PORTFOLIO **OVERVIEW**

HELLENIC REPUBLIC ASSET
DEVELOPMENT FUND

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Foreword by the CEO

There can be few observers unaware that Greece is going through a time of considerable economic and political uncertainty. The next few years will be critical in defining Greece's road to economic recovery and renewal.

The Hellenic Republic Asset Development Fund is central to this process. The portfolio of state-held assets that it has been charged with developing represents a huge store of potential opportunity for Greece. By attracting inward investment and unlocking new value in these assets, the Fund will make a vital contribution to the reform of the Greek economy and the Greek state.

It can also help to re-establish the credibility and dynamism of one of Europe's most unique markets. Greece is ideally placed geographically as major transportation and energy crossroads; a natural entry point to the Balkans and Central Europe. It is a unique tourist destination with a blend of natural beauty and legendary history. It has an entrepreneurial people. Greece has substantial development potential.

I see a core element of the work of the Fund as unlocking potential in many of these assets that has been wasted for too long. I see privatization not as a mere sale of assets; but a chance to reorient many of these assets to deliver better value for the Greek people. We intend to increase the value of the assets as well as annual returns generated from the assets through improved corporate governance, transparency and operational performance. This is the key element in re-establishing a wider credibility for Greece, itself the basic pre-requisite for Greece's return to global capital markets.

The Fund has unprecedented independence and authority to work in partnership with investors to reclassify land and to package asset portfolios for investors that will help them move assets up the value chain. The benefits of this transformation will be felt in new jobs and new growth in Greece. This portfolio overview captures the scope of the potential for investors and for the Greek people. If undertaken in conjunction with economic and political reform, the work of the HRADF can help Greece re-convince investors of Greece's huge potential. It will be a crucial component in moving Greece out of austerity and onto a sustainable path of economic development. It can be part of a new Greece.

Executive Summary

Greece is experiencing a time of profound economic uncertainty and crisis. As part of the transformation that this crisis demands, the Greek state has committed to a far-reaching reform and privatization of its large portfolio of state-held assets. The Hellenic Republic Asset Development Fund (HRADF) has been established for that purpose. By attracting inward investment into the development of these assets the Fund will contribute to new growth and a new direction for the Greek economy.

Despite the current uncertainty, Greece retains considerable long term investment potential. It is uniquely positioned at the crossroads of the Mediterranean for energy transit and trade. It has extraordinary natural assets for tourism and leisure. It has a well-educated and entrepreneurial population, clustered in a small number of cities.

The HRADF has been given unprecedented authority to help investors who see this opportunity to develop assets currently held by the state. It is committed to raising the value of these assets by improving their governance or rethinking their classification or potential to unlock new value and new growth. The combination of the exceptional authority given to the Fund to fast-track historical legal and regulatory impediments together with experienced private investors, will unlock new value and growth for Greece.

The Corporate Portfolio

In total, 57 companies or groups of companies are included in the portfolio of enterprises reviewed in this Overview. Excluding banking assets which account for 84% of the value of the portfolio, the portfolio is dominated by the transport, communication and energy sectors. These sectors accounted for more than 90% of non-financial assets in the portfolio in 2010. The 29 transport and communications companies in the portfolio represent a significant part of Greece's transportation and communication infrastructure, including the entire railway network, telecommunication networks, Athens International Airport, major ports and key motorways. The five companies comprising the energy sector also represent an important asset base.

The table below provides aggregated financial data on a combined basis of all the portfolio's enterprises with the exception of companies active in the banking sector, where there was limited comparability of financial data. Excluded from the financial analysis are non-commercial enterprises and non-incorporated assets.

	Total	
	2009	**2010**
Profit and Loss (in €000s)		
Revenues	29,200,617	29,987,515
Δ % y-o-y	*-11.8%*	*2.7%*
EBITDA	4,660,484	4,699,510
% margin	*16.0%*	*15.7%*
EBIT	2,154,720	1,882,409
% margin	*15.1%*	*11.8%*
PBT *	578,382	223,163
% margin	*4.1%*	*1.4%*
PAT *	(674,205)	(858,689)
% margin	*-4.7%*	*n/m*
Balance Sheet (in €000s)		
Total Assets *	127,880,099	126,026,000
Δ % y-o-y	*9.3%*	*-1.4%*
Net Asset Value *	26,683,768	27,079,739
Δ % y-o-y	*7.2%*	*1.5%*
Net Debt / (Net Cash)	23,962,342	24,626,892
Δ % y-o-y	*5.2%*	*2.8%*
Key ratios		
Net Debt to Total Assets	18.7%	19.5%
Net Debt to Net Assets	89.8%	90.9%
Asset Turnover	0.41 x	0.41 x
ROA *	n/m	n/m
ROE *	n/m	n/m
ROCE [1]	4.6%	3.9%
Other data		
Dividend paid to Greek State [2]	448,652	452,378
Employees	125,385	120,144

Source: Publicly available information

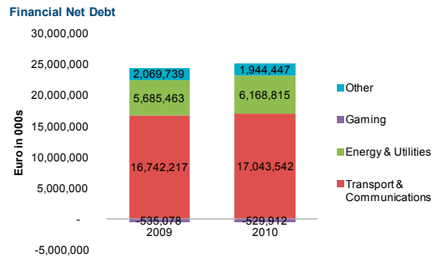
*Notes: * including banks*

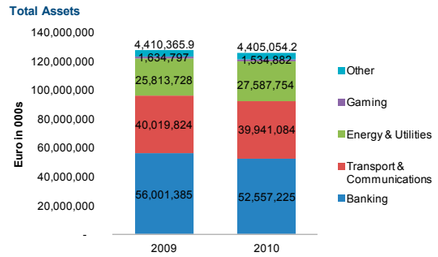
[1] ROCE = EBIT / (Net Assets + Net Debt)

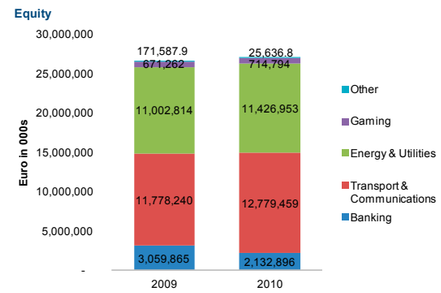
[2] Dividends paid as per cash flows statement, where available. Dividends paid by motorways concession companies and b

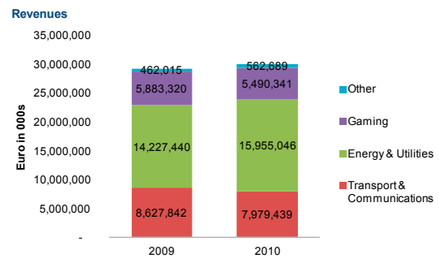
in cases of groups of state-owned enterprises (e.g. OSE Group), consolidated data have been used. Net assets exclude minority interests;
financial data (overall and per sector) have been aggregated on a combined basis. No consolidation adjustments have been made;
companies in the Portfolio report financial data either under IFRS or under Greek GAAP, a discrepancy that limits data comparability. However, this discrepancy has not been taken into account in the data aggregation and analysis performed for the purposes of this report;
dividends paid in the period exclude dividends distributed by motorways concession companies and dividends paid by banks;
no. of employees has been included where such information was publicly available.

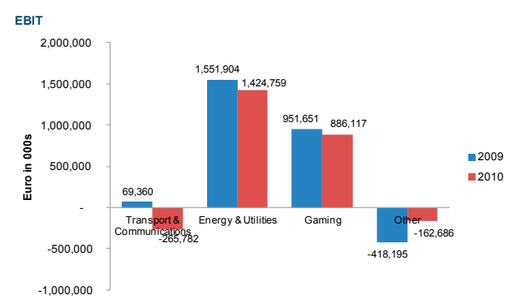
The total value of the assets in the portfolio increased by 2.7% in 2010, driven primarily by the 2% growth in the value of banking assets. The five companies comprising the energy & utilities sector posted the largest increase in their asset base in 2010 (7%), due to upgrade investments in distribution networks and refining facilities.











The 2% increase in the book value of the portfolio's equity was driven primarily by a 9% increase in the equity in the transport & communications sector. This increase was largely due to a €1.7 bn deposit made to Hellenic Railways Organization S.A. (OSE) by the Greek State as an advance for share capital increase. Negative revaluations of financial assets in the banking portfolio eroded equity value there by around 2%. Large accumulated losses at Hellenic Defense Systems S.A. (EAS) and Hellenic Aerospace Industry S.A. (EAB) similarly reduced net equity value.

Net Debt on portfolio companies' books grew by 3% in 2010, largely due to new debt assumed by energy companies to finance investments. Overall, the energy sector accounted for 24% of total net debt. The transport & communications sector accounted for 62% of total net debt and comprised primarily the net debt of OSE Group (€7.9 bn), the Hellenic Telecommunications Organization (OTE) Group (€4.3 bn) and the Athens Urban Transport Organisation (OASA) Group (€2.1 bn). The Gaming sector has a negative contribution on the portfolio's net debt due to the significant net cash position of the Greek Organisation of Football Prognostics (OPAP).

The revenue of the portfolio, excluding banking income, grew by 3% in 2010, primarily due to the performance of the energy and utilities sector. This accounted for 52% of the portfolio's total revenues, as it includes Greece's leading companies in generation and distribution of electricity, oil refining and trading and natural gas trading. The sector's revenue increased by 12% in 2010, driven by higher oil and natural gas prices. Commodities prices also affected the performance of the portfolio, chiefly through the effect of higher nickel prices on the revenues of LARCO General Mining & Metallurgical S.A.(Larco).

These increases were partly offset by decreasing revenues in the transport & communications sector, affected by the declining performance of OTE, lower postal volumes and reduced traffic through Athens International Airport. The portfolio's profitability, excluding banking sector results, declined in 2010, reflecting deteriorating performance across the portfolio. This was despite a series of laws enacted within 2010 aiming at reducing personnel costs of state-owned enterprises.
The real estate portfolio

The Greek state currently owns more than four billion square metres of real estate, through different government bodies. The real estate assets have been owned and managed by each individual authority, with different goals and strategies. This land is currently classified for agricultural, residential, retail or commercial use. However, much of it is under-utilized or used far below its potential value. The intention of the Greek state is to create attractive investment opportunities through a focused restructuring of these real estate assets, to make way for direct sales or potential development projects.

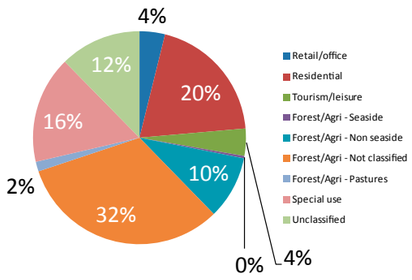
The key to doing this will be reviewing the usage strategies for these assets. Much of this real estate is under-utilized or used far below its potential value. The role of the HRADF is to create attractive new investment opportunities through a focused restructuring of these real estate assets, to make way for direct sales or potential development projects.

The Portfolio overview

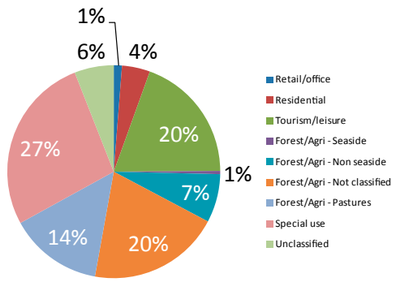
Section 1 of this document provides an overview of the opportunity represented by the HRADF and its role in the wider Greek recovery process. Sections 2 and 3 set out the content of the asset portfolio itself in greater detail.

The role of the HRADF is not merely to privatize Greece's state-held assets but to set a clear new example for the management of economic assets in Greece and genuinely to transform the value of these holdings in a way that brings new efficiency, new opportunity and new employment for Greece. This is the key element in re-establishing a wider credibility for Greece, itself the basic pre-requisite for Greece's return to global capital markets and to a path of growth.

Properties (#) by Sector



Land Area (m^2) by Sector



The Hellenic Republic Asset Development Fund and Greece's economic recovery

The Hellenic Republic Asset Development Fund is an independent professional entity, established under the terms agreed between the Greek government and the IMF/ ECB/ European Commission ('The Troika'). Its mission is to develop and attract investments into the State-Owned Commercial Assets, maximizing value and contributing to the economic development of Greece. The combination of the extraordinary authority given to the HRADF to fast-track legal and regulatory processes, together with experienced private investors and new private capital, will unlock new value and growth for Greece. This section sets out in précis why the Portfolio represents a unique investment opportunity and why the Fund is the ideal partner for professional private sector investors.

1.1 The Greek privatization programme

Despite the current uncertainty and a significant legacy of poor economic management, the underlying long term potential for investment in Greece remains strong. Greece is a significant global tourism destination with a unique historical inheritance and exceptional natural beauty. It is a major transportation and energy crossroads between East and the West, positioned for maritime transit through the Suez canal and along Mediterranean sea lanes. It is a natural entry point to the Balkans and Central Europe for trade. It has a high population concentration in a few cities with good levels of education.

The Hellenic Republic Privatization Programme as a whole represents a major call for attracting new infrastructure, energy and real estate investment to Greece. The Programme aims to attract significant international capital flows into bundled infrastructure portfolios that have the necessary scale. These include ports, airports, water supply, highways, railroads and energy. The completion of such transactions has considerable potential to unlock further investment across these and other assets, contributing to renewed growth and long term job creation in the Greek economy.

In the real estate portfolio in particular the attraction for investors lies above all in the significant under-development of much of the land currently in state hands. There are major opportunities for innovative projects such as the development of the HELLINIKON site, which is currently the largest urban regeneration project in the world. There are additional opportunities for development, especially in the upgrading of tourist properties or infrastructure for a more affluent clientele.
The Hellenic Republic Asset Fund has been established at the request of the Troika to assist Greece in meeting its obligations to its international public creditors. This makes it part of a framework that ensures a greater level of confidence for investors than any previous Greek privatization process.
Law 3986 assigns to the Fund and its work:

- The ability to assign multifaceted and complementary land uses to public real estate property to ensure the widest range of possible development opportunities, including greater building ability on the properties in question and the possibility of developing properties that combine vacation homes and homes in combination with other operations. This provides the prospect of grouping properties under common types of development such as golf, winter tourism and health tourism.
- Faster and easier procedures for the approval of urban planning arrangements. This will reduce the timeframe for approval of urban planning arrangements from 2-10 years to 6-12 months.
- Greater certainty for investors regarding the implementation of the projects. This is achieved through the ratification of the Special Town Planning Development Process (ESCHADA) as a Presidential Decree, so that investors have the approval of land uses and building terms secured for the property quickly and efficiently.
- Flexibility in the planning framework, to allow for changes and choices in the zoning profile proposed by the investor up to the point of implementation.

The Fund is committed to processing all transactions on the basis of three principles: clarity of purpose; complete transparency with respect to the nature and status of the asset in question and swift delivery for the investor.

1.2 The role of privatization in the Greek recovery

Greece is in a profound period of economic and fiscal policy adjustment and the fifth year of a deep and extensive recession. Economic activity is subdued both by the uncertainty of Greece's prospects and the impacts of necessary structural changes. However, the work of the HRADF can play a fundamental role in mitigating the impact of structural adjustment and in attracting new investment to Greece.

The Fund aims to do this in two key ways. The first is simply in generating short term and long term additional revenue for the Hellenic Republic that provides greater flexibility for the Greek state in managing the tax burden and budget reductions. The Fund aims to raise €19 bn between 2012 and 2015 and a further €26bn between 2015 and 2020. This constitutes 2% of Greek GDP, a significant contribution to balancing the Greek budget and reducing the stock of Greek public debt. The second is by using the asset development process combined with the structural adjustment process to unlock further investment in Greece, and with it further economic growth.
The independent Greek research organisation the Foundation for Economic and Industrial Research (IOBE) has conducted an economic analysis of the potential impact of the HRADF's work as part of a wider process of asset development, privatization and renewed inward investment. This analysis suggests that servicing Greek public debt and deficit reduction solely through fiscal reforms is likely to involve job losses in the region of 85000. The IOBE estimated that a successful asset redevelopment process, coupled with new private investment could have a significant positive impact on job creation and annual GDP. Benefits could be in the region of 90000 net new jobs created and 2% of Greek GDP.

1.3 Greek public attitudes to privatization

Ensuring the support of the Greek public for a programme of asset development and privatization is central to the success of the work of the HRADF and the confidence of inward investors. According to public opinion research conducted on behalf of the HRADF, more than 60% of Greeks believe that a strategy for better exploiting the value in Greece's state assets is an important potential contributor to raising state revenues. Although Greeks are overwhelmingly hostile to raising taxes, a majority see a combination of addressing tax evasion, reducing public spending and reforming state assets as the preferable approach to Greece's fiscal rebalancing.
A majority of Greeks support the development of state land for greater value and new private investment in infrastructure, especially through long term leasing. Only a third of Greeks firmly oppose the privatization of Greek state monopolies. Around three quarters of Greeks express confidence that a well-managed privatization process could bring significant economic benefits to the country and assist in the reduction of the Greek deficit.

1.4 The governance of the HRADF

The Fund is established as the equivalent of a private sector limited company or a 's cieté anonyme' in which the Hellenic Republic is the sole shareholder. Like other commercial entities it is governed by private law and is de facto and de jure not a public entity. The Fund is fully independent of the Greek government.

The CEO is appointed from the senior ranks of the private sector and is fully responsible for the day-to-day management and operations of the Fund and the development of the corporate portfolio. The other Executive Director has a special responsibility for the development of the real estate portfolio, while both of them are able to present investment proposals to the Board for discussion and approval.

A Council of Experts has also been appointed to support the Fund by offering non-binding opinions on each investment decision. The Council of Experts consists of seven members, of which four are appointed by the Board of Directors and three by the Observers of the Board. The Council of Experts submits its opinion on every investment decision as described by the law 3968/2011. Furthermore, an independent evaluator appointed prior to any contract award delivers an opinion on the assessment of the fair value of the asset. The signing of the final agreement is subject to a pre-contract audit by the Court of Auditors.
The Fund will have authority to execute sales and to fast-track the legal and technical status of assets including zoning and contractual agreements.The counterpart to this explicit independence and authority transparency is of the highest international standard. This will include:

- Audited and timely annual and interim reports
- Complete transparency to the media and investors
- Professional directors from international backgrounds with relevant experience
- Annual and quarterly financial and strategic targets explicitly set and benchmarked

The Corporate Portfolio

For the purposes of this analysis, the 57 enterprises included in the corporate portfolio have been grouped in five major sectors, depending on their primary field of activity. These sectors, analyzed individually in this section, are:

a) Transport & communications (including airports, ports, railways, urban transport, postal services, motorways, media)

b) Energy & utilities (including electricity, natural gas, oil and water & sewerage services)

c) Gaming (including numerical games and sports betting, horseracing betting and casinos)

d) Banking

e) Other (including, inter alia, defense industries, nickel production and banking, analyzed separately for comparability purposes)

	Total	
	2009	**2010**
Profit and Loss (in €000s)		
Revenues	29,200,617	29,987,515
Δ % y-o-y	*-11.8%*	*2.7%*
EBITDA	4,660,484	4,699,510
% margin	*16.0%*	*15.7%*
EBIT	2,154,720	1,882,409
% margin	*15.1%*	*11.8%*
PBT *	578,382	223,163
% margin	*4.1%*	*1.4%*
PAT *	(674,205)	(858,689)
% margin	*-4.7%*	*n/m*
Balance Sheet (in €000s)		
Total Assets *	127,880,099	126,026,000
Δ % y-o-y	*9.3%*	*-1.4%*
Net Asset Value *	26,683,768	27,079,739
Δ % y-o-y	*7.2%*	*1.5%*
Net Debt / (Net Cash)	23,962,342	24,626,892
Δ % y-o-y	*5.2%*	*2.8%*
Key ratios		
Net Debt to Total Assets	18.7%	19.5%
Net Debt to Net Assets	89.8%	90.9%
Asset Turnover	0.41 x	0.41 x
ROA *	n/m	n/m
ROE *	n/m	n/m
ROCE (1)	4.6%	3.9%
Other data		
Dividend paid to Greek State (2)	448,652	452,378
Employees	125,385	120,144

Source: Publicly available information

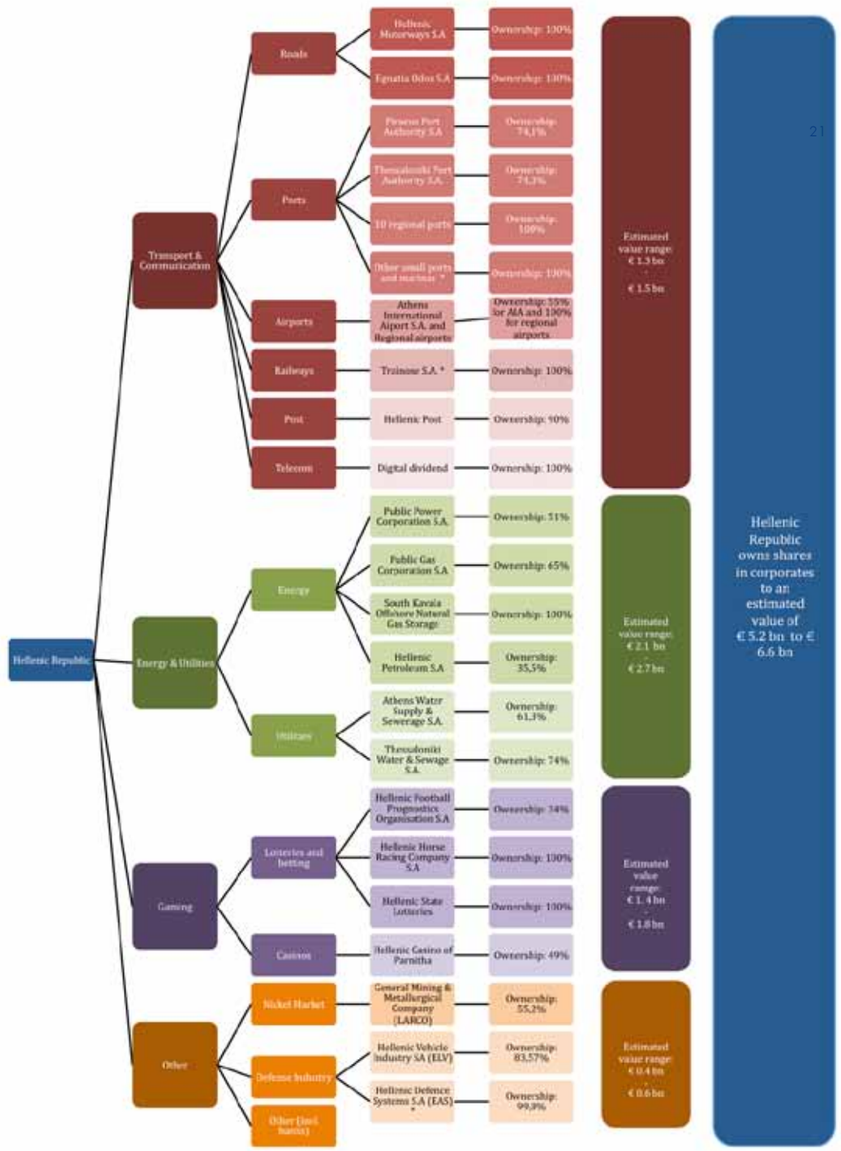
*Notes: * including banks*

(1) ROCE = EBIT / (Net Assets + Net Debt)

(2) Dividends paid as per cash flows statement, where available. Dividends paid by motorways concession companies and banks not included

The portfolio generated €30bn in revenues in 2010 and has been valued at approximately €25 bn after debt. The values here are indicative and have been extracted by using widely accepted valuation methodologies, such as Income Approach (Discounted Cash Flows), Market Approach (Trading/ Transaction multiples) or Market Capitalisation for listed entities. Each valuation methodology has its advantages and relevant limitations and the ones used and combined for each case were deemed to be the appropriate ones.

A value has not been assigned to all of the assets due to data availability limitations. The valuation date is as of 31 December 2011 and sources used include projected information by companies' management, analyst reports, publicly available financial and transactional information as well as share prices for the listed entities



2.1 Transport & Communication

Sector Overview

Standing on the crossroads between Europe and Asia, Greece has significantly improved its transportation systems during the last twenty years by investing heavily in infrastructure. The country's transportation network comprises 116,711 km of roadways (including 948 km of expressways), 2,548 km of railways (764 km of which electrified) and 81 airports (67 of which with paved runways).

Greece's geographic position serves as a major hub for transportation of goods and passengers. Athens and Thessaloniki, the country's two major metropolitan areas, also host Greece's largest ports while the country's vast island network is serviced primarily by ferry transport. The Ministry of Merchant Marine is responsible for marine transport while the Civil Aviation Authority is the authority overseeing air transport in the country. The Athens metropolitan area is serviced by a rapid transit railway network, a commuter rail network, a light rail network and an urban bus and trolleybus network. Since March 2001, the companies operating fixed track transportation systems (AMEL S.A., ISAP S.A., TRAM S.A.) have been merged into STASY S.A. while OSY S.A. operates bus and trolleybus networks. Both companies' shares are owned by OASA.

Intercity passenger transport takes place largely by railway, with OSE owning the railway network and Trainose S.A. operating the rolling stock. There are also intercity and regional bus networks, operated by 'KTEL' companies. The Department of Intercity Transportation of the Ministry of Development & Infrastructure is responsible for the oversight of intercity transport.

Greece has modern telecommunications networks that reach all areas. It has 5.2 mn land lines, 5 mn internet users and 12.3 mn mobile phones in use (2009 data –source: CIA World Factbook). The Greek postal market breaks down into two sub-sectors. A universal service function provides postal services of specified quality at all points in the national territory at affordable prices and a courier service function provides bespoke delivery services on a customised pricing structure. The total Greek postal market amounted to approximately €700 mn in 2010, with the universal service accounting for approximately 60% of the total market.

The Hellenic Telecommunications & Posts Committee (EETT) is the independent authority that acts as the country's national regulator monitoring, regulating and supervising the telecommunications and the postal market, comprising postal and courier service activities. EETT is responsible for ensuring fair competition and protecting consumer interests in the telecommunications market. Hellenic Post S.A. (ELTA) activities are also supervised by EETT, as ELTA has been appointed as the Universal Service Provider in Greece until 2028. EETT responsibilities include the supervision of USP's compliance to the relevant Management Contract with the Greek state, the supervision of competition practices and handling of disputes among postal operators, the review of USP's accounting system, the review and approval of the pricelist and the measurement of the performance quality of the universal service provider. EETT's responsibilities will be extended following the full liberalization of the postal market in 2013.

Largest assets in the sector

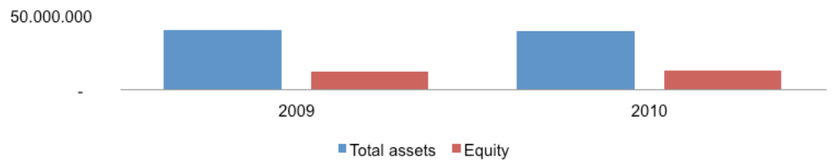
#	Company	Area of operation	Revenue 2010 (€ mn)	Assets 2010 (€ mn)	No. of employees	Interest owned by the state
1	OTE S.A.	The largest telecommunications provider in the Greek market, offering a full range of products and services, from broadband services, fixed and mobile telephony, to high-speed data communications and leased lines services.	5,482.8	9,537.8	31,088	16.0%
2	Hellenic Post S.A.	Exclusive right to operate in the universal postal services market and issue stamps. Also active in courier services market.	543.3	751.5	10,711	90.0%
3	Athens Inernational Airport S.A.	30-year concession company responsible for the construction, financing, operation and maintenance of the Athens International Airport "Eleftherios Venizelos"	356.5	1,439.7	690	55.0%
4	ERