly and those dissenting.

The general assembly is the only competent body to decide, among other matters, (a) the extension of the duration of our company, our merger, revival, de-merger or dissolution, (b) amendments to our articles of

incorporation, (c) increases or reductions of our share capital (except for increases authorised by the board of directors, as described below), (d) the issuance of bonds or convertible bonds (except for the issuance of convertible bonds authorised by the board of directors, as described below), (e) election of members of the board of directors and the Chairman, (f) the appointment of auditors and liquidators, (g) the distribution of annual profits, (h) the approval of the annual financial statements, (i) transformation of the company into a different corporate form and (j) the release of the board of directors and auditors from liability upon acceptance of the financial statements.

The ordinary general assembly is in principle convened by the board of directors and is held regularly within six months of the end of each financial year. The board of directors may convene an extraordinary general assembly when and as it deems necessary. According to our articles of incorporation and Greek company law, chartered auditors are also entitled to request the Chairman to convene an extraordinary general assembly within ten days of the notification of such request.

A simple quorum for our general assembly is met whenever shareholders holding at least 50% of the paid-up share capital are present or represented at the assembly ("Simple Quorum"). If a Simple Quorum is not achieved, the general assembly convenes again within 20 days from the date of the previous assembly. At such adjourned assembly, the general assembly is in quorum and decides lawfully on all items of the initial agenda whenever shareholders holding 20% of the paid-up share capital are present or represented at the assembly. In case such quorum is not obtained, the general assembly convenes again within 30 days from the date of the previous assembly. At this subsequent assembly, the general assembly is in quorum and may decide on all items of the initial agenda irrespective of the number of shareholders present.

Certain extraordinary resolutions by the general assembly require, however, an increased quorum of two-thirds of the paid-up share capital present either in person or by proxy ("Increased Quorum"). These extraordinary resolutions include: (a) a change in our objects, (b) an increase in the obligations of shareholders, (c) an increase in our share capital if such increase is not made pursuant to a decision of our board of directors in accordance with our articles of incorporation, or enforced by law, or made after a capitalisation of reserves, (d) a reduction of our share capital, (e) the limitation or waiver of the pre-emptive rights of our shareholders where an increase in our share capital is not effected through a contribution in kind or the issuance of convertible bonds, (f) the merger, de-merger, conversion, extension of duration or dissolution of our company, (g) the issuance of a loan by bonds convertible into shares if this issuance is not made pursuant to a decision of our board of directors in accordance with our articles of incorporation, (h) the granting or renewal of the power of the board of directors to increase our share capital, (i) any amendment to provisions of our articles of incorporation governing the definition and use of increased quorum and majority, (j) the alteration of our way of disposing of profits and (k) change of our nationality.

In the event that an Increased Quorum is not achieved, the general assembly is adjourned and the required quorum at the adjourned general assembly is met when shareholders representing at least 50% of the paid-up share capital are present. Furthermore, where this 50% is not achieved, the adjourned general assembly will be quorate when shareholders representing at least one-third of the paid-up share capital are present or represented by proxy.

In general, resolutions at a general assembly are passed by a simple majority of the votes present or represented by proxy ("Simple Majority"). However, when an Increased Quorum is required, resolutions at a general assembly are passed by a majority of two-thirds of the paid-up share capital present or represented by proxy ("Increased Majority"). The same rule applies in case of any adjourned general assembly requiring an Increased Quorum.

ISSUE OF ORDINARY SHARES AND PRE-EMPTIVE RIGHTS

Our share capital may be increased pursuant to a decision adopted by a general assembly of shareholders. This decision of a general assembly requires a quorum of two-thirds of the paid-up share capital. If such quorum is not achieved, a second general assembly will be held that will require a quorum of 50% of the paid-up share capital and if such quorum is not achieved again, the quorum requirement for the third general assembly decreases to one-third of the paid-up share capital. This decision of a general assembly must be adopted by a majority of two-thirds of the votes present or represented thereat. In all cases where our reserves exceed 25% of the paid-up share capital, a decision of a general assembly with Increased Quorum and Increased Majority is required to increase our share capital.

For a period of five years after incorporation as a *société anonyme,* our share capital may be increased, pursuant to a decision taken by a two-thirds majority of the board of directors, (a) by an amount not exceeding the initial paid-up share capital (€ 645.6 million) or (b) by taking out a loan or issuing bonds convertible into shares up to an amount not exceeding half of the paid-up share capital. The general assembly of shareholders may increase our share capital by the issue of new shares up to an amount no greater than five times the initial paid-up shares capital (€ 645.6 million) pursuant to a decision taken by a Simple Quorum and Simple Majority of the shareholders at a general assembly. Authorisations may be renewed by a resolution of the shareholders in a general assembly for a period of time not exceeding five years in each case. Thereafter, under our articles of incorporation and Greek company law, the board of directors may increase our share capital by issuing new shares or by taking out a loan or issuing bonds convertible into shares for the first period of five years after incorporation and, after the end of such period, pursuant to a grant of authority under a decision of a general assembly which requires a quorum of two-thirds of the paid-up share capital and a majority of two-thirds of the votes present or represented at the general assembly. The share capital increase may not exceed one-half of the amount of the paid-up share capital at the date when this authority was granted to the board of directors. The decision of the board of directors must be approved by a two-thirds majority of the board of directors. The board of directors' authority is granted for a five-year period and may be renewed by a general assembly for a further five-year period. If our reserves exceed one quarter of the paid-up share capital, a decision by our general assembly of shareholders taken by an Increased Quorum and Increased Majority is always required for an increase of our share capital.

An increase of our share capital approved under the preceding paragraph will not require an amendment to the articles of incorporation. Any other increase of our share capital must be effected by amending the articles of incorporation. All share capital increases which are not effected through contributions in kind, or by issuing bonds convertible into shares, shall be offered on a pre-emptive basis to the existing shareholders according to their shareholding participation in our company, unless the pre-emptive rights of the shareholders have been limited or waived by a decision of a general assembly. This decision of a general assembly requires a quorum of two-thirds of the paid-up share capital. If such quorum is not achieved, the quorum requirement decreases to 50%, and then to one-third of the paid-up share capital. The required majority for a decision of a general assembly is an Increased Majority. If and to the extent the existing shareholders do not exercise their pre-emptive rights within the prescribed period (which must be at least one month), the board of directors can dispose of the surplus shares.

RIGHTS OF MINORITY SHAREHOLDERS

Our articles of incorporation and Greek company law provide that upon request by shareholders representing 5% of our paid-up share capital, (a) the board of directors is obliged to convene an extraordinary general assembly of shareholders within 30 days of the request, (b) the chairman of the general assembly is obliged to allow one postponement of the adoption of resolutions by general assembly provided an adjourned meeting is convened within 30 days to reconsider the resolutions, (c) the resolution of any matter included on the agenda for the general assembly is adopted by a roll call, (d) the board of directors must disclose to the general assembly any amounts we paid to the directors, our senior management or to our employees during the course of the last two years and any agreements concluded between our company and such persons and (e) the board of directors must provide information concerning the affairs of our company useful for the evaluation of the items on the agenda, although the board of directors can refuse such a request based on reasonable grounds, which must be recorded in the minutes in accordance with our articles of incorporation and Greek company law.

Shareholders representing 5% of our paid-up share capital have the right to request a competent court to order an investigation of our company if it is believed that actions taken by the board of directors violated applicable law or our articles of incorporation.

Shareholders representing one-third of our paid-up share capital have the right to request a competent court to review our operations, when it is believed that we are not properly managed. Shareholders representing one-third of the paid-up share capital have the right to request the board of directors, even if they are represented on the board of directors, to provide them with information on the conduct of our business. The board of directors is obliged to provide such information, although it can refuse such a request on reasonable grounds, which must be recorded in the minutes in accordance with law and our articles of incorporation.

RIGHTS ON LIQUIDATION

A liquidation procedure involves the dissolution of our company either (a) after expiration of the initial duration period of our company, or (b) following a relevant decision of the general assembly taken by a quorum

of shareholders representing two-thirds of our paid-up share capital being present or represented at the general assembly and two-thirds voting majority of the shareholders present or represented in such general assembly. During liquidation, a general assembly has the authority to designate at least two liquidators who have all the rights ordinarily held by the board of directors. One of the liquidators represents the minority shareholders. The board of directors ceases to exist upon the appointment of the liquidators.

Upon the passing of the resolution on liquidation, the liquidator(s) shall draw-up an inventory of all our assets, complete pending transactions and sell our assets to the extent necessary to discharge our liabilities (excluding all amounts owed to the shareholders). Following the discharge of all our liabilities, the board of directors or the liquidator(s), as the case may be, shall reimburse the shareholders in full satisfaction of all amounts due to each of them in respect of their initial or further capital contributions and shall distribute to the shareholders pro rata the remaining Company assets.

During the liquidation procedure, the general assembly is entitled to all rights under our articles of incorporation and Greek company law.

TERMS AND CONDITIONS OF THE GLOBAL DEPOSITARY RECEIPTS

The following terms and conditions (subject to completion and amendment and excepting sentences in italics) will apply to the GDRs, and will be endorsed on each GDR certificate:

The Global Depositary Receipts ("GDRs") represented by this certificate are each issued in respect of one share of par value € 4.60 each (the "Shares") in Public Power Corporation S.A. (the "Company") pursuant to and subject to an agreement dated 12th December, 2001, as amended 11th December, 2002 and made between the Company and The Bank of New York in its capacity as depositary (the "Depositary") for the "Regulation S Facility" and for the "Rule 144A Facility" (such agreement, as amended from time to time, being hereinafter referred to as the "Deposit Agreement"). Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed National Bank of Greece as Custodian (the "Custodian") to receive and hold on its behalf any relevant documentation respecting certain Shares (the "Deposited Shares") and all rights, interests and other securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the "Deposited Property"). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to their holdings of GDRs. In these terms and conditions (the "Conditions"), references to the "Depositary" are to The Bank of New York and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the "Custodian" are to National Bank of Greece or any other custodian from time to time appointed under the Deposit Agreement and references to the "Main Office" mean, in relation to the relevant Custodian, its head office in the city of Athens or such other location of the head office of the Custodian in Greece as may be designated by the Custodian with the approval of the Depositary (if outside the city of Athens) or the head office of any other custodian from time to time appointed under the Deposit Agreement.

The GDRs will upon issue be represented by interests in a GDR which represents Regulation S GDRs issued pursuant to the Deposit Agreement ("Regulation S Master GDR"), evidencing the GDRs offered and sold outside of the United States and Greece in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S GDRs"), and by interests in a GDR which represents Rule 144A GDRs issued pursuant to the Deposit Agreement ("Rule 144A Master GDR"), evidencing the GDRs offered and sold in the United States in accordance with Rule 144A under the Securities Act ("Rule 144A GDRs"). The GDRs are exchangeable in the circumstances set out in "Summary of Provisions relating to the GDRs while in Master Form" for a certificate in definitive registered form in respect of GDRs representing all or part of the interest of the holder in the Master GDR.

References in these Conditions to the "Holder" of any GDR shall mean the person or persons registered on the books of the Depositary maintained for such purpose (the "Register") as holder. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificates in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Main Office of the Custodian. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement. **Holders of GDRs are not party to the Deposit Agreement and thus, under English law, have no contractual rights against, or obligations to, the Company or Depositary. However, the Deed Poll executed by the Company in favour of the Holders provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and was the "Depositary" in respect of that number of Deposited Shares to which the GDRs of which he is the Holder relate.**

The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement on behalf of any Holder of a GDR or any other person.

1. Withdrawal of Deposited Property and Further Issues of GDRs

1.1 Any Holder may request withdrawal of, and the Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of such evidence of the entitlement of the Holder to the relative GDR as the Depositary may reasonably require, at the specified office of the Depositary or any Agent accompanied by:

(i) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Main Office of the Custodian, or (at the request, risk and expense of the Holder, and only if permitted by applicable law from time to

time) at the specified office located in New York, London or Athens of the Depositary or any Agent, or to the order in writing of, the person or persons designated in such order;

(ii) the payment of such fees, taxes, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement;

(iii) the surrender (if appropriate) of GDR certificates in definitive registered form properly endorsed in blank or accompanied by proper instruments of transfer satisfactory to the Depository to which the Deposited Property being withdrawn is attributable; and

(iv) the delivery to the Depositary of a duly executed and completed certificate substantially in the form set out either (a) in Schedule 3, Part B, to the Deposit Agreement, if Deposited Property is to be withdrawn or delivered during the Distribution Compliance Period (such term being defined as the 40 day period beginning on the latest of the commencement of the Offering and the original issue date of the GDRs) in respect of surrendered Regulation S GDRs, or (b) in Schedule 4, Part B, to the Deposit Agreement, if Deposited Property is to be withdrawn or delivered in respect of surrendered Rule 144A GDRs.

1.2 Upon production of such documentation and the making of such payment as aforesaid for withdrawal of the Deposited Property in accordance with Condition 1.1, the Depositary will direct the Custodian, by tested telex, facsimile or SWIFT message, within a reasonable time after receiving such direction from such Holder, to deliver at its Main Office to, or to the order in writing of, the person or persons designated in the accompanying order:

(i) a certificate (if any) for, or other appropriate instrument of title (if any) to or evidence of a book-entry transfer in respect of the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and

(ii) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof; provided however that the Depositary may make delivery at its specified office in New York of any Deposited Property which is in the form of cash;

PROVIDED THAT the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):

(a) will direct the Custodian to deliver the certificates for, or other instruments of title to, or book-entry transfer in respect of, the relevant Deposited Shares and any document relative thereto and any other documents referred to in sub-paragraphs 1.2(i) and (ii) of this Condition (together with any other property forming part of the Deposited Property which may be held by the Custodian or its agent and is attributable to such Deposited Shares); and/or

(b) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof);

in each case to the specified office located in New York or London of the Depositary (if permitted by applicable law from time to time) or at the specified office in Greece of any Agent as designated by the surrendering Holder in the order accompanying such GDR.

1.3 Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

1.4 The Depositary may, in accordance with the terms of the Deposit Agreement and upon delivery of a duly executed order (in a form reasonably approved by the Depositary) and a duly executed certificate substantially in the form of (a) Schedule 3, Part A of the Deposit Agreement *(which is described in the following paragraph)* by or on behalf of any investor who is to become the beneficial owner of the Regulation S GDRs or (b) Schedule 4, Part A of the Deposit Agreement *(which is described in the second following paragraph)* by or on behalf of any investor who is to become the beneficial owner of Rule 144A GDRs from time to time execute and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment on the Shares corresponding to such further GDRs) and, subject to the terms of the Deposit Agreement, the Depositary shall accept for deposit any further Shares in connection therewith, so

that such further GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.

The certificate to be provided in the form of Schedule 3, Part A, of the Deposit Agreement certifies, among other things, that the person providing such certificate is not a US person (as defined in Regulation S under the US Securities Act of 1933, as amended (the "Securities Act")), is located outside the United States and will comply with the restrictions on transfer set forth under "Transfer Restrictions and Settlement".

The certificate to be provided in the form of Schedule 4, Part A, of the Deposit Agreement certifies, among other things that the person providing such certificate is a qualified institutional buyer (as defined in Rule 144A under the Securities Act ("QIB")) or is acting for the account of another person and such person is a QIB and, in either case, will comply with the restrictions on transfer set forth under "Transfer Restrictions and Settlement".

1.5 Any further GDRs issued pursuant to Condition 1.4 which correspond to Shares which have different dividend rights from the Shares corresponding to the outstanding GDRs will correspond to a separate temporary global Regulation S GDR and/or Rule 144A GDR. Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by a Master Regulation S GDR and a Master Rule 144A GDR (by increasing the total number of GDRs evidenced by the relevant Master Regulation S GDR and the Master Rule 144A GDR by the number of such further GDRs, as applicable).

1.6 The Depositary may issue GDRs against rights to receive Shares from the Company (or any agent of the Company recording Share ownership). No such issue of GDRs will be deemed a "Pre-Release" as defined in Condition 1.7.

1.7 Unless requested in writing by the Company to cease doing so, and notwithstanding the provisions of Condition 1.4, the Depositary may execute and deliver GDRs or issue interests in a Master Regulation S GDR or a Master Rule 144A GDR, as the case may be, prior to the receipt of Shares (a "Pre-Release"). The Depositary may, pursuant to Condition 1.1, deliver Shares upon the receipt and cancellation of GDRs, which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such GDR has been Pre-Released. The Depositary may receive GDRs in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom GDRs or Deposited Property are to be delivered (the "Pre-Releasee") that such person, or its customer, (i) owns or represents the owner of the corresponding Deposited Property or GDRs to be remitted (as the case may be), (ii) assigns all beneficial right, title and interest in such Deposited Property or GDRs (as the case may be) to the Depositary in its capacity as such and for the benefit of the Holders and (iii) will not take any action with respect to such GDRs or Deposited Property (as the case may be) that is inconsistent with the transfer of beneficial ownership (including without the consent of the Depositary, disposing of such Deposited Property or GDRs, as the case may be), other than in satisfaction of such Pre-Release, (b) at all times fully collateralised with cash or such other collateral as the Depository determines in good faith will provide substantially similar liquidity and security, (c) terminable by the Depositary on not more than five (5) business days' notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of GDRs which are outstanding at any time as a result of Pre-Release will not normally represent more than 30% of the total number of GDRs then outstanding; provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems reasonably appropriate and may, with the prior written consent of the Company, change such limits for the purpose of general application. The Depositary will also set euro limits with respect to such transactions hereunder with any particular Pre-Releasee hereunder on a case by case basis as the Depositary deems appropriate. The collateral referred to in sub-paragraph (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee's obligations in connection herewith, including the Pre-Releasee's obligation to deliver Shares and/or other securities or GDRs upon termination of a transaction anticipated hereunder (and shall not, for the avoidance of doubt, constitute Deposited Property hereunder).

The Depositary may retain for its own account any compensation received by it in connection with the foregoing including, without limitation, earnings on the collateral.

The person to whom a Pre-Release of Rule 144A GDRs or Rule 144A Shares is to be made pursuant to this Condition 1.7 shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 4 Part A of the Deposit Agreement. The person to whom any

Pre-Release of Regulation S GDRs or Regulation S Shares is to be made pursuant to this paragraph shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 3 Part A of the Deposit Agreement.

2. Suspension of Issue of GDRs and of Withdrawal of Deposited Property

The Depositary shall be entitled, at its reasonable discretion, at such times as it shall determine, to suspend the issue or transfer of GDRs (and the deposit of Shares) generally or in respect of particular Shares. In particular, to the extent that it is in its opinion practicable for it to do so, the Depositary will refuse to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Company in writing that the Deposited Shares or GDRs or any depositary receipts corresponding to Shares are listed on a U.S. Securities Exchange or quoted on a U.S. automated inter dealer quotation system unless accompanied by evidence satisfactory to the Depositary that any such Shares are eligible for resale pursuant to Rule 144A. Further, the Depositary may suspend the withdrawal of Deposited Property during any period when the Register, or the register of shareholders of the Company is closed or, generally or in one or more localities, if deemed necessary or desirable or advisable by the Depositary in good faith at any time or from time to time, in order to comply with any applicable law or governmental or stock exchange regulations or any provision of the Deposit Agreement or for any other reason. The Depositary shall (unless otherwise notified by the Company) restrict the withdrawal of Deposited Shares where the Company notifies the Depositary in writing that such withdrawal would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Company's constitutive documents or would otherwise violate any applicable laws.

3. Transfer and Ownership

The GDRs are in registered form, each corresponding to one Share. Title to the GDRs passes by registration in the Register and accordingly, transfer of title to a GDR is effective only upon such registration. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in violation of any applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated by the Depositary and the Company as its beneficial owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of any certificate issued in respect of it) and no person will be liable for so treating the Holder.

Interests in Rule 144A GDRs corresponding to the Master Rule 144A GDR may be transferred to a person whose interest in such Rule 144A GDRs is subsequently represented by the Master Regulation S GDR only upon receipt by the Depositary of written certifications (in the forms provided in the Deposit Agreement) from the transferor and the transferee to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act").

Prior to expiration of the Distribution Compliance Period, no owner of Regulation S GDRs may transfer Regulation S GDRs or Shares represented thereby except in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or to, or for the account of, a qualified institutional buyer as defined in Rule 144A under the Securities Act (each a "QIB") in a transaction meeting the requirements of such Rule 144A. There shall be no transfer of Regulation S GDRs by an owner thereof to a QIB except as aforesaid and unless such owner (i) withdraws Regulation S Shares from the Regulation S Facility in accordance with Clause 3.5 of the Deposit Agreement and (ii) instructs the Depositary to deliver the Shares so withdrawn to the account of the Custodian to be deposited into the Rule 144A Facility for issuance thereunder of Rule 144A GDRs to, or for the account of, such QIB. Issuance of such Rule 144A GDRs shall be subject to the terms and conditions of the Deposit Agreement, including, with respect to the deposit of Shares and the issuance of Rule 144A GDRs, delivery of the duly executed and completed written certificate and agreement required under the Deposit Agreement by or on behalf of each person who will be the beneficial owner of such Rule 144A GDRs certifying that such person is a QIB and agreeing that it will comply with the restrictions on transfer set forth therein and to payment of the fees, charges and taxes provided therein.

4. Cash Distributions

Whenever the Depositary shall receive from the Company any dividend or other cash distribution on or with respect to the Deposited Shares (including any amounts received in the liquidation of the Company)

or otherwise in connection with the Deposited Property, the Depositary shall, as soon as practicable, convert the same into euro in accordance with Condition 8. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 23, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the earliest date, determined by the Depositary, for transmission of such payment to Holders and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares corresponding to the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11; PROVIDED THAT:

(a) in the event that the Depositary is aware that any Deposited Shares are not entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and

(b) the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the Depositary, and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16.1(iv).

5. Distributions of Shares

Whenever the Depositary shall receive from the Company any distribution in respect of Deposited Shares which consists of a dividend or free distribution of Shares, the Depositary shall cause to be distributed to the Holders entitled thereto, in proportion to the number of Deposited Shares corresponding to the GDRs held by them respectively, additional GDRs corresponding to an aggregate number of Shares received pursuant to such distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs corresponding to the Master GDRs or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; PROVIDED THAT, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) sell such Shares so received and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

6. Distributions other than in Cash or Shares

Whenever the Depositary shall receive from the Company any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares corresponding to the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; PROVIDED THAT, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall deal with the securities or property so received, or any part thereof, in such way as the Depositary may determine to be equitable and practicable, including, without limitation, by way of sale (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) and shall (in the case of a sale) distribute the resulting net proceeds as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

7. Rights Issues

If and whenever the Company announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the Depositary shall as soon as practicable give notice to the Holders, in accordance with Condition 23, of such offer or invitation, specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, specifying details of how

the Depositary proposes to distribute the rights or the proceeds of any sale thereof. The Depositary will deal with such rights in the manner described below:

(a) if and to the extent that the Depositary shall, at its discretion, deem it to be lawful and reasonably practicable, the Depositary shall make arrangements whereby the Holders may, upon payment of the subscription price in Greek drachma or other relevant currency together with such fees, taxes, duties, charges, costs and expenses as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and to distribute the Shares, securities or other assets so subscribed or acquired to the Holders entitled thereto by an increase in the numbers of GDRs corresponding to the Master GDRs or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; or

(b) if and to the extent that the Depositary shall at its discretion, deem it to be lawful and reasonably practicable, the Depositary will distribute such rights to the Holders entitled thereto in such manner as the Depositary may at its discretion determine; or

(c) if and to the extent that the Depositary deems any such arrangement and distribution as is referred to in paragraphs (i) and (ii) above to all or any Holders not to be lawful and reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Company, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary (a) will, PROVIDED THAT Holders have not taken up rights through the Depositary as provided in (i) above, sell such rights (either by public or private sale and otherwise at its discretion subject to all applicable laws and regulations) or (b) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Shares or securities sold and, in each case, distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

(d) (i) Notwithstanding the foregoing, in the event that the Depositary offers rights pursuant to Condition 7(i) (the "Primary GDR Rights Offering"), if authorised by the Company to do so, the Depositary may, in its discretion, make arrangements whereby in addition to instructions given by a Holder to the Depositary to exercise rights on its behalf pursuant to Condition 7(i), such Holder is permitted to instruct the Depositary to subscribe on its behalf for additional rights which are not attributable to the Deposited Shares represented by such Holder's GDRs ("Additional GDR Rights") if at the date and time specified by the Depositary for the conclusion of the Primary GDR Offering (the "Instruction Date") instructions to exercise rights have not been received by the Depositary from the Holders in respect of all their initial entitlements. Any Holder's instructions to subscribe for such Additional GDR Rights ("Additional GDR Rights Requests") shall specify the maximum number of Additional GDR Rights that such Holder is prepared to accept (the "Maximum Additional Subscription") and must be received by the Depositary by the Instruction Date. If by the Instruction Date any rights offered in the Primary GDR Rights Offering have not been subscribed by the Holders initially entitled thereto ("Unsubscribed Rights"), subject to Condition 7(iv)(c) and receipt of the relevant subscription price in Greek drachma or other relevant currency, together with such fees, taxes, duties, charges, costs and expenses as it may deem necessary, the Depositary shall make arrangements for the allocation and distribution of Additional GDR Rights in accordance with Condition 7(iv)(b).

(ii) Holders submitting Additional GDR Rights Requests shall be bound to accept the Maximum Additional Subscription specified in such Additional GDR Request but the Depositary shall not be bound to arrange for a Holder to receive the Maximum Additional Subscription so specified but may make arrangements whereby the Unsubscribed Rights are allocated *pro rata* on the basis of the extent of the Maximum Additional Subscription specified in each Holder's Additional GDR Rights Request.

(iii) In order to proceed in the manner contemplated in this Condition 7(iv), the Depositary shall be entitled to receive such opinions from Greek counsel and US counsel as in its discretion it deems necessary which opinions shall be in a form and provided by counsel satisfactory to the Depositary and at the expense of the Company and may be requested in addition to any other opinions and/or certifications which the Depositary shall be entitled to receive under the Deposit Agreement and these Conditions. For the avoidance of doubt,

save as provided in these Conditions and the Deposit Agreement, the Depositary shall have no liability to the Company or any Holder in respect of its actions or omissions to act under this Condition 7(iv) and, in particular, the Depositary will not be regarded as being negligent, acting in bad faith, or in wilful default if it elects not to make the arrangements referred to in Condition 7(iv)(a).

The Company has agreed in the Deposit Agreement that it will, unless prohibited by applicable law or regulation, give its consent to, and if requested use all reasonable endeavours (subject to the next paragraph) to facilitate, any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Conditions 4, 5, 6, 7 or 10 (including the obtaining of legal opinions from counsel reasonably satisfactory to the Depositary concerning such matters as the Depositary may reasonably specify).

If the Company notifies the Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Condition 4, 5, 6, 7 or 10 or the securities to which such rights relate in order for the Company to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities corresponding to such rights, the Depositary will not offer such rights or distribute such securities or other property to the Holders or sell such securities unless and until the Company procures the receipt by the Depositary of an opinion from counsel reasonably satisfactory to the Depositary and the Company that a registration statement is in effect or that the offering and sale of such rights or securities to such Holders or owners of GDRs are exempt from registration under the provisions of such law. Neither the Company nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in paragraphs (i), (ii), (iii) and (iv) above, the Depositary shall permit the rights to lapse. The Depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Holders or owners of GDRs in general or to any Holder or owner of a GDR or Holders or owners of GDRs in particular.

8. Conversion of Foreign Currency

Whenever the Depositary shall receive any currency other than euro by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgement of the Depositary be converted on a reasonable basis into euro and distributed to the Holders entitled thereto, the Depositary shall as soon as practicable itself convert or cause to be converted by another bank or other financial institution, by sale or in any other manner that it may reasonably determine, the currency so received into euro. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the Depositary shall make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may deem desirable. If at any time the Depositary shall determine that in its judgement any currency other than euro is not convertible on a reasonable basis into euro and distributable to the Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law, or the Depositary may in its discretion hold such other currency for the benefit of the Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may at its discretion make such conversion and distribution in euro to the extent possible to the Holders entitled thereto and may distribute the balance of such other currency received by the Depositary to, or hold such balance for the account of, the Holders entitled thereto, and notify the Holders accordingly.

9. Distribution of any Payments

9.1 Any distribution of cash under Condition 4, 5, 6, 7 or 10 will be made by the Depositary to Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable) and, if practicable in the opinion of the Depositary, notice

shall be given promptly to Holders in accordance with Condition 23, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in euro by cheque drawn upon a bank in any city (in any jurisdiction) which the Depositary deems reasonable for the payment or distribution of euro or, in the case of the Master GDRs, according to usual practice between the Depositary and Clearstream, or Euroclear, as the case may be.

9.2 Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Company as is reasonably practicable), subject to any laws or regulations applicable thereto. If any distribution made by the Company with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of three years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Company when the Depositary shall retain the same) return the same to the Company for its own use and benefit subject, in all cases, to the provisions of applicable law or regulation.

10. Capital Reorganisation

Upon any change in the nominal or par value, sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital, or upon any reorganisation, merger or consolidation of the Company or to which it is a party (except where the Company is the continuing corporation), the Depository shall as soon as practicable give notice of such event to the Holders and at its discretion may treat such event as a distribution and comply with the relevant provisions of Conditions 4, 5, 6 and 9 with respect thereto, or may execute and deliver additional GDRs in respect of Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change.

11. Withholding Taxes and Applicable Laws

11.1 Payments to Holders of dividends or other distributions on or in respect of the Deposited Shares will be subject to deduction of Greek and other withholding taxes, if any, at the applicable rates.

11.2 If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in Greece in order for the Depositary to receive from the Company Shares or other securities to be deposited under these Conditions, or in order for Shares, other securities or other property to be distributed under Condition 4, 5, 6 or 10 or to be subscribed under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Company will apply for such authorisation, consent, registration or permit or file such report on behalf of the Holders within the time required under such laws. The Depositary will notify the Company of any requirements under Greek law for the Depositary to obtain authorisations, consents, registrations or permits of which the Depositary is aware. In this connection, the Company has undertaken in the Deposit Agreement to the extent reasonably practicable to take such action as may be required in obtaining or filing the same. The Depositary shall not be obliged to distribute GDRs representing such Shares, Shares, other securities or other property deposited under these Conditions or make any offer of any such rights or sell any securities corresponding to any such rights with respect to which such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent, registration or permit, or to file any such report.

11.3 The Depositary will use reasonable efforts to follow the procedures established by the Greek tax authorities to enable eligible owners of GDRs and who are not resident in Greece to benefit from any available reduced withholding tax rate with respect to payments of any dividend or other cash distribution and to recover payment of any Greek taxes.

12. Voting Rights

12.1 Holders will (subject to any applicable provision of Greek law, the Deposited Property or the Articles of the Company) have voting rights with respect to the Deposited Shares. The Company has agreed to notify the Depositary of any resolution to be proposed at a General Meeting of the Company and the Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 12.

The Company has agreed with the Depositary that it will promptly provide to the Depositary sufficient copies, as the Depositary may reasonably request, of notices of meetings of the shareholders of the Company and the agenda therefor as well as written requests containing voting instructions by which each Holder may give instructions to the Depositary (subject to any applicable provision of Greek law, the Deposited Property or the Articles of the Company) to vote for or against each and any resolution specified in the agenda for the meeting, which the Depositary shall send to any person who is a Holder on the record date established by the Depositary for that purpose (which shall be the same as the corresponding record date set by the Company or as near as practicable thereto) as soon as practicable after receipt of the same by the Depositary in accordance with Condition 23. The Company has also agreed to provide to the Depositary appropriate proxy forms to enable the Depositary to appoint a representative to attend the relevant meeting and vote on behalf of the Depositary.

12.2 In order for each voting instruction to be valid, the voting instructions form must be completed and duly signed by the respective Holder (or in the case of instructions received from the clearing systems should be received by authenticated SWIFT message) in accordance with the written request containing voting instructions and returned to the Depositary by such record date as the Depositary may specify.

12.3 The Depositary will exercise or cause to be exercised the voting rights in respect of the Deposited Shares so that a portion of the Deposited Shares will be voted for and a portion of the Deposited Shares will be voted against any resolution specified in the agenda for the relevant meeting in accordance with the voting instructions it has received.

12.4 If the Depositary is advised in the opinion referred to in Condition 12.7 that it is not permitted by Greek law to exercise the voting rights in respect of the Deposited Shares differently (so that a portion of the Deposited Shares may be voted for a resolution and a portion of the Deposited Shares may be voted against a resolution) the Depositary shall, if the opinion referred to in Condition 12.7 confirms it to be permissible under Greek law, calculate from the voting instructions that it has received from all Holders (x) the aggregate number of votes in favour of a particular resolution and (y) the aggregate number of votes opposed to such resolution and cast or cause to be cast in favour of or opposed to such resolution the number of votes representing the net positive difference between such aggregate number of votes in favour of such resolution and such aggregate number of votes opposed to such resolution.

12.5 The Depositary will only endeavour to vote or cause to be voted the votes attaching to Shares in respect of which voting instructions have been received, except that if no voting instructions are received by the Depositary (either because no voting instructions are returned to the Depositary or because the voting instructions are incomplete, illegible or unclear) from a Holder with respect to any or all of the Deposited Shares represented by such Holder's GDRs on or before the record date specified by the Depositary, such Holder shall be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to such Deposited Shares, and the Depositary shall give a discretionary proxy to a person designated by the Company to vote such Deposited Shares, PROVIDED THAT no such instruction shall be deemed given, and no such discretionary proxy shall be given, with respect to any matter as to which the Company informs the Depositary (and the Company has agreed to provide such information in writing as soon as practicable) that (i) the Company does not wish such proxy to be given, or (ii) such matter materially and adversely affects the rights of holders of Shares.

12.6 If the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permissible under Greek law or the Depositary determines that it is not reasonably practicable to vote or cause to be voted such Deposited Shares in accordance with Conditions 12.3, 12.4 or 12.5 the Depositary shall not vote or cause to be voted such Deposited Shares.

12.7 Where the Depositary is to vote in respect of each and any resolution in the manner described in Conditions 12.3, 12.4 or 12.5 the Depositary shall notify the Chairman of the Company and appoint a person designated by him as a representative of the Depositary to attend such meeting and vote the Deposited Shares in the manner required by this Condition. The Depositary shall not be required to take any action required by this Condition 12 unless it shall have received an opinion from the Company's legal counsel (such counsel being reasonably acceptable to the Depositary) at the expense of the Company to the effect that such voting arrangement is valid and binding on Holders under Greek law and the statutes of the Company and that the Depositary is permitted to exercise votes in accordance with the provisions of this Condition 12 but that in doing so the Depositary will not be deemed to be exercising voting discretion.

12.8 By continuing to hold GDRs, all Holders shall be deemed to have agreed to the provisions of this Condition as it may be amended from time to time in order to comply with applicable Greek law.

12.9 The Depositary shall not, and the Depositary shall ensure that the Custodian and its nominees do not, vote or attempt to exercise the right to vote that attaches to the Deposited Shares, other than in accordance with instructions given in accordance with this Condition.

13. Documents to be Furnished, Recovery of Taxes, Duties and Other Charges

The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. In default thereof, the Depositary may for the account of the Holder discharge the same out of the proceeds of sale on any Stock Exchange on which the Shares may from time to time be listed, and subject to all applicable laws and regulations, of any appropriate number of Deposited Shares or other Deposited Property and subsequently pay any surplus to the Holder. Any such request shall be made by giving notice pursuant to Condition 23.

14. Liability

14.1 In acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or owners of GDRs or any other person.

14.2 Neither the Depositary, the Custodian, the Company, any Agent, nor any of their agents, officers, directors or employees shall incur any liability to any other of them or to any Holder or owner of a GDR or any other person with an interest in any GDRs if, by reason of any provision of any present or future law or regulation of Greece or any other country or of any relevant governmental authority, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control, or in the case of the Depositary, the Custodian, the Agent or any of their agents, officers, directors or employees, by reason of any provision, present or future, of the constitutive documents of the Company, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed; nor shall any of them incur any liability to any Holder or owner of GDRs or any other person with an interest in any GDRs by reason of any exercise of, or failure to exercise, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the Deposit Agreement. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

14.3 Neither the Depositary nor any Agent shall be liable (except for its own wilful default, negligence or bad faith or that of its agents, officers, directors or employees) to the Company or any Holder or owner of GDRs or any other person, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic or for its failure to perform any obligations under the Deposit Agreement or these Conditions.

14.4 The Depositary and its agents may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or affiliates, or in relation to the Deposited Property (including without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and on any sales of property) without accounting to Holders or any other person for any profit arising therefrom.

14.5 The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 5, 6, 7, 10, 13 or 21 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures but shall have no liability (in the absence of its own wilful

default, negligence or bad faith or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be reasonably practicable.

14.6 The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Company of its obligations under or in connection with the Deposit Agreement or these Conditions.

14.7 The Depositary shall have no responsibility whatsoever to the Company, any Holders or any owner of GDRs or any other person as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.

14.8 In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement, the Depositary shall not, except as otherwise expressly provided in Condition 22, be obliged to have regard to the consequence thereof for the Holders or the owners of GDRs or any other person.

14.9 Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary may refrain from doing anything which could or might, in its opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.

14.10 The Depositary may, in relation to the Deposit Agreement and these Conditions, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Company, the Depositary or otherwise, and shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfers thereof.

14.11 Any such advice, opinion, certificate or information (as discussed in Condition 14.10) may be sent or obtained by letter, telex, facsimile transmission, telegram or cable and the Depositary shall not be liable for acting on any advice, opinion, certificate or information purported to be conveyed by any such letter, telex or facsimile transmission although (without the Depositary's knowledge) the same shall contain some error or shall not be authentic.

14.12 The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company by a director of the Company or by a person duly authorised by a Director of the Company or such other certificate from persons specified in Condition 14.10 which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.

14.13 The Depositary shall have no obligation under the Deposit Agreement except to perform its obligations as are specifically set out therein without wilful default, negligence or bad faith.

14.14 The Depositary may delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of the Deposit Agreement or not and not being a person to whom the Company may reasonably object, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the Depositary may in the interests of the Holders think fit, provided that no objection from the Company to any such delegation as aforesaid may be made to a person whose financial statements are consolidated with those of the Depositary's ultimate holding company. Any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Company in making such delegation. The Company shall not in any circumstances and the Depositary shall not (provided that it shall have exercised reasonable care in the selection of such delegate) be bound to supervise the proceedings or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. However, the Depositary shall, if practicable and if so requested by the Company, pursue (at the Company's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give

notice thereof to the Company. Any delegation under this Condition which includes the power to sub-delegate shall provide that the delegate shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice thereof to the Company and the Depositary.

14.15 The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a solicitor or other person, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money.

14.16 The Depositary shall be at liberty to hold or to deposit the Deposit Agreement and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute, and the Depositary shall not (in the case of deposit with itself, in the absence of its own negligence, wilful default, or bad faith or that of its agents, directors, officers or employees) be responsible for any losses, liability or expenses incurred in connection with any such deposit.

14.17 Notwithstanding anything to the contrary contained in the Deposit Agreement or these Conditions, the Depositary shall not be liable in respect of any loss or damage which arises out of or in connection with its performance or non-performance or the exercise or attempted exercise of, or the failure to exercise any of, its powers or discretions under the Deposit Agreement except to the extent that such loss or damage arises from the wilful default, negligence or bad faith of the Depositary or that of its agents, officers, directors or employees.

14.18 No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and security against such risk of liability is not assured to it.

14.19 For the avoidance of doubt, the Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable Greek law as the same may be amended from time to time. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issuance of GDRs if notified by the Company, or the Depositary becomes aware of the fact, that such transfer or issuance would result in a violation of the limitations set forth above.

14.20 No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement.

14.21 Neither the Depositary nor any Agent shall be liable to the Company or any Holder or owner of GDRs or any other person for making any payments of dividends and other cash distributions in any other currency as provided in Condition 8.

15. Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may reasonably require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of the destruction, loss or theft) at the specified office of the Depositary or (at the request, risk and expense of the Holder) at the specified office of any Agent.

16. Depositary's Fees, Costs and Expenses

16.1 The Depositary shall be entitled to charge the following remuneration and receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the Holders in respect of its services under the Deposit Agreement:

(i) for the issue of GDRs (other than upon the issue of GDRs pursuant to the Offering) or the cancellation of GDRs upon the withdrawal of Deposited Property: the euro equivalent of U.S.$5.00 or less per 100 GDRs (or portion thereof) issued or cancelled;

(ii) for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates: a sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs and expenses involved;

(iii) for issuing GDR certificates in definitive registered form (other than pursuant to (ii) above): the greater of the euro equivalent of US$1.50 per GDR certificate (plus printing costs) or such other

sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work plus costs (including but not limited to printing costs) and expenses involved;

(iv) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of the euro equivalent of U.S.$0.02 or less per GDR for each such dividend or distribution;

(v) in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution: the euro equivalent of U.S.$5.00 or less per 100 outstanding GDR (or portion thereof) for each such issue of rights, dividend or distribution;

(vi) for transferring interests from and between the Regulation S Master GDR and the Rule 144A Master GDR: a fee of the euro equivalent of U.S.$0.05 or less per GDR;

(vii) a fee of the euro equivalent of U.S.$0.02 or less per GDR for depositary services, which shall accrue on the last day of each calendar year and shall be payable as provided in paragraph (viii) below, *provided however* that no fee will be assessed under this provision if a fee was charged in such calendar year pursuant to paragraph (iv) above; and

(viii) any other charge payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents, in connection with the servicing of Deposited Shares or other Deposited Property (which charge shall be assessed against Holders as of the date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such Holders for such charge or deducting such charge form one or more cash dividends or other cash distributions,

together with all expenses (including currency conversion expenses), transfer and registration fees, taxes, duties and charges payable by the Depositary, any Agent or the Custodian, or any of their agents, in connection with any of the above.

16.2 The Depositary is entitled to receive from the Company the fees, taxes, duties, charges costs and expenses (and the Company is entitled to be reimbursed for certain expenses) as specified in a separate agreement with the Depositary.

17. Agents

17.1 The Depositary shall be entitled to appoint one or more agents (the "Agents") for the purpose, *inter alia*, of making distributions to the Holders.

17.2 Notice of appointment or removal of any Agent or of any change in the specified office of the Depositary or any Agent will be duly given by the Depositary to the Holders.

18. Listing

The Company has undertaken in the Deposit Agreement to use its best endeavours to maintain, so long as any GDR is outstanding, a listing for the GDRs on the London Stock Exchange plc (the "London Stock Exchange"). For the purposes of these Conditions, the GDRs will be considered to be listed on the London Stock Exchange so long as they are admitted to the official list (the "Official List") of the Financial Services Authority in its capacity as the competent authority under the Financial Services and Markets Act 2000 (the "U.K. Listing Authority") and admitted to trading on the London Stock Exchange's market for listed securities.

For that purpose the Company will pay all fees and sign and deliver all undertakings required by the U.K. Listing Authority and the London Stock Exchange in connection with such listings. In the event that the listing on the London Stock Exchange is not maintained, the Company has undertaken in the Deposit Agreement to use its best endeavours with the reasonable assistance of the Depositary (provided at the Company's expense) to obtain and maintain a listing of the GDRs on any other internationally recognised stock exchange in Europe.

19. The Custodian

The Depositary has agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement which include a

requirement to segregate the Deposited Property from the other property of, or held by, the Custodian PROVIDED THAT the Custodian shall not be obliged to segregate cash comprised in the Deposited Property from cash otherwise held by the Custodian. The Custodian shall be responsible solely to the Depositary PROVIDED THAT, if and so long as the Depositary and the Custodian are the same legal entity, references to them separately in these Conditions and the Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the Holders and the Company. The Custodian may resign or be removed by the Depositary by giving 90 days' prior notice, except that if a replacement Custodian is appointed which is a branch or affiliate of the Depositary, the Custodian's resignation or discharge may take effect immediately on the appointment of such replacement Custodian. Upon the removal of or receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor Custodian (approved (i) by the Company, such approval not to be unreasonably withheld or delayed, and (ii) by the relevant authority in Greece, if any), which shall, upon acceptance of such appointment, and the expiry of any applicable notice period, become the Custodian. Whenever the Depositary in its discretion determines that it is in the best interests of the Holders to do so, it may, after prior consultation with the Company, terminate the appointment of the Custodian and, in the event of any such termination, the Depositary shall promptly appoint a successor Custodian (approved (i) by the Company, such approval not to be unreasonably withheld or delayed, and (ii) by the relevant authority in Greece, if any), which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement on the effective date of such termination. The Depositary shall notify Holders of such change immediately upon such change taking effect in accordance with Condition 23. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as therein specified; PROVIDED THAT, in the case of such temporary deposit in another place, the Company shall have consented to such deposit, and such consent of the Company shall have been delivered to the Custodian. In case of transportation of the Deposited Property under this Condition, the Depositary shall obtain appropriate insurance at the expense of the Company if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are of a reasonable amount.

20. Resignation and Termination of Appointment of the Depositary

20.1 The Company may terminate the appointment of the Depositary under the Deposit Agreement by giving at least 120 days' prior notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary by giving at least 120 days' prior notice in writing to the Company and the Custodian. Within 30 days after the giving of either such notice, notice thereof shall be duly given by the Depositary to the Holders and to the U.K. Listing Authority.

The termination of the appointment or the resignation of the Depositary shall take effect on the date specified in such notice; PROVIDED THAT no such termination of appointment or resignation shall take effect until the appointment by the Company of a successor depositary under the Deposit Agreement and the acceptance of such appointment to act in accordance with the terms thereof and of these Conditions, by the successor depositary. The Company has undertaken in the Deposit Agreement to use its best endeavours to procure the appointment of a successor depositary with effect from the date of termination specified in such notice as soon as reasonably possible following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23 and to the U.K. Listing Authority.

20.2 Upon the termination of appointment or resignation of the Depositary and against payment of all fees and expenses due to the Depositary from the Company under the Deposit Agreement, the Depositary shall deliver to its successor as depositary sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depositary all property and cash held by it under the Deposit Agreement. The Deposit Agreement provides that, upon the date when such termination of appointment or resignation takes effect, the Custodian shall be deemed to be the Custodian thereunder for such successor depositary, and the Depositary shall thereafter have no obligation under the Deposit Agreement or the Conditions (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations).

20.3 In the event of any merger, take-over, consolidation or other reorganisation of The Bank of New York such that The Bank of New York ceases to exist and is replaced by a successor entity, such successor entity will be deemed at the date of such succession to have entered into an agreement with the Company in substantially the same terms as the Deposit Agreement and on the basis that the Company and such

successor entity agree that the successor entity succeeds to all outstanding rights and obligations of the Depositary under the Deposit Agreement.

21. Termination of Deposit Agreement

21.1 Either the Company or the Depositary but, in the case of the Depositary, only if the Company has failed to appoint a replacement Depositary within 90 days of the date on which the Depositary has given notice pursuant to Condition 20 that it wishes to resign, may terminate the Deposit Agreement by giving 90 days' prior notice to the other and to the Custodian. Within 30 days after the giving of such notice, notice of such termination shall be duly given by the Depositary to Holders of all GDRs then outstanding in accordance with Condition 23.

21.2 During the period beginning on the date of the giving of such notice by the Depositary to the Holders and ending on the date on which such termination takes effect, each Holder shall be entitled to obtain delivery of the Deposited Property corresponding to each GDR held by it, subject to the provisions of Condition 1.1 and upon compliance with Condition 1, free of the charge specified in Condition 16.1(i) for such delivery and surrender, but together with all amounts which the Depositary is obliged to pay to the Custodian upon payment by the Holder of any sums payable by the Depositary and/or any other expenses incurred by the Depositary in connection with such delivery and surrender, and otherwise in accordance with the Deposit Agreement.

21.3 If any GDRs remain outstanding after the date of termination, the Depositary shall as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action, except that it will deliver the net proceeds of any such sale, together with any other cash then held by it under the Deposit Agreement, *pro rata* to Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are the Holders. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions, except its obligation to account to Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest.

22. Amendment of Deposit Agreement and Conditions

All and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 22) may at any time and from time to time be amended by agreement between the Company and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary, and any amendment (except as aforesaid) which shall increase or impose fees payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders until the expiration of three months after such notice shall have been given. During such period of three months, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 1, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, free of the charge specified in Condition 16.1(i) for such delivery and surrender but otherwise in accordance with the Deposit Agreement and these Conditions. Each Holder at the time when such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 1, the Deposited Property attributable to the relevant GDR.

For the purposes of this Condition 22, an amendment shall not be regarded as being materially prejudicial to the interests of Holders if its principal effect is to permit the creation of GDRs in respect of additional Shares to be held by the Depositary which are or will become fully consolidated as a single series with the other Deposited Shares PROVIDED THAT temporary GDRs will represent such Shares until they are so consolidated.

23. Notices

23.1 Any and all notices to be given to any Holder shall be duly given if personally delivered, or sent by mail (if domestic, first class, if overseas, first class airmail) or air courier, or by telex or facsimile transmission confirmed by letter sent by mail or air courier, addressed to such Holder at the address of such Holder as

it appears on the transfer books for GDRs of the Depositary, or, if such Holder shall have filed with the Depositary a written request that notices intended for such Holder be mailed to some other address, at the address specified in such request.

23.2 Delivery of a notice sent by mail or air courier shall be effective three days (in the case of domestic mail or air courier) or seven days (in the case of overseas mail) after despatch, and any notice sent by telex transmission, as provided in this Condition, shall be effective when the sender receives the answerback from the addressee at the end of the telex and any notice sent by facsimile transmission, as provided in this Condition, shall be effective when the intended recipient has confirmed by telephone to the transmitter thereof that the recipient has received such facsimile in complete and legible form. The Depositary or the Company may, however, act upon any telex or facsimile transmission received by it from the other or from any Holder, notwithstanding that such telex or facsimile transmission shall not subsequently be confirmed as aforesaid.

23.3 So long as GDRs are listed on the Official List of the U.K. Listing Authority and admitted to trading on the London Stock Exchange's market for listed securities and the rules of the U.K. Listing Authority or the London Stock Exchange so require, all notices to be given to Holders generally will also be published in a leading daily newspaper having general circulation in the U.K. (which is expected to be the *Financial Times).*

24. Reports and Information on the Company

24.1 The Company has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to furnish the Depositary with six copies in the English language (and to make available to the Depositary, the Custodian and each Agent as many further copies as they may reasonably require to satisfy requests from Holders) of:

(i) in respect of the financial year ended on 31st December, 2000 and in respect of each financial year thereafter, the non-consolidated (and, if published for holders of Shares, consolidated) balance sheets as at the end of such financial year and the non-consolidated (and, if published for holders of Shares, consolidated) statements of income for such financial year in respect of the Company, prepared in conformity with generally accepted accounting principles in Greece and International Accounting Standards and reported upon by independent public accountants selected by the Company, as soon as practicable (and in any event within 180 days) after the end of such year;

(ii) if the Company publishes semi-annual financial statements for holders of Shares, such semi-annual financial statements of the Company, as soon as practicable, after the same are published and in any event no later than three months after the end of the period to which they relate; and

(iii) if the Company publishes quarterly financial statements for holders of Shares, such quarterly financial statements, as soon as practicable, after the same are published, and in any event no later than one month after the end of the period to which they relate.

24.2 The Depositary shall upon receipt thereof give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.

24.3 For so long as any of the GDRs remains outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the United States Securities Act of 1993, as amended, if at any time the Company is neither subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, the Company has agreed in the Deposit Agreement to supply to the Depositary such information, in the English language and in such quantities as the Depositary may from time to time reasonably request, as is required to be delivered to any Holder or beneficial owner of GDRs or to any holder of Shares or a prospective purchaser designated by such Holder, beneficial owner or holder pursuant to a Deed Poll executed by the Company in favour of such persons and the information delivery requirements of Rule 144A(d)(4) under the U.S. Securities Act of 1933, as amended, to permit compliance with Rule 144A thereunder in connection with resales of GDRs or Shares or interests therein and otherwise to comply with the requirements of Rule 144A(d)(4). Subject to receipt, the Depositary will deliver such information, during any period in which the Company informs the Depositary it is subject to the information delivery requirements of Rule 144(A)(d)(4), to any such holder, beneficial owner or prospective purchaser but in no event shall the Depositary have any liability for the contents of any such information.

25. Copies of Company Notices

The Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary on or before the day when the Company first gives notice, by mail, publication or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, such number of copies of such notice and any other material (which contains information having a material bearing on the interests of the Holders) furnished to such holders by the Company (or such number of English translations of the originals if the originals were prepared in a language other than English) in connection therewith as the Depositary may reasonably request. If such notice is not furnished to the Depositary in English, either by the Company or the Custodian, the Depositary shall, at the Company's expense, arrange for an English translation thereof (which may be in such summarised form as the Depositary may deem adequate to provide sufficient information) to be prepared. Except as provided below, the Depositary shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to Condition 9.1, and shall make the same available to Holders in such manner as it may determine.

26. Moneys held by the Depositary

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any Holder or any other person for any interest thereon, except as otherwise agreed and shall not be obliged to segregate such moneys from other moneys belonging to the Depositary.

27. Severability

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

28. Governing Law

28.1 The Deposit Agreement and the GDRs are governed by, and shall be construed in accordance with, English law except that the certifications set forth in Schedules 3 and 4 to the Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York and any United States Federal Court sitting in the Borough of Manhattan, New York City. The rights and obligations attaching to the Deposited Shares will be governed by Greek law. The Company has submitted in respect of the Deposit Agreement and the Deed Poll to the jurisdiction of the English courts and the courts of the State of New York and any United States Federal Court sitting in the Borough of Manhattan, New York City and has appointed an agent for service of process in London and the Borough of Manhattan, New York City. The Company has also agreed in the Deposit Agreement, and the Deed Poll to allow, respectively, the Depositary and the Holders to elect that Disputes are resolved by arbitration.

28.2 The Company has irrevocably appointed the Economic and Commercial Counsellor of the Greek Embassy in London, as its agent in England to receive service of process in any Proceedings in England based on the Deed Poll and appointed CT Corporation System as its agent in New York to receive service of process in any Proceedings in New York. If for any reason the Company does not have such an agent in England or New York as the case may be, it will promptly appoint a substitute process agent and notify the Holders and the Depositary of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

28.3 The courts of England are to have jurisdiction to settle any disputes (each a "Dispute") which may arise out of or in connection with the GDRs and accordingly any legal action or proceedings arising out of or in connection with the GDRs ("Proceedings") may be brought in such courts. Without prejudice to the foregoing, the Depositary further irrevocably agrees that any Proceedings may be brought in any New York State or United States Federal Court sitting in the Borough of Manhattan, New York City. The Depositary irrevocably submits to the non-exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

28.4 These submissions are made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdictions (whether concurrently or not).

28.5 In the event that the Depositary is made a party to, or is otherwise required to participate in, any litigation, arbitration, or Proceeding (whether judicial or administrative) which arises from or is related to or is based upon any act or failure to act by the Company, or which contains allegations to such effect, upon notice from the Depositary, the Company has agreed to fully cooperate with the Depositary in connection with such litigation, arbitration or Proceeding.

28.6 The Depositary irrevocably appoints The Bank of New York, London Branch, (Attention: The Manager) of 48th Floor, One Canada Square, London E14 5AL as its agent in England to receive service of process in any Proceedings in England based on any of the GDRs. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE GDRS WHILE IN MASTER FORM

The GDRs are evidenced by (a) a Master Regulation S GDR in registered form and (b) a single Master Rule 144A GDR in registered form. The Master Regulation S GDR and the Master Rule 144A GDR have been, and the Temporary Master Regulation S GDR will be, deposited with The Bank of New York Depository (Nominees) Limited as common depositary for the respective accounts of Euroclear and Clearstream on the date the GDRs are issued. New Regulation S GDRs will initially be evidenced by a temporary Regulation S Master GDR (the "Temporary Master Regulation S GDR") and exchanged for Regulation S GDRs represented by the Master Regulation S GDR at the expiry of 40 days after the later of the commencement of the offering of such GDRs and the original issue date of such GDRs. The Temporary Master Regulation S GDR, the Master Regulation S GDR and the Master Rule 144A GDR (collectively the "Master GDRs") contain provisions which apply to the GDRs while they are in master form, some of which modify the effect of the Conditions of the GDRs set out in this document. The following is a summary of certain of those provisions. Unless otherwise herein, the terms defined in the Conditions shall have the same meaning herein.

The Master GDRs will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in (a), (b) or (c) below in whole but not in part. The Depositary will irrevocably undertake in the Master GDRs to deliver certificates evidencing GDRs in definitive registered form in exchange for the relevant Master GDR to the Holders within 60 days in the event that:

(a) Euroclear or Clearstream notifies the Depositary that it is unwilling or unable to continue as depositary and a successor depositary is not appointed within 90 calendar days; or

(b) either Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and, in each case, no alternative clearing system satisfactory to the Depositary is available within 45 days; or

(c) the Depositary has determined that, on the occasion of the next payment in respect of the GDRs, the Depositary or its agent would be required to make any deduction or withholding from any payment in respect of the GDRs which would not be required were the GDRs represented by certificates in definitive registered form.

Any exchange shall be at the expense (including printing costs) of the Company.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through Euroclear or Clearstream.

Upon any exchange of a Master GDR for certificates in definitive registered form evidencing GDRs, or any exchange of interests between the Master Rule 144A GDR and the Master Regulation S GDR or vice-versa pursuant to Clause 4 of the Deposit Agreement, or any distribution of GDRs pursuant to Conditions 5, 6, 7 or 10 or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to Condition 1, the relevant details shall be entered by the Depositary on the Register whereupon the number of GDRs represented by the relevant Master GDR shall be reduced or increased (as the case may be) for all purposes by the amount so exchanged and entered on the Register provided always that if the number of GDRs represented by a Master GDR is reduced to zero such Master GDR shall continue in existence until the obligations of the Bank under the Deposit Agreement and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

PAYMENTS, DISTRIBUTIONS AND VOTING RIGHTS

Payments of cash dividends and other amounts (including cash distributions) will, in the case of GDRs represented by a Master GDR be made by the Depositary through Euroclear and Clearstream on behalf of persons entitled thereto upon receipt of funds therefor from the Company. A free distribution or rights issue of Shares to the Depositary on behalf of the Holders may result in the record maintained by the Depositary being marked up to reflect the enlarged number of GDRs represented by the relevant Master GDR.

Payments of dividends and other cash distributions payable in respect of the GDRs represented by the Temporary Master Regulation S GDR or the Master Regulation S GDR will be made by the Depositary in euro.

Holders of GDRs will have voting rights in respect of Deposited Shares as set out in Condition 12. Voting rights will be exercised by the Depositary only upon receipt of written instructions in accordance with the Conditions.

SURRENDER OF GDRS

Any requirement in the Conditions relating to the surrender of a GDR to the Depositary shall be satisfied by the production by the common depositary for Euroclear and Clearstream on behalf of a person entitled to an interest therein of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

NOTICES

For as long as the Master Rule 144A GDR, the Temporary Master Regulation S GDR, and the Master Regulation S GDR are registered in the name of a common depositary on behalf of Euroclear and Clearstream, notices to Holders may be given by the Depositary by delivery of the relevant notice to Euroclear or Clearstream for communication to persons entitled thereto in substitution for delivery of notices in accordance with Condition 23. So long as GDRs are admitted to the Official List of the U.K. Listing Authority and admitted to trading on the London Stock Exchange's market for listed securities, and the U.K. Listing Authority or the London Stock Exchange so requires, notices shall also be published in a leading newspaper having general circulation in the U.K. (which is expected to be the *Financial Times*).

The Master GDRs shall be governed by and construed in accordance with English law.

INFORMATION RELATING TO THE DEPOSITARY

The Depositary is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board. The Depositary was constituted in 1784 in the State of New York. It is a wholly owned subsidiary of The Bank of New York Bank, Inc., a New York corporation. The principal office of the Depositary is located at One Wall Street, New York, New York 10286. Its principal administrative offices are located at 101 Barclay Street, 22 floor West, New York, NY 10286. A copy of the Depositary's Articles of Association, as amended, together with copies of The Bank of New York Bank, Inc.'s most recent financial statements and annual report are available for inspection at the Corporate Trust Office of the Depositary located at 101 Barclay Street, New York, NY 10286 and at The Bank of New York, One Canada Square, London E14 5AL.

TRANSFER RESTRICTIONS AND SETTLEMENT

TRANSFER RESTRICTIONS

The shares and GDRs have not been and will not be registered under the Securities Act or any state securities laws of the United States. Neither the shares nor the GDRs may be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state laws. Accordingly, the shares and GDRs are being offered and sold:

(1) in the United States only to qualified institutional buyers ("QIBs") in reliance, on and within the meaning of, Rule 144A under the Securities Act; and

(2) outside the United States in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the combined offering, any offer or sale of the shares or GDRs that is made within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless made pursuant to Rule 144A or another exemption from the registration requirements of the Securities Act.

Each purchaser of the shares offered within the United States pursuant to Rule 144A ("Rule 144A Shares") or Rule 144A GDRs by accepting delivery of this offering circular will be deemed to have represented and agreed that (terms used in this paragraph that are defined in Rule 144A or Regulation S are used as defined therein):

(1) It is (A) a QIB, (B) aware, and each beneficial owner of the Rule 144A Shares or Rule 144A GDRs has been advised, that the sale of the Rule 144A Shares or Rule 144A GDRs to it is being made in reliance on Rule 144A and (C) acquiring such Rule 144A Shares or Rule 144A GDRs for its own account or for the account of a QIB, as the case may be.

(2) It understands that the Rule 144A Shares and Rule 144A GDRs have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) to a person who the purchaser and any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (B) in accordance with all applicable securities laws of the states of the United States. No representation can be made as to the availability of the exemption provided by Rule 144 for resales of the Rule 144A Shares or Rule 144A GDRs.

(3) It will, and each subsequent holder is required to, notify any subsequent purchaser of the Rule 144A shares or the Rule 144A GDRs from it of the resale restrictions referred to in 2(A) and (B).

(4) The Rule 144A Shares and Rule 144A GDRs (to the extent they are in certified form), unless otherwise determined by the Company in compliance with applicable law, will bear a legend substantially to the following effect, and may be offered, sold, pledged or otherwise transferred only in accordance with the legend:

    THIS RULE 144A GLOBAL DEPOSITARY RECEIPT ("THIS GDR") AND THE SHARES OF PUBLIC POWER CORPORATION S.A. (THE "SHARES") REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER HEREOF BY PURCHASING THIS GDR, AGREES FOR THE BENEFIT OF PUBLIC POWER CORPORATION, S.A. THAT THIS GDR AND THE SHARES CORRESPONDING HERETO MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER OF THIS GDR WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF SUCH

GDR OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR THE RESALE OF THIS SECURITY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, FOR SO LONG AS THE SHARES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT, SUCH SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK (INCLUDING ANY SUCH FACILITY MAINTAINED BY THE DEPOSITARY FOR THE RULE 144A GLOBAL DEPOSITARY RECEIPTS), OTHER THAN A RESTRICTED DEPOSIT RECEIPT FACILITY. EACH HOLDER, BY ITS ACCEPTANCE OF THE RULE 144A GLOBAL DEPOSITARY RECEIPTS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS. THE HOLDER OF THIS GDR WILL, AND EACH SUBSEQUENT HOLDER WILL BE REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASERS OF SUCH GDR OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

(5) Notwithstanding anything to the contrary in the foregoing, for so long as the Rule 144A Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Rule 144A Shares may not be deposited into any unrestricted depositary receipt facility in respect of the shares established or maintained by a depositary bank (including any such facility maintained by the depositary for the Rule 144A global depositary receipts). They may, however, be deposited into a restricted deposit receipt facility.

(6) Any offer, sale, pledge or other transfer made other than in compliance with the foregoing restrictions will not be recognised by the Company or the depositary in respect of the Rule 144A Shares or the Rule 144A GDRs and the shares represented thereby.

(7) The Company, the Depositary, the international managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If the purchaser is acquiring any Rule 144A GDRs or Rule 144A Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Rule 144A Shares or the Rule 144A GDRs or the shares represented thereby may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S GDRs and Regulation S Shares

Each purchaser of the shares and GDRs offered outside the United States and pursuant to Regulation S ("Regulation S Shares" and "Regulation S GDRs", respectively) and each subsequent purchaser of the Regulation S Shares or Regulation S GDRs in resales prior to the date 40 days after the latest of the commencement of the international offering and the closing date of the international offering relating to such Shares or GDRs ("Distribution Compliance Period") by accepting delivery of this offering circular, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time the Regulation S Shares or Regulation S GDRs are purchased will be, the beneficial owner of such Regulation S Shares or Regulation S GDRs (or, if it is a broker-dealer acting on behalf of its customer has confirmed to it that such customer is or, at the time the Regulation S Shares are deposited and at the time the Regulation S GDRs are issued, will be, the beneficial owner of the Regulation S Shares and of the Regulation S GDRs) and (A) is not a U.S. person (as defined in Regulation S under the Securities Act) and is located outside the United States (within the meaning of Regulation S under the Securities Act), (B) is not an affiliate of the Company or a person acting on behalf of such an affiliate, (C) is not in the business of buying and selling securities or, if it is in such business, did not acquire the securities to be deposited from the Company or any affiliate thereof in the initial distribution of Regulation S GDRs and Regulation S Shares and (D) is purchasing such Regulation S Shares or Regulation S GDRs in an offshore transaction pursuant to and in reliance on Regulation S.

(2) It understands (or, if it is a broker-dealer, its customer has confirmed to it that such person understands) that such Regulation S Shares or Regulation S GDRs and the shares represented thereby have not been and will not be registered under the Securities Act or with any regulatory authority of any state or jurisdiction of the United States and are subject to the restrictions on transfer described in the legend in (3) below.

(3) It understands that the Regulation S Shares and Regulation S GDRs, including GDRs initially represented by a Temporary Master Regulation S GDR (in each case to the extent they are in certificated form), unless

otherwise determined by the Company in compliance with applicable law, will bear a legend substantially to the following effect and may be offered, sold, pledged or otherwise transferred only in accordance with the legend:

THIS REGULATION S GLOBAL DEPOSITARY RECEIPT ("THIS GDR") AND THE SHARES OF PUBLIC POWER CORPORATION S.A. (THE "SHARES") REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, PRIOR TO THE EXPIRATION OF A DISTRIBUTION COMPLIANCE PERIOD (DEFINED AS THE PERIOD ENDING 40 DAYS AFTER THE LATEST OF THE COMMENCEMENT OF THE INTERNATIONAL OFFERING AND THE CLOSING DATE OF THE INTERNATIONAL OFFERING) MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES; PROVIDED THAT IN CONNECTION WITH ANY TRANSFER UNDER (B) ABOVE, THE TRANSFEROR SHALL PRIOR TO THE SETTLEMENT OF SUCH SALE WITHDRAW THE SHARES FROM THE REGULATION S FACILITY (AS DEFINED IN THE DEPOSIT AGREEMENT) IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE DEPOSIT AGREEMENT AND INSTRUCT THAT SUCH SHARES BE DELIVERED TO THE CUSTODIAN UNDER THE DEPOSIT AGREEMENT FOR DEPOSIT IN THE RULE 144A FACILITY (AS DEFINED IN THE DEPOSIT AGREEMENT) THEREUNDER AND THAT RULE 144A GDRs REPRESENTED BY A MASTER RULE 144A GDRs BE ISSUED, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE DEPOSIT AGREEMENT, TO OR FOR THE ACCOUNT OF SUCH QIB.

UPON THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD REFERRED TO ABOVE, THIS GDR AND THE SHARES REPRESENTED HEREBY SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND, PROVIDED THAT AT THE TIME OF SUCH EXPIRATION THE OFFER OR SALE OF THE REGULATION S GLOBAL DEPOSITARY RECEIPTS REPRESENTED HEREBY AND THE SHARES REPRESENTED THEREBY BY THE HOLDER HEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

(4) It understands (or, if it is a broker-dealer, its customer has confirmed to it that such customer understands) that the Regulation S GDRs offered in reliance on Regulation S will be represented by the Regulation S Master GDR. Prior to the expiration of the Distribution Compliance Period, before any interest in the Regulation S Master GDR may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Master GDR, the person who will (following the withdrawal of the Deposited Shares from the Regulation S Facility and deposit into the Rule 144A Facility) be the beneficial owner of the Rule 144A GDRs represented by an interest in the Rule 144A Master GDR will be required to provide the Depositary with a written certification (in the form provided in the Deposit Agreement) as to compliance with the Terms and Conditions of the GDRs and the Deposit Agreement.

(5) The Company, the Depositary, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions shall not be recognised by the Company or the Depositary in respect of the Regulation S GDRs, the Regulation S GDSs evidenced thereby and the shares represented thereby.

(6) At the expiry of the Distribution Compliance Period for the temporary Regulation S GDRs issued in relation to the offering pursuant to this Offering Circular, the temporary Regulation S GDRs will automatically be cancelled, the underlying shares will be deposited into the existing Regulation S GDR facility, and persons formerly holding temporary Regulation S GDRs will receive Regulation S GDRs represented by the existing Master Regulation S GDR in exchange for the temporary Regulation S GDRs.

CLEARANCE AND SETTLEMENT

Custodial and depositary links have been established among Clearstream and Euroclear to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with the secondary market trading.

The Clearing Systems

Clearstream and Euroclear

Clearstream and Euroclear each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through the electronic book-entry changes in accounts of such participants. Clearstream and Euroclear provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Clearstream and Euroclear participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Clearstream or Euroclear is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with Clearstream or Euroclear participants, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests in the GDRs held through Clearstream or Euroclear will be credited, to the extent received by the Depositary, to the cash accounts of Clearstream or Euroclear participants in accordance with the relevant system's rules and procedures.

Registration and Form

Book-entry interests in the Regulation S GDRs held through Clearstream and Euroclear will be evidenced by the Master Regulation S GDR registered in the name of the Common Nominee. The Master Regulation S GDR Certificate will be held by the Common Depositary. Book-entry interests in the Rule 144A GDRs held through Euroclear and Clearstream will be evidenced by the Master Rule 144A GDR registered in the name of the Common Nominee. The Rule 144A Master GDR Certificate will be held by the Common Depositary. As necessary, the Depositary will adjust the amounts of GDRs on the Register for the accounts of Clearstream and Euroclear to reflect the amounts of GDRs held through Clearstream and Euroclear, respectively. Beneficial ownership in GDRs will be held through financial institutions as direct and indirect participants in Clearstream and Euroclear.

The aggregate holdings of book-entry interests in the GDRs in Clearstream and Euroclear will be reflected in the book-entry accounts of each such institution. Clearstream and Euroclear, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interest in the GDRs, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the GDRs. The Depositary will be responsible for maintaining a record of the aggregate holdings of GDRs registered in the name of The Bank of New York Depository (Nominees) Limited, where represented by a Master GDR, and/or in the name of the relevant Holders where held in definitive registered form. The Depositary will be responsible for ensuring that payments received by it from us for Holders holding through Clearstream and Euroclear are credited to Clearstream or Euroclear, as the case may be.

We will not impose any fees in respect of the GDRs; however, certain fees and expenses are payable to the Depositary in accordance with the terms and conditions of the GDRs. Holders of book-entry interests in the GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Clearstream and Euroclear.

Global Clearance and Settlement Procedures

Settlement

On completion of the combined offering, the GDRs will be in global form evidenced by the Master GDRs. Purchasers electing to hold book-entry interests in the GDRs through Clearstream and Euroclear accounts will follow the settlement procedures applicable to conventional depositary receipts. Book-entry interests in the GDRs will be credited to Clearstream and Euroclear participant securities clearance accounts on the business day following the Closing Date against payment (value Closing Date).

Secondary market trading

Trading between Clearstream and/or Euroclear participants

Secondary market sales of book-entry interests in the GDRs held through Clearstream or Euroclear to purchasers of book-entry interests in the GDRs through Clearstream or Euroclear will be conducted in accordance with the normal rules and operating procedures of Clearstream and Euroclear and will be settled using the normal procedures applicable to depositary receipts.

General

Although the foregoing sets out the procedures of Clearstream and Euroclear in order to facilitate the transfers of interests in the GDRs among participants of Euroclear and Clearstream, none of Clearstream or Euroclear are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Depositary, the Custodian nor their respective agents will have any responsibility for the performance by Clearstream or Euroclear or their respective participants of their respective obligations under the rules and procedures governing their operations.

Shares

The shares will settle through the facilities of the ATHEX. You should read "The Athens Exchange and Settlement—Settlement, Clearance and the Central Securities Depositary" for more information.

TAXATION

The following summary describes certain of the tax consequences of the purchase, ownership and disposition of shares and GDRs. It is not a complete description of all the possible tax consequences of such purchase, ownership or disposition. This summary is based on the laws as in force and as applied in practice on the date of this offering circular and is subject to changes to those laws and practices subsequent to the date of this offering circular. You should consult your own advisers as to the tax consequences of the acquisition, ownership and disposal of shares and GDRs in light of your particular circumstances, including the effect of any other national laws.

GREEK TAXATION

The following is a summary of certain Greek tax considerations which may be relevant to the acquisition, ownership and disposition of shares and GDRs. The summary does not purport to be nor should it be relied upon as a comprehensive description or analysis of all the tax considerations which may be relevant to a decision to acquire shares.

The summary is based on tax laws and regulations in effect in Greece on the date hereof, which are subject to change without notice. Prospective purchasers or holders of shares and GDRs should consult their own tax advisers as to the Greek or other tax consequences arising from the acquisition, ownership and disposition of shares, having regard to their particular circumstances.

Taxation of the Company

The Company's net income is taxed at a flat rate of 35%.

Taxation of Dividends

No withholding taxes are imposed by the Hellenic Republic under Greek tax law on the payment of dividends on the shares or GDRs.

Taxation of Capital Gains

Under Article 38 of Law 2238/1994, as now in force, capital gains resulting from the sale of ATHEX-listed shares by Greek enterprises maintaining double entry accounting records will not be subject to income tax, provided that such gains are maintained in a special reserve account in the accounting records. In the case of distribution or dissolution of the enterprise, these gains will be added to income and will be taxed accordingly.

Capital gains from the sale of ATHEX-listed shares earned by natural persons (whether Greek or foreign residents), and enterprises domiciled in Greece but not required to maintain double entry accounting records, are also exempt from taxation.

By virtue of Article 27 of Law 2703/1999 capital gains from the sale of securities listed on stock exchanges outside Greece, including the GDRs, earned by Greek tax residents (natural persons or legal entities) are also exempt from taxation.

Capital gains of U.S. Holders and U.K. Holders that are not Greek residents on the sale or other disposition of shares or GDRs will not be subject to income taxation in Greece.

Stamp Duty

The issuance and transfer of shares and GDRs as well as the payment of dividends therefrom is exempt from stamp duty in Greece.

Transfer Taxes and Charges

A transfer tax is imposed on transfers of ATHEX-listed securities at the rate of 0.3% of the purchase price. The tax is borne by the seller and is charged by the CSD to brokerage firms, who then in turn charge their clients. In addition, the CSD charges a levy of approximately 0.065% of the value of the transaction to cover settlement costs and each of the buyer and the seller also pay a freely negotiable commission to the brokers.

Inheritance or Succession Taxes

Inheritance or succession taxes are payable in Greece on shares of Greek-domiciled companies on a progressive system which depend on the degree of the relationship between the deceased and the beneficiary. The taxable basis for stock exchange-listed shares is prescribed in the Legislative Decree 118/1973, as amended and currently in force.

Gift Tax (Donation Taxes)

A similar system of progressive taxation applies to the donation of listed shares.

Potential purchasers should consult their own tax advisors concerning the overall Greek tax (including Greek capital gains, inheritance or succession, and gift tax) consequences of the purchase, ownership and disposition of shares.

UNITED STATES FEDERAL INCOME TAXATION

The following summary describes certain U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of our shares or GDRs. This summary addresses only U.S. federal income tax considerations of holders that will hold the shares and/or GDRs as capital assets. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the shares and/or GDRs. In particular, this summary does not address tax considerations applicable to holders that may be subject to special tax rules including, without limitation, the following: (a) financial institutions; (b) insurance companies; (c) dealers or traders in securities or currencies; (d) tax-exempt entities; (e) persons that will hold shares or GDRs as part of a "hedging" or "conversion" transaction or as a position in a "straddle" or as part of a "synthetic security" or other integrated transaction for U.S. federal income tax purposes; (f) persons that have a "functional currency" other than the U.S. dollar; (g) persons that own (or are deemed to own) 10% or more (by voting power) of our share capital; and (h) regulated investment companies. This summary also does not address any U.S. federal income tax consequences for holders of equity interests in a holder of our shares or GDRs. Further, this summary does not address alternative minimum tax consequences.

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury Regulations (the "Regulations") and judicial and administrative interpretations thereof, and the Convention Between the United States of America and the Kingdom of Greece for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "U.S.–Greece Tax Treaty"), in each case as in effect and available on the date of this offering circular. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below. The U.S. Treasury Department has expressed concern that depositaries for depositary receipts, or other intermediaries between the Holders of shares of an issuer and the issuer, may be taking actions that are inconsistent with the claiming of U.S. foreign tax credits by U.S. Holders of such receipts or shares. Accordingly, the analysis regarding the availability of a U.S. foreign tax credit for Greek taxes and sourcing rules described below could be affected by future actions taken by the U.S. Treasury Department.

Each prospective investor should consult its own tax advisor with respect to the U.S. federal, state, local, gift, estate and other tax consequences of acquiring, owning and disposing of shares or GDRs. U.S. Holders should also review the discussion under "Taxation—Greek Taxation" for the Greek tax consequences to a U.S. Holder of the ownership of shares or GDRs.

For purposes of this summary a "U.S. Holder" is a beneficial owner of shares or GDRs that is, for U.S. federal income tax purposes: (a) a citizen or resident of the United States; (b) a corporation or other entity treated as a corporation for U.S. tax purposes created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (d) a trust if (i) a court within the United States is able to exercise primary supervision over its administration and (ii) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. A "Non-U.S. Holder" is a beneficial owner of shares or GDRs that is not a U.S. Holder.

Distributions

Subject to the discussion "Taxation—Passive Foreign Investment Company Considerations", the gross amount of any distribution that is actually or constructively received by a U.S. Holder with respect to shares and/or GDRs will be a dividend includible in gross income of a U.S. Holder as ordinary income to the extent of our current and accumulated earnings and profits as determined under U.S. federal income tax principles. Dividends paid on shares or GDRs generally will constitute income from sources outside the United States and will not be eligible for the "dividends received" deduction.

A distribution to a U.S. Holder in excess of our current and accumulated earnings and profits will be treated first as a non-taxable return of capital to the extent of such U.S. Holder's adjusted tax basis in its shares or GDRs, and any distribution in excess of such basis will constitute capital gain, and will be long-term capital gain if the shares and/or GDRs were held for more than one year. Under recent U.S. tax legislation (the "2003 Tax Act"), a preferential tax rate (rather than the higher rates of tax generally applicable to items of ordinary income) will apply generally to individuals (as well as certain trusts and estates) with respect to long-term capital gain on assets sold or otherwise disposed of for taxable years ending on or after 6th May, 2003 and beginning before 1st January, 2009.

We do not maintain calculations of our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The amount of any distribution of property other than cash will be the fair market value of the property on the date of the distribution.

The gross amount of any distribution paid in euros will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the euros calculated by reference to the exchange rate in effect on the date received by the Depositary (in the case of GDRs) or by the U.S. Holder (in the case of shares), regardless of whether the euros are converted into U.S. dollars. If the euros are converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognise foreign currency gain or loss in respect of the dividend. If the euros received as a dividend are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the euros equal to its U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the euros will be treated as ordinary income or loss, and will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

A distribution of additional shares and/or GDRs to U.S. Holders with respect to their shares and/or GDRs that is made part of a pro rata distribution to all shareholders generally will not be subject to U.S. federal income tax unless shareholders can elect that the distribution be payable in either additional shares and/or GDRs, or cash. We expect that our shareholders will not have this option. If our shareholders were to have this option, a distribution of additional shares and/or GDRs to U.S. Holders with respect to their shares and/or GDRs will be taxable under the rules described above.

Under the 2003 Tax Act, the marginal tax rates for individuals (as well as certain trusts and estates) applicable to ordinary income generally have been lowered effective 1st January, 2003. Furthermore, "qualified dividend income" received by individuals (as well as certain trusts and estates) in taxable years beginning after 31st December, 2002 and beginning before 1st January, 2009, generally will be taxed at a preferential tax rate (rather than the higher rates of tax generally applicable to items of ordinary income) provided certain conditions are met, including a minimum holding period with respect to the relevant shares or GDRs of more than 60 days during a specified 120-day period. For this purpose, "qualified dividend income" generally includes dividends paid on stock in certain non-U.S. corporations if, among other things, the non-U.S. corporation is eligible for the benefits of a comprehensive income tax treaty with the United States which contains an exchange of information program (a "qualifying treaty"). According to a Notice recently issued by the U.S. Internal Revenue Service (the "U.S. IRS"), the U.S.-Greece Tax Treaty is a qualifying treaty for purposes of the 2003 Tax Act. Therefore, distributions paid by us with respect to our shares or GDRs is expected to constitute "qualified dividend income" for U.S. federal income tax purposes.

Under the 2003 Tax Act, the amount of the qualified dividend income, if any, paid by us to a U.S. Holder that may be subject to the reduced dividend income tax rate and that is taken into account for purposes of calculating the U.S. Holder's U.S. foreign tax credit limitation must be reduced by the "rate differential portion"

of the dividend (which, assuming a U.S. Holder in the highest income tax bracket, would generally require a reduction of the dividend amount by approximately 57.14%). Prospective investors should consult their own tax advisor regarding the implications of the 2003 Tax Act for them, in light of their particular situation.

Subject to the discussion under "Taxation—Backup Withholding and Information Reporting", a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on dividends received on shares or GDRs unless that income is effectively connected with the conduct by that Non-U.S. Holder of a trade or business within the United States.

Sale, Exchange, Redemption or Other Disposition of the Shares or GDRs

Subject to the discussion "Taxation—Passive Foreign Investment Company Considerations", a U.S. Holder will generally recognise a gain or loss for U.S. federal income tax purposes upon the sale or exchange of shares or GDRs in an amount equal to the difference between the U.S. dollar value of the amount realised from such sale or exchange and the U.S. Holder's tax basis in such shares or GDRs. Such gain or loss will be a capital gain or loss and will be long-term capital gain (taxable at a reduced rate for individuals, trusts or estates pursuant to the provisions of the 2003 Tax Act discussed above in "Taxation–Distributions") if the shares or GDRs were held for more than one year. Any such gain or loss would generally be treated as from sources within the United States. The deductibility of capital losses is subject to significant limitations.

A U.S. Holder that receives euros on the sale or other disposition of shares or GDRs will realise an amount equal to the U.S. dollar value of the euros on the date of sale (or in the case of cash basis and electing accrual basis taxpayers, the U.S. dollar value of the euro on settlement date). If a U.S. Holder receives euros upon a sale or exchange of shares or GDRs, gain or loss, if any, recognised on the subsequent sale, conversion or disposition of such euros will be ordinary income or loss, and will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. However, if such euros are converted into U.S. dollars on the date received by the U.S. Holder or the Depositary, as applicable, a cash basis or electing accrual U.S. Holder should not recognise any gain or loss on such conversion.

Subject to the discussion "Taxation—Passive Foreign Investment Company Considerations", a redemption of shares or GDRs by us will be treated as a sale of the redeemed shares or GDRs by the U.S. Holder or, in certain circumstances, as a distribution to the U.S. Holder (which is taxable as described under "Taxation—Distributions").

Subject to the discussion under "Taxation—Backup Withholding and Information Reporting", a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realised on the sale or exchange of shares or GDRs unless: (a) that gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States, (b) in the case of any gain realised by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale or exchange and certain other conditions are met, or (c) the Non-U.S. Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.

Passive Foreign Investment Company Considerations

We believe that we are not, and we do not expect to become, a passive foreign investment company (a "PFIC"), for U.S. federal income tax purposes. However, because this is a factual determination made annually at the end of the taxable year, there can be no assurance that we will not be considered a PFIC for any future taxable year. If we were a PFIC in any year, special, possibly materially adverse, consequences would (as discussed below) result for U.S. Holders.

A corporation organised outside the United States generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which either: (a) at least 75% of its gross income is "passive income", or (b) on average at least 50% of the gross value of its assets is attributable to assets that produce "passive income" or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. In determining whether it is a PFIC, a foreign corporation is required to take into account a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest.

If we are a PFIC in any year during which a U.S. Holder owns shares or GDRs, the U.S. Holder will be subject to additional taxes on any excess distributions received from us and any gain realised from the sale or

other disposition of the shares or GDRs (whether or not we continue to be a PFIC). A U.S. Holder has an excess distribution to the extent that distributions on the shares or GDRs during a taxable year exceed 125% of the average amount received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period). To compute the tax on the excess distributions or any gain, (a) the excess distribution or the gain is allocated ratably over the U.S. Holder's holding period, (b) the amount allocated to the current taxable year and any year before we became a PFIC is taxed as ordinary income in the current year, and (c) the amount allocated to other taxable years is taxed at the highest applicable marginal rate in effect for each year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year.

Some of the rules with respect to distributions and dispositions described above may be avoided if a U.S. Holder makes a valid "mark-to-market" election (in which case, subject to certain limitations, the U.S. Holder would essentially be required to take into account the difference, if any, between the fair market value and the adjusted tax basis of its shares and/or GDRs at the end of a taxable year as ordinary income (or, subject to certain limitations, ordinary loss), in calculating its income for such year). In addition, gains from an actual sale or other disposition of shares or GDRs will be treated as ordinary income, and any losses will be treated as ordinary losses to the extent of any "mark-to-market" gains for prior years. A "mark-to-market" election is only available to U.S. Holders in any tax year that the PFIC stock is considered "regularly traded" on a "qualified exchange" within the meaning of applicable Regulations. PFIC stock is "regularly traded" if, among other requirements, it is traded on at least 15 days during each calendar quarter. The London Stock Exchange will constitute a qualified exchange, and the Athens Exchange may constitute a qualified exchange if it meets certain trading, listing, financial disclosure and other requirements set forth in the Regulations. Investors should consult their own tax advisors as to whether the shares or the GDRs would qualify for the "mark-to-market" election.

Some of the above rules may also be avoided if a U.S. Holder is eligible for and timely makes a valid "QEF election" (in which case the U.S. Holder generally would be required to include in income on a current basis its pro rata share of the ordinary income and net capital gains of the company). In order to be able to make the "QEF election", we would need to provide a U.S. Holder with certain information. We may decide not to provide the required information.

Each U.S. Holder of shares or GDRs must make an annual return on U.S. IRS Form 8621, reporting distributions received and gains realised with respect to each PFIC in which it holds a direct or indirect interest.

Prospective purchasers are urged to consult their own tax advisors regarding whether an investment in the shares or GDRs will be treated as an investment in PFIC stock and the consequences of an investment in a PFIC.

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments to U.S. Holders of dividends on shares or GDRs and to the proceeds of a sale or redemption of a share or GDR. We, our agent, a broker, or any paying agent, as the case may be, may be required to withhold tax from any payment that is subject to backup withholding if the U.S. Holder fails (a) to furnish the U.S. Holder's taxpayer identification number, (b) to certify that such U.S. Holder is not subject to backup withholding or (c) to otherwise comply with the applicable requirements of the backup withholding rules. Certain U.S. Holders (including, among others, corporations) are not subject to the backup withholding and information reporting requirements. Non-U.S. Holders who hold their shares or GDRs through a U.S. broker or agent or through the U.S. office of a non-U.S. broker or agent may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally may be claimed as a credit against such U.S. Holder's U.S. federal income tax liability provided that the required information is furnished to the U.S. IRS.

Prospective investors should consult their own tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining this exemption.

UNITED KINGDOM TAXATION

The comments below are of a general nature and are based on current United Kingdom law and published Inland Revenue practice as at the date of this offering circular. The summary only covers the principal U.K. tax consequences for the absolute beneficial owners of shares and GDRs (1) who are resident or ordinarily resident

in the U.K. for tax purposes or who are carrying on a trade or business in the U.K. through a branch, agency or permanent establishment to which the holding of the shares or GDRs (as the case may be) are attributable, (2) who are not resident in Greece and (3) who do not have a permanent establishment or fixed base in Greece with which the holding of the shares or GDRs is connected ("U.K. Holders"). In addition, this summary (1) only addresses the tax consequences for U.K. Holders who hold the shares or GDRs as capital assets, and does not address the tax consequences which may be relevant to certain other categories of U.K. Holders, for example, dealers and (2) assumes that the U.K. Holder is not a company which either directly or indirectly controls 10% or more of the voting power of the Company or would hold 10% or more of the Company's shares and (3) assumes that there will be no register in the U.K. in respect of the shares or GDRs and neither the shares nor GDRs will be held by a depositary in the U.K. and (4) assumes that neither the shares nor GDRs will be paired with shares issued by a company incorporated in the U.K. and (5) assumes either that (a) no U.K. Holder (and no persons connected with that U.K. Holder) would have at least 25% of the Company's profits imputed to it on a "just and reasonable" basis; or (b) there is no control of the Company by persons resident in the U.K. The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular U.K. Holder. Potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under U.K. law and Inland Revenue practice, of acquisition, ownership and disposition of the shares or GDRs in their own particular circumstances, by consulting their own tax advisers.

The attention of U.K. Holders which are corporations is drawn to the section headed, "United Kingdom Taxation—Proposed reform of Corporation Tax" below.

Taxation of Dividends

No U.K. tax will be required to be withheld at source in respect of dividend or other income payments made in respect of the Company's shares or GDRs. A U.K. Holder who is an individual and who is domiciled in the U.K. will generally be subject to U.K. income tax on the dividends paid by the Company. Any such dividends will be taxed at either the Schedule F ordinary rate (currently 10%) or (if total income exceeds the higher rate threshold) at the Schedule F upper rate (currently 32.5%). If any Greek withholding tax were to be withheld from the payment of a dividend (and not recoverable from the Greek authorities) it would generally be available as a credit against the income tax payable by the U.K. Holder in respect of the dividend. However, credit would only be given for Greek withholding tax to the extent that it did not exceed the amount of U.K. income tax that would have been payable on the dividends absent any Greek withholding tax. You should also read "Greek Taxation—Taxation of Dividends".

A U.K. Holder which is a U.K. resident company will generally be subject to U.K. corporation tax (the main rate of corporation tax is 30%) on the gross amount of any dividends paid by the Company. If any Greek withholding tax were to be withheld from the payment of a dividend (and not recoverable from the Greek authorities) it would generally be available as a credit against the corporation tax payable by the U.K. Holder in respect of the dividend. A credit for Greek withholding tax would generally be limited to the amount of United Kingdom corporation tax payable by a U.K. Holder in respect of the dividends. You should also read "Greek Taxation—Taxation of Dividends".

Holders of the shares or GDRs 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 dividend) from any person in the U.K. who either pays a foreign dividend to or receives a foreign dividend for the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of other jurisdictions.

Taxation of Capital Gains

The disposal or deemed disposal of the shares or GDRs by a U.K. Holder who is resident or ordinarily resident in the U.K. may give rise to a chargeable gain or an allowable loss for the purposes of U.K. taxation of capital gains.

As regards a U.K. Holder who is an individual, the principal factors that will determine the extent to which such gain will be subject to capital gains tax ("CGT") are the extent to which the U.K. Holder realises any other capital gains in that year, the extent to which the U.K. Holder has incurred capital losses in that or any earlier year, the level of the annual allowance of tax-free gains in the tax year in which the disposal takes place (the "annual exemption") and the level of available taper relief.

Taper relief will reduce the proportion of any gain realised on the disposal of the shares or GDRs that is brought into the charge to CGT if (in the case of non-business assets) the shares or GDRs are held by the U.K. Holders for at least three years. A reduction of 5% of the gain is made for each whole year for which the shares or GDRs have been held in excess of two years. In the case of non-business assets, the maximum reduction available is 40% after ten complete years of holding.

The annual exemption for individuals is £7,900 for the 2003/2004 tax year and, under current legislation, this exemption is, unless Parliament decides otherwise, increased annually in line with the rate of increase in the retail price index. U.K. Holders should be aware that the U.K. Parliament is entitled to withdraw this link between the level of the annual exemption and the retail prices index or even to reduce the level of the annual exemption for future tax years below its current level.

A U.K. Holder which is a U.K. resident company, is entitled to an indexation allowance which applies to reduce capital gains to the extent that they arise due to inflation. Indexation allowance may reduce a chargeable gain but not create any allowable loss.

Proposed reform of Corporation Tax

The U.K. Government has announced that it is considering reforms to the corporation tax system. It is not clear at present what changes, if any, will be made. Examples of the proposals are: (1) to rationalise the rules for computing profits and losses under the existing schedular system which may result, for example, in a system based on taxation of the aggregate of all types of income consistently with the way income is recognised in a company's accounts; and (2) to tax profits and losses made by companies on capital assets as income on the basis of amounts recognised in the company's accounts (on a mark-to-market or realisation basis) without the benefit of indexation relief.

Stamp Duty and Stamp Duty Reserve Tax

No U.K. stamp duty will be payable on a transfer of the shares or GDRs provided that any instrument of transfer is not executed in the U.K. and does not relate to any property situated or to any matter or thing done or to be done in the U.K.

No U.K. stamp duty reserve tax will be payable on an agreement to transfer shares or GDRs.

UNDERWRITING

The combined offering consists of an international offering, a Greek offering and an employee offering. The international offering includes an offering of shares, directly or in the form of GDRs, by the international managers to institutional investors outside the United States in compliance with Regulation S under the Securities Act, and in the United States to QIBs, as defined in and in reliance on Rule 144A under the Securities Act, through their respective selling agents. Alpha Finance Investment & Brokerage S.A., EFG Telesis Finance S.A., Deutsche Bank AG London, Morgan Stanley & Co. International Limited and National Bank of Greece S.A. are acting as the joint global coordinators of the combined offering and Deutsche Bank AG London and Morgan Stanley & Co. International Limited are acting as the joint lead managers and joint bookrunners on behalf of the international managers named below in the international offering. The Greek offering consists of an offering to the public and to institutional investors in Greece. In addition, shares are concurrently being offered to our employees by the selling shareholder through a private placement.

The international managers named below have agreed pursuant to an underwriting agreement dated 25th October, 2003 (the "Underwriting Agreement") with the Company and the selling shareholder, subject to the fulfilment of certain conditions, severally either to procure purchasers, or purchase, as the case may be, the respective number of shares set forth opposite its name below, at a price of € 17.50 per share and GDR. The international managers will be paid an underwriting commission of 0.675% per share and GDR and a praecipuum of 0.405% per share and GDR with a further selling concession of 1.62% per share and GDR. In addition, the Hellenic Republic has agreed to reimburse the international managers for certain of their expenses in connection with the sale of the shares and GDRs, and we and the selling shareholder have agreed to indemnify the international managers against certain liabilities, including liabilities under the Securities Act.

International Managers	Number of shares
Deutsche Bank AG London	8,537,459
Morgan Stanley & Co. International Limited	8,537,459
Alpha Finance Investment & Brokerage S.A	632,404
EFG Telesis Finance S.A.	632,404
National Bank of Greece S.A	632,404
Total	18,972,130

The joint global coordinators, on behalf of the international managers and the Greek managers, exercised an option to procure the transfer by the Hellenic Republic of 5,400,000 shares in order to meet excess demand. Alpha Finance, EFG Telesis Finance and National Bank of Greece, as stabilising managers in connection with the Greek offering, and Deutsche Bank AG London, as stabilising manager in connection with the GDRs, can use the proceeds of sale of the additional shares to effect transactions with a view to supporting the market price of the shares or GDRs at a higher level than that which might otherwise prevail during the 30 day period from the date on which dealings in the shares commence on the ATHEX. Within three business days of the end of the period, the stabilising managers must transfer to the Hellenic Republic any shares purchased with such proceeds of sale at the offer price. Within six business days of the end of the period, the stabilising managers must also transfer to the Hellenic Republic an amount equal to the product of the aggregate number of additional shares purchased from the Hellenic Republic less any shares so returned multiplied by the offer price less commissions and plus any accrued interest.

The Underwriting Agreement provides that the obligations of the international managers are subject to certain conditions precedent and entitles the international managers to terminate it in certain circumstances up until the time of the first trade in respect of the shares on the day before the day of commencement of trading. The obligations of the international managers under the Underwriting Agreement are also subject to the fulfilment of certain conditions precedent set out in a Greek underwriting agreement entered into, *inter alia*, by Alpha Finance Investment & Brokerage S.A., EFG Telesis Finance S.A., National Bank of Greece S.A., the Company and the selling shareholder dated 25th October, 2003.

The offering price of the shares and GDRs in the combined offering has been determined by negotiation between the selling shareholder and the joint global coordinators and may bear no relationship to the market price of the shares and GDRs either prior or subsequent to the combined offering.

The Company and the selling shareholder have agreed in the Underwriting Agreement that during the period of 180 days from the date of this Offering Circular they will not directly or indirectly offer, sell, contract to sell

or issue or otherwise dispose of any shares of the same class or series as the shares or GDRs (other than any bonus ordinary shares transferred to Greek retail investors who hold ordinary shares purchased in the Greek offering for six months and any bonus ordinary shares transferred to our employees who hold ordinary shares purchased in the employee offering in December 2002 and held by them for twelve months, and, with respect to the agreement by the selling shareholder, any shares transferred to the PIO, or DEKA by the Hellenic Republic) including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive shares or GDRs or any such substantially similar securities, or purchase or sell any option or other guarantee or enter into any swap, hedge or other agreement that would have similar economic consequences to the foregoing, in each case without the prior written consent of the joint global coordinators (such consent not to be unreasonably withheld). Pursuant to the terms of a recent Greek interministerial decision, during the period of six months from the transfer of shares, our employees, cannot directly or indirectly offer, sell, or otherwise dispose of any shares purchased in the employee offering. The PIO has executed an undertaking agreeing to be bound by similar restrictions in respect of any shares transferred to it by the Hellenic Republic in the future during the period of 180 days from the date of this offering circular. Although the PIO has not executed an undertaking agreeing to be bound by similar restrictions in respect of its existing holding of 3.8% of the shares, the PIO must follow certain internal and legal procedures in order to sell, contract to sell or otherwise dispose of any of the shares, including the need to receive ministerial approvals.

Certain of the managers have from time to time performed services for us and the Hellenic Republic and have normal banking relationships with us and the Hellenic Republic in the ordinary course of their business. As of 30th June, 2003, we held shares in the National Bank of Greece with a market value of € 10.9 million.

The joint global coordinators reserve the right to allocate a portion of the shares sold in the international offering to their respective proprietary trading books. Deutsche Bank AG London has acquired 3,519,050 shares in the combined offering upon exercise of its exchange rights of its holding of privatisation certificates.

SELLING RESTRICTIONS

General

No action has been or will be taken in any jurisdiction, other than Greece, that would permit a public offering of the shares or GDRs, or the possession, circulation or distribution of this offering circular or any other material relating to the Company or the shares or the GDRs, in any jurisdiction where action for the purpose is required. Accordingly, the shares and GDRs may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering material or advertisements in connection with the shares or GDRs may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction.

United States

The shares and GDRs 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. Terms used in this section have the meaning given to them by Regulation S.

The shares and GDRs are being offered and sold outside the United States in reliance on Regulation S. Accordingly, each international manager has represented and agreed that it has not offered or sold the shares and GDRs, and it will not offer or sell the shares or GDRs (i) as part of its distribution at any time other than outside the United States in accordance with Rule 903 of Regulation S or to QIBs in the United States through their U.S. broker-dealer affiliates in accordance with Rule 144A and (ii) otherwise until 40 days after the later of the commencement of the offering or the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the shares and GDRs during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the shares or GDRs in the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the combined offering, an offer or sale of shares or GDRs within the United States by a dealer (whether or not participating in the combined offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

United Kingdom

Each international manager has represented and agreed that: it has not offered or sold and will not offer or sell any GDRs to persons in the United Kingdom prior to admission of the GDRs to listing in accordance with

Part VI of the U.K. Financial Services and Markets Act 2000 (the "FSMA"), 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 or the FSMA; 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 shares 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; 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 FSMA) in connection with the issue or sale of any shares or GDRs in circumstances in which section 21(1) of the FSMA does not apply to the company; and it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares or GDRs in, from or otherwise involving the United Kingdom.

Greece

This offering circular has not been submitted to the approval procedure of the CMC, pursuant to Law 876/79 and Presidential Decree 52/92, respectively, and accordingly may not be used in connection with any offer to purchase or sell any shares or GDRs or as part of any form of general solicitation or advertising in circumstances that would constitute an offer to the public in Greece.

Canada

Each international manager has acknowledged and agreed that (a) the shares or GDRs will only be offered or sold, directly or indirectly, in Canada in the Canadian provinces of Ontario, Québec and British Columbia and in compliance with applicable Canadian securities laws and accordingly, any sales of shares or GDRs will be made (i) through an appropriately registered securities dealer or in accordance with an available exemption from the registered securities dealer requirements of applicable Canadian securities laws; and (ii) pursuant to an exemption from the prospectus requirements of such laws; and (b) it will file on a timely basis any required reports or documents with the relevant Canadian securities commissions.

Japan

Each international manager has represented and agreed that the shares and GDRs have not been and will not be registered under the Securities and Exchange Law of Japan (Law no. 25 of 1948, as amended) (the "Securities and Exchange Law of Japan") and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan, or to, or for the benefit of, any resident of Japan except pursuant to any exemption from the registration requirements of, and otherwise in compliance with (a) the Securities and Exchange Law of Japan and (b) other applicable laws and regulations of Japan. Neither the shares or GDRs nor any interest therein may be offered, sold, resold or otherwise transferred, directly or indirectly, to or for the account of any resident of Japan except where all the shares or GDRs held by an offeror, vendor or transferor (as appropriate) are sold or transferred to one person in whole and not in part. Disclosure under the Securities and Exchange Law of Japan has not been and will not be made with respect to the shares or GDRs. As used in this paragraph, the term resident of Japan means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Netherlands

Each international manager has represented and agreed that the shares and the GDRs will not directly or indirectly, be offered or sold to any individuals or legal entities in the Netherlands other than to individuals or legal entities who or which trade or invest in securities in the course of their business or profession, which includes banks, securities intermediaries, insurance companies, pension funds, other institutional investors and commercial enterprises which, as an ancillary activity, regularly trade or invest in securities.

Belgium

The GDRs and shares may not be offered publicly, directly or indirectly, in Belgium at the time of the offering. The combined offering has not been notified to, and the offering documents (including this offering circular) have not been approved by, the Belgian Banking and Finance Commission. The GDRs and shares may

only be sold in Belgium to professional investors as defined in article 3 of the Royal Decree of 7th July, 1999 on the public nature of financial transactions acting for their own account, and this offering circular may not be delivered or passed on to any other investors.

France

This offering circular has not been prepared in the context of a public offering of securities in France within the meaning of Article L. 411-1 of the French *Code monétaire et financier* (the ***Code***) and Regulations no. 98-01 and 98-08 of the Commission des opérations de bourse (***COB***) and has therefore not been submitted to the COB for prior approval.

Each international manager has represented and agreed, and each further international manager appointed in connection with the international offering will be required to represent and agree that, in connection with their distribution, it has not offered or sold, and will not offer or sell, directly or indirectly, the shares or GDRs to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France this offering circular or any other offering material relating to the shares or GDRs. Such offers, sales and distributions have been and shall be made in France only to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in Article L. 411-2 of the Code and *décret* no. 98-880 dated 1st October, 1998, on the condition that the offering circular shall not be passed on to any person nor reproduced (in whole or in part) and that applicants act for their own account in accordance with the terms set out by the said *décret* and undertake not to retransfer, directly or indirectly, the shares or GDRs in France, other than in compliance with applicable laws and regulations (Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 of the Code).

Germany

Each international manager has represented and agreed that the shares and GDRs have not been and will not be offered, sold or publicly promoted or advertised by it in the Federal Republic of Germany other than in compliance with the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, "VerkProspG") of 9th September, 1998, as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

This offering circular is not a Securities Sales Prospectus within the meaning of the VerkProspG and has not been filed with or approved by the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht*) or any other competent German authority under the relevant laws.

This document, copies thereof or any document relating to the shares or GDRs may not be distributed, and the shares and GDRs may not, directly or indirectly, be offered or sold, in the Federal Republic of Germany other than to (i) persons who, as part of their profession, occupation or business, acquire or sell shares or GDRs for their own account or for the account of others, as provided under Section 2 no. 1 of the VerkProspG, as amended, or (ii) a "restricted circle of persons", as provided under Section 2 no. 2 of the VerkProspG, as amended. Nothing in this document should be construed as investment advice to persons other than such permitted recipients or as otherwise constituting a public offering within the meaning of the VerkProspG or any other laws applicable in the Federal Republic of Germany.

Italy

The offering of the shares and GDRs has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, the shares and GDRs may not be offered, sold or delivered, directly or indirectly, and copies of this document or of any other document relating to the shares or GDRs may not be distributed in the Republic of Italy, except:

(i) to professional investors ("*operatori qualificati*"), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended, but excluding (i) individuals as defined pursuant to the aforementioned Article 31, second paragraph, who exercise administrative, managerial or supervisory functions at a registered securities dealing firm (a *società di intermediazione mobiliare*, or "SIM"), (ii) management companies authorised to manage individual portfolios on behalf of third parties (*società di risparmio* or "SGR") and (iii) fiduciary companies managing portfolio investments regulated by article 60, fourth paragraph of Leglislative Decree No. 415 of 23rd July, 1996 and in accordance with applicable Italian laws and regulations (*società fiduciarie*);

(ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the "Financial Services Act") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended; or

(iii) to an Italian resident who submits an unsolicited offer to purchase shares or GDRs.

Any offer, sale or delivery of the shares or GDRs or distribution of copies of this document or any other document relating to the shares or GDRs in the Republic of Italy under (i) or (ii) above must be:

(a) made by banks, investment firms (as defined in the Financial Services Act) or other financial intermediaries authorised to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1st September, 1993 (the "Banking Act");

(b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy; and

(c) in compliance with any other applicable laws and regulations and/or any other applicable requirement or limitation which may be imposed by CONSOB or the Bank or Italy or any other Italian authority.

LEGAL MATTERS

The validity of the shares will be passed upon for us by Kyriakides-Georgopoulos, Greek counsel to us and the selling shareholder and for the international managers by Law Office E. Stratigis, Greek counsel to the international managers. The validity of the GDRs will be passed upon for us by Allen & Overy, English and United States counsel to us and the selling shareholder and for the international managers by Freshfields Bruckhaus Deringer, English and United States counsel to the international managers.

INDEPENDENT AUDITORS

Our financial statements as at and for each of the three years ended 31st December, 2000 included in this offering circular have been audited by Arthur Andersen Certified Auditors Accountants S.A., independent auditors, as stated in their report included in this offering circular.

Our financial statements as at and for each of the two years ended 31st December, 2002 and as at and for the six months ended 30th June, 2002 and 2003 included in this offering circular have been audited by Ernst & Young, independent auditors, as stated in their report included in this offering circular.

GENERAL INFORMATION

1. We are a corporation incorporated under Greek law 2773/1999 and pursuant to Presidential, Decree 333/2000 (registered number 47829/06/B/00/2) in the Hellenic Republic on 1st January, 2001.

2. Arthur Andersen have audited our financial statements for the years ended 31st December, 1998, 1999 and 2000 included in this offering circular, which have been prepared in accordance with IFRS. Ernst & Young of 11th klm National Rd Athens-Lamia, Athens 14451 have audited our financial statements for the years ended 31st December, 2001 and 2002 and for the six months ended 30th June, 2002 and 2003, included in this offering circular, which have been prepared in accordance with IFRS. These consolidated financial statements are subject to qualifications by Arthur Andersen and Ernst & Young in their audit reports. The Ernst & Young report for the years ended 31st December, 2001 and 2002, as well as for the six months ended 30th June, 2002 is qualified as to (i) the accounting treatment of provisions relating to benefits for pensioners' electricity as a charge against equity rather than the income statement, (ii) the provision from possible risks from adverse movements in foreign exchange rates, and which are not in accordance with IFRS, and (iii) the sufficiency of detail of our fixed assets register, which precluded them from performing certain audit tests. The Ernst & Young report with respect to the IFRS financial statements for the six months ended 30th June, 2003 is not qualified. The Arthur Andersen report for the years ended 31st December, 1998, 1999 and 2000 is qualified as to (a) the absence of provisions in our financial statements, prior to 2000, for pension and social security liabilities and (b) the sufficiency of detail of our fixed assets register, which precluded them from performing certain audit tests. Arthur Andersen and Ernst & Young's reports on the financial statements prepared in accordance with IFRS are included in this offering circular.

   Ernst & Young has given and has not withdrawn its written consent to the inclusion in this offering circular of its name, report and references to it in the form and context in which they appear.

   The audit report of Arthur Andersen, our former independent public accountants, which is set forth in Page F-2 of this offering circular, is included for purposes of including the opinion of Arthur Andersen on our financial statements for the years ended 31st December, 1998, 1999 and 2000. The audit report set forth in Page F-2 is a copy of the audit report dated 26th October, 2001, rendered by Arthur Andersen that was included in our offering circular dated 7th December, 2002. Due to the fact that Arthur Andersen has ceased operations, your ability to assert claims against Arthur Andersen based on its report will likely be limited. This audit report has not been reissued by Arthur Andersen in connection with this offering circular.

3. The following contracts have been or will be entered into by us in connection with the combined offering:

   (a) the Underwriting Agreement and the Greek underwriting agreement;

   (b) the Deposit Agreement (including the Supplemental Deposit Agreement dated 11th December, 2002); and

   (c) the Deed Poll.

4. Except as disclosed in "Our Business—Legal Proceedings" and —"Pension Benefits", we are not involved in any legal or arbitration proceedings, which may have, or have had during the last 12 months, a significant effect on our financial position, nor are we aware that any such proceedings are pending or threatened.

5. There has been no significant change in the financial or trading position of the Company and its subsidiaries since 30th June, 2003.

6. All consents, approvals, authorisations or other orders required under the prevailing laws of the Hellenic Republic have been given or obtained for the offer and sale of the shares and the GDRs.

7. Under our articles of incorporation, our objectives are, *inter alia*, the carrying on of commercial and industrial activities in the energy sector in Greece and abroad, including the carrying on of commercial and industrial activities in the electricity sector, both in Greece and abroad, the engineering and design, supervision, construction, maintenance and operation of power stations, the carrying on of commercial and industrial activities in the telecommunications sector including the rendering of services to third parties in the area of project design, management and supervision and in the area of organisation and information systems, and the participation in enterprises carrying on similar activities.

8. The combined offering commenced on 22nd October, 2003 and remained open until 24th October, 2003.

With respect to the privatisation certificates, Principal Exchange Agent is EFG Eurobank Ergasias S.A. of 8 Othonos Street, GR 105 57 Athens, Greece.

GLOSSARY OF SELECTED ELECTRICITY TERMS

The following explanations are not technical definitions, but they could assist investors in understanding some of the terms used in this document:

Base load	Minimum continuous demand in a power system.
Base load station	A station normally operated to meet all or part of the base load and which consequently produces electricity at an essentially constant rate. A base load station typically has relatively high capital costs and low unit operating costs.
CCGT (Combined Cycle GasTurbine)	A type of generating unit that produces electricity through the combined operation of both gas turbines and steam turbines. Conventional boilers or other generators recover and use the heat exiting from gas turbines to run the steam turbines.
CO_2	Carbon dioxide.
Co-generation	The simultaneous generation of steam for industrial or other purposes and for electricity generation.
Codes	The Grid Code, regulating the physical operation of the interconnected transmission system; the Power Exchange Code, regulating financial transactions in respect of the interconnected transmission system; the Network Code, regulating the distribution network; and the Supply Code, regulating supply to all customers.
Distribution network	The low, medium and high voltage lines, connections and installations in the Hellenic Republic required for the distribution of electricity from the transmission system to the end customers. The distribution network includes the electricity network on the autonomous islands.
1996 Electricity Directive	Directive 96/92 of the European Parliament and of the Council of the European Union.
2003 Electricity Directive	Directive 03/54 of the European Parliament and of the Council of the European Union.
Forced Outage Factor	The amount of energy that a power station did not produce during the year because of unplanned outages as a percentage of the maximum energy that the station could have produced during that year, operating continuously at installed capacity.
Generating unit	An electric generator together with the turbine or other device which drives it.
Gigawatt (GW)	1,000,000,000 watts (1,000 megawatts).
Gigawatt hour (GWh)	One gigawatt of power supplied or demanded for one hour.
Immediate availability	The amount of available energy that a power station could have produced, net of energy losses of the power station during that year, as a percentage of the maximum energy that the station could have produced during that year, operating continuously at installed capacity.
Installed capacity	The nameplate capacity of a generating unit.
Intermediate load station	A station normally operated to meet the range of demand from base load and peak load.

Kilovolt (kV) . . . . 1,000 volts.

Kilovolt ampere (kVA) . . . . 1,000 volt amperes.

Kilowatt (kW) . . . . 1,000 watts.

Kilowatt hour (kWh) . . . . One kilowatt of power supplied or demanded for one hour.

Km . . . . Kilometre.

Lignite . . . . Lignite, also known as brown coal, is a fossil fuel with a calorific value between hard coal and peat, used primarily for power generation.

Lignite Recovery Factor . . . . The lignite produced from a given deposit as a percentage of the total estimated exploitable reserves.

Load Factor . . . . The percentage of the maximum theoretical capacity of the excavator.

Megawatt (MW) . . . . 1,000,000 watts (1,000 kilowatts).

Megawatt hour (MWh) . . . . One megawatt of power supplied or demanded for one hour.

Megavolt ampere (MVA) . . . . 1,000,000 volt amperes.

NOx . . . . Nitrogen oxides.

Peak load station . . . . A station normally operated to meet the maximum electrical demand in a stated period of time. A peak load station is characterised by quick start times and generally high operating costs but low capital costs.

SO_2 . . . . Sulphur dioxide.

Substation . . . . Electricity installation which switches and/or changes or regulates the voltage of electricity in a transmission and distribution system.

Terawatt (TW) . . . . 1,000,000,000,000 watts.

Terawatt hour (TWh) . . . . One terawatt of power supplied or demanded for one hour.

Total availability . . . . The amount of available energy that a power station could have produced, net of all energy losses during the year, as a percentage of the maximum energy that the station could have produced during that year, operating continuously at installed capacity.

Transmission system . . . . The high voltage lines, connections and installations in the Hellenic Republic and the equipment and control installations required for the uninterrupted transfer of electricity from one power station to a sub-station, from one sub-station to another sub-station or to and from any connection. The transmission system does not include the generation facilities, lines and high voltage installations forming part of the distribution network, nor the electricity network on the autonomous islands.

Volt . . . . The basic unit of electrical potential analogous to water pressure.

Volt ampere . . . . The basic unit of apparent electrical power.

Watt . . . . The basic unit of active electrical power.

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INDEPENDENT AUDITORS' REPORT

To:
Public Power Corporation S.A.

We have audited the accompanying consolidated balance sheets of Public Power Corporation S.A. (a Greek Corporation) and its subsidiaries (the "Company") as at December 31, 1998, 1999 and 2000 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 1998, 1999 and 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant judgments and estimates made by management, as well as an evaluation of the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As further explained in Note 21 to the accompanying financial statements, under Law 2773/99, enacted on December 22, 1999, the Greek State assumed all the Company's pension, medical and other employee benefit liabilities. Prior to that date, because of uncertainties regarding the Company's legal obligations in respect of such benefits towards its employees and pensioners, the Company was unable to quantify the related amounts and, accordingly, was accounting for such costs on a cash basis. As a result, (a) the accompanying balance sheet as at December 31, 1998 does not include, on an actuarially determined basis in accordance with International Accounting Standards, the above liabilities (b) the statements of income for the years 1998 and 1999 do not include, on the above actuarial basis, the related costs and (c) the statement of income for 1999 does not include the relief that was granted, on December 22, 1999, when the Greek State assumed the above liabilities.

As further explained in Note 14 to the accompanying financial statements, the Company does not maintain a sufficiently detailed fixed asset register and, as a result, we could not verify the related accounts to a physical count, on a test basis, of the respective fixed assets.

In our opinion, except for the effect on the balance sheet as at December 31, 1998 and on the statements of income for the years ended December 31, 1998 and 1999, of not accounting for the pension and other liabilities discussed in the third paragraph above, and such adjustments, if any, as might have been disclosed had we been able to perform the audit tests and procedures necessary as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Public Power Corporation S.A. and its subsidiaries as at December 31, 1998, 1999 and 2000 and the results of their operations and their cash flows for the years ended December 31, 1998, 1999 and 2000, in accordance with International Accounting Standards.

ARTHUR ANDERSEN

Athens, Greece
October 26, 2001

INDEPENDENT AUDITORS' REPORT

To:
The Shareholders of Public Power Corporation S.A.

1. We have audited the accompanying consolidated balance sheets of Public Power Corporation S.A., a Greek corporation, and its subsidiaries (the "Company") as of 30th June, 2002, 30th June, 2001 and 31st December, 2001 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months ended 30th June, 2002 and 2001 and for the year ended 31st December, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

2. Except as discussed in paragraph 5 below, we conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant judgments and estimates made by management, as well as an evaluation of the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. As further explained in Note 21 to the accompanying financial statements, the Company is in dispute with the Public Power Corporation Personnel Insurance Organization ("PIO") as to the undertaking of the obligation for the subsidisation of the energy being supplied to PIO beneficiaries. The Company, for prudence purposes and without waiving its claim or the determination that the subsidy is the responsibility of PIO, has determined and accounted for the present value of the liability that it would assume in case of an unfavourable outcome of the dispute. Such liability, on an actuarially determined basis, at 30th June, 2002, amounted to approximately Euro 213 million. An equal provision, net of the related deferred tax asset, was directly recorded as a charge against equity. Although events giving rise to the liability discussed above occurred and were known to management subsequent to 31st December, 2001, the provision was recorded directly to equity rather than the statement of income for the six months ended 30th June, 2002, as the Company made use of the provisions of a special law allowing such accounting treatment, a treatment which is not in accordance with IAS 19 "Employee Benefits". Had the Company recorded the above provision to the statement of income, net income and earnings per share for the six months ended 30th June, 2002, would be decreased by approximately Euro 138 million and Euro 0.60, respectively.

4. As further explained in Note 20 to the accompanying financial statements, the Company in the six months ended 30th June, 2002, has accounted for certain provisions totaling approximately Euro 28 million, in order to provide for possible adverse movements in interest and foreign exchange rates subsequent to 30th June, 2002. These events do not qualify as adjusting events in accordance with IAS 10 "Events After the Balance Sheet Date" and do not meet the conditions prescribed in IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" for recognizing a provision. Had provisions not been made, net income and earnings per share for the six months ended 30th June, 2002, would be increased by approximately Euro 18 million and Euro 0.08, respectively. Additionally, total provisions and deferred tax assets as at the above date, would be decreased by approximately Euro 28 million and Euro 10 million respectively, while retained earnings as of the same date would be increased by approximately Euro 18 million.

5. As further explained in Note 14 to the accompanying financial statements, the Company does not maintain a sufficiently detailed fixed asset register and, as a result, we could not verify the related accounts to a physical count, on a test basis, of the respective fixed assets.

6. In our opinion, except for the effect on the statement of income for the six months ended 30th June, 2002 of the accounting for the provision discussed in paragraph 3 above and except for the effect on the balance sheet as at 30th June, 2002 and on the statement of income for the six months then ended, of accounting for the provisions discussed in paragraph 4 above, and such adjustments, if any, as might have been disclosed had we been able to perform the audit tests and procedures necessary as discussed in paragraph 5 above, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Public Power Corporation S.A. and its subsidiaries as at 30th June, 2002 and 2001 and at 31st December, 2001 and the results of their operations and their cash flows for the six months ended 30th June, 2002 and 2001 and the year ended 31st December, 2001, in accordance with International Financial Reporting Standards.

7. Without qualifying our report we draw attention to Note 14 to the accompanying financial statements. The Company in accordance with the provisions of Art. 10 of Law 2941/2001 engaged an independent firm of appraisers to conduct a valuation of its fixed assets as of 31st December, 2000. The appraisal resulted in a surplus of approximately Euro 2.9 billion. Based on the above law, the results of the above appraisal will be reflected in the Company's books during its first fiscal year (1st January, 2001 to 31st December, 2002), following its transformation into a societe anonyme. The Company intends to reflect the results of the above appraisal in its books during the last quarter of the year 2002, upon completion of the process of upgrading its fixed assets register. Had the fixed assets been presented at appraised values, it is preliminarily estimated that depreciation for the six months ended 30th June, 2002 and 2001 and for the year ended 31st December, 2001 would have increased by approximately Euro 118 million, Euro 123 million and Euro 242 million, respectively, with an equal decrease of the profit before tax for the six months and the year ended as of the above dates.

ERNST & YOUNG

Athens, Greece
22nd November, 2002

INDEPENDENT AUDITORS' REPORT

To:
The Shareholders of Public Power Corporation S.A.

1. We have audited the accompanying consolidated balance sheet of Public Power Corporation S.A., a Greek corporation, and its subsidiaries (the "Company"), as of 31st December, 2002 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. Except as discussed in paragraph 4 below, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant judgments and estimates made by management, as well as an evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The Company supplies electricity to the beneficiaries of the Public Power Corporation Personnel Insurance Organization ("PIO") at reduced tariffs. As further explained in Note 14 to the accompanying financial statements the Company is in dispute with PIO as to who is responsible for bearing the cost of this benefit. During 2002, the Company determined and accounted for the present value of the above liability, which at 31st December, 2002, on an actuarially determined basis, amounted to approximately Euro 217 million, by setting a provision, as follows: (a) Euro 213 million representing the above liability as of 30th June, 2002, net of the related deferred tax asset, by directly recording it as a charge against equity and (b) Euro 4 million by a direct charge to the income statement. Although events giving rise to the liability discussed above occurred and were known to management subsequent to 31st December, 2001, the major part of the provision was recorded directly to equity rather than the income statement for the year ended 31st December, 2002, as the Company made use of the provisions of a special law that allows such accounting treatment. Had the Company recorded the total amount of the provision in the income statement, net income and earnings per share for the year ended 31st December, 2002, would be decreased by approximately Euro 138 million and Euro 0.60, respectively.

4. As further explained in Note 7 to the accompanying financial statements, the Company during 2002 proceeded with the further development and analysis of its fixed asset register. Such process has been substantially completed with the exception of the Distribution Network for which the development and analysis currently achieved by the Company, does not permit the verification of the fixed assets relating to the Distribution Network through a physical count, on a test basis.

5. In our opinion, except for the effect on the income statement for the year ended 31st December, 2002 of the accounting for the provision discussed in paragraph 3 above, and such adjustments, if any, as might have been disclosed had we been able to perform the audit tests and procedures necessary as discussed in paragraph 4 above, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Public Power Corporation S.A. and its subsidiaries as at 31st December, 2002 and the consolidated results of their operations and their cash flows for the year then ended, in accordance with International Financial Reporting Standards.

6. Without qualifying our report we draw attention to the following:

a. As further explained in Note 14 to the accompanying financial statements, the Company is in dispute with PIO as to who is responsible for bearing the cost for supplying energy to PIO beneficiaries at reduced tariffs. At 31st December, 2002, the Company claims from PIO the amount of Euro 38 million resulting from the supply of energy to PIO pensioners at reduced tariffs for the period from 1st January, 2000 to 31st December, 2002. Following the rejection of the above claim by PIO during the third quarter of 2002, the Company recorded to the income statement a provision of approximately Euro 18 million. The necessity and/ or adequacy of the above provision as well as of the provision of Euro 217 million, also referred to PIO, discussed in paragraph 3 above depends on the final outcome of the dispute with PIO.

b. As discussed in Note 7 to the accompanying financial statements. The Company in accordance with the provisions of Art. 10 of Law 2941/2001 engaged an independent firm of appraisers to conduct a valuation of its fixed assets as of 31st December, 2000. The appraisal resulted in a surplus of approximately Euro 2.5 billion. Based on the above law, the results of the above appraisal were reflected in the Company's books during its first fiscal year (1st January, 2001 to 31st December, 2002), following its transformation into a societe anonyme. For reporting purposes, under International Financial Reporting Standards, the Company recorded the appraisal results at 31st December, 2002. The future annual depreciation expense increase, as a result of the appraisal discussed above, is estimated to approximately Euro 225 million.

ERNST & YOUNG

Athens, Greece
22nd April, 2003

INDEPENDENT AUDITORS' REPORT

To:
The Shareholders of Public Power Corporation S.A.

1. We have audited the accompanying consolidated balance sheet of Public Power Corporation S.A., a Greek corporation, and its subsidiaries (the "Company"), as of 30th June, 2003 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six-month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant judgments and estimates made by management, as well as an evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Public Power Corporation S.A. and its subsidiaries as at 30th June, 2003 and the consolidated results of their operations and their cash flows for the six-month period then ended, in accordance with International Financial Reporting Standards.

4. Without qualifying our report we draw attention to Note 14 to the accompanying financial statements. The Company in accordance with the provisions of Art. 10 of Law 2941/2001 engaged an independent firm of appraisers to conduct a valuation of its fixed assets as of 31st December, 2000. The appraisal resulted in a surplus of approximately Euro 2.5 billion. Based on the above law, the results of the above appraisal were reflected in the Company's books during its first fiscal year (1st January, 2001 to 31st December, 2002), following its transformation into a *société anonyme*. For reporting purposes, under International Financial Reporting Standards, the Company recorded the appraisal results at 31st December, 2002. Had the fixed assets, for reporting purposes under International Financial Reporting Standards, been presented at appraised values at 1st January, 2001, it is preliminarily estimated that depreciation for the six months ended 30th June, 2002 would have increased by approximately Euro 118 million, with an equal decrease of the profit before tax for the six months ended as of the above date.

ERNST & YOUNG

Athens, Greece
30th September, 2003

PUBLIC POWER CORPORATION S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
31st DECEMBER, 1998, 1999, 2000, 2001 AND 2002 AND 30th JUNE, 2002 AND 2003
(Expressed in thousands of Euro)

		31st December,					30th June,	
ASSETS	**Note**	**1998***	**1999**	**2000**	**2001**	**2002**	**2002**	**2003**
Current Assets:								
Cash and cash equivalents	**6**	57,297	74,814	13,952	47,278	28,407	40,827	36,401
Marketable and other securities	**7**	47,616	58,500	60,463	27,328	12,567	20,930	14,627
Trade receivables, net	**8**	480,517	489,449	501,257	537,938	560,543	541,946	626,050
Other receivables, net	**9**	204,913	209,335	89,104	108,091	79,265	110,291	70,219
Materials, spare parts and supplies, net	**10**	489,318	577,458	568,681	560,009	558,433	559,625	541,204
PPC—Personnel Insurance Organisation, net	**21**	0	0	272,569	167,759	61,294	151,597	2,487
Derivative asset	**24**	0	0	0	0	8,740	9,182	10,346
Other current assets	**11**	20,349	30,866	51,601	6,016	6,166	8,208	9,187
Total current assets		1,300,010	1,440,422	1,557,627	1,454,419	1,315,415	1,442,606	1,310,521
Non-Current Assets:								
Investments in associates	**13**	0	0	875	2,298	29,240	11,882	19,880
Property, plant and equipment, net	**14**	4,871,307	5,245,743	5,783,486	6,247,492	8,987,619	6,376,714	8,965,432
Intangible assets, net	**15**	1,409	1,332	3,709	3,941	2,219	2,950	6,606
Deferred tax assets	**18**	81,467	89,667	94,958	96,283	138,300	184,589	154,188
Other non-current assets	**16**	97,984	88,144	64,534	21,825	13,448	16,051	13,394
Total non-current assets		5,052,167	5,424,886	5,947,562	6,371,839	9,170,826	6,592,186	9,159,500
Total assets		6,352,177	6,865,308	7,505,189	7,826,258	10,486,241	8,034,792	10,470,021
LIABILITIES AND EQUITY								
Current Liabilities:								
Trade and other payables	**17**	429,020	445,646	551,300	494,796	581,434	471,713	587,191
Dividends payable	**30**	2,732	5,077	0	0	99	74,955	116,074
Income tax payable		0	18,662	22,670	126,676	200,269	235,493	94,165
Accrued and other current liabilities	**19**	72,713	93,928	102,435	107,445	108,703	134,767	144,182
Derivative liability	**24**	0	0	0	69,382	80,543	56,673	70,910
Short-term borrowings	**22**	103,756	64,554	29,770	2,104	103,400	55,302	53,676
Current portion of long-term debt	**23**	788,481	728,877	583,478	426,406	749,595	862,433	639,981
Total current liabilities		1,396,702	1,356,744	1,289,653	1,226,809	1,824,043	1,891,336	1,706,179
Non-Current Liabilities:								
Long-term debt, net of current portion	**23**	3,476,916	3,875,536	4,511,968	4,411,777	3,377,534	3,704,762	3,362,696
Provisions	**20**	151,043	164,329	178,163	184,872	429,530	445,847	429,069
Deferred tax liability	**18**	80,613	90,550	101,520	105,177	28,413	110,289	40,090
Deferred customers' contributions and subsidies	**25**	883,175	937,444	971,272	1,102,597	1,195,147	1,144,293	1,226,810
Other non-current liabilities	**26**	326,346	338,835	332,719	332,690	344,434	343,140	355,561
Total non-current liabilities		4,918,093	5,406,694	6,095,642	6,137,113	5,375,058	5,748,331	5,414,226
Equity:								
Share capital	**27**	0	0	645,635	680,851	1,067,200	679,760	1,067,200
State contributions	**27**	113,858	113,858	0	0	0	0	0
Share premium	**27**	0	0	0	106,679	106,679	106,679	106,679
Legal reserve	**28**	0	0	0	0	11,127	0	11,127
Revaluation surplus	**14**	0	0	0	0	2,547,711	0	2,546,583
Reversal of fixed assets' statutory revaluation surplus included in share capital	**14,27**	0	0	(531,777)	(531,777)	(947,342)	(531,777)	(947,342)
Reserves	**29**	193,778	235,957	227,343	219,397	208,436	216,238	210,496
Retained earnings/ (accumulated deficit)		(270,254)	(247,945)	(221,307)	(12,814)	293,329	(75,775)	354,873
Total equity		37,382	101,870	119,894	462,336	3,287,140	395,125	3,349,616
Total liabilities and equity		6,352,177	6,865,308	7,505,189	7,826,258	10,486,241	8,034,792	10,470,021

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* **The balance sheet as at 31st December, 1998 does not reflect a substantial liability to employees and pensioners. This liability was assumed by the Greek State in accordance with the provisions of Law 2773/1999 enacted on 22nd December, 1999 (see note 21).**

Exchange rate used for the convenience translation of amounts for years up to 31st December, 2001: GRD 340.75 to Euro 1.00 (see note 5)

The accompanying notes are an integral part of these balance sheets.

PUBLIC POWER CORPORATION S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31st DECEMBER, 1998, 1999, 2000, 2001 AND 2002
AND FOR THE SIX MONTHS ENDED 30th JUNE, 2002 AND 2003
(Expressed in thousands of Euro—except per share data)

		31st December,					30th June,	
	Note	**1998***	**1999***	**2000**	**2001**	**2002**	**2002**	**2003**
REVENUES:								
Revenue from energy sales		2,465,092	2,632,587	2,835,759	3,052,957	3,318,430	1,600,762	1,775,976
Other		26,007	26,976	32,405	38,430	102,276	22,571	139,211
	32	2,491,099	2,659,563	2,868,164	3,091,387	3,420,706	1,623,333	1,915,187
EXPENSES:								
Payroll cost	**33**	637,673	680,373	684,948	731,034	767,445	390,620	433,498
Pension deficit	**21**	126,357	134,266	0	0	0	0	0
Lignite		377,001	382,125	407,031	398,539	405,998	195,279	255,915
Liquid fuel		304,596	321,444	485,632	435,090	456,392	205,009	218,984
Natural gas		53,326	111,915	274,717	314,163	272,650	134,222	133,240
Depreciation and amortization	**34**	157,004	177,928	214,354	216,032	243,552	118,822	215,230
Impairment loss		0	0	43,357	0	0	0	0
Utilities and maintenance		56,376	70,788	79,281	65,450	64,479	26,761	28,724
Materials and consumables		57,109	65,682	70,139	69,382	72,357	30,136	50,217
Transmission system usage	**2**	0	0	0	6,905	69,063	5,593	122,542
Energy purchases		46,597	17,180	31,322	122,988	149,345	76,258	64,210
Third party fees		10,175	12,860	18,098	24,890	15,668	5,930	9,130
Taxes and duties		13,526	14,603	15,375	21,092	22,516	10,904	12,227
Provision for risks		5,855	12,830	7,389	10,271	32,533	18,043	753
Provision for slow-moving materials		3,489	3,569	7,043	10,227	13,948	9,664	6,756
Allowance for doubtful balances	**8,9,21**	7,795	14,312	8,340	8,875	27,122	20,419	21,146
Other expenses	**35**	43,545	43,375	71,721	48,053	57,392	22,128	23,995
PROFIT FROM OPERATIONS		590,675	596,313	449,417	608,396	750,246	353,545	318,620
Financial expenses	**36**	(490,107)	(387,002)	(337,000)	(268,569)	(232,284)	(120,405)	(89,286)
Financial income		37,902	45,083	33,535	19,639	16,914	8,616	20,018
Loss from associates	**13**	0	0	0	0	0	0	(18,714)
Foreign currency gains/ (losses), net		(150,697)	(201,300)	(95,660)	7,686	43,434	16,957	47,823
Other income/ (expense), net	**37**	27,111	37,312	15,363	31,351	14,622	4,895	8,829
PROFIT BEFORE TAX		14,884	90,406	65,655	398,503	592,932	263,608	287,290
Income tax expense	**18**	(17,814)	(26,515)	(40,795)	(146,668)	(112,970)	(100,090)	(111,621)
PROFIT AFTER TAX		(2,930)	63,891	24,860	251,835	479,962	163,518	175,669
Earnings per share, basic and diluted (Euro)		(0.01)	0.29	0.11	1.14	2.07	0.70	0.76
Weighted average number of shares		220,000,000	220,000,000	220,000,000	220,657,534	232,000,000	232,000,000	232,000,000

* **The statements of income for the years ended 31st December, 1998 and 1999 do not reflect a provision for a substantial liability to employees and pensioners. This liability was assumed by the Greek State in accordance with the provisions of Law 2773/1999 enacted on 22nd December, 1999 (see note 21).**

Exchange rate used for the convenience translation of amounts for years up to 31st December, 2001: GRD 340.75 to Euro 1.00 (see note 5)

The accompanying notes are an integral part of these statements.

PUBLIC POWER CORPORATION S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31st DECEMBER, 1998, 1999, 2000, 2001 AND 2002 AND FOR THE SIX MONTHS ENDED 30th JUNE, 2003 (Expressed in thousands of Euro)

						Reserves				
	Share Capital	Share Premium	Legal Reserve	Revaluation Surplus	Reversal of Revaluation Gains	Marketable Securities Valuation Surplus	Tax Free and Other Reserves	Reserves Total	Retained Earnings/ (Accumulated Deficit)	Total Equity
Balance, 31st December, 1997	113,858	0	0	0	0	8,340	146,638	154,978	(237,828)	31,008
Net loss for the year	0	0	0	0	0	0	0	0	(2,930)	(2,930)
Dividends declared	0	0	0	0	0	0	0	0	(2,732)	(2,732)
Transfer to reserves	0	0	0	0	0	0	26,964	26,964	(26,964)	0
Transfer to taxes payable	0	0	0	0	0	0	(3,698)	(3,698)	0	(3,698)
Valuation of marketable securities	0	0	0	0	0	15,751	0	15,751	0	15,751
Other movements	0	0	0	0	0	0	(217)	(217)	200	(17)
Balance, 31st December, 1998	113,858	0	0	0	0	24,091	169,687	193,778	(270,254)	37,382
Net loss for the year	0	0	0	0	0	0	0	0	63,891	63,891
Dividends declared	0	0	0	0	0	0	0	0	(5,077)	(5,077)
Transfer to reserves	0	0	0	0	0	0	36,593	36,593	(36,593)	0
Valuation of marketable securities	0	0	0	0	0	5,784	0	5,784	0	5,784
Other movements	0	0	0	0	0	0	(198)	(198)	88	(110)
Balance, 31st December, 1999	113,858	0	0	0	0	29,875	206,082	235,957	(247,945)	101,870
Net income for the year	0	0	0	0	0	0	0	0	24,860	24,860
Establishment of share capital	531,777	0	0	0	(531,777)	0	0	0	0	0
Valuation of marketable securities	0	0	0	0	0	(6,911)	0	(6,911)	0	(6,911)
Other movements	0	0	0	0	0	0	(1,703)	(1,703)	1,778	75
Balance, 31st December, 2000	645,635	0	0	0	(531,777)	22,964	204,379	227,343	(221,307)	119,894
IAS 39 transition adjustment (note 4 and 24)	0	0	0	0	0	0	0	0	(43,545)	(43,545)
Net income for the year	0	0	0	0	0	0	0	0	251,835	251,835
Share capital increase	35,216	0	0	0	0	0	0	0	0	35,216
Share premium	0	106,679	0	0	0	0	0	0	0	106,679
Valuation of marketable securities	0	0	0	0	0	(7,946)	0	(7,946)	0	(7,946)
Other movements	0	0	0	0	0	0	0	0	203	203
Balance, 31st December, 2001	680,851	106,679	0	0	(531,777)	15,018	204,379	219,397	(12,814)	462,336
Differences from fixed asset register update (note 14)	0	0	0	0	0	0	0	0	36,222	36,222
Net income for the year	0	0	0	0	0	0	0	0	479,962	479,962
Translation of share capital to Euro	(1,091)	0	0	0	0	0	1,091	1,091	0	0
Share capital increase	387,440	0	0	0	(415,565)	0	(1,091)	(1,091)	29,216	0
Revaluation surplus	0	0	0	2,547,711	0	0	0	0	0	2,547,711
Transfer to reserves	0	0	11,127	0	0	0	1,652	1,652	(12,779)	0
Valuation of marketable securities	0	0	0	0	0	(12,613)	0	(12,613)	0	(12,613)
Interim Dividend	0	0	0	0	0	0	0	0	(88,160)	(88,160)
Provision for post retirement benefits	0	0	0	0	0	0	0	0	(138,318)	(138,318)
Balance, 31st December, 2002	1,067,200	106,679	11,127	2,547,711	(947,342)	2,405	206,031	208,436	293,329	3,287,140
Net income for the period	0	0	0	0	0	0	0	0	175,669	175,669
Valuation of marketable securities	0	0	0	0	0	2,060	0	2,060	0	2,060
Dividends declared	0	0	0	0	0	0	0	0	(116,000)	(116,000)
Revaluation surplus of fixed assets disposed transferred to retained earnings	0	0	0	(1,128)	0	0	0	0	1,128	0
Other	0	0	0	0	0	0	0	0	747	747
Balance, 30th June, 2003	1,067,200	106,679	11,127	2,546,583	(947,342)	4,465	206,031	210,496	354,873	3,349,616

Exchange rate used for the convenience translation of amounts for years up to 31st December, 2001: GRD 340.75 to Euro 1.00 (see note 5)

The accompanying notes are an integral part of these statements.

PUBLIC POWER CORPORATION S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30th JUNE, 2002
(Expressed in thousands of Euro)

	Share Capital	Share Premium	Legal Reserve	Revaluation Surplus	Reversal of Revaluation Gains	Reserves: Marketable Securities Valuation Surplus	Reserves: Tax Free and Other Reserves	Reserves Total	Retained Earnings/ (Accumulated Deficit)	Total Equity
Balance, 31st December, 2001	680,851	106,679	0	0	(531,777)	15,018	204,379	219,397	(12,814)	462,336
Net income for the period	0	0	0	0	0	0	0	0	163,518	163,518
Valuation of marketable securities	0	0	0	0	0	(4,250)	0	(4,250)	0	(4,250)
Provision for post retirement benefits, net of deferred taxes	0	0	0	0	0	0	0	0	(138,319)	(138,319)
Interim Dividend	0	0	0	0	0	0	0	0	(88,160)	(88,160)
Translation of share capital to Euro	(1,091)	0	0	0	0	0	1,091	1,091	0	0
Balance, 30th June, 2002	679,760	106,679	0	0	(531,777)	10,768	205,470	216,238	(75,775)	395,125

Exchange rate used for the convenience translation of amounts for years up to 31st December, 2001: GRD 340.75 to Euro 1.00 (see note 5)

The accompanying notes are an integral part of this statement.

PUBLIC POWER CORPORATION S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31st DECEMBER, 1998, 1999, 2000, 2001 AND 2002
AND FOR THE SIX MONTHS ENDED 30th JUNE, 2002 AND 2003
(Expressed in thousands of Euro)

	31st December,					30th June,	
	1998	1999	2000	2001	2002	2002	2003
Cash Flows from Operating Activities:							
Profit before tax	14,884	90,406	65,655	398,503	592,932	263,608	287,290
Adjustments to reconcile net income to net cash provided by operating activities:							
Depreciation and amortisation	248,922	277,655	323,724	346,817	367,949	181,411	313,764
Amortisation of customers' contributions and subsidies	(70,348)	(75,871)	(80,475)	(86,169)	(90,346)	(43,600)	(49,678)
Impairment loss	0	0	43,357	0	0	0	0
Fair value (gain)/loss of derivative instruments	0	0	0	6,665	2,421	(21,891)	(11,239)
Gain on sale of marketable securities and OAE bonds	(2,556)	(8,487)	0	(179)	(47)	0	0
Interest and other income	(23,143)	(25,993)	(16,097)	(7,947)	(16,025)	(1,347)	(10,081)
Provision for derivatives and foreign exchange differences	0	0	0	0	0	28,363	0
Sundry provisions	17,552	31,164	49,942	31,663	75,184	50,530	46,155
Unrealised foreign exchange differences on long-term debt	115,158	152,340	66,591	(14,084)	(24,897)	(11,724)	(41,950)
Unbilled revenue	(13,843)	(7,310)	(10,782)	(30,770)	(5,813)	6,496	(27,091)
Interest expense	463,067	359,046	315,286	252,710	204,212	105,861	84,236
Operating profit before working capital changes	749,693	792,950	757,201	897,209	1,105,570	557,707	591,406
(Increase)/Decrease in:							
Accounts receivable, trade and other	(12,918)	(20,361)	90,142	(46,668)	8,768	(21,979)	(30,614)
Other current assets	(3,190)	(12,493)	(22,624)	43,621	(150)	(1,663)	(3,021)
PPC-Personnel Insurance Organization	0	0	(272,569)	104,810	88,857	161	38,905
Materials, spare parts and supplies	(33,669)	(82,700)	11,956	5,910	3,781	(5,630)	15,524
Other non-current assets	(2,028)	(1,517)	(305)	341	5,563	4,371	6
Increase/(Decrease) in:							
Accounts payable	(11,701)	16,211	105,811	(43,883)	80,489	(18,044)	5,757
Other long-term liabilities	13,453	12,490	(6,119)	(5,881)	9,493	9,819	11,127
Accrued liabilities excluding bank loan interest	6,087	13,400	21,561	18,354	3,779	24,660	32,037
Income taxes paid	(12,640)	(6,116)	(31,108)	(40,332)	(5,250)	0	(215,686)
Other Taxes paid	(3,698)	0	0	0	0	0	0
Net Cash from Operating Activities	689,389	711,864	653,946	933,481	1,300,900	549,402	445,441
Cash Flows from Investing Activities:							
Interest received	20,927	27,968	17,987	10,277	16,025	1,347	4,853
Capital expenditure for fixed assets and software	(714,239)	(661,373)	(917,881)	(822,656)	(626,206)	(314,162)	(301,247)
Disposal of fixed assets and software	161	358	461	4,135	9,108	44	232
Proceeds from customers' contributions and subsidies	128,795	130,131	114,315	217,494	182,896	85,295	81,341
Proceeds from OAE bonds	11,093	13,502	18,433	65,001	2,148	2,101	0
Proceeds from sale of marketable and other securities	3,577	9,787	29	0	0	0	0
Acquisition of marketable securities	0	(1,473)	0	0	0	0	0
Investments	0	0	(874)	(1,423)	(26,942)	(9,584)	(9,354)
Net Cash used in Investing Activities	(549,686)	(481,100)	(767,530)	(527,172)	(442,971)	(234,959)	(224,175)
Cash Flows from Financing Activities:							
Net change in short-term borrowings	(2,729)	(39,202)	(34,785)	(27,665)	101,296	53,199	(49,724)
Proceeds from long-term debt	1,135,375	1,021,793	1,153,605	474,574	181,332	7,140	287,493
Principal payments of long-term debt	(808,361)	(834,694)	(729,326)	(698,715)	(867,489)	(266,241)	(369,996)
Proceeds from issuance of new shares	0	0	0	141,895	0	0	0
Financing fees	(3,733)	(11,325)	(6,644)	0	0	0	(1,098)
Interest paid	(455,660)	(346,982)	(325,127)	(263,275)	(203,878)	(101,797)	(79,696)
Dividends paid	(5,189)	(2,732)	(5,077)	0	(88,061)	(13,205)	(25)
Other	(17)	(105)	76	203	0	10	(226)
Net Cash from/(used in) Financing Activities	(140,314)	(213,247)	52,722	(372,983)	(876,800)	(320,894)	(213,272)
Net increase/(decrease) in cash and cash equivalents	(611)	17,517	(60,862)	33,326	(18,871)	(6,451)	7,994
Cash and cash equivalents at beginning of period/year	57,908	57,297	74,814	13,952	47,278	47,278	28,407
Cash and cash equivalents at end of period/year (note 6)	57,297	74,814	13,952	47,278	28,407	40,827	36,401

Exchange rate used for the convenience translation of amounts for years up to 31st December, 2001: GRD 340.75 to Euro 1.00 (see note 5)

The accompanying notes are an integral part of these statements.

1. COMPANY'S FORMATION AND OPERATIONS

Public Power Corporation ("PPC" or "the Company") was established in 1950 for an unlimited duration as a corporation for electricity generation, transmission and distribution throughout Greece. In 1999, the Hellenic Republic enacted Law 2773/1999 ("the Liberalisation Law"), which provided for, among other provisions, the transformation of PPC into a *société anonyme*. PPC's transformation to a *société anonyme* became effective on 1st January, 2001, by virtue of the Presidential Decree 333/2000. Its first fiscal year as a *société anonyme* was the twenty-four month period from 1st January, 2001 to 31st December, 2002. Effective December 2001, the Company's shares were listed on the Athens Exchange.

PPC headquarters are located at 30 Chalkokondili Street, Athens, 104 32 Greece. The Company's employees at 31st December, 1998, 1999, 2000, 2001 and 2002, and at 30th June, 2002, and 30th June, 2003 totalled approximately 33,500, 32,900, 31,600, 29,500, 28,800, 29,000 and 28,400, respectively, excluding employees engaged in HTSO and PIO.

As an integrated electric utility, the Company generates electricity in its own 95 power generating stations, facilitates the transmission of electricity through approximately 11,150 kilometres of high voltage power lines and distributes electricity to consumers through approximately 202,000 kilometres of distribution network. Lignite for the Company's lignite-fired power stations is extracted from its lignite mines. The Company has also constructed 1,530 kilometres of fiber optic network along its transmission lines (note 31(b)).

2. LEGAL FRAMEWORK

Until the enactment of Law 2773/1999, referred to as the Liberalisation Law, the Company operated as a wholly owned state utility whose objective was to develop the country's energy resources and to provide low cost electricity to support the development of the Greek economy. In 1999, the Hellenic Republic enacted the Liberalisation Law, which incorporated the provisions of Directive 96/92 of the European Parliament and of the Council of the European Union into Greek legislation and which liberalised the Greek electricity market. The Liberalisation Law provided for, among other provisions, the transformation of PPC into a *société anonyme* to enable the Company to adopt commercial objectives. PPC's transformation to a *société anonyme* became effective on 1st January, 2001, by virtue of the Presidential Decree 333/2000. In August 2003, Law 3175/2003 (an amendment of Law 2773/1999) was introduced taking into consideration the new Electricity Directive 2003/54.

The main provisions of Law 2773/1999 and Law 3175/2003 are the following:

- The establishment of the Regulatory Authority for Energy ("RAE"), with the function of monitoring the operation of all sectors of the Greek energy market. RAE became operational on 1st July, 2000.
- Competition in power generation and supply will be introduced through the granting of generating and supply licenses, in respect of the main interconnected system.
- The incorporation of the Hellenic Transmission System Operator ("HTSO") for providing access to the interconnected transmission system to all generators, suppliers and directly-connected customers, to manage the scheduling and dispatch, settle imbalances and maintain the stability and security of the interconnected transmission system.
- There will be a tender process by HTSO for generation capacity contracts in order to secure the availability of sufficient capacity and adequate reserve margins on a long-term basis. Initially the maximum volume of generation capacity contracts is designated for up to a total of 900 MW and relates to capacity from new power stations to be commissioned up to 1st July, 2007. PPC may participate for up to 50% of additional tenders, for additional capacity of up to 400 MW, which may be made during the same period. PPC may participate on equal terms in tenders for capacity above 1,300 MW (future tenders) and for units commissioned after 1st July, 2007.
- Under Law 3175/2003 a generation authorisation of a total capacity of 1,600 MW is granted to PPC for the renewal and replacement of older units' capacity. After their replacement such units remain in cold

2. LEGAL FRAMEWORK—(continued)

reserve and their management is conducted in compliance with the Grid Code and is undertaken by the HTSO on the basis of contracts concluded between HTSO and PPC, exclusively for the provision by HTSO of ancillary services and reserve power.

- Ownership of the national grid ("transmission system" and "distribution network") remains and will continue to remain exclusively with PPC. PPC is entitled to use the system, for other, non-electricity related purposes (such as telecommunications) and subject to obtaining any necessary licenses.
- PPC is entitled to operate and exploit the distribution network.
- Supply of energy to Eligible Customers and, as regards PPC, to Non-Eligible Customers, is permitted to the holders of a supply license.
- Effective 19th February, 2001, with the exception of non-interconnected islands, consumers with an annual consumption of more than 100 GWh per point of consumption (eligible customers) are allowed to conclude supply contracts with energy suppliers on the basis of private agreements and as defined in RAE's decisions issued on the basis of certain criteria set out in decisions of the Minister of Development.
- A Ministerial Decision established that the market comprising all high or medium voltage electricity users has been opened to competition from 19th February, 2001. Effective 1st July, 2004, all non-household consumers and effective 1st July, 2007 all consumers will be included in the definition of eligible customers. PPC will be supplying the non-interconnected islands' consumers who are considered as non-eligible customers.
- Under Article 34, an independent legal entity, the "Public Power Corporation Personnel Insurance Organization" ("PIO"), was established, which operates separately from PPC. PPC pays solely to PIO all employer and employee social contributions, with any eventual pension and health insurance shortfall being funded by the State Budget (note 21).
- The Greek State is not permitted to hold less than 51% of the voting shares of PPC after any increase in its share capital (note 27).

Hellenic Electricity Transmission System Operator S.A. ("HTSO"): Law 2773/1999 (as amended by Law 3175/2003) provided for the establishment of the System Operator, a *société anonyme* operating under the rules of private economy and subject to the provisions of Law 2190/1920. Presidential Decree 328/7.12.00 through which the HTSO was officially incorporated on 12th December, 2000, announced its Articles of Incorporation, which among others, specified the following:

1. PPC has the exclusive ownership rights of the transmission system together with its future extensions and the obligation to implement its development according to the planning of the HTSO, as well as to maintain it and ensure its operation and technical integration.
2. The HTSO shall operate, exploit, ensure the maintenance and plan the development of the transmission system throughout the mainland, as well as of its interconnections with other networks in accordance with the Grid Code, in order to ensure that the country's energy supply is achieved in a sufficient, secure, economically efficient and reliable manner. HTSO also programs the infusions and absorptions of power to and from the system and handles payments and charges for the above infusions and absorptions of electrical power.
3. The share capital of the HTSO is set at GRD 100 million (Euro 293). The Greek State must always own at least 51% of the share capital. Generation license holders connected to the transmission system, including PPC, may own the remaining 49% in proportion to their generating capacity connected to the transmission system.
4. Matters corresponding to terms and conditions of the employment of PPC personnel by the HTSO by way of seconded staff shall be regulated by a contract between PPC and the HTSO. The HTSO will compensate PPC for the respective costs.

2. LEGAL FRAMEWORK—(continued)

5. For the operation of the transmission system by HTSO (item (2) above), HTSO will compensate PPC.
6. PPC is entitled to use the transmission system, as its exclusive owner, for other, non-energy related, purposes (such as telecommunications, subject to obtaining any necessary licenses).

In January 2001 PPC paid Euro 144 to the HTSO (note 13) for its participation in 49% of its initial share capital. In February 2001, PPC and HTSO entered into an agreement as described under item (4) above. At 30th June, 2003, 163 PPC employees have been transferred to the HTSO. These employees remain on PPC's payroll. Under the terms of such agreement, PPC shall be reimbursed for all payroll and other benefits as well as the employer's contributions, plus a percentage reflecting any other type of indirect cost relating to the administrative support services of such employees. The above percentage has been initially set at 6%.

PPC and HTSO, in May 2001, entered into another agreement as described under item (5) above which was also approved by RAE and the Ministry of Development. As specified in the agreement, Law 27731/99 and the Grid Code, the calculation of the compensation fee will incorporate PPC's budgeted, direct and indirect transmission costs, depreciation of assets, and a return on PPC's invested capital in the transmission system.

In the year 2001 and in the six months ended 30th June, 2002, PPC invoiced HTSO Euro 5,295 and Euro 4,736, respectively, included in revenues in the accompanying statement of income (note 32) and HTSO invoiced PPC Euro 6,905 and Euro 5,593, respectively, included in fees for the access to and the operation of the transmission system in the accompanying statement of income.

During the second half of 2002, the above agreements came into full effect and as a result, in 2002:

- PPC, invoiced HTSO Euro 66,217, included in revenues in the accompanying statements of income (note 32), of which Euro 51,844 relates to the compensation fee for the use of the transmission system and Euro 9,503 reflected the fee under item (4) above. The remaining relates to other services (ancillary services, reserve capacity etc.).
- HTSO, invoiced PPC Euro 78,755, of which Euro 69,063, included in fees for the usage of the transmission system in the accompanying statement of income, reflect services related to the access to and the operation of the transmission system, and, Euro 9,692, included in energy purchases in the accompanying statement of income, relates to other services rendered to PPC by HTSO.

In the six-months period ended 30th June, 2003:

- PPC, invoiced HTSO Euro 118,654, included in revenues in the accompanying statement of income (note 32), of which Euro 103,689 relates to the compensation fee for the use of the transmission system and Euro 4,674 reflected the fee under item (4) above. The remaining relates to other services (ancillary services, reserve capacity etc.).
- HTSO, invoiced PPC Euro 148,378, of which Euro 122,542 included in fees for the usage of the transmission system in the accompanying statement of income, reflect services related to the access to and the operation of the transmission system and, Euro 25,836, included in energy purchases in the accompanying statement of income, relates to other services rendered to PPC by HTSO.

At 31st December, 2001 and 2002 and at 30th June, 2003, the Company had an outstanding net payable to HTSO, from all the above transactions of Euro 77, Euro 4,318 and Euro 5,868, respectively (note 17), while at 30th June, 2002 the Company had an outstanding net receivable of Euro 404 (note 9)

Public Service Obligations: As the largest generator, sole transmitter and currently the sole distributor of electricity in Greece, the Company, is subject to public service obligations that affect its costs, and which may not be imposed on prospective competitors. In November 2001 the Minister of National Economy has indicated the Hellenic Republic's intention to compensate the Company for some of the costs related to public service obligations. These payments are subject to compliance by the Hellenic Republic with Greek and European Union law.

2. LEGAL FRAMEWORK—(continued)

Stranded Costs: In October 2002 the European Commission approved the Greek State's application to allow compensation to PPC in respect of stranded costs without considering such compensation as a state aid. The compensation amounts to up to Euro 1,430 million and covers investments relating to investments made for the construction of non-competitive power stations, investments outside the Company's usual scope of business and a contract with one of the Company's high voltage customers. The payment of any amount is subject to the final decision of the Greek State. Presently, no decision has been made by the Greek State as to the payment of any amount or the way the compensation will be materialised or the timing of any such compensation payments and accordingly, no amounts have been accounted for in the accompanying financial statements.

3. BASIS OF PRESENTATION

(a) ***Basis of preparation of Financial Statements:*** The accompanying financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and liabilities to fair value and assuming the Company will continue as a going concern. With the exception of the matters discussed in note 20 and note 38, they comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB. No IFRSs have been adopted in advance of their effective dates. The accompanying financial statements have been based on the statutory financial statements, appropriately adjusted and reclassified by certain out-of-book memorandum adjustments for conformity with the standards prescribed by the IASB.

(b) ***Statutory Accounting:*** The Company used to maintain its accounting records and prepared its financial statements for regulatory purposes largely in accordance with Greek Corporate Law 2190/1920 and the applicable tax legislation, except that no reserves were established for asset write downs, for certain liabilities and provisions. Based on Law 2941/12.9.2001, management proceeded in the full adoption of accounting standards provided by the Greek Corporate Law and the Greek National Chart of Accounts and reissued financial statements under Greek GAAP for fiscal years 1998 through 2000. Under the provisions of Law 2941/12.9.2001, all adjustments deemed necessary for the full adoption of Greek GAAP were recorded in a separate account in shareholders' equity. The Company's first fiscal year was concluded at the end of the year succeeding its transformation into a *société anonyme* (1st January, 2001 to 31st December, 2002), in accordance with its Articles of Incorporation.

(c) ***Conversion of statutory financial statements to IFRS:*** According to Law 2992/2002, companies listed on the Athens Exchange are required to prepare their statutory financial statements from fiscal years ending 31st December, 2004 onwards, in accordance with IFRS.

(d) ***Approval of Financial Statements:*** The Board of Directors approved the Company's statutory financial statements for the six months ended 30th June, 2003, on 28th August, 2003 and the financial statements prepared under IFRS as of the same date on 30th September, 2003.

(e) ***Use of Estimates:*** The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies used in the preparation of the accompanying financial statements, which are consistently applied by the Company, are as follows:

(a) ***Basis of Consolidation:*** The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries (companies in which PPC directly or indirectly has an interest of more than one half of the voting rights or otherwise has power to exercise control over their

4. PRINCIPAL ACCOUNTING POLICIES—(continued)

operations) have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. All significant inter-company balances and transactions have been eliminated. Where necessary, accounting policies for subsidiaries have been revised to ensure consistency with the policies adopted by the Company.

(b) Investments in associates: The Company's investments in its associates are accounted for under the equity method of accounting. These are entities in which the Company has significant influence and which are neither a subsidiary nor a joint venture of the Company. The investments in associates are carried on the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment value. The statement of income reflects the Company's share of the results of operations of the associates.

(c) Foreign Currency Translation: The Company's measurement currency as well as reporting currency until 31st December, 2001 was the Greek Drachmae and since 1st January, 2002 is the Euro. Transactions involving other currencies are converted into Greek Drachmae/ Euro using the exchange rates, which were in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities that are denominated in other currencies are adjusted to reflect the current exchange rates. Gains or losses resulting from foreign currency adjustments are reflected in foreign currency gains (losses), net, in the accompanying statements of income. Effective 1st January, 2001 Greece joined the Economic and Monetary Union (E.M.U.) and accordingly, the rate for the Greek Drachmae against the Euro was fixed at GRD 340.75: Euro 1.00. Effective 1st January, 2002, the official currency for all E.M.U. Member States is the Euro. Accordingly, as of 1st January, 2002, the Company's measurement as well as reporting currency is the Euro.

(d) Financial Instruments: Financial assets and liabilities, carried on the balance sheet, include cash, cash equivalents, receivables, securities, current liabilities, long-term debt and derivative financial instruments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies included in this note. Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the related contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as assets or liabilities are reported as income or expense, respectively. Distributions to shareholders are debited directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

(i) Fair Value: The carrying amounts reflected in the accompanying balance sheets for cash and cash equivalents, receivables, and current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of marketable securities are based on their quoted market prices at the balance sheet date. The fair values of long-term debt are as described in note 23. The fair values of derivative instruments are based upon marked to market valuations (discounted cash flow analysis). For all swap agreements, the fair values are confirmed to the Company by the financial institutions through which the Company has entered into these contracts.

(ii) Credit Risk: The Company has no significant concentrations of credit risk with any single counter party. The maximum exposure to credit risk is represented by the carrying amount of each asset, including derivative financial instruments, in the balance sheet. With respect to derivative instruments, the Company monitors its positions, the credit ratings of counter parties and the level of contracts it enters into with any counter party. The counter parties to these contracts are major financial and other institutions. The Company has a policy of entering into contracts with parties that are well qualified and, given the high level of credit quality of its derivative counter parties, the Company does not believe it is necessary to enter into collateral arrangements.

(iii) Interest Rate and Foreign Currency Risk: With respect to its long-term debt, the management of the Company closely monitors the fluctuations in foreign currency exchange and in interest

4. PRINCIPAL ACCOUNTING POLICIES—(continued)

rates and evaluates the need to enter into any financial instruments to mitigate those risks, on an ongoing basis. In this respect, the Company enters into interest rate and currency swap contracts to reduce the exposure to interest rate and currency fluctuations.

Up to 31st December, 2000 interest rate swaps were accounted for as cash flow type hedges of designated long-term debt on an accrual basis, as the interest rate swaps held were expected by the Company to be highly effective in achieving offsetting changes in the cash flows attributable to the hedged item. The interest payable and interest receivable under the swap is accrued and recorded as an adjustment to the interest expense of the designated long-term debt. Up to 31st December, 2000 currency swaps were not recognised as assets and liabilities in the accompanying financial statements.

Effective 1st January, 2001 in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", such instruments are measured at fair value and recognised as assets or liabilities in the accompanying financial statements. The resulting transition adjustment has been included in equity as an adjustment to the opening balance of accumulated deficit.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective are recognised in equity. Where a hedged forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the income statement. Certain derivative transactions, while providing effective economic hedges under the Company's risk management policies, do not qualify for hedge accounting under IAS 39, hence gains and losses are immediately recognised in the statement of income.

(iv) ***Market Risk:*** The Company has not entered into any hedging transactions to cover its exposure to price movements arising from the purchase of natural gas and liquid fuel.

(e) ***Property, Plant and Equipment:*** Property, plant and equipment are stated at acquisition cost less accumulated depreciation. Assets constructed by PPC are added to property, plant and equipment at cost, which includes direct technical payroll costs related to construction (inclusive of related employer contributions) and applicable general overhead costs. Effective 2002, (note 14), for all assets retired or sold, cost and related depreciation is removed from the accounts at the time of sale or retirement, and any gain or loss is included in the income statement. Effective 31st December, 2002, property, plant and equipment (with the exception of mines and lakes) are stated at revalued amounts being at their estimated current market values at 31st December, 2000 as determined by independent appraisers, less accumulated depreciation. Independent valuations will be performed once every three to five years. Any increase in the fixed asset's valuation is credited to the revaluation surplus; any decrease is first offset against an increase on earlier valuation in respect of the same fixed asset and is thereafter charged to the income statement. Upon the disposal of revalued property, plant and equipment, the relevant portion of the revaluation surplus realised in respect of previous valuation is released from the revaluation surplus directly to retained earnings. Subsequent expenditures are capitalised when they appreciably extend the life, increase the earning capacity or improve the efficiency of property, plant and equipment. Repairs and maintenance are charged to expenses as incurred.

4. PRINCIPAL ACCOUNTING POLICIES—(continued)

(f) ***Depreciation:*** Depreciation is calculated on a straight-line basis over the average estimated useful economic life of the assets using the following rates:

Buildings and Civil Works:		**Transmission**	
Hydro power plants	2%	Lines	3%
Buildings of general use	5%	Substations	4%
Industrial buildings	8%		
Machinery and Equipment:		**Distribution:**	
Thermal power plants	4%	Substations	6%
Mines	5%	Low voltage distribution network	6%
Hydro power plants	2%	Medium voltage distribution network	5%
Autonomous diesel power plants	8%	**Transportation assets**	15% to 20%
Other	12%	**Furniture, fixtures and equipment**	20% to 30%

(g) ***Lignite Mining Activities:*** PPC owns and operates open-pit lignite mines. Land acquisition (mainly through expropriation) and initial (pre-production) development costs relating to mines are capitalised and amortised over the shorter of the life of the mine and 20 years. Exploration and ongoing (post-production) development costs are charged to the cost of lignite production as incurred. A provision for land restoration is established for the Company's estimated present obligation for restoration and is calculated based on the surface disturbed to date and the average cost of restoration per metric unit. It is accounted for on an accrual basis and is included in provisions (note 20).

(h) ***Borrowing Costs:*** The Company follows the benchmark treatment provided in IAS 23 under which borrowing costs are recognised as an expense in the period in which they are incurred regardless of how borrowing proceeds are applied.

(i) ***Impairment of Assets:*** The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Whenever the carrying value of an asset exceeds its recoverable amount an impairment loss is recognised in the statement of income. The recoverable amount is measured as the higher of net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental disposal costs, while value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

(j) ***Customers' Contributions and Subsidies for Fixed Assets:*** PPC's customers are required to participate in the initial network connection cost (metering devices, substations, network connections etc.) or other type of infrastructure. In addition, PPC obtains subsidies from the Hellenic Republic and from the European Union (through the investment budget of the Hellenic Republic) in order to fund specific projects executed through a specific time period. Customers' contributions and subsidies are recorded upon collection and are reflected as deferred income (customers' contributions and subsidies) in the accompanying balance sheets. Amortisation is accounted for in accordance with the useful life of the related assets, and is included in depreciation and amortisation in the accompanying statements of income (notes 25 and 34).

(k) ***Intangible Assets:*** Intangible assets represent costs of purchased or self-generated software such as payroll, materials and services used and any other expenditure incurred in developing computer software and bringing the software into its intended use. Software costs are amortised on a straight-line basis over a period of three years. Amortisation is included in depreciation and amortisation in the accompanying statements of income (notes 15 and 34).

(l) ***Cash and Cash Equivalents:*** The Company considers time deposits and other highly liquid investments with original maturity of three months or less, to be cash equivalents. The adoption of IAS 39, which became effective on 1st January, 2001, did not result in any transition adjustment as to the recognition and measurement of cash and cash equivalents.

4. PRINCIPAL ACCOUNTING POLICIES—(continued)

(m) ***Marketable Securities:*** The Company has investments in equity securities that are traded on the Athens Exchange. Up to 31st December, 2000, these investments were classified as current as they are not generally intended to be retained on a long-term basis and are carried at their market value (based on the quoted market price at each balance sheet date) in accordance with IAS 25 "Accounting for Investments". The difference in the market values was recorded directly as a separate component of equity, in case of an increase in carrying amounts, and as an expense in case of a decrease in carrying amounts to the extent that is not covered by a surplus previously recorded in equity. Investments in OAE bonds were carried at cost (notes 7 and 16) plus accrued interest income (note 11).

Effective 1st January, 2001, in accordance with IAS 39, these investments, excluding OAE bonds, are classified as available-for-sale and carried in the balance sheet at fair value. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted bid prices at the close of business on the balance sheet date. Any unrealised gains or losses are recognised directly in equity. When the investment is sold, collected or otherwise disposed of, or when the carrying amount of the investment is impaired, the cumulative gain or loss recognised in equity is transferred to the income statement. Effective 1st January, 2001, in accordance with IAS 39, OAE bonds were classified as held to maturity and carried at amortised cost. At 31st December, 2001 OAE bonds were reclassified to available-for-sale and measured at fair value, with changes in fair value included in equity. As at 30th June, 2002 there were no outstanding OAE bonds. The adoption of IAS 39 did not result in any transition adjustment as to the recognition and measurement of marketable securities.

(n) ***Accounts Receivable:*** Accounts receivable, are stated at their face value, net of any provisions for non-collectible balances. The adoption of IAS 39, which became effective 1st January, 2001, did not result in any transition adjustment as to the recognition and measurement of accounts receivable.

(o) ***Provisions and Contingencies:*** Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle this obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the present value of the expenditure expected to be required to settle the obligation. Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

(p) ***Income Taxes (Current and Deferred):*** Current and deferred income taxes are computed based on the stand alone financial statements of each of the entities included in the consolidated financial statements, in accordance with the tax rules in force in Greece. Income tax expense consists of income taxes for the current year based on the Company's profits as adjusted in its tax returns, using current tax rates. Deferred income taxes are provided using the balance sheet liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. No deferred tax asset is recorded if it is not probable that the related tax benefit will be realised. For transactions recognised directly in equity, any related tax effects are also recognised directly in equity. Computation is made using the enacted tax rates. Temporary differences giving effect to such taxes are explained in note 18.

(q) ***Revenue recognition:*** Revenue from all types of customers is accounted for on an accrual basis. At each balance sheet date, unbilled revenue is recorded to account for electricity delivered and consumed by customers but not yet billed (note 8).

(r) ***Materials and Consumables:*** Materials and consumables principally relate to power plant, transmission and distribution network maintenance and are stated at the lower of cost or net realisable value, the cost being determined using the weighted average method. These materials are recorded in inventory when purchased and then are expensed or capitalised to plant, as appropriate, when installed. A provision for slow moving materials is accounted for in the accompanying financial statements (note 10).

4. PRINCIPAL ACCOUNTING POLICIES—(continued)

(s) Lignite: Lignite mainly consists of the production cost of lignite, extracted from PPC's own mines. All costs incurred for the extraction of lignite are treated as production costs. Consumption of lignite is separately reflected in operating expenses in the accompanying statements of income. Management believes that lignite reserves are adequate to cover the current and anticipated levels of supply for energy generation by lignite-fired thermal power stations for many years.

(t) Liquid Fuel: Liquid fuel is generally purchased from, a State controlled oil company, Hellenic Petroleum S.A., under a contract, which expires in December 2004. Payments are made in U.S. Dollars. PPC has the right to purchase from other suppliers as well. Liquid fuel is stated at the lower of cost or net realisable value. The cost of liquid fuel reflects purchase price plus any taxes (other than VAT), levies and other costs necessary to bring it to its present location and condition and is determined using the weighted average method for the period. Liquid fuel costs are expensed as consumed and are separately reflected in the accompanying statements of income. Effective 1st January, 2001, and following the requirements of IAS 39, the above contract is not accounted for as a derivative as it is a normal purchase contract which is intended to be settled by the Company by taking delivery in the normal course of business, and for which the Company does not intend to settle net.

(u) Natural Gas: Natural gas is purchased from a State owned company, Public Natural Gas Supply S.A. ("DEPA") under a contract expiring in 2016. Prices are mainly dependent on the current market prices of heavy oil, gas oil and certain types of crude oil. To a lesser extent they depend on national and international financial indices. Payments are made in local currency. Natural gas fuel is expensed as purchased and consumed, as the Company does not own any storage facilities. Consumption of natural gas is separately reflected in the accompanying statements of income. Effective 1st January, 2001, and following the requirements of IAS 39, the above contract is not accounted for as a derivative as it is a normal executory contract which is intended to be settled by the Company by taking delivery in the normal course of business, and for which the Company does not intend to settle net.

(v) Electricity: Electricity is periodically purchased under short-term contracts. Electricity costs are expensed as purchased and are separately reflected in the accompanying statements of income. Effective 1st January, 2001, and following the requirements of IAS 39, the above contracts are not accounted for as derivatives as they are normal executory contracts which are intended to be settled by the Company by taking delivery in the normal course of business, and for which the Company does not intend to settle net. However, purchases of electricity denominated in U.S. dollars are accounted for as derivative financial instruments since (a) their value changes in response to changes in foreign exchange, (b) there is no initial net investment, (c) are settled at a future date and (d) are denominated in a currency which is neither the functional currency of the Company nor the currency in which electricity is internationally traded. They are classified as held-for-trading and are measured and carried at fair value with changes in fair value included in the statement of income.

(w) Segment information: Prior to 2001, the Company managed its operations on an integrated utility basis. As a result of the implementation of the Electricity Directive and as part of its transformation into a *société anonyme*, discussed in note 2 above, the Company has adopted a new organisational and management structure, which reflects its core business, and effective 1st January, 2002, the Company presents segment information for its core business segments (note 38).

(x) Earnings per Share: Basic earnings per share are computed by dividing net income by the weighted average number of shares outstanding during each period. There were no dilutive securities outstanding during the periods presented. All share and per share amounts have been adjusted to give retrospective effect to the establishment of the Company's share capital discussed in note 27.

(y) Retirement benefit plans: As explained in more detail in note 21, the PPC Personnel Insurance Organization, which was established in 1st January, 2000, substitutes PPC in all insurance obligations towards its employees and pensioners. As a result, as far as PPC is concerned this is a defined contribution scheme. The Company recognises as an expense the contribution payable to the defined contribution plan in exchange for the service that the employee has rendered to the Company during a period and as a liability to the extent that this has not been paid during the period.

5. TRANSLATIONS OF GREEK DRACHMAE AMOUNTS TO EURO

As further explained in note 4(c), effective 1st January, 2002, the Company's measurement as well as reporting currency is the Euro. The translation of the accompanying financial statements as at 31st December, 1998, 1999, 2000 and 2001 from Greek Drachmae into Euro is included solely for the convenience of the reader, using the locked euro-zone exchange rate of GRD 340.75 to Euro 1.00. The convenience translation should not be construed as representation that the Greek Drachmae amounts have been, or could in the future be, converted into Euro at this or any other rate of exchange.

6. CASH AND CASH EQUIVALENTS

	31st December,				
	1998	1999	2000	2001	2002
Cash in hand	1,623	1,054	2,603	3,278	2,659
Cash at banks	28,325	31,738	4,543	31,325	16,042
Bank of Crete (note 17)	6,806	6,806	6,806	6,806	6,806
Time deposits	20,543	35,216	0	5,869	2,900
	57,297	74,814	13,952	47,278	28,407

	30th June,	
	2002	2003
Cash in hand	3,328	2,740
Cash at banks	27,593	24,205
Bank of Crete (note 17)	6,806	6,806
Time deposits	3,100	2,650
	40,827	36,401

Interest earned on cash at banks and time deposits is accounted for on an accrual basis and amounted to Euro 12,273, Euro 16,799, Euro 10,577, Euro 5,277, Euro 2,240, Euro 1,347 and Euro 282 for the years 1998, 1999, 2000, 2001 and 2002, and for the six months ended 30th June, 2002 and 2003, respectively, and is included in financial income in the accompanying statements of income.

7. MARKETABLE AND OTHER SECURITIES

	31st December,				
	1998	1999	2000	2001	2002
Equity securities:					
—Chalkis Cement S.A.	5,675	5,675	5,675	0	0
—Heracles Cement S.A.	0	0	0	6,967	3,245
—National Bank of Greece	20,188	34,121	27,210	17,972	9,081
—Bank of Greece	518	0	0	0	0
—Titan S.A.	7,445	0	0	0	0
—Evetam	258	241	241	241	241
	34,084	40,037	33,126	25,180	12,567
OAE bonds (note 16)	13,503	18,433	27,337	2,148	0
Other	29	30	0	0	0
	47,616	58,500	60,463	27,328	12,567

	30th June,	
	2002	2003
Equity securities:		
—Heracles Cement S.A.	6,200	3,480
—National Bank of Greece	14,489	10,906
—Evetam	241	241
	20,930	14,627

Chalkis Cement S.A. ("Chalkis") was a company listed on the Athens Exchange. The trading of Chalkis's shares was suspended in 1991 and was accounted for at cost. Following Chalkis's absorption by Heracles Cement Co. ("Heracles"—listed on the Athens Exchange) the Chalkis shares were exchanged for Heracles's shares in June 2001.

At 31st December, 1998 the cost of all the above securities was Euro 9,993 while at 31st December, 1999, 2000, 2001 and 2002 and at 30th June, 2002 and 2003 was Euro 10,162.

Proceeds from sale of equity securities in the years 1998 and 1999 totalled Euro 3,577 and Euro 9,787, respectively, while the respective resulting gain totalled Euro 2,556 and Euro 8,487 (note 37). There were no sales or acquisition of equity securities during the years 2000, 2001 and 2002 and the six months ended 30th June, 2002 and 2003.

The change in net unrealised holding gain/ (loss) on equity securities available for sale totalled Euro 15,751, Euro 5,784, Euro (6,911), Euro (7,946), Euro (12,613), Euro (4,250) and Euro 2,060 in the years 1998, 1999, 2000, 2001 and 2002, and in the six months ended 30th June, 2002 and 2003, respectively.

OAE bonds were issued by the Greek State in June 1992 in order to pay the debts of ailing companies. In this respect PPC, which had outstanding debts from ailing companies, received in June 1992 bonds with a face value of Euro 109.95 million, representing Euro 77.55 million of principal and Euro 32.4 million of interest for the period from 10th June, 1992 through 10th June, 1994, separated in five series maturing at various dates (as shown below), from 10th June, 1998 through 10th June, 2002. In November and late December 2001 bonds of face value Euro 37,485 were sold for Euro 37,664. The majority of the above bonds were being used by PPC as collateral in obtaining short-term bank borrowings (note 22).

7. MARKETABLE AND OTHER SECURITIES—(continued)

Maturity	31st December, 1998	1999	2000	2001
June 1999	13,503	0	0	0
June 2000	18,433	18,433	0	0
June 2001	27,337	27,337	27,337	0
June 2002	39,586	39,586	39,586	2,148
	98,859	85,356	66,923	2,148
Less current portion (see above)	(13,503)	(18,433)	(27,337)	(2,148)
Long-term portion (note 16)	85,356	66,923	39,586	0

Until 30th June, 2001, interest on these bonds was accounted for on an accrual basis (note 11). Interest income for the years 1998, 1999, 2000 and 2001 totalled Euro 10,870, Euro 9,194, Euro 5,520 and Euro 2,670, respectively, and is included in financial income in the accompanying statements of income. Following the reclassification of these bonds from held to maturity to available-for-sale (note 4(m)) these bonds have been measured at fair value as at 31st December, 2001 and the resulting gain of Euro 47 has been included in the 2001 equity.

8. TRADE RECEIVABLES

	31st December, 1998	1999	2000	2001	2002
High voltage	78,938	78,433	60,478	59,348	72,661
Medium and low voltage	327,765	336,819	349,781	358,776	370,006
Customers contributions	6,809	6,323	4,802	9,517	9,606
	413,512	421,575	415,061	427,641	452,273
Unbilled revenue	159,560	166,870	177,652	208,422	214,235
	573,072	588,445	592,713	636,063	666,508
Less: Allowance for doubtful balances	(92,555)	(98,996)	(91,456)	(98,125)	(105,965)
	480,517	489,449	501,257	537,938	560,543

	30th June, 2002	2003
High voltage	61,414	71,871
Medium and low voltage	372,440	409,939
Customers contributions	7,454	9,503
	441,308	491,313
Unbilled revenue	201,926	241,326
	643,234	732,639
Less: Allowance for doubtful balances	(101,288)	(106,589)
	541,946	626,050

High voltage customer balances relate to (a) receivables from sales of energy to 20 large local industrial companies, which are invoiced at the end of each calendar month, based on individual agreements and actual metering and (b) exports to foreign customers.

Medium voltage customers are mainly industrial and commercial companies. Billing is on a monthly basis based on actual meter readings.

8. TRADE RECEIVABLES—(continued)

Low voltage customers are mainly residential and small commercial customers. The majority of low voltage customers are billed every four months based on actual meter readings, while interim bills are issued every two months based mainly on the energy consumed during the corresponding period in the prior year.

There are different types of invoices for both medium and low voltage customers with different tariff structures based on different types of energy use (commercial, agricultural, residential etc.).

Revenues from the supply of electricity to medium and low voltage customers provided during the period from the last meter reading and billing through each reporting date are accounted for as unbilled revenue.

Allowance for doubtful balances is made for specific balances relating to high voltage customers, while the allowance for medium and low voltage customers is based on the balances reported by the Company's billing system as outstanding in excess of twelve months, for which provisions are made in full. The movement in the allowance for doubtful balances is as follows:

	31st December,				
	1998	1999	2000	2001	2002
Beginning balance	85,626	92,555	98,996	91,456	98,125
Provision	7,545	14,312	8,340	8,875	9,514
Utilised	(616)	(7,871)	(15,880)	(2,206)	(1,674)
Ending balance	92,555	98,996	91,456	98,125	105,965

	30th June,	
	2002	2003
Beginning balance	98,125	105,965
Provision	4,419	2,053
Reversal of unused amounts	0	(1,044)
Utilised	(1,256)	(385)
Ending balance	101,288	106,589

9. OTHER RECEIVABLES

	31st December,				
	1998	1999	2000	2001	2002
Value Added Tax	45,256	45,256	0	0	0
Dispute with tax authorities	24,763	37,318	37,318	35,839	14,035
Income tax advance	18,177	0	0	0	0
Greek Post Office	5,899	6,902	7,240	6,750	8,242
Social security funds, in dispute	19,231	19,231	19,231	17,921	18,059
Social security funds, current	7,859	8,173	7,501	7,291	8,027
State participation in employees' social security contributions	3,046	4,343	5,890	6,392	6,394
Pensioners' advances, in dispute	5,262	5,262	5,262	5,262	5,262
Pensioners' advances, current	31,369	41,109	0	0	0
Loans to employees	12,963	13,749	14,879	32,238	22,640
Employees' current accounts	1,931	2,371	2,134	2,307	1,119
Receivables from contractors	27,425	11,020	9,147	8,510	9,390
Tax withholdings	3,134	3,897	4,106	6,087	4,003
Other	23,090	35,196	888	3,986	6,586
	229,405	233,827	113,596	132,583	103,757
Less: Allowance for doubtful balances	(24,492)	(24,492)	(24,492)	(24,492)	(24,492)
	204,913	209,335	89,104	108,091	79,265

	30th June,	
	2002	2003
Dispute with tax authorities	35,839	14,035
HTSO (note 2)	404	0
Greek Post Office	8,879	8,428
Social security funds, in dispute	18,059	18,059
Social security funds, current	14,844	7,992
State participation in employees' social security contributions	6,392	6,394
Pensioners' advances, in dispute	5,262	5,262
Loans to employees	21,084	14,898
Employees' current accounts	2,691	2,110
Receivables from contractors	9,492	7,885
Tax withholdings	7,263	5,054
Other	4,574	4,829
	134,783	94,946
Less: Allowance for doubtful balances	(24,492)	(24,727)
	110,291	70,219

Value Added Tax ("VAT"): The amount relates to VAT overpayment during the period from 1987-1993. Of this amount, Euro 24,531 was settled in June 2000 (note 18) and the remaining amount of Euro 20,725 was fully provided at 30th June, 2000 and was written off in August 2000 (note 35).

Disputes with tax authorities: In 1995 the tax authorities performed a preliminary payroll tax audit for the years from 1983 to 1995, and assessed to the Company Euro 40,558 relating to supplementary payroll tax and penalties. In 1998, the tax authorities performed a preliminary tax audit of the years 1995 to 1997 and assessed additional income taxes and penalties of Euro 30,709. The Company brought the cases before the tax courts by paying initially the amount of Euro 40,258 (Euro 35,839 and Euro 37,315, at 31st December, 2001 and 2002, respectively, due to the finalisation of certain elements in the Company's favor). The majority of the above

9. OTHER RECEIVABLES—(continued)

assessments are still pending before the courts. However, in June 2002, the relevant Administrative Court of Second Instance, ruled in the Company's favor for an amount of Euro 23,280 with respect to the preliminary tax audit for the years 1983 to 1995 and more specifically for the assessments relating to the period 1992-1995. Following the above mentioned decision, the Company offset fiscal obligations for the months of July, August and September 2002 of an amount of Euro 15,195, Euro 7,585 and Euro 500, respectively against the amount of 23,280 of the Court's ruling. The Tax Authorities have appealed the decision of the Court of Second Instance to the Supreme Administrative Court, which has the final authority to rule. During the six months ended 30th June, 2003, the Supreme Court decided that all cases from 1992 onwards (with the exception of 1995 which will be discussed by the Supreme Court in October 2003) should be reexamined by the Court of Appeals. As the Company may be requested to refund the above amounts, in case of an unfavorable outcome, the provision of Euro 37,564 established as at 31st December, 2002, was increased by Euro 8,986 (note 20).

Social security funds in dispute: The amount relates to social security contributions (years 1983-1993) of employees who have worked with other employers before joining PPC. As PPC undertook the obligation for their pensions and other related benefits, part of their contributions to other social security funds (mainly IKA, the major Greek social security fund) has been claimed by PPC. The claim was not accepted by IKA and the case was brought by PPC before the courts. Following an adverse court decision, PPC together with PPC–PIO brought the case again before the courts. The court rejected PPC as a litigant while the case of PPC–PIO is held pending. A respective provision has been established for non-collection of this amount.

State participation in employees' social security contributions: The amount represents the State contribution to the social security contributions of employees who started working after 1st January, 1993.

Advances to pensioners in dispute: The amount of Euro 5,262 represents an advance payment made in 1993 to pensioners. A respective provision has been established for non-collection of this amount.

Loans to employees: The 31st December, 2001 and 2002 and 30th June, 2002 and 2003 balances include Euro 18,169, Euro 11,804, Euro 8,907 and Euro 5,849, respectively, representing non-interest bearing short-term loans to participate in the public offering of the Company shares in December 2001 and 2002 (note 27). The respective fair value of these loans (measured at the present value of the future cash flows discounted using the market rate of interest for a similar loan) as at 31st December, 2001 and 2002 and 30th June, 2002 and 2003, amounted to Euro 17,079, Euro 11,235, Euro 8,638 and Euro 5,564, respectively.

10. MATERIALS, SPARE PARTS AND SUPPLIES

	31st December,				
	1998	1999	2000	2001	2002
Lignite	32,179	34,826	32,302	24,231	34,709
Liquid fuel	48,795	53,840	54,104	45,621	56,911
Materials and consumables	384,426	426,585	462,494	474,579	497,557
Advances to suppliers	120,484	162,342	126,959	132,983	100,609
	585,884	677,593	675,859	677,414	689,786
Less: Provision for slow-moving materials	(96,566)	(100,135)	(107,178)	(117,405)	(131,353)
	489,318	577,458	568,681	560,009	558,433

	30th June,	
	2002	2003
Lignite	34,870	36,346
Liquid fuel	53,084	54,079
Materials and consumables	488,706	517,342
Advances to suppliers	110,034	71,546
	686,694	679,313
Less: Provision for slow-moving materials	(127,069)	(138,109)
	559,625	541,204

11. OTHER CURRENT ASSETS

	31st December,				
	1998	1999	2000	2001	2002
Value Added Tax	0	11,979	40,555	349	250
Prepaid expenses	11,146	12,716	6,832	5,385	5,855
OAE accrued interest income (note 7)	6,242	4,267	2,377	0	0
Other	2,961	1,904	1,837	282	61
	20,349	30,866	51,601	6,016	6,166

	30th June,	
	2002	2003
Prepaid expenses	6,993	8,938
Other	1,215	249
	8,208	9,187

12. INVESTMENTS IN SUBSIDIARIES

The Company's subsidiaries (currently having limited operations) that were fully consolidated in the accompanying financial statements are as follows:

Consolidated Subsidiary	Ownership Interest	Country of Incorporation	Principal Activities
PPC Renewables S.A.	100%	Greece	Engineering, consulting, technical and commercial services
PPC Rhodes S.A. (formerly Cogen S.A.)	100%	Greece	Engineering, construction and operation of a power plant
PPC Telecommunications S.A.	100%	Greece	Telecommunication services
PPC Crete S.A.	100%	Greece	Engineering services, construction and operation of a power plant

On 31st January, 2003 the Shareholders' Special General Assembly of Cogen S.A. decided to rename the company to "PPC Rhodes S.A.", and also to change the company's principal activities to engineering, construction and operation of a power plant in the island of Rhodes, in order the renamed entity to participate in a tender for being licensed to construct a power plant in the island of Rhodes.

In February 2003, the Company's Board of Directors decided to form a new wholly owned subsidiary under the title PPC Crete S.A. whose purpose consists in the engineering, construction and operation of a power plant in the island of Crete for which, a public tender has been issued by the Ministry of Development. The Company's share capital was set at Euro 1.1 million, divided in 110,000 shares of par value Euro ten (Euro 10) each. The life of the Company was set at 30 years.

13. INVESTMENTS IN ASSOCIATES

	31st December,			30th June,	
	2000	2001	2002	2002	2003
HTSO (note 2)	0	144	144	144	144
WIND-PPC Holding N.V. (note 31(b))	875	1,162	28,025	10,666	18,371
Corporations through PPC Renewables	0	992	1,071	1,072	1,365
	875	2,298	29,240	11,882	19,880

The Company's interest in the above Companies as at 30th June, 2003 was as follows:

Associate	Interest	Country of Incorporation	Principal Activities
HTSO (note 2)	49%	Greece	Note 2
WIND-PPC Holding N.V. (note 31(b))	50% less one share	Netherlands	Telecommunication Services
Corporations through PPC Renewables	49%	Greece	Energy generation from renewable sources

During the six months ended 30th June, 2003, the Company increased its investment in WIND-PPC Holding N.V. and in PPC Renewables by Euro 9,060 and Euro 294, respectively. The Company's share in the results of operations of WIND-PPC Holding N.V. for the six months ended 30th June, 2003 was Euro 18,714 (loss) and is separately reflected in the accompanying statement of income. Corporations through PPC Renewables are currently at a pre-operating stage.

In addition the Company has a 28.56% stake in Larco S.A., an ailing company, which was acquired prior to 1996 for the amount of Euro 46,788. Due to the poor financial condition of Larco, management determined that the investment has suffered a permanent impairment and, accordingly, the cost of this investment was fully provided prior to 1997.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Mines	Lakes	Buildings	Machinery	Transportation assets	Furniture & Equipment	Construction In Progress	Total
COST									
31st December, 1997	**45,797**	**218,586**	**6,018**	**949,550**	**3,464,439**	**62,078**	**138,351**	**785,839**	**5,670,658**
Additions	109	1,021	0	80,505	415,349	9,450	13,326	671,378	**1,191,138**
Removals/transfers	(3)	0	0	(6)	(14,606)	(41)	(1,517)	(504,367)	**(520,540)**
Other movements	0	0	0	170	(3,046)	519	29,042	0	**26,685**
31st December, 1998	**45,903**	**219,607**	**6,018**	**1,030,219**	**3,862,136**	**72,006**	**179,202**	**952,850**	**6,367,941**
Additions	6,814	47,231	0	203,751	553,955	6,031	17,564	684,106	**1,519,452**
Removals/transfers	0	0	0	0	(18,025)	(79)	(2,028)	(854,785)	**(874,917)**
Other movements	(481)	0	0	(1,298)	(3,272)	(12)	616	0	**(4,447)**
31st December, 1999	**52,236**	**266,838**	**6,018**	**1,232,672**	**4,394,794**	**77,946**	**195,354**	**782,171**	**7,008,029**
Additions	4,161	31,425	0	44,141	466,169	7,322	15,316	902,606	**1,471,140**
Removals/transfers	(61)	0	0	0	(21,260)	(74)	(8,824)	(557,508)	**(587,727)**
Impairment	(4,132)	0	0	(33,403)	(5,822)	0	0	0	**(43,357)**
31st December, 2000	**52,204**	**298,263**	**6,018**	**1,243,410**	**4,833,881**	**85,194**	**201,846**	**1,127,269**	**7,848,085**
Additions	4,921	34,406	0	106,950	560,601	2,078	9,030	818,729	**1,536,715**
Removals/transfers	(123)	0	0	0	(20,057)	(549)	(3,152)	(716,804)	**(740,685)**
31st December, 2001	**57,002**	**332,669**	**6,018**	**1,350,360**	**5,374,425**	**86,723**	**207,724**	**1,229,194**	**8,644,115**
Additions	2,174	14,926	0	63,456	605,250	1,622	17,577	626,811	**1,331,816**
Removals/transfers	0	(88)	0	(284)	(46,558)	(1,278)	(7,593)	(704,707)	**(760,508)**
Revaluation	302,690	0	0	1,399,157	5,168,531	53,279	106,660	0	**7,030,317**
Adjustments for register update	(24,958)	0	16,586	(51,567)	25,117	0	0	45,935	**11,113**
Other movements	(5)	0	0	333	(424)	137	688	(6,674)	**(5,945)**
31st December, 2002	**336,903**	**347,507**	**22,604**	**2,761,455**	**11,126,341**	**140,483**	**325,056**	**1,190,559**	**16,250,908**
Additions	2,590	2,712	0	143,852	669,725	1,032	6,614	301,247	**1,127,772**
Removals/transfers	(727)	0	0	(1,469)	(87,165)	(94)	(2,225)	(832,799)	**(924,479)**
Other movements	0	0	0	0	0	(55)	(128)	(421)	**(604)**
30th June, 2003	**338,766**	**350,219**	**22,604**	**2,903,838**	**11,708,901**	**141,366**	**329,317**	**658,586**	**16,453,597**

14. PROPERTY, PLANT AND EQUIPMENT—(continued)

	Land	Mines	Lakes	Buildings	Machinery	Transportation Assets	Furniture & Equipment	Construction In Progress	Total
ACCUMULATED DEPRECIATION									
31st December, 1997	**0**	**93,655**	**0**	**195,052**	**822,242**	**41,611**	**104,185**	**0**	**1,256,745**
Additions	0	10,674	0	36,423	171,888	8,029	21,585	0	**248,599**
Removals/ transfers	0	0	0	(6)	(7,307)	(41)	(1,356)	0	**(8,710)**
Other movements	0	0	0	0	0	0	0	0	**0**
31st December, 1998	**0**	**104,329**	**0**	**231,469**	**986,823**	**49,599**	**124,414**	**0**	**1,496,634**
Additions	0	10,879	0	36,217	199,117	7,149	23,052	0	**276,414**
Removals/ transfers	0	0	0	0	(9,012)	(77)	(1,673)	0	**(10,762)**
Other movements	0	0	0	0	0	0	0	0	**0**
31st December, 1999	**0**	**115,208**	**0**	**267,686**	**1,176,928**	**56,671**	**145,793**	**0**	**1,762,286**
Additions	0	11,034	0	40,423	232,748	8,544	29,106	0	**321,855**
Removals/ transfers	0	0	0	0	(10,706)	(65)	(8,771)	0	**(19,542)**
Impairment	0	0	0	0	0	0	0	0	**0**
31st December, 2000	**0**	**126,242**	**0**	**308,109**	**1,398,970**	**65,150**	**166,128**	**0**	**2,064,599**
Additions	0	13,817	0	54,885	252,156	7,762	15,685	0	**344,305**
Removals/ transfers	0	0	0	0	(8,998)	(607)	(2,676)	0	**(12,281)**
31st December, 2001	**0**	**140,059**	**0**	**362,994**	**1,642,128**	**72,305**	**179,137**	**0**	**2,396,623**
Additions	0	10,760	452	58,906	278,007	5,115	12,276	0	**365,516**
Removals/ transfers	0	(83)	0	(3)	(28,576)	(1,260)	(7,288)	0	**(37,210)**
Revaluation	0	0	0	982,142	3,452,579	48,122	78,268	0	**4,561,111**
Adjustments from register update	0	569	8,070	(16,670)	(10,792)	1,869	(8,131)	0	**(25,085)**
Other movements	0	0	0	260	2,132	(6)	(52)	0	**2,334**
31st December, 2002	**0**	**151,305**	**8,522**	**1,387,629**	**5,335,478**	**126,145**	**254,210**	**0**	**7,263,289**
Additions	0	5,430	226	52,857	233,524	3,316	16,528	0	**311,881**
Removals/ transfers	0	0	0	(1,016)	(82,640)	(94)	(2,139)	0	**(85,889)**
Other movements	0	0	0	0	(964)	(25)	(127)	0	**(1,116)**
30th June, 2003	**0**	**156,735**	**8,748**	**1,439,470**	**5,485,398**	**129,342**	**268,472**	**0**	**7,488,165**

14. PROPERTY, PLANT AND EQUIPMENT—(continued)

	Land	Mines	Lakes	Buildings	Machinery	Transportation Assets	Furniture & Equipment	Construction In Progress	Total
NET BOOK VALUE									
31st December, 1997	45,797	124,931	6,018	754,498	2,642,197	20,467	34,166	785,839	**4,413,913**
31st December, 1998	45,903	115,278	6,018	798,750	2,875,313	22,407	54,788	952,850	**4,871,307**
31st December, 1999	52,236	151,630	6,018	964,986	3,217,866	21,275	49,561	782,171	**5,245,743**
31st December, 2000	52,204	172,021	6,018	935,301	3,434,911	20,044	35,718	1,127,269	**5,783,486**
31st December, 2001	57,002	192,610	6,018	987,366	3,732,297	14,418	28,587	1,229,194	**6,247,492**
31st December, 2002	336,903	196,202	14,082	1,373,826	5,790,863	14,338	70,846	1,190,559	**8,987,619**
30th June, 2003	338,766	193,484	13,856	1,464,368	6,223,503	12,024	60,845	658,586	**8,965,432**

	Land	Mines	Lakes	Buildings	Machinery	Transportation Assets	Furniture & Equipment	Construction In Progress	Total
COST									
31st December, 2001	**57,002**	**332,669**	**6,018**	**1,350,360**	**5,374,425**	**86,723**	**207,724**	**1,229,194**	**8,644,115**
Additions	112	6,131	0	15,796	228,486	476	6,670	312,801	**570,472**
Removals/transfers	0	0	0	0	(8,234)	(1,013)	(2,894)	(257,895)	**(270,036)**
Other movements	0	0	0	0	(22)	131	844	0	**953**
30th June, 2002	**57,114**	**338,800**	**6,018**	**1,366,156**	**5,594,655**	**86,317**	**212,344**	**1,284,100**	**8,945,504**
ACCUMULATED DEPRECIATION									
31st December, 2001	**0**	**140,059**	**0**	**362,994**	**1,642,128**	**72,305**	**179,137**	**0**	**2,396,623**
Additions	0	5,694	0	28,902	135,490	3,548	6,557	0	**180,191**
Removals/ transfers	0	0	0	0	(4,582)	(1,005)	(2,845)	0	**(8,432)**
Other movements	0	0	0	0	536	(6)	(122)	0	**408**
30th June, 2002	**0**	**145,753**	**0**	**391,896**	**1,773,572**	**74,842**	**182,727**	**0**	**2,568,790**
NET BOOK VALUE									
30th June, 2002	57,114	193,047	6,018	974,260	3,821,083	11,475	29,617	1,284,100	**6,376,714**

14. PROPERTY, PLANT AND EQUIPMENT—(continued)

Fixed assets register: The Company, in 2002, initiated a process in order to upgrade its fixed assets register, aiming for the development of a register that would provide sufficiently detailed financial, technical and operational information on an individual asset basis to facilitate physical verification of assets (either from the register to the specific asset and vice versa) and to incorporate the results of the appraisal revaluation (see paragraph "Appraisal of fixed assets" below). As at 31st December, 2002, the above process had been finalised with respect to the Company's mining, generation, transmission and administrative assets, while, as far as the Distribution Business Unit is concerned, the above process was completed in 2003. Net positive differences of Euro 36,222, which arose through the process of upgrading the asset register, were credited to retained earnings during the year ended 31st December, 2002.

Legal Status of Property: The Company is in the process of preparing a detailed listing of all its real property, as such information is not provided by the fixed assets register. The Company is also in the process of registering all its property in the Company's name at the relevant land registries, so that PPC S.A. will be able to obtain ownership and encumbrance certificates.

Insurance Coverage: The Company's property, plant and equipment are located all over Greece and therefore the risk of a major loss is reduced. PPC does not carry any form of insurance coverage on its property, plant and equipment, save for its information technology equipment.

Retirements and Disposals of the Distribution Network: Up to 2001, the Company's fixed assets register did not provide sufficient details to enable the identification of the original cost or accumulated depreciation of a retired or disposed asset, the distribution network fixed assets, which were disposed were not removed from the fixed assets register. Estimated values of items retired were transferred to the warehouse stock and classified as spare parts and materials. Upon warehousing and for financial reporting purposes a contra account under fixed assets was credited with an amount equal to the estimated value of the item warehoused. The net book value of such retirements, as estimated by the Company, for the years 1998, 1999, 2000 and 2001, and for the six months ended 30th June, 2002 totalled Euro 7,304, Euro 9,007, Euro 10,219, Euro 7,466 and Euro 3,650, respectively. In late 2002, the Company commenced removing from its register, disposed items of the distribution network.

Statutory Revaluation of Fixed Assets: In accordance with Greek tax legislation, fixed assets are periodically revalued (every four years). These revaluations relate to machinery (since 1987), land, mines and buildings and are based on non-industry specific indices that were determined by the Government through Ministerial Decisions. Both cost and accumulated depreciation are increased by these indices while the net revaluation surplus is credited to reserves in equity (statutory revaluation surplus). As such statutory revaluations do not meet the criteria required by IAS 16 "Property, plant and equipment" they have been reversed in the accompanying financial statements. As at 31st December, 2002, statutory revaluations that had been performed in the past resulted in a total revaluation surplus of Euro 947,342 out of which Euro 531,777 was used to set up part of the Company's initial share capital and the remaining revaluation surplus of Euro 415,565, according to Greek Law, was used for share capital increase in 2002 (note 27).

Appraisal of Fixed Assets: In 2001, the Company engaged an independent firm of appraisers to conduct a valuation of its fixed assets as of 31st December, 2000 as provided by Law 2941/12.09.2001. The valuation, which excluded minefields and lakes, was completed in late September 2001. Under the provisions of Law 2941/12.09.2001 the Company presented its fixed assets in its statutory books at appraised values as at 1st January, 2001 (within its first fiscal year as a société anonyme, period from 1st January, 2001 to 31st December, 2002). Such presentation is in accordance with the allowed alternative treatment of IAS 16. The appraisal resulted in a surplus of approximately Euro 2.5 billion. The Company recorded the results of the above appraisal in its books prior to the completion of the process for the upgrading of its fixed assets register. During the course of this work and of reconciling the results of the fixed assets physical counts to the accounting records and to the work of the independent firm of appraisers, differences arose, which were charged to retained earnings. However, for IFRS reporting purposes, the Company revalued its fixed assets (excluding the classes of mines and lakes) at 31st December, 2002. If the appraisal results had been recorded in 31st December, 2000, it is

14. PROPERTY, PLANT AND EQUIPMENT—(continued)

estimated that the depreciation expense for the years 2001 and 2002, and the six months ended 30th June, 2002 would have been increased by approximately Euro 263 million, Euro 245 million and Euro 118 million, respectively, with an equal decrease in profit before tax as of the above dates. Furthermore, the 2003 depreciation expense increase, as a result of the appraisal discussed above, is preliminarily estimated to approximately Euro 225 million.

Had fixed assets been carried under the benchmark treatment of IAS 16 (historic cost) they would have been recorded in the financial statements as follows:

	31st December,		30th June,	
	2001	2002	2002	2003
Cost				
Land	57,002	34,213	57,114	36,076
Mines	332,669	347,507	338,800	350,219
Lakes	6,018	22,604	6,018	22,604
Buildings	1,350,360	1,362,298	1,366,156	1,504,681
Machinery	5,374,425	5,957,810	5,594,655	6,540,370
Transportation assets	86,723	87,204	86,317	88,087
Furniture & Equipment	207,724	218,396	212,344	222,657
Construction in Progress	1,229,194	1,190,559	1,284,100	658,586
	8,644,115	9,220,591	8,945,504	9,423,280
Accumulated Depreciation				
Land	0	0	0	0
Mines	140,059	151,305	145,753	156,735
Lakes	0	8,522	0	8,748
Buildings	362,994	405,487	391,896	457,328
Machinery	1,642,128	1,882,899	1,773,572	2,032,819
Transportation assets	72,305	78,023	74,842	81,220
Furniture & Equipment	179,137	175,942	182,727	190,204
Construction in Progress	0	0	0	0
	2,396,623	2,702,178	2,568,790	2,927,054
Net Book Value	6,247,492	6,518,413	6,376,714	6,496,226

15. INTANGIBLE ASSETS

	31st December,				
	1998	1999	2000	2001	2002
Cost:					
Beginning balance	5,482	7,032	8,062	10,679	13,419
Additions	608	1,165	4,249	2,745	702
Revaluation	0	0	0	0	(289)
Transfers	945	0	0	0	6
Disposals	(3)	(135)	(1,632)	(5)	(138)
	7,032	8,062	10,679	13,419	13,700
Accumulated Amortisation:					
Beginning balance	4,531	5,623	6,732	6,970	9,478
Additions	323	1,241	1,869	2,512	2,433
Revaluation	0	0	0	0	(269)
Adjustment from asset register update	0	0	0	0	(24)
Transfers	772	0	0	0	0
Disposals	(3)	(134)	(1,631)	(4)	(137)
	5,623	6,730	6,970	9,478	11,481
Net Book Value	1,409	1,332	3,709	3,941	2,219

	30th June,	
	2002	2003
Cost:		
Beginning balance	13,419	13,700
Additions	224	6,274
Disposals	(4)	(19)
	13,639	19,955
Accumulated Amortisation:		
Beginning balance	9,479	11,481
Additions	1,220	1,883
Disposals	(10)	(15)
	10,689	13,349
Net Book Value	2,950	6,606

16. OTHER NON-CURRENT ASSETS

	31st December,				
	1998	1999	2000	2001	2002
OAE bonds (note 7)	85,356	66,923	39,586	0	0
Interest on liquid fuel purchases	1,227	0	0	0	0
Unamortised loan fees and expenses	5,403	14,814	19,032	16,252	13,438
Social security (note 9)	5,998	6,407	5,916	5,573	10
	97,984	88,144	64,534	21,825	13,448

	30th June,	
	2002	2003
Unamortised loan fees and expenses	14,849	13,390
Social security (note 9)	1,194	0
Other	8	4
	16,051	13,394

17. TRADE AND OTHER PAYABLES

	31st December,				
	1998	1999	2000	2001	2002
Trade:					
Suppliers and contractors	125,576	150,110	203,387	157,676	142,137
Other	2,565	220	7,686	472	1,567
	128,141	150,330	211,073	158,148	143,704
Various Creditors:					
Municipalities' duties	134,835	160,076	164,787	175,994	185,856
Greek TV	43,202	45,784	44,431	44,367	46,564
Pensioners	335	247	649	484	498
Bank of Crete (note 6)	12,053	12,053	12,053	12,053	12,053
Building sale proceeds	0	8,804	13,294	13,294	13,294
HTSO (note 2)	0	0	0	77	4,318
Benefits on employee overtime	0	0	0	0	6,360
Other	37,057	34,509	45,254	36,585	57,315
	227,482	261,473	280,468	282,854	326,258
Other:					
Value Added Tax	29,318	0	0	0	0
Social security funds, PIO (note 21)	0	0	0	0	58,067
Social security funds, other	14,776	9,558	9,729	10,107	10,737
Tax settlement (note 18)	0	0	10,377	10,377	10,377
Lignite levy	9,852	10,712	11,730	3,167	3,995
Tax on fixed assets' statutory revaluation	0	0	3,677	3,677	0
Taxes withheld	19,451	13,573	24,246	26,466	28,296
	73,397	33,843	59,759	53,794	111,472
	429,020	445,646	551,300	494,796	581,434

17. TRADE AND OTHER PAYABLES—(continued)

	30th June,	
	2002	2003
Trade:		
Suppliers and contractors	128,921	137,224
Other	1,266	6,435
	130,187	143,659
Various Creditors:		
Municipalities' duties	193,297	219,952
Greek TV	45,067	49,146
Pensioners	623	546
Bank of Crete (note 6)	12,053	12,053
Building sale proceeds	13,294	13,294
HTSO (note 2)	0	5,868
Other	29,174	65,990
	293,508	366,849
Other:		
Value Added Tax	8,443	0
Social security funds, PIO (note 21)	0	31,808
Social security funds, Other	7,930	8,461
Tax settlement (note 18)	10,377	10,377
Lignite levy	2,331	7,236
Tax on fixed assets' statutory revaluation	1,839	0
Taxes withheld	17,098	18,801
	48,018	76,683
	471,713	587,191

Municipalities and Greek TV: The amounts represent duties collected by PPC through the bills issued to medium and low voltage customers. The payment of such amounts to the beneficiaries is made by PPC at the end of each month and relates to collections made two months prior. For this service PPC charges a fee of 2% and 0.5%, on the amounts collected on behalf of Municipalities and Greek TV, respectively. Such fees for the years 1998, 1999, 2000, 2001 and 2002, and for the six months ended 30th June, 2002 and 2003 totaled Euro 14,328, Euro 14,515, Euro 15,976, Euro 17,306, Euro 18,689, Euro 9,335 and Euro 9,764, respectively, and are included in other revenues in the accompanying statements of income (note 32). Furthermore, receivables from Municipalities relating to energy consumption are offset against amounts paid for the duties collected on behalf of the Municipalities.

Bank of Crete: The amount relates to a dispute with the "Old Bank of Crete" since 1989, when the bank was under liquidation due to serious law violations revealed at that time. PPC deposits of Euro 6,806 (note 6) with the bank were blocked, while the Company stopped payments on its loans from the bank then outstanding. The case, following a relevant ruling of the Supreme Court, is pending before the Court of Appeals.

Lignite Levy: Based on Law 2446/96, effective 1997, the Company is obliged to pay a duty of 0.4% on its gross sales for the development and environmental protection of the three Prefectures (Kozani, Florina and Arkadia) where lignite power stations are in operation.

Building Sale Proceeds: The amount represents the proceeds from the sale of a building located in the center of Athens during December 1999. Although the net book value of the land and building at the date of sale of Euro 97 was removed from fixed assets and transferred to the profit and loss account, the sale proceeds were recorded as a liability to the new Personnel Insurance Organization (PIO—note 21).

Tax on Fixed Assets Statutory Revaluation Surplus: The amount represents tax on the revaluation surplus, which resulted from the statutory revaluation of land and buildings that was made in December 2000.

18. INCOME TAXES (CURRENT AND DEFERRED)

Income Tax Expense:

	31st December,				
	1998	1999	2000	2001	2002
Current income taxes	12,640	24,778	35,116	144,336	157,271
Deferred income taxes	5,174	1,737	5,679	2,332	(44,301)
Total provision for income taxes	17,814	26,515	40,795	146,668	112,970

	30th June,	
	2002	2003
Current income taxes	108,804	115,833
Deferred income taxes	(8,714)	(4,212)
Total provision for income taxes	100,090	111,621

The Company (as a listed Corporation) is subject to income taxes at 35%.

Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time, as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Tax losses, to the extent accepted by the tax authorities, can be used to offset profits of the five fiscal years following the fiscal year to which they relate.

In 2000, the tax audit of the Company's books for the fiscal years 1989 through 1999 was completed and additional taxes and penalties of Euro 76,417 were assessed. Of this amount, Euro 69,529 relate to the years 1989 through 1997, while Euro 3,686 and Euro 3,202 relate to 1998 and 1999, respectively. This amount was charged against the reserve, which was provided in prior years for probable future tax assessments. The Company has agreed with the tax authorities to settle the above amount in five equal annual installments, the first being due on 1st January, 2001, after deducting the amount of Euro 24,531 of VAT receivable outstanding at that time (note 9). As a result, the Company will pay Euro 51,886 (Euro 76,417 less Euro 24,531) in five installments of Euro 10,377, each (note 17 and 26). As at 30th June, 2003 the Company had paid three installments totaling Euro 31,131. In October 2001 the tax audit of the Company's books for fiscal year 2000 was completed and the tax authorities assessed additional income taxes of Euro 8,217. The 31st December, 2000 financial statements include a provision of an equal amount, which was paid in November 2001.

18. INCOME TAXES (CURRENT AND DEFERRED)—(continued)

For the unaudited tax period from 1st January, 2001 to 30th June, 2003, it is not possible to determine the extent of any additional income taxes and penalties that might be assessed, as these will depend on the findings of the tax authorities. A provision has been made to cover for such additional probable future tax assessments, based on the findings of prior years' tax audits. An analysis and numerical reconciliation between tax expense and the product of accounting profit multiplied by the nominal applicable tax rate is set out below:

	31st December,				
	1998	1999	2000	2001	2002
Profit before tax	14,844	90,406	65,655	398,503	592,932
Income tax calculated at nominal applicable tax rate of 35%	5,209	31,642	22,979	139,476	207,526
Provision for additional income taxes and penalties	3,686	3,372	8,725	8,804	11,196
Tax effect on non tax deductible expenses					
—Tax on revaluation of fixed assets	0	0	2,573	0	0
—Non income tax assessments and penalties	0	0	5,030	46	96
—Car expenses	872	757	892	760	1,471
—Depreciation of mines revaluation	449	270	417	208	0
—Other	2,327	2,066	1,203	407	2,539
Tax effect on non taxable profits					
—Interest and other income from bank deposits and marketable securities	(10,304)	(12,951)	(7,651)	(3,033)	(8,885)
—Effect of adjustments booked in accordance to law 2941/01 (note 3(b))	14,676	475	7,161	0	0
—Effect of change in depreciation rates	0	0	0	0	(8,933)
—Reversal of provision for litigation	0	0	0	0	(6,182)
—Reversal of additional depreciation (note 14 and 39)	0	0	0	0	(85,858)
—Other	899	884	(534)	0	0
Provision for income taxes	17,814	26,515	40,795	146,668	112,970

	30th June,	
	2002	2003
Profit before tax	263,608	287,290
Income tax calculated at nominal applicable tax rate of 35%	92,263	100,552
Provision for additional income taxes and penalties	6,600	6,600
Tax effect on non tax deductible expenses		
—Non income tax assessments and penalties	41	15
—Car expenses	431	222
—Depreciation of mines revaluation	1,199	0
—Other	286	4,338
Tax effect on non taxable profits		
—Interest and other income from bank deposits and marketable securities	(730)	(106)
Provision for income taxes	100,090	111,621

18. INCOME TAXES (CURRENT AND DEFERRED)—(continued)

Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences using the Company's statutory income tax rate of 35%. Deferred income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable. The movement of the deferred income tax account is as follows:

	31st December,				
	1998	1999	2000	2001	2002
Beginning balance	6,028	854	(883)	(6,562)	(8,894)
Profit and loss account (charge)/ credit	(5,174)	(1,737)	(5,679)	(2,332)	44,301
Directly charged against equity (note 21)	0	0	0	0	74,480
Ending balance	854	(883)	(6,562)	(8,894)	109,887

	30th June,	
	2002	2003
Beginning balance	(8,894)	109,886
Profit and loss account (charge)/ credit	8,714	4,212
Directly charged against equity (note 21)	74,480	0
Ending balance	74,300	114,098

Deferred income tax assets and liabilities are disclosed in the accompanying balance sheets as follows:

	31st December,				
	1998	1999	2000	2001	2002
Deferred income tax asset	81,467	89,667	94,958	96,283	138,300
Deferred income tax liability	(80,613)	(90,550)	(101,520)	(105,177)	(28,413)
	854	(883)	(6,562)	(8,894)	109,887

	30th June,	
	2002	2003
Deferred income tax asset	184,589	154,188
Deferred income tax liability	(110,289)	(40,090)
	74,300	114,098

18. INCOME TAXES (CURRENT AND DEFERRED)—(continued)

The deferred tax liability in the accompanying consolidated statements of income comprises the temporary differences resulting mainly from the accounting for fixed assets depreciation at useful life rate rather than statutory rates. The deferred tax asset is mainly due to temporary differences resulting from certain provisions that become tax deductible upon realisation. Deferred income tax assets and liabilities are attributable to the following items:

	31st December,				
	1998	1999	2000	2001	2002
Deferred tax assets					
Provisions for:					
—Materials and spare parts	33,799	35,049	37,511	37,086	6,673
—Accounts receivable	7,953	10,251	10,292	7,956	6,163
—Risks and accruals	39,715	44,367	47,155	47,704	21,245
—Post retirement benefits (note 21)	0	0	0	0	75,906
Losses of subsidiaries carried forward	0	0	0	0	1,539
Fixed assets	0	0	0	0	1,642
Derivatives and swaps	0	0	0	3,537	25,132
Gross deferred tax asset	81,467	89,667	94,958	96,283	138,300
Deferred tax liabilities					
VAT assessments	(10,532)	(10,606)	(10,606)	0	0
Long-term debt fees and expenses	(1,893)	(5,186)	(6,662)	(5,687)	(4,703)
Mining acquisition and development costs	(1,905)	(2,503)	(3,111)	(3,959)	(3,655)
Foreign exchange gains	(3,480)	(2,256)	(2,568)	(7,660)	(16,827)
Fixed assets	(62,750)	(69,946)	(77,485)	(84,643)	0
Other	(53)	(53)	(1,088)	(3,228)	(3,228)
Gross deferred tax liability	(80,613)	(90,550)	(101,520)	(105,177)	(28,413)
Deferred tax asset/ (liability), net	854	(883)	(6,562)	(8,894)	109,887

	30th June,	
	2002	2003
Deferred tax assets		
Provisions for:		
—Materials, spare parts	38,938	10,793
—Accounts receivable	12,450	13,929
—Risks and accruals	55,229	20,109
—Post retirement benefits (note 21)	74,480	79,413
Losses of subsidiaries carried forward	0	6,550
Fixed assets	0	2,197
Derivatives and swaps	3,492	21,197
Gross deferred tax asset	184,589	154,188
Deferred tax liabilities		
Long-term debt fees and expenses	(5,197)	(4,687)
Mining acquisition and development costs	(3,050)	(3,893)
Foreign exchange gains	(10,031)	(31,510)
Fixed assets	(88,785)	0
Other	(3,226)	0
Gross deferred tax liability	(110,289)	(40,090)
Deferred tax asset, net	74,300	114,098

No deferred tax asset and deferred tax liability have been accounted for in relation to the fixed assets statutory revaluation (which has been reversed for the purposes of preparing financial statements under IFRS) and the fixed assets revaluation (note 14) as such an asset and liability do not meet the recognition criteria of IAS 12.

19. ACCRUED AND OTHER CURRENT LIABILITIES

	31st December,				
	1998	1999	2000	2001	2002
Interest on long-term debt	63,348	79,964	66,905	53,558	47,210
Natural gas and liquid fuel	8,810	13,365	28,866	40,337	24,735
Energy	0	0	0	9,075	6,522
Klitos minefield, additional expropriation	0	0	0	0	26,999
Other	555	599	6,664	4,475	3,237
	72,713	93,928	102,435	107,445	108,703

	30th June,	
	2002	2003
Interest on long-term debt	56,220	50,604
Natural gas and liquid fuel	26,167	30,400
Accrued payroll expenses	31,012	48,926
Energy	14,146	6,167
Klitos minefield, additional expropriation	0	2,652
Other	7,222	5,433
	134,767	144,182

20. PROVISIONS

	31st December,				
	1998	1999	2000	2001	2002
Litigation with employees and third parties (note 31(e))	96,825	109,655	117,045	122,180	150,635
Post retirement benefits (note 21)	0	0	0	0	216,874
Disputes with tax authorities (note 9)	37,564	37,564	37,564	37,564	37,564
Mines' restoration (note 4(g))	16,654	17,110	17,684	19,258	18,817
PIO fixed assets (note 21)	0	0	5,870	5,870	5,640
	151,043	164,329	178,163	184,872	429,530

	30th June,	
	2002	2003
Litigation with employees and third parties (note 31(e))	140,219	141,719
Post retirement benefits (note 21)	212,798	217,560
Disputes with tax authorities (note 9)	37,564	46,550
Mines' restoration (note 4(g))	21,033	18,771
PIO fixed assets (note 21)	5,870	4,469
Fair value gain of energy contracts	3,800	0
Fair value gain of swaps (note 36)	17,963	0
Unrealised foreign exchange gains	6,600	0
	445,847	429,069

At 30th June, 2002 the Company accounted for provisions against the gains resulting from accounting of energy contracts and swap agreements at fair value of Euro 3,800, and Euro 17,963, respectively. Additionally, at 30th June, 2002, the Company accounted for a provision of Euro 6,600 against foreign exchange gains resulting from the period-end translation of long-term debt denominated in US Dollars and Japanese Yen. The above

20. PROVISIONS—(continued)

provisions are included in foreign currency gains/(losses), net (Euro 10,400), in financial income (Euro 7,864) and in financial expenses (Euro 10,099) in the accompanying 30th June, 2002 statement of income. These provisions were accounted for in order to cope with possible adverse changes in interest and foreign exchange rates subsequent to 30th June, 2002. These events do not qualify as adjusting events in accordance with IAS 10 "Events After the Balance Sheet Date" and do not meet the conditions prescribed in IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" recognising a provision. Management concluded that such departure from the requirements of IAS 10 and IAS 37 is necessary to achieve a fair presentation of its financial position, financial performance and cash flows.

During the last quarter of 2002 and the six months ended 30th June, 2003 the Company reversed unused portions of the provision for litigation with employees and third parties of Euro 17,664 and Euro 1,309, respectively, as the purpose for which the related provision had been established no longer existed.

21. EMPLOYEE BENEFITS OBLIGATIONS

Until 31st December, 1999, the basic law defining the Company's pension, medical and other benefit plans was Law 4491/66 as amended and supplemented by laws 1902/90 and 2084/92. Under these laws there was no requirement for PPC to establish a separate pension fund and, accordingly, all employee and employer's contributions were vested in PPC. Such contributions, after deducting the pension and healthcare payments, generated a "property" which was quantified by a study conducted in 1995 by WYATT-PRUDENTIAL, to approximate, at 31st December, 1992, GDR 1,300 billion (Euro 3,815 million). Schemes operated by PPC on behalf of its employees included a main pension plan, an auxiliary pension plan, medical benefits and lump sum payments. According to an actuarial study, the liability as of 31st December, 1999 arising from the above insurance schemes amounted to approximately GDR 3,550 billion (Euro 10,418 million). Up to 31st December, 1999, because of uncertainties regarding the level of the Company's legal obligations arising from the pension, medical and other benefit plans of its employees and pensioners, the Company was accounting for such costs on a cash basis. As further discussed in the following paragraphs, effective 1st January, 2000, under Law 2773/99 (Article 34), the Greek State substitutes for PPC in all insurance obligations towards its employees and pensioners.

Establishment of the PPC Personnel Insurance Organization ("PIO")

According to Law 2773/1999, a public entity was established under the name "Public Power Corporation Personnel Insurance Organization" ("PIO"), for the purpose of undertaking the social security schemes of the personnel and the pensioners of PPC, as they were at the date the Law came into effect. Accordingly, effective 1st January, 2000, PIO is responsible for the main and auxiliary pension insurance and the health and welfare insurance of its insured persons, as provided by Law 4491/1966. Law 2773/1999 and P.D.51/27.2.2001 among others, specify the following:

1. The study conducted by WYATT-PRUDENTIAL in 1995 (see above) for quantifying the "property" incorporated in the assets of PPC has to, effective 31st December, 1998, be updated periodically under the same methodology and assumptions used by WYATT-PRUDENTIAL. The State fully acknowledges that the above "property" is incorporated in PPC accounts and substitutes PPC in all insurance liabilities towards its employees and pensioners. Payments made by the State to PIO will be considered as a reduction of the above "property", as updated at any time.
2. The State shall transfer to PIO a percentage of the proceeds from any sale of the State's PPC shares to third parties, equal to 20% for the first 25% of the shares sold and to 15% for any subsequent sale of shares.
3. Until the State establishes specific funds in its budget, PPC shall continue to cover all insurance costs of its personnel and pensioners. Effective 1st January, 2000, PPC will be reimbursed by the State, within the framework described in item (1) above, for any difference between revenues and expenses of PIO, as well as for all expenses incurred by the Personnel Insurance Department of PPC and any other obligations that it may have.

21. EMPLOYEE BENEFITS OBLIGATIONS—(continued)

4. During the second quarter of 2002 the Ministry of Finance activated the funds budgeted for the PIO in the State Budget for 2002 (Euro 275.9 million). Effective 1st May, 2002 PPC has ceased to cover all PIO shortfalls referred to in 3 above.
5. PPC, by decision of its Board of Directors, shall concede to PIO, without any consideration, the ownership of buildings, vehicles, furniture and equipment of the kinder-gardens, medical centres, holiday camps and other facilities used by the Personnel Insurance Department of PPC at the time the Law enters into force. Any maintenance expenses shall be undertaken by PIO. The Board of Directors of PPC, approved, in three separate decisions (June 2002, January 2003 and April 2003), within the context prescribed by Law 2773/1999, the transfer of full ownership of 2 buildings and of a number of supporting assets (vehicles, furniture, equipment) as well as of partial ownership of 22 other buildings. The transfer process, pending a number of legal and procedural issues, has not been finalised as yet.
6. PPC continued up to 31st December, 2002, to render to PIO any support services necessary for the PIO operation (data processing, legal and technical services etc.) at an annual fee that will be agreed by both parties.
7. Any unexpected events that would create extraordinary insurance obligations (e.g. voluntary personnel retirement) are to be incurred by PPC.

In connection with the above:

- According to the pension studies discussed above, it is likely that PIO's liabilities exceed its assets. Although PPC has no legal obligation to cover PIO's deficits, there is no guarantee that PPC will not be required to contribute in meeting future shortfalls.
- Fixed assets that will be transferred to PIO at no consideration (see (5) above) have been initially estimated to amount, at 31st December, 2000, to approximately Euro 5,870 (net book value). A provision of an equal amount has been established in the accompanying financial statements in the year ended 31st December, 2000 (note 20). The clearance and reconciliation of the amounts and balances with PIO has not yet been finalised.
- Personnel insurance schemes transactions for the years 1998, 1999, 2000, 2001 and 2002 and for the six months ended 30th June, 2002 and 2003, are as follows:

	31st December,				30th June,
	1998	1999	2000	2001	2002
Payments made by PPC for personnel insurance schemes	463,968	490,507	546,222	602,530	234,059
Less: Employees' and employer's contributions	337,611	356,241	366,871	382,574	193,274
Shortfall	126,357	134,266	179,351	219,956	40,785

	31st December, 2002
Payments made by PPC for personnel insurance schemes	339,156
Less:	
—Cash collections from PIO	(118,013)
—Offset with social security payable	(217,878)
Shortfall	3,265

21. EMPLOYEE BENEFITS OBLIGATIONS—(continued)

The shortfall for the years 1998 and 1999 was charged to operations and is separately reflected in the accompanying statement of income. PPC ceased paying pensions in the first semester of 2002 and continued to pay other benefits to pensioners until the third quarter of 2002, when the State established specific funds in its budget to cover all insurance costs. All reimbursable costs and shortfall as of 31st December, 2001 are due from the Greek State, while reimbursable costs and shortfall incurred subsequent to 31st December, 2001 are due from PIO.

In 2002, the Company commenced accounting for social security payable to PIO, as follows:

	31st December, 2002	30th June, 2003
Employees' and employer's contributions	387,472	241,428
—Payments	(111,527)	(209,620)
—Settlements with PIO shortfall	(217,878)	0
Social security payable (note 17)	58,067	31,808

21. EMPLOYEE BENEFITS OBLIGATIONS—(continued)

The movement of balances receivable from the Greek State and PIO is as follows:

	Greek State	PIO	Total
Balance 1st January, 2000	**0**	**0**	**0**
Shortfall for 2000	179,351	0	179,351
Advances to pensioners	50,847	0	50,847
Costs reimbursable to PPC (see (c) below)	42,371	0	42,371
Balance 31st December, 2000	**272,569**	**0**	**272,569**
Shortfall for 2001	219,956	0	219,956
Advances to pensioners, net movement	1,678	0	1,678
Costs reimbursable to PPC (see (c) below)	38,339	0	38,339
Collections	(364,783)	0	(364,783)
Balance 31st December, 2001	**167,759**	**0**	**167,759**
Shortfall for 2002	0	3,265	3,265
Advances to pensioners transferred to PIO	(52,525)	52,525	0
Advances to pensioners, net movement	0	(38,257)	(38,257)
Costs reimbursable to PPC (see (c) below)	0	37,309	37,309
Adjustments of reimbursable costs charged to the State (note 37)	(7,085)	0	(7,085)
Collections	(84,089)	0	(84,089)
Balance 31st December, 2002	**24,060**	**54,842**	**78,902**
Costs reimbursable to PPC (see (c) below)	0	1,480	1,480
Collections	0	(40,385)	(40,385)
Balance 30th June, 2003	**24,060**	**15,937**	**39,997**
Allowance for doubtful balance at 31st December, 2002			**17,608**
Allowance for doubtful balance at 30th June, 2003			**37,510**
Net balance 31st December, 2002			**61,294**
Net balance 30th June, 2003			**2,487**

	Greek State	PIO	Total
Balance 31st December, 2001	**167,759**	**0**	**167,759**
Shortfall for the six months ended 30th June, 2002	0	40,785	40,785
Advances to pensioners transferred to PIO	(52,525)	52,525	0
Advances to pensioners, net movement	0	(31,247)	(31,247)
Costs reimbursable to PPC (see (c) below)		20,042	20,042
Adjustments of reimbursable costs charged to the State (note 37)	(4,797)	0	(4,797)
Collections	0	(24,945)	(24,945)
Total	110,437	57,160	167,597
Allowance for doubtful balance			(16,000)
Balance 30th June, 2002			**151,597**

Costs reimbursable to PPC consist of: (a) the PPC Personnel Insurance Division expenses, (b) accrued pensioners' Christmas bonus and, (c) energy supplied to pensioners at a reduced tariff.

The Company is in dispute with PIO as to the undertaking of the obligation for supplying energy at a reduced tariff to PIO pensioners (item (c) above). Based on opinions obtained from independent legal Advisors, this reduced tariff represents an insurance benefit and accordingly the related obligation lies with PIO.

21. EMPLOYEE BENEFITS OBLIGATIONS—(continued)

As of 30th June, 2003, the Company had a receivable from PIO of Euro 37,510, reflecting the energy supplied to PIO pensioners at a reduced tariff, for the period 1st January, 2000 to 31st December, 2002. The Company has recorded an equal provision against this amount, which has been recognised in the statement of income for the six months ended 30th June, 2002 (Euro 16,000) in the statement of income for the year 2002 (Euro 17,608) and in the statement of income for the six months ended 30th June, 2003 (Euro 19,902). For the six-month period ended 30th June, 2003 no amount has been charged to PIO for the energy supplied to PIO pensioners during the period at reduced tariff.

The Company, for prudence purposes and without waiving its claim, has determined and accounted for the present value of the liability that it would assume in case of an unfavourable outcome of the dispute. Such liability, on an actuarially determined basis, at 30th June, 2002, amounted to Euro 212,798. An equal provision (note 20), net of the related deferred tax asset, was directly recorded as a charge against equity. Although events giving rise to the liability discussed above occurred and were known to management subsequent to 31st December, 2001, the provision was recorded directly to equity rather than the statement of income for the six months ended 30th June, 2002, as for statutory reporting purposes the Company recorded the provision directly to equity making use of the provisions of law 2941/12.9.2001 (note 3(b)). As at 31st December, 2002 and 30th June, 2003, the Company had established a total provision of Euro 216,874 and Euro 217,560, respectively (note 20).

The details of the actuarial study for the year 2002 and the six months ended 30th June, 2003, have as follows:

	31st December, 2002	30th June, 2003
Present value of unfunded obligations	225,975	226,661
Unrecognised net loss	(9,101)	(9,101)
Net liability in balance sheet (note 20)	216,874	217,560
Components of net service cost		
Service cost	1,973	1,980
Interest cost	6,531	6,603
	8,504	8,583
Movements during the year/period in net liability in balance sheet		
Net liability at beginning of the year/period	0	216,874
Charge to equity	212,797	0
Actual benefits utilised by the Company	(4,427)	(7,897)
Total expense recognised	8,504	8,583
	216,874	217,560
Change in benefit obligation		
Defined benefit obligation at beginning of year/period	223,019	225,975
Service cost	3,947	1,980
Interest cost	13,062	6,603
Actuarial loss	(3,402)	0
Benefits utilised	(10,651)	(7,897)
	225,975	226,661
Weighted average assumptions		
Discount rate	6.00%	6.00%
Rate of tariff increase per annum:		
—2003	3%	3%
—2004	2%	2%
—Up to 2010	1%	1%
—From 2011	0%	0%

22. SHORT-TERM BORROWINGS

	31st December,				
	1998	1999	2000	2001	2002
Short-term financing	103,756	64,554	29,770	2,104	0
Overdraft facilities	0	0	0	0	103,400
	103,756	64,554	29,770	2,104	103,400

	30th June,	
	2002	2003
Short-term financing	0	0
Overdraft facilities	55,302	53,676
	55,302	53,676

Until 31st December, 2001, the Company had outstanding repurchase agreements with two banks, under which the OAE bonds (note 7) were used as collateral in obtaining short-term financing. At 30th June, 2002 there were no outstanding repurchase agreements.

	31st December,			
	1998	1999	2000	2001
Bonds				
Face value of bonds given as collateral	98,386	62,398	28,848	2,060
Repurchase amount	108,863	67,906	30,298	2,145
Amount outstanding at year end	103,756	64,554	29,770	2,104
Total	103,756	64,554	29,770	2,104

In November 2001, the Company concluded a bank overdraft facility for an amount of up to Euro 120 million, which expired in January 2003. At 30th June, 2003, the Company had four bank overdraft facilities for a total available amount of Euro 353,477 bearing interest at EURIBOR plus a margin, the use of which is presented below:

	31st December,		30th June,	
	2001	2002	2002	2003
Available facilities	120,000	213,477	173,477	353,477
Unused portion	120,000	110,077	118,175	299,801

23. LONG-TERM DEBT

	31st December,				
	1998	1999	2000	2001	2002
Bank loans	3,407,046	3,324,423	3,435,824	3,199,478	2,508,388
Bonds payable	854,427	1,276,346	1,656,179	1,635,718	1,616,772
Bills payable	3,924	3,644	3,443	2,987	1,969
	4,265,397	4,604,413	5,095,446	4,838,183	4,127,129
Less current portion:					
— Bank loans	423,161	394,110	583,252	426,051	508,029
— Bonds payable	364,833	334,706	0	0	241,177
— Bills payable	487	61	226	355	389
	788,481	728,877	583,478	426,406	749,595
Long-term portion	3,476,916	3,875,536	4,511,968	4,411,777	3,377,534

	30th June,	
	2002	2003
Bank loans	2,935,364	2,407,055
Bonds payable	1,629,402	1,594,063
Bills payable	2,429	1,559
	4,567,195	4,002,677
Less current portion:		
— Bank loans	862,316	245,420
— Bonds payable	0	394,063
— Bills payable	117	498
	862,433	639,981
Long-term portion	3,704,762	3,362,696

Long-term debt represents unsecured obligations of the Company. Certain loans and bonds include certain non-financial covenants, the most important of which are:

- The Company should not cease to be a corporation controlled as to at least 51% by the Greek State.
- The Company must not sell and distribute to end users less than 90% of all low and medium voltage electricity (not in excess of 22 kilovolts) consumed in the Republic of Greece during any period of 90 days (any reduction in such sales and distribution by the Company occurring only as a direct result of the implementation of the Electricity Directive as amended and/or supplemented will be disregarded for these purposes).
- The Company must inform the banks of any event which might have a material adverse effect on the financial conditions or operations of the Company or on its ability to comply with its obligations (unless any such changes occur only as a direct result of the implementation of the Electricity Directive or any of its future amendments thereto or other EU Directives relating to energy policy).
- The Company is not in default in any, one or more, of its other debt obligations.
- The Company must inform the banks upon becoming aware of any litigation, arbitration or proceedings, which, if continued, could have a material adverse effect on the Company's business, assets or financial condition.
- The Company should not assign or transfer any of its rights, benefits and obligations under the loan agreements.

23. LONG-TERM DEBT—(continued)

The total interest expense (including amortisation of loan fees and expenses) on long-term debt for the years 1998, 1999, 2000, 2001 and 2002 and for the six months ended 30th June, 2002 and 2003 amounted to Euro 463,067, Euro 359,046, Euro 315,286, Euro 252,710, Euro 204,212, Euro 105,861 and Euro 84,236, respectively and is included in financial expenses in the accompanying statements of income (note 36).

A further analysis of the Company's long-term debt based on interest rate composition (fixed or floating) and currency denominations is given below:

	31st December,				
	1998	1999	2000	2001	2002
Bank loans and bonds					
—Fixed rate	871,525	1,120,417	1,187,888	1,160,123	1,141,177
—Floating rate	2,533,165	2,592,176	2,997,494	2,594,362	1,881,777
European Investment Bank	655,257	702,462	703,084	849,065	926,271
Projects financing	205,450	189,358	206,980	234,633	177,904
	4,265,397	4,604,413	5,095,446	4,838,183	4,127,129

	30th June,	
	2002	2003
Bank loans and bonds		
—Fixed rate	1,153,807	1,118,468
—Floating rate	2,368,652	1,823,089
European Investment Bank	823,848	895,212
Projects financing	220,888	165,908
	4,567,195	4,002,677

a) Bank loans and bonds bearing interest at fixed rates:

	31st December,				
	1998	1999	2000	2001	2002
Japanese Yen	746,762	489,209	287,888	260,123	241,177
US Dollar bonds	124,763	145,015	0	0	0
Euro bonds	0	486,193	900,000	900,000	900,000
	871,525	1,120,417	1,187,888	1,160,123	1,141,177

	30th June,	
	2002	2003
Japanese Yen	253,807	218,468
Euro bonds	900,000	900,000
	1,153,807	1,118,468

- Bonds denominated in Japanese Yen, that were outstanding at 30th June, 2003 were issued in 1998. The interest rate on these bonds is fixed at 1.94% and they were repaid in one balloon installment in July 2003. As the Company concluded, in July 2003, a forward purchase of the Yen amount (Yen 30 billion), the actual amount paid for the full redemption on 25th July, 2003 of the above Japanese Yen Bonds amounted to Euro 225,937. As a result of the above forward purchase the exchange gain realized upon payment of the above bonds was less than the unrealized exchange gain as at 30th June, 2003, by approximately Euro 7.5 million.
- Bonds denominated in US dollars were issued in November 1995 and repaid in November 2000. Interest rate was fixed at 7.25% throughout the term of the bond.

23. LONG-TERM DEBT—(continued)

- Bonds denominated in Euro were issued in 1999 (repayable in one balloon installment due in March 2009) and 2000 (repayable in one balloon installment due in November 2010) bearing interest at fixed rates of 4.50% and 6.25%, respectively, through their term.

b) Bank loans and bonds bearing interest at floating rates:

	31st December,				
	1998	1999	2000	2001	2002
US Dollar	190,315	2,417	0	0	0
Euro	2,342,850	2,589,759	2,997,494	2,594,362	1,881,777
	2,533,165	2,592,176	2,997,494	2,594,362	1,881,777

	30th June,	
	2002	2003
Euro	2,368,652	1,562,538
CHF	0	260,551
	2,368,652	1,823,089

- Bank loans and bonds outstanding at 30th June, 2003 were obtained at various dates from 1996 through 2003. Interest rates (including former Greek Drachma denominated loans—now Euro) at 31st December, 1998, 1999, 2000, 2001 and 2002 and at 30th June, 2002 and 2003 ranged from 3.87%-15.86%, 3.50%-11.18%, 5.26%-8.62%, 3.52%-4.76%, 3.21%-4.32%, 3.54%-4.32% and 0.64%-3.58%, respectively. Weighted average interest rates for the years 1998, 1999, 2000, 2001 and 2002 and for the six months ended 30th June, 2002 and 2003 were 12.61%, 8.38%, 6.82%, 5.20%, 4.104%, 3.97% and 3.044%, respectively. The loans outstanding at 30th June, 2003 are repayable in semi-annual and/or balloon installments from 2003 through to 2008.

- Major syndicated loans denominated in Euro, which are outstanding at 30th June, 2003, represent one loan obtained in December 1999 (repayable in one balloon installment in December 2004), while one loan obtained in May 1998 (initially denominated in Deutsche Marks—now Euro) was fully repaid in May 2003. For the loan obtained in December 1999, the Company in May 2000 entered into an interest rate swap agreement and effectively changed the floating interest rate (six month EURIBOR) to a fixed rate of 5.52% (note 24).

- For a loan initially denominated in Deutsche Marks (now Euro) and obtained in 1996, the Company in April 1997 entered into two, currency swap agreements for a part of the loan (Euro 205.7 million out of Euro 232.0 million—note 24). This loan was fully paid in November 2001.

- Bonds initially denominated in Italian Lire (now Euro) were drawn in January 1999 and bear interest at ITL LIBOR (now EURIBOR) plus a spread of 0.65% and are payable in one balloon installment in January 2004. In January 1999, the Company entered into a cross-currency and interest rate swap agreement in relation to these bonds (note 24).

- Floating rate bonds denominated in Euro, were issued in March 2000, repayable in one balloon installment in March 2007. For such bonds, the Company, in April 2001, entered into an interest rate swap agreement and effectively changed the floating interest rate (6 month EURIBOR plus a spread of 0.4%) to a fixed rate of 5.425% (note 24).

- In June 2003, the Company concluded a syndicated multi tranche loan, of a total amount of CHF 510 million, repayable in three partial balloon installments in June 2005, June 2006 and June 2008, respectively. As at 30th June, 2003 out of the total amount of CHF 510 million the Company had drawn the amount of CHF 405 million. The remaining amount of CHF 105 million was drawn in July 2003.

23. LONG-TERM DEBT—(continued)

c) European Investment Bank ("EIB"):

	31st December,				
	1998	1999	2000	2001	2002
Fixed rate:					
—Swiss Franc	117,303	108,132	106,204	97,236	86,563
—Euro	175,905	192,869	200,175	323,125	301,413
—US dollar	39,525	42,107	42,251	39,463	28,532
—Yen	0	0	9,503	35,706	33,106
	332,733	343,108	358,133	495,530	449,614
Floating rate:					
Euro	322,524	359,354	344,951	353,535	476,657
	655,257	702,462	703,084	849,065	926,271

	30th June,	
	2002	2003
Fixed rate:		
—Swiss Franc	97,950	80,883
—Euro	317,334	296,173
—US dollar	34,865	26,185
—Yen	34,839	29,988
	484,988	433,229
Floating rate:		
Euro	338,860	461,983
	823,848	895,212

The long-term loans outstanding as at 30th June, 2003 with the EIB have been concluded at various dates from 1986 through 2002 and are guaranteed by the Greek State (in exchange, PPC currently pays to the Greek State a commission in the range of 0.50% to 1.00% on the outstanding balance of the loans guaranteed). In November 2002, the Company concluded four, floating interest rate, loan agreements with EIB for a total amount of Euro 150 million. These loans were partially guaranteed by the Greek State and partially guaranteed by commercial banks (in exchange, PPC pays to the commercial banks a commission of 0.48% on the outstanding balance of the loans guaranteed).

As at 30th June, 2003 interest rates for the loans denominated in foreign currencies are fixed in the range of 1.82%-7.6%. Interest rates for the floating Euro denominated loans as at 31st December, 1998, 1999, 2000, 2001 and 2002 and at 30th June, 2002 and 2003 ranged from 11.17%-11.42%, 9.11%-9.40%, 4.72%-4.90%, 3.13%-3.25%, 2.82%-2.87%, 3.27%-3.4% and 2.03%-2.08%, respectively.

Weighted average interest rates for Euro denominated floating rate loans for the years 1998, 1999, 2000, 2001 and 2002 and for the six months ended 30th June, 2002 and 2003 were 14.57%, 9.74%, 8.21%, 4.07%, 2.74%, 3.27% and 2.62%, respectively.

With respect to the loans obtained prior to 1992, which at 31st December, 1998, 1999, 2000, 2001 and 2002 and at 30th June, 2002 and 2003 amounted to Euro 117,130, Euro 97,467, Euro 80,945, Euro 64,938, Euro 47,727, Euro 63,022 and Euro 46,668, respectively, the Bank of Greece covers the exchange risk in accordance with Ministerial and the Greek Monetary Committee decisions (in exchange, PPC pays a premium calculated on the difference between the interest rate of each currency of the loan and, either the Greek Postal Savings bank's for loans to public sector companies minus 1.5%, or, the average rate of the quotations of four major banks (three as of 30th June, 2003) minus 1.5%). Interest rates for these loans at 31st December, 1998, 1999, 2000, 2001 and 2002 and at 30th June, 2002 and 2003 ranged from 13.38%-17.00%, 11.65%-17%, 7.06%-13.50%, 5.15%-8.5%, 5.15%-8.5%, 5.15%-8.5%, and 4.67%-8.5%, respectively.

23. LONG-TERM DEBT—(continued)

PPC is obliged to comply with certain non-financial covenants the most important of which are:

- The Company must inform the EIB of any material change to any of the Acts relating to its constitution and functions and of any change in controlling ownership.
- To furnish the EIB with progress information for the projects financed by the respective loans.
- To submit for approval any significant change in project plan or expenditure.
- The Company must inform the EIB in the event of a significant reduction in the value of the Company's assets (other than any reduction caused by the implementation of the Electricity Directive).
- Should the total cost of the respective projects fall significantly below those stipulated in the loan agreement the EIB may demand proportional prepayment of the related loan.
- To maintain, repair and overhaul all property forming part of the related projects.
- The Company shall (unless the EIB has consented otherwise) retain title to all assets comprising the project.
- The Company is not in default in any of its other debt obligations.

d) Project financing:

	31st December,				
	1998	1999	2000	2001	2002
Floating rate:					
—US dollar	3,120	0	0	0	0
—Euro	155,865	151,923	141,761	132,006	80,000
—Swiss Franc	1,913	0	36,041	84,481	89,285
	160,898	151,923	177,802	216,487	169,285
Fixed rate:					
—US dollar	17,705	16,640	15,408	13,004	8,183
—Swiss Franc	26,847	20,795	13,770	5,142	436
	44,552	37,435	29,178	18,146	8,619
	205,450	189,358	206,980	234,633	177,904

	30th June,	
	2002	2003
Floating rate:		
—Euro	118,076	80,000
—Swiss Franc	92,285	79,453
	210,361	159,453
Fixed rate:		
—US dollar	9,881	6,251
—Swiss Franc	646	204
	10,527	6,455
	220,888	165,908

The above amounts represent promissory notes or long-term credits obtained to finance specific supply contracts and are repayable in semi-annual installments from 2003 to 2013. As at 30th June, 2003 interest rates on fixed rate credits were in the range 5%-7.4%. Interest rates on floating rate credits at 31st December, 1998, 1999, 2000, 2001 and 2002 and at 30th June, 2002 and 2003 ranged from 4%-5.5%, 3.6%-4.51%, 5.57%-6.01%, 3.74%-4.2%, 0.95%-3.48%, 1.63%-4.32% and 0.54%-2.7%, respectively. Weighted average interest rates for the years 1998, 1999, 2000, 2001 and 2002 and for the six months ended 30th June, 2002 and 2003 were 5.09%, 3.74%, 4.44%, 5.17%, 3.57%, 3.45% and 2.099%, respectively.

23. LONG-TERM DEBT—(continued)

The annual principal payments required to be made subsequent to 30th June, 2003 (based on the exchange rates as at 30th June, 2003) are as follows:

Maturity	Amount
Within one year	639,981
1-5 years	2,550,163
Over 5 years	812,533
	4,002,677

The fair value of bonds that are publicly traded at 31st December, 1998, 1999, 2000, 2001 and 2002 and at 30th June, 2002 and 2003 totaled Euro 126 million, Euro 742 million, Euro 1,323 million, Euro 1,346 million, Euro 1,413 million, Euro 1,360 million and Euro 1,438 million, respectively, while their respective carrying amount as at 31st December, 1998, 1999, 2000, 2001 and 2002 and at 30th June, 2002 and 2003 totaled Euro 125 million, Euro 802 million, Euro 1,376 million, Euro 1,376 million, Euro 1,376 million, Euro 1,376 million and Euro 1,376 million, respectively.

The fair value of fixed rate long-term bonds which are not listed (based on discounted cash flow analysis and market quotations) at 31st December, 1998, 1999, 2000, 2001 and 2002 and at 30th June, 2002 and 2003 amounted to Euro 680 million, Euro 488 million, Euro 288 million, Euro 270 million, Euro 240 million, Euro 251 million and Euro 218.5 million, respectively, while their respective carrying amount at 31st December, 1998, 1999, 2000, 2001 and 2002 and at 30th June, 2002 and 2003 amounted to Euro 657 million, Euro 474 million, Euro 280 million, Euro 260 million, Euro 241 million, Euro 253 million and Euro 218 million, respectively. The fair values of long-term loans with floating interest rates approximate their carrying amounts.

The 30th June, 2003 translation of the long-term debt denominated in foreign currencies resulted in an unrealised gain of Euro 41,950 (gain of Euro 2,907 from debt denominated in US Dollars, gain of Euro 13,216 from debt denominated in CHF and gain of Euro 25,827 from debt denominated in Japanese Yen), which is included in foreign currency gains (losses), net in the accompanying income statement for the six months ended 30th June, 2003.

24. FINANCIAL INSTRUMENTS

	31st December,		30th June,	
	2001	2002	2002	2003
Derivative assets	0	8,740	9,182	10,346
Derivative liabilities	(69,382)	(80,543)	(56,673)	(70,910)

Derivative financial instruments represent contracts to purchase electricity denominated in U.S. dollars, cross currency and interest rate swaps and interest rate swaps.

- ***Electricity contracts:*** Certain of the Company's energy purchase contracts are denominated in U.S. dollars and are accounted for as derivative financial instruments. As at 31st December, 2001 and 2002 and as at 30th June, 2002 and 2003, the Company had two, one, four and one outstanding energy contracts, denominated in U.S. dollars, respectively. The contract outstanding as at 30th June, 2003 matures in September 2004. The change in the fair value of these contracts, estimated using discounted cash flow analysis, at 31st December, 2001 and 2002 and at 30th June, 2002 and 2003, totaled Euro 4,845 (loss), Euro 13,585 gain, Euro 14,027 gain and Euro 1,606 gain, respectively, and is included in foreign currency gains/ (losses), net in the accompanying statements of income.

24. FINANCIAL INSTRUMENTS—(continued)

- ***Swap Agreements:*** At 30th June, 2003, the Company had one interest rate and cross currency swap agreement and six interest rate swap agreements outstanding:

  a) ***Cross Currency and interest rate Swap Agreements:*** One agreement was concluded in January 1999 for a period of five years through 8th January, 2004 under which the Company receives interest at a rate equal to six month ITL LIBOR (now EURIBOR) plus 0.65% on a nominal amount of Italian Lira 340 billion (Euro 175.6 million) and pays interest at a fixed rate of 1.175% on a nominal amount of Yen 25 billion.

  b) ***Interest Rate Swap Agreements:*** Interest Rate Swap Agreements at 30th June, 2003 had as follows:

Concluded in	Matures in	Outstanding Amount	Interest rate	
			Receives	Pays
May 2000	December 2004	250,000	6month EURIBOR	5.52%
April 2001	March 2007	300,000	6month EURIBOR + 0.4%	5.425%
April 2001	May 2005	73,368	6month EURIBOR + 0.6%	5.3475%
April 2001	May 2006	125,773	6month EURIBOR + 0.3%	5.03%
June 2001	August 2007	73,368	6month EURIBOR + 0.3%	5.275%
June 2001	September 2007	117,388	6month EURIBOR + 0.3%-0.325%	5.347%
		939,897		

In addition, two Currency Swap Agreements were concluded in April 1997 for a period of four years through 22nd November, 2001 under which the Company was receiving interest at a rate equal to three month DEM LIBOR (now EURIBOR) plus 0.375%-0.4% on a total capital of Euro 205.7 million and was paying interest at rates equal to three month ATHIBOR (now EURIBOR) plus 0.10% and 0.19% on a total capital of Euro 186.7 million. Upon maturity of these swap agreements their fair value of Euro 19,060 gain has been included in the accompanying 2001 statement of income.

As at 1st January, 2001, the swap agreements were measured at their fair values in accordance with IAS 39 and the resulting transitional adjustment (net loss) of Euro 43,545 has been included in equity as an adjustment to the opening balance of 2001 accumulated deficit. None of the above instruments meet the criteria for hedge accounting and accordingly the change in their fair values is included in financial (expense) income, in the accompanying statements of income. The net change in fair values for the years 2001 and 2002 and for the six months ended 30th June, 2002 and 2003 amounted to Euro 1,931 (loss), Euro 16,006 (loss), Euro 7,864 gain and Euro 9,633 gain, respectively.

25. DEFERRED CUSTOMERS' CONTRIBUTIONS AND SUBSIDIES

PPC customers (including State and Municipalities) are required to participate in the funding of the initial network connection cost (meters, substations, network connections etc.) or other infrastructure. In addition, PPC obtains subsidies from the European Union through the investment budget of the Hellenic Republic in order to fund specific projects.

The above customers' contributions and subsidies are recorded upon collection and are reflected in the balance sheet as deferred income. Such amounts are amortised over the useful life of the related assets when these are put in operation. Customers' contributions and subsidies' amortisation is recorded against depreciation charge (note 34).

	31st December,				
	1998	1999	2000	2001	2002
Cost:					
—Customers' contributions	694,227	796,302	910,676	1,071,656	1,251,740
—Subsidies	572,305	600,352	600,857	656,728	657,631
—Other	0	0	(563)	80	80
	1,266,532	1,396,654	1,510,970	1,728,464	1,909,451
Accumulated Amortisation:					
—Customers' contributions	188,804	236,267	290,726	355,011	424,740
—Subsidies	194,553	222,943	249,535	271,422	290,130
—Other	0	0	(563)	(566)	(566)
	383,357	459,210	539,698	625,867	714,304
Net Book Value:					
Customers' contributions	505,423	560,035	619,950	716,645	827,000
Subsidies	377,752	377,409	351,322	385,952	368,147
	883,175	937,444	971,272	1,102,597	1,195,147

	30th June,	
	2002	2003
Cost:		
—Customers' contributions	1,154,276	1,333,081
—Subsidies	659,378	657,711
	1,813,654	1,990,792
Accumulated Amortisation:		
—Customers' contributions	388,236	462,626
—Subsidies	281,125	301,356
	669,361	763,982
Net Book Value:		
Customers' contributions	766,040	870,455
Subsidies	378,253	356,355
	1,144,293	1,226,810

The amount of customers' contributions and subsidies collected for the years 1998, 1999, 2000, 2001 and 2002 and for the six months ended 30th June, 2002 and 2003 totalled Euro 128,795, Euro 130,131, Euro 114,315, Euro 217,494, Euro 182,896, Euro 85,295 and Euro 81,341, respectively.

The amortisation of customers' contributions and subsidies for the years 1998, 1999, 2000, 2001 and 2002 and for the six months ended 30th June, 2002 and 2003 totalled Euro 70,348, Euro 75,871, Euro 80,475, Euro 86,169, Euro 90,346, Euro 43,600 and Euro 49,678, respectively (note 34).

26. OTHER NON-CURRENT LIABILITIES

	31st December,				
	1998	1999	2000	2001	2002
Tax assessments 1989-1999 (note 18)	73,215	76,417	41,508	20,754	10,377
TAP-HEAP reserve	24,393	24,393	24,393	24,393	24,393
ELPE (non-current portion)	11,472	0	0	0	0
Customers' deposits	213,802	236,704	262,292	287,527	309,648
Tax on statutory revaluation of fixed assets	0	0	3,677	0	0
Other	3,464	1,321	849	16	16
	326,346	338,835	332,719	332,690	344,434

	30th June,	
	2002	2003
Tax assessments 1989-1999 (note 18)	20,754	10,377
TAP-HEAP reserve	24,393	24,393
Customers' deposits	297,977	320,775
Other	16	16
	343,140	355,561

TAP-HEAP Reserve: The amount represents a reserve for personnel retirement indemnities established by TAP-HEAP the insurance fund of HEAP, an electric utility company, which was absorbed by PPC in 1985. The amount has been classified as a non-current liability to PIO, which was established in late 1999 (note 21).

Customers' deposits: The amount relates to deposits made from customers upon initial connection to the transmission and/ or distribution networks and is considered as a coverage of unbilled consumption outstanding as of any time. Such deposits are refundable (non-interest bearing) upon termination of connection by the customer. As the refund of such amounts is not expected to be realised within a short period of time the amounts are classified as long-term liabilities.

27. SHARE CAPITAL

Under its enabling statute of 1950, PPC was established as a "Public Corporation belonging entirely to the Greek State, operating for the public interest under the supreme inspection and control of the State". A subsequent legislative Decree provided PPC with a special legal status among enterprises within the State sector, stipulating that PPC was not subject to legislative provisions regulating the State sector generally, but rather subject to such provisions only when specifically mentioned. A Presidential Decree in 1985 stipulated that PPC is a public sector corporation, belonging to the Greek State, operating with full administrative, legal and financial autonomy, under the supervision of the Greek State. Until 31st December, 2000, the State's special ownership of PPC was evidenced by statute and not by shares or stock in any form.

Under Law 2773/1999 and pursuant to Presidential Decree 333/2000, PPC was transformed, effective 1st January, 2001 into a *société anonyme* wholly owned by the State for the purpose of carrying on the business of an electricity company. Law 2773 also ratified the Articles of Incorporation of PPC, which specifies, among other things, the following:

- The Greek State is not permitted to hold less than 51% of the voting shares of PPC, after any increase in its share capital.
- In case the participation percentage of a shareholder or a shareholder's affiliated companies exceeds in total 5% of PPC's share capital, such shareholder will not have the right to vote at the general assembly for the percentage of his shareholding exceeding 5%.

27. SHARE CAPITAL—(continued)

- The Company's fiscal year ends at 31st December, of each year. Exceptionally, the Company's first fiscal year was concluded at the end of the year succeeding the year of PPC's transformation into a société anonyme.
- The life of the company was set for 100 years.

The share capital of PPC S.A. was set at GRD 220 billion consisting of 220 million common registered shares of Greek Drachmae one thousand, par value each. At 31st December, 2000, PPC made transfers from equity accounts to set up the share capital of GRD 220 billion, as analysed below (in millions of Greek Drachmae and thousands of Euro):

	GRD	EURO
Contributions by the Greek State	38,797	113,858
Revaluation surplus of machinery under law 1731/1987 (note 14)	164,321	482,233
Revaluation surplus of buildings under Ministerial Decision 2665/1988 (note 14)	7,649	22,448
Revaluation surplus (part of) of land under Ministerial Decision 2665/1988 (note 14)	9,233	27,096
	181,203	531,777
	220,000	645,635

The shareholders' General Assemblies held on 16th November and 22nd November, 2001 approved the increase of the share capital through the issuance of 12,000,000 new common registered shares of Greek Drachmae one thousand par value each and the listing of the Company's shares on the Athens Exchange and their admission for trading, in the form of Global Depositary Receipts, to the London Stock Exchange. These new shares issued were offered to the public at an average price per share of Euro twelve and fifty-eight cents (Euro 12.58). The resulting share premium of Euro 106,679 (net of the related issuance costs of Euro 9,075) is separately reflected in shareholders equity.

Following the decision of the Shareholders' Special General Assembly dated 6th June, 2002, the Company's share capital and the nominal value of the shares were converted from Greek Drachmae to Euro, in accordance to the provisions of Article 12 of Law 2842/2000. As a result, the Company's share capital amounted to Euro 679,760 divided into 232,000,000 common shares of Euro two and ninety-three cents (Euro 2.93) par value each. The rounding of the shares' nominal value resulted in a reduction of the Company's share capital by Euro 1,091, which was recorded in equity under a special reserve account (note 28) and was used in the share capital increase discussed below.

The shareholders' Special General Assembly held on 15th November, 2002 and continued and concluded on 22nd November, 2002, approved the increase of the share capital by Euro 387,440 through the increase of the par value per share by Euro one and sixty-seven cents (Euro 1.67). For the above increase the Company used the reserve resulted from the conversion of the share capital from Greek Drachmae to Euro (Euro 1,091) and part of the fixed assets statutory revaluation surplus discussed in note 14 after eliminating statutory losses of Euro 29,216. As a result, the Company's share capital amounts to Euro 1,067,200 divided into 232,000,000 common shares of Euro four and sixty cents (Euro 4.60) par value each.

28. LEGAL RESERVE

Under Greek corporate law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a legal reserve, until such reserve equals one-third of the paid-in share capital. This reserve cannot be distributed through the life of the company. The Company upon the closing of its first fiscal year following its transformation into a société anonyme (note 2) established a legal reserve of Euro 11,127.

29. RESERVES

	31st December,				
	1998	1999	2000	2001	2002
Tax free (Law 2238/94)	2,556	11,046	11,046	11,046	11,046
Tax free	56,108	81,932	80,297	80,297	81,949
Specially taxed reserves	111,023	113,104	113,036	113,036	113,036
	169,687	206,082	204,379	204,379	206,031
Securities valuation surplus (note 7)	24,091	29,875	22,964	15,018	2,405
	193,778	235,957	227,343	219,397	208,436

	30th June,	
	2002	2003
Tax free (Law 2238/94)	11,046	11,046
Tax free	80,297	81,949
Specially taxed reserves	113,036	113,036
Share capital conversion	1,091	0
	205,470	206,031
Securities valuation surplus (note 7)	10,768	4,465
	216,238	210,496

Tax-free and specially taxed reserves represent interest income which is either free of tax or a 15% tax is withheld at source. This income is not taxable, assuming there are adequate profits from which respective tax-free reserves can be established. However, if distributed, such reserves are subject to income tax (estimated to approximate Euro 59 million at 30th June, 2003). Presently, the Company has no intention to distribute any of its tax-free or specially taxed reserves and accordingly no related deferred taxes have been accounted for.

The Company for its first twenty-four months statutory fiscal year, following its transformation into a société anonyme (note 2), established tax-free reserves of Euro 1,652.

30. DIVIDENDS

Under Greek corporate law, companies are required each year to declare and pay from statutory profits dividends of at least 35% of after-tax profit, after allowing for the legal reserve, or a minimum of 6% of the paid-in share capital, whichever is greater. A dividend of an amount less than 35% of after tax profit and after allowing for the legal reserve, but greater than the 6% of paid-in share capital can be declared and paid with 70% affirmative vote of all shareholders. However, with the unanimous consent of all shareholders, the Company may not declare any dividend.

Furthermore, Greek corporate law requires certain conditions to be met before dividends can be distributed, which are as follows:

(a) No dividends can be distributed to the shareholders as long as the Company's net equity, as reflected in the statutory financial statements, is, or after such distribution, will be less than the outstanding capital plus non-distributable reserves.

(b) No dividends can be distributed to the shareholders as long as the unamortised balance of "Pre-operating Expenses", as reflected in the statutory financial statements, exceeds the aggregate of distributable reserves plus retained earnings.

The above, apply to the Company effective 1st January, 2001 following its transformation into a société anonyme (note 2).

30. DIVIDENDS—(continued)

On 2nd April, 2002, the Board of Directors approved the distribution of an interim dividend of Euro 88,160 (Euro 0.38 per share). As the Company's first fiscal year included the twenty-four months period from 1st January, 2001 to 31st December, 2002, the above dividends are considered, for statutory purposes, as an interim dividend. As at 31st December, 2002 and as at 30th June, 2003, the unpaid balance (not collected yet by the beneficiaries) of these dividends was Euro 99 and Euro 74, respectively. On 4th June, 2003, the Shareholders' General Assembly approved the distribution of additional dividends of Euro 116,000 (Euro 0.50 per share). As at 30th June, 2002 and 2003, the unpaid balance of all the above dividends was Euro 74,955 and Euro 116,074, respectively.

Based on paragraph 4, art. 30 of Tax Law 2579/98, PPC was obliged to distribute as a dividend to the Greek State, through its annual distribution of profits, an amount equal to the 10% of its earnings (excluding gains from the sale of marketable securities) before tax. Such dividends were subject to 35% income tax. In this respect PPC declared dividends of Euro 2,732 and Euro 5,077 from the profits of 1998 and 1999, respectively. No dividend distribution was made in 2000 as the Company reported losses.

31. COMMITMENTS AND CONTINGENCIES

(a) ***Construction Programme:*** The Company is engaged in a continuous construction programme, currently estimated to be approximately Euro 3.1 billion over a four-year period from 2004 to 2007. These expenditures are planned to primarily focus on the Distribution and Generation units. The programme is subject to periodic review and revision and actual construction costs may vary from the above estimate because of numerous factors, including changes in business conditions, changes in environmental regulations, increasing costs of labour, equipment and materials and cost of capital.

(b) ***Agreement with WIND:*** In August 2001, the Company's wholly owned subsidiary PPC Telecommunications S.A. entered into an agreement to form a new company with WIND (an Italian telecommunication provider, subsidiary of ENEL S.p.A.). The new company, WIND-PPC Holdings N.V. through its subsidiary Tellas S.A. Telecommunications ("Tellas") entered fixed and fixed wireless telephony as well as Internet services in Greece in the first quarter of 2003 (note 13). The Company's total estimated equity contribution into Tellas is expected to be approximately Euro 80 million. The Company is also constructing a fibre-optic network along its existing lines (an investment which is expected to amount to Euro 36 million), which is gradually being delivered and leased to Tellas.

(c) ***Option to buy shares of "DEPA":*** The Special Shareholders' General Assembly held on 15th November and continued and concluded on 22nd November, 2002, approved the agreement that was signed between the Greek State and PPC S.A, through which the latter has the right to buy from the Greek State up to 30% of DEPA's shares and which the Greek State is obliged to sell to PPC S.A. The option, which does not have an expiry date, has not been exercised by the Company to date. On 18th February, 2003 the Company's Board of Directors decided to notify the Greek State of its intention to commonly appoint an independent valuer in order to proceed with the evaluation of the 30% of DEPA's shares. The Company upon appointment of the valuer and finalisation of the valuation shall decide whether to exercise this option, or not.

(d) ***Ownership of Property:*** According to a study performed by an independent law firm, major matters relating to the ownership of PPC's assets, are as follows:

1. Public Power Corporation S.A. is the legal successor to all property rights of the former PPC legal entity. Its properties are for the most part held free of encumbrances. Although all property is legally owned, legal title in land and buildings will not be perfected and therefore title may not be enforced against third parties until the property is registered at the relevant land registry in the Company's name. PPC is in the process of registering this property free of charge at the relevant land registries following a simplified registration procedure. This process is not yet finalised.

2. In a number of cases, expropriated land, as presented in the expropriation statements, differs (in quantitative terms), with what PPC considers as its property.

31. COMMITMENTS AND CONTINGENCIES—(continued)

3. Agricultural land acquired by PPC through expropriation in order to be used for the construction of hydroelectric power plants, will be transferred, following a decision of PPC's Board of Directors and a related approval by the Ministry of Development, to the State, at no charge, if this land is no more necessary to the PPC S.A. for the fulfilment of its purposes.

(e) ***Litigation and Claims:*** The Company is a defendant in several legal proceedings arising from its operations. The total amount claimed as at 30th June, 2003 amounts to Euro 400 million, as further analysed below:

1. **Claims with contractors, suppliers and other claims:** A number of contractors and suppliers have raised claims against the Company, mainly for disputes in relation to the construction and operation of power plants. These claims are either pending before courts or in arbitration and mediation proceedings. The total amount involved is approximately Euro 223 million. In most cases the Company has raised counter claims, which are not reflected in the accounting records until the time of collection.
2. **Fire incidents:** A number of individuals have raised claims against the Company for damages incurred as a result of alleged electricity-generated fires. The cases relate mainly to the years 1993 through 1996 and the total amount involved is approximately Euro 46 million.
3. **Claims by employees:** Company's employees are claiming the amount of Euro 122 million, for allowances and other benefits that according to the employees should have been paid by the Company. The majority of the above amount relates to periods prior to 1996.
4. **Environmental claims:** Certain claims have been raised by two municipalities in relation to the Company's operation in northern Greece, for a total amount of approximately Euro 9 million.

For the above amounts the Company has established provisions, which at 30th June, 2003 totalled Euro 141,719 (note 20).

(f) ***Arbitration:*** As at 31st December, 2001 the Company was in arbitration proceedings with one of its high voltage customers for the revision of the price at which electricity is supplied (under a contract, which expires in the year 2006). The arbitration proceeding commenced in February 1999 and related to the electricity supplied during the period for 1st January, 1999 to 31st December, 2001. In June 2002, the arbitration ruled in favour of the Company. In this respect, the Company was compensated with the amount of Euro 9.2 million (included in other income, (expense), net—note 37) plus interest of Euro 2.2 million (included in financial income) relating to the above period, while billings subsequent to the arbitration ruling are based on the revised prices. During the second half of 2002, a compensation fee of a similar nature of Euro 3.9 million (plus interest of Euro 1.1), was billed to another high voltage customer whose billings follow the prices applied to that with whom the Company had entered into the arbitration proceedings.

(g) ***Environmental obligations:*** Following an assessment of PPC's operations by an independent environmental consulting firm, the Company believes that approximately Euro 425 million of investment in environmental, health and safety matters will be required over ten years (from 2001 to 2010). The above amount represents only an indication of the probable investment needs. The precise investments will depend upon a number of factors, such as the demand for electricity in the future, PPC's long-term business strategy, the regulatory environment and also the future level of enforcement of environmental laws and regulations in Greece.

Key uncertainties that may influence the final level of environmental investment which PPC will be required to make over the forthcoming decade, include:

1. Several Environmental Permits and operating Licenses have yet to be obtained by individual PPC operating units. This includes some of the mines, Megalopolis A power station, some of the hydroelectric stations and a large part of the national transmission network.

31. COMMITMENTS AND CONTINGENCIES—(continued)

2. The Messochora inhabitants have challenged the recent environmental permit granted for the Acheloos project, including Messochora, as well as ancillary specific construction relating to Messochora on environmental grounds and the law relevant to the expropriation of the land for flooding of the Messochora dams. The hearing to the environmental permit for Acheloos is scheduled to take place on 5th December, 2003.

3. Under IPPC (Integrated Pollution Prevention and Control), the Best Available Techniques for Large Combustion Plants have yet to be defined at a European level. These, and the amendments to the Large Combustion Plant Directive may: 1) require additional to the already foreseen investments at PPC's larger thermal power plants stations, 2) reduce the hours of operation of its oil fired stations and of units I and II of Megalopolis A plant.

4. The Greek government has adopted guidelines to implement the Kyoto Protocol and the European Union adopted a proposal for a Directive on emissions. Potential future reductions, mandated by the Hellenic Republic, could require from the Company to modify its operations to reduce emissions, purchase emission allowances, or both.

5. The extent of contaminated land has yet to be defined for many of PPC's installations. At present, there appears to be no requirement for large-scale remediation projects at PPC's sites in the short term, and it is unlikely that this will be required at the mining areas or at the lignite stations for the foreseeable future. Remediation, however, may be warranted at some of the firm's oil-fired stations, and depots and of its underground cables in the future.

6. The Company has undertaken limited studies on the presence of asbestos-containing materials at its premises. Substantial costs for disposing of asbestos-containing materials, at third party disposal sites, may be required in the future, as the authorisation to develop an environmentally-controlled landfill for asbestos-containing materials may be delayed or denied by the Ministry of the Environment.

7. Exposure of the public to electromagnetic fields from PPC's transmission lines and substations, is considered to be substantially less than the exposure guidelines thresholds developed by the International Commission on Non Ionizing Radiation Protection (ICNIRP) and CENELEC.

32. REVENUES

	31st December,				
	1998	1999	2000	2001	2002
Energy sales:					
—High voltage	177,441	176,584	234,024	231,055	256,342
—Medium voltage	439,695	469,758	514,888	571,046	613,305
—Low voltage	1,847,956	1,986,245	2,086,847	2,250,856	2,448,783
	2,465,092	2,632,587	2,835,759	3,052,957	3,318,430
HTSO transmission system fees (note 2)	0	0	0	0	51,844
HTSO administrative fees (note 2)	0	0	0	5,295	9,503
Other (note 17)	26,007	26,976	32,405	33,135	40,929
	2,491,099	2,659,563	2,868,164	3,091,387	3,420,706

	30th June,	
	2002	2003
Energy sales:		
—High voltage	121,735	132,992
—Medium voltage	281,892	312,287
—Low voltage	1,197,135	1,330,697
	1,600,762	1,775,976
HTSO transmission system fees (note 2)	0	103,689
HTSO administrative fees (note 2)	4,736	4,674
Other (note 17)	17,835	30,848
	1,623,333	1,915,187

33. PAYROLL COST

	31st December,				
	1998	1999	2000	2001	2002
Total payroll cost	943,859	1,002,626	1,040,305	1,073,435	1,111,772
Less:					
—Capitalisation of payroll to fixed assets	(114,280)	(119,281)	(122,134)	(97,420)	(103,203)
—Payroll cost included in lignite production	(191,906)	(202,972)	(212,323)	(224,417)	(241,124)
—Payroll cost of PIO (note 21)	0	0	(20,900)	(20,564)	0
	637,673	680,373	684,948	731,034	767,445

	30th June,	
	2002	2003
Total payroll cost	565,359	619,369
Less:		
—Capitalisation of payroll to fixed assets	(52,572)	(56,042)
—Payroll cost included in lignite production	(122,167)	(129,829)
	390,620	433,498

34. DEPRECIATION AND AMORTISATION

	31st December,				
	1998	1999	2000	2001	2002
Depreciation on fixed assets (note 14)	248,599	276,414	321,855	344,305	365,516
Plus:					
—Software amortisation	323	1,241	1,869	2,512	2,433
Less:					
—Amortisation of deferred subsidy income (note 25)	(70,348)	(75,871)	(80,475)	(86,169)	(90,346)
—Depreciation included in lignite production	(21,570)	(23,856)	(28,895)	(44,616)	(34,051)
	157,004	177,928	214,354	216,032	243,552

	30th June,	
	2002	2003
Depreciation on fixed assets (note 14)	180,191	311,881
Plus:		
—Software amortisation	1,220	1,883
Less:		
—Amortisation of deferred subsidy income (note 25)	(43,600)	(49,678)
—Depreciation included in lignite production	(18,989)	(48,856)
	118,822	215,230

35. OTHER EXPENSES

	31st December,				
	1998	1999	2000	2001	2002
Transportation and travelling expenses	26,136	25,394	25,109	23,269	25,084
VAT non-refundable (note 9)	0	0	20,725	0	0
Write-off of projects in progress	0	0	0	0	6,144
Other	17,409	17,981	25,887	24,784	26,164
	43,545	43,375	71,721	48,053	57,392

	30th June,	
	2002	2003
Transportation and travelling expenses	11,176	12,513
Other	10,952	11,482
	22,128	23,995

36. FINANCIAL EXPENSES

	31st December,				
	1998	1999	2000	2001	2002
Interest expense	458,037	354,794	312,067	249,928	201,398
Borrowed capital related costs	16,807	16,208	10,544	7,633	6,210
Amortisation of loans' issuance and other fees	5,030	4,252	3,219	2,782	2,814
Valuation of swaps (note 24)	0	0	0	1,931	16,006
Other	10,233	11,748	11,170	6,295	5,856
	490,107	387,002	337,000	268,569	232,284

	30th June,	
	2002	2003
Interest expense	104,458	83,090
Borrowed capital related costs	3,459	2,452
Amortisation of loans' issuance and other fees	1,403	1,146
Provision for fair values of swaps (note 20)	10,099	0
Other	986	2,598
	120,405	89,286

37. OTHER INCOME (EXPENSE), NET

	31st December,				
	1998	1999	2000	2001	2002
Subsidies on expenses	4,282	2,348	6,864	4,170	7,415
Gain on sale of securities	2,556	8,487	0	0	0
Gain on sale of materials and retirement of fixed assets	9,397	12,573	10,269	7,930	3,071
Penalty clauses	1,890	1,743	7,211	9,488	6,979
Benefits on employee overtime	0	0	0	0	(12,835)
Arbitration compensation (note 31(f))	0	0	0	0	13,111
Adjustments of reimbursable costs charged to the State (note 21)	0	0	0	0	(7,085)
Tax on fixed assets (note 17 and 26)	0	0	(7,357)	0	0
Other	8,986	12,161	(1,624)	9,763	3,966
	27,111	37,312	15,363	31,351	14,622

	30th June,	
	2002	2003
Subsidies on expenses	3,881	303
Gain on sale of materials and retirement of fixed assets	3,177	3,009
Penalty clauses	567	829
Benefits on employee overtime	(12,835)	0
Arbitration compensation (note 31(f))	9,243	0
Adjustments of reimbursable costs charged to the State (note 21)	(4,797)	0
Other	5,659	4,688
	4,895	8,829

38. SEGMENT INFORMATION

Effective 1st January, 2002, the Company adopted IAS 14, "Segment Information". The Company operates primarily throughout Greece and its core businesses are focused on generation, transmission and distribution of electric energy. No geographical information has been presented since substantially all of the Company's operating activities are located in Greece. PPC is also engaged in mining activities.

The Company, effective 2001 implemented an organisational and management structure reflecting its core business operations, separated in four business units (Generation, Transmission, Distribution and Mining). Each business unit has its own management structure, headed by a General Manager who reports directly to the Company's Chief Executive Officer. Prior to 2002, the Company managed its operations on an integrated utility basis, without separate, identifiable business units. As a result, no comparative segment information for 1998, 1999, 2000 and 2001 is available.

The accounting policies of the segments are the same as those described in note 4(w). Inter-segment sales are based on internal management arrangements. Corporate expenses and net financial expenses are allocated to business segments. Information about the Company's segments for the year 2002 and the six-month periods ended 30th June, 2002 and 2003 is as follows:

Year 2002

	Generation	Transmission	Distribution	Eliminations	Consolidated
Revenues					
External sales, electricity	0	0	3,318,430	0	3,318,430
External sales, other	12,160	61,548	28,568	0	102,276
Inter-segment sales	2,312,206	166,290	274,733	(2,753,229)	0
Total revenues	2,324,366	227,838	3,621,731	(2,753,229)	3,420,706
Result					
Segment result, profit	381,168	108,727	103,037		592,932
Income taxes					(112,970)
Net profits					479,962
Segment assets	5,469,061	1,362,790	3,330,689		10,162,540
Unallocated corporate assets					323,701
Consolidated assets					10,486,241
Segment liabilities	685,213	86,969	1,783,995		2,556,177
Unallocated corporate liabilities					4,642,924
Consolidated liabilities					7,199,101
Capital expenditure	319,078	72,361	232,700		624,139
Depreciation and amortisation	167,861	27,056	173,032		367,949
Inter-segment costs	127,293	3,797	2,622,139	(2,753,229)	0

38. SEGMENT INFORMATION—(continued)

Six months ended 30th June, 2002

	Generation	Transmission	Distribution	Eliminations	Consolidated
Revenues					
External sales, electricity	482	0	1,600,280		1,600,762
External sales, other	3,840	4,736	13,995		22,571
Inter-segment sales	1,111,150	80,246	120,710	(1,312,106)	0
Total revenue	1,115,472	84,982	1,734,985	(1,312,106)	1,623,333
Result					
Segment result	200,143	29,837	33,628		263,608
Income taxes					(100,090)
Net profits					163,518
Segment assets	4,281,295	711,036	2,660,573		7,652,904
Unallocated corporate assets					381,888
Consolidated assets					8,034,792
Segment liabilities	760,598	82,415	1,513,628		2,356,641
Unallocated corporate liabilities					5,283,026
Consolidated liabilities					7,639,667
Capital expenditure	168,703	36,099	105,835		310,637
Depreciation and amortisation	83,947	9,075	88,389		181,411
Inter-segment costs	41,584	0	1,270,522	(1,312,106)	0

Six months ended 30th June, 2003(*)

	Generation	Transmission	Distribution	Eliminations	Consolidated
Revenues					
External sales, electricity	22,135	0	1,753,841	0	1,775,976
External sales, other	8,967	108,412	21,832	0	139,211
Inter-segment sales	1,732,606	0	98,422	(1,831,028)	0
Total revenue	1,763,708	108,412	1,874,095	(1,831,028)	1,915,187
Result					
Segment result	617,859	16,916	(347,485)		287,290
Income taxes					(111,621)
Net profits					175,669
Segment assets	5,652,354	1,341,467	3,133,807		10,127,628
Unallocated corporate assets					342,393
Consolidated assets					10,470,021
Segment liabilities	807,601	94,199	1,740,885		2,642,685
Unallocated corporate liabilities					4,477,720
Consolidated liabilities					7,120,405
Capital expenditure	119,279	41,721	128,760		289,760
Depreciation and amortisation	175,261	37,253	101,250		313,764
Inter-segment costs	92,743	5,679	1,732,606	(1,831,028)	0

(*) Effective 1st January, 2003, autonomous power stations are included, for segment information presentation purposes, in the Generation segment as opposed to prior periods that were included in the Distribution segment.

39. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN GREEK GAAP AND IFRS

As further discussed in note 3(a), the accompanying financial statements have been based on the statutory financial statements, appropriately adjusted and reclassified for conformity with the standards prescribed by the IASB. The significant differences applicable to the Company's financial statements, are described below:

Reconciliation of shareholders' equity and net income from Greek GAAP to IFRS

The following reconciliation table ("Reconciliation Table") summarises the significant adjustments to shareholders' equity for the years 1998, 1999, 2000, 2001 and 2002 and for the six months ended 30th June, 2002 and 2003 that were applied to the statutory financial statements in order to comply with IFRS:

		31st December,				
	Item	1998	1999	2000	2001	2002
Shareholders' equity per Greek GAAP		1,002,641	1,057,054	1,199,034	1,834,106	4,342,780
—Account for fixed assets subsidies and customers' contributions as deferred income rather than as part of the shareholders' equity	a	(883,175)	(937,444)	(977,799)	(1,107,117)	(1,196,653)
—Reverse fixed assets statutory revaluation	b	(301,353)	(267,396)	(365,089)	(344,913)	(74,454)
—Account for deferred income taxes	c	854	(883)	(6,559)	(8,892)	109,886
—Account for marketable securities and financial instruments at fair values	d	23,457	29,238	22,327	(54,999)	(68,331)
—To defer and amortize loan fees and expenses	e	5,403	14,812	19,032	16,253	13,439
—Fixed assets' depreciation	f	179,290	199,845	221,389	241,850	10,443
—Additional depreciation	g	0	0	0	0	0
—Income tax	h	0	0	0	(135,530)	(8,717)
—Unrealised foreign exchange gains	i	9,946	6,451	8,091	21,884	48,078
—Share capital issuance costs	j	0	0	0	0	0
—Interim dividend	k	0	0	0	0	0
—Dividends	l	0	0	0	0	116,000
—Lignite costing		0	0	0	0	(5,108)
—Other		319	193	(532)	(306)	(223)
		(965,259)	(955,184)	(1,079,140)	(1,371,770)	(1,055,640)
Shareholders' equity per IFRS		37,382	101,870	119,894	462,336	3,287,140

39. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN GREEK GAAP AND IFRS—(continued)

	Item	30th June, 2002	30th June, 2003
Shareholders' equity per Greek GAAP		2,122,440	4,588,629
—Account for fixed assets subsidies and customers' contributions as deferred income rather than as part of the shareholders' equity	a	(1,146,803)	(1,227,814)
—Reverse fixed assets statutory revaluation	b	(338,086)	(73,194)
—Account for deferred income taxes	c	74,301	114,098
—Account for marketable securities and financial instruments at fair values	d	(59,125)	(46,564)
—To defer and amortize loan fees and expenses	e	14,850	13,390
—Fixed assets' depreciation	f	253,680	11,124
—Additional depreciation	g	0	0
—Income tax	h	(237,734)	(118,166)
—Unrealised foreign exchange gains	i	28,663	90,028
—Share capital issuance costs	j	0	0
—Interim dividend	k	(88,160)	0
—Dividends	l	0	0
—Post retirement benefits	Note 21	(212,798)	0
—Allowance for PIO doubtful balances	Note 21	(16,000)	0
—Lignite costing		0	(515)
—Other		(103)	(1,400)
		(1,727,315)	(1,239,013)
Shareholders' equity per IFRS		395,125	3,349,616

39. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN GREEK GAAP AND IFRS—(continued)

The Reconciliation Table below summarises the significant adjustments to net income (loss) for the years 1998, 1999, 2000, 2001 and 2002 and for the six months ended 30th June, 2002 and 2003 that were applied to the statutory financial statements in order to comply with IFRS:

		31st December,				
	Item	1998	1999	2000	2001	2002
Net income (loss) per Greek GAAP		(64,757)	5,224	(30,492)	354,826	417,940
Less 2001 net income per Greek GAAP		—	—	—	—	(354,826)
Adjustments to:						
—Account for fixed assets subsidies and customers' contributions as deferred income rather than part of the shareholders' equity	a	0	0	0	0	0
—Reverse depreciation on fixed assets statutory revaluation surplus	b	42,583	33,957	34,345	20,176	7,217
—Account for deferred income taxes	c	(5,174)	(1,737)	(5,676)	(2,333)	44,301
—Account for marketable securities and financial instruments at fair values	d	0	0	0	(25,837)	(715)
—To defer and amortize loan fees and expenses	e	2,826	9,409	4,220	(2,779)	(2,814)
—Adjust fixed assets' depreciation rates	f	27,507	20,555	21,544	20,461	(36,217)
—Additional depreciation	g	0	0	0	0	508,043
—Income tax	h	0	0	0	(135,530)	(146,075)
—Unrealised foreign exchange gains	i	(4,790)	(3,495)	1,640	13,793	26,194
—Share capital issuance costs	j	0	0	0	9,074	0
—Interim dividend	k	0	0	0	0	0
—Dividends	l	0	0	0	0	0
—Post retirement benefits	Note 21	0	0	0	0	9,334
—Adjustment of social security	Note 21	0	0	0	0	(4,399)
—Reverse unused litigation provision	Note 20	0	0	0	0	17,664
—Lignite costing		0	0	0	0	(5,108)
—Other		(1,125)	(22)	(721)	(16)	(577)
		61,827	58,667	55,352	(102,991)	416,848
Net income (loss) per IFRS		(2,930)	63,891	24,860	251,835	479,962

39. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN GREEK GAAP AND IFRS—(continued)

	Item	30th June, 2002	30th June, 2003
Net income per Greek GAAP		248,644	211,370
Adjustments to:			
—Account for fixed assets subsidies and customers' contributions as deferred income rather than part of the shareholders' equity	a	0	0
—Reverse depreciation on fixed assets statutory revaluation surplus	b	6,827	1,260
—Account for deferred income taxes	c	8,714	4,212
—Account for marketable securities and financial instruments at fair values	d	128	19,929
—To defer and amortise loan fees and expenses	e	(1,403)	(48)
—Fixed assets depreciation	f	11,830	681
—Additional depreciation	g	0	0
—Income tax	h	(102,204)	(109,233)
—Unrealised foreign exchange gains	i	6,779	41,950
—Share capital issuance costs	j	0	0
—Interim dividend	k	0	0
—Dividends	l	0	0
—Allowance for PIO doubtful balances	Note 21	(16,000)	0
—Reverse unused litigation provision		0	2,353
—Lignite costing		0	4,593
—Other		203	(1,398)
		(85,126)	(35,701)
Net income per IFRS		163,518	175,669

a. Subsidies for fixed assets and customers' contributions: Under Greek GAAP subsidies and customers' contributions received to finance the purchase and/ or acquisition of fixed assets are recorded as a reserve under equity and are amortised on a straight line basis over the useful life of the asset to which they relate. Under IFRS subsidies and customers' contributions received to finance the purchase and/or acquisition of fixed assets are recorded as a deferred income under non-current liabilities and are amortised on a straight line basis over the useful life of the asset to which they relate.

b. Statutory revaluation of fixed assets: As further discussed in note 14, in accordance with Greek tax legislation, fixed assets are periodically revalued (usually every four years). These revaluations are based on (non-industry specific) indices, which are determined by the Government, through Ministerial Decisions. These statutory revaluations do not meet the criteria required by IAS 16 "Property, plant and equipment" and accordingly have been reversed in the accompanying financial statements.

c. Deferred income taxes: Greek GAAP does not permit accounting for deferred taxes. As further discussed in note 18, IFRS requires deferred taxes to be accounted for.

d. Valuation of marketable securities and financial instruments: Under Greek GAAP marketable securities are accounted for at the lower of cost or fair value, while there is no guidance as to the accounting for financial instruments. As further discussed in Note 4 above, IFRS requires accounting for marketable securities and financial instruments at fair value.

e. Loan fees and expense: Under Greek GAAP loan fees and expenses are accounted for on a cash basis or may be deferred and amortised over a period of five years, at maximum. The Company, for statutory reporting purposes, accounts for such costs on a cash basis. Under IFRS loans are carried at amortised cost and accordingly such costs are deferred and amortised using the effective interest rate method. If any debt facilities have been modified from their original terms, the associated debt costs that have been deferred should be written-off/amortised over a different period depending on the terms that have changed.

39. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN GREEK GAAP AND IFRS—(continued)

f. ***To account for depreciation on, mines, mining equipment and transmission lines in accordance with useful lives rather than statutory depreciation rates:*** Under Greek GAAP depreciation is calculated based on rates determined by the tax authorities which may differ from the fixed assets' estimated useful lives based on which depreciation is accounted for under IFRS.

g. ***Extra depreciation of assets:*** The Company in its statutory books revalued its fixed assets at 1st January, 2001, while for IFRS reporting purposes, such revaluation was accounted for at 31st December, 2002. The additional depreciation that has been recorded in the statutory books is reversed.

h. ***Income tax:*** Income tax for 2001 and for the six months ended 2002 and 2003 is a reconciling item due to the fact that for statutory reporting purposes, the Company's first fiscal year ended at 31st December, 2002, no income tax returns had been filed to that date and statutory interim accounts are presented before income taxes. On the contrary, for IFRS reporting purposes, income tax provision has been accounted for, for 2001 and for the six months ended 2002 and 2003.

i. ***Unrealised foreign exchange gains:*** Under Greek GAAP unrealised foreign exchange gains arising from year/ period end valuation of monetary assets and liabilities denominated in a foreign currency are deferred and are recognised in the statement of income when they become realised. Under IFRS such foreign exchange gains are immediately recognised in the income statement.

j. ***Share capital issuance costs:*** Under Greek GAAP share capital issuance costs can either be deferred and amortised over a period of five years or can be charged in the statement of income. The Company, for statutory reporting purposes, has charged these costs in the statement of income. Under IFRS, such costs are accounted for as a deduction of the related proceeds (share premium).

k. ***Interim Dividend:*** Under Greek GAAP interim dividends paid are recorded under various debtors and are transferred against equity upon the distribution of the final dividend. Under IFRS distributions to holders of a financial instrument classified as an equity instrument are debited directly to equity.

l. ***Dividends:*** Under Greek GAAP dividends are recorded against equity and as an obligation upon closing of the statutory books and are subject to the Shareholders' General Assembly. Under IFRS no dividends are accounted for unless paid and/ or approved.

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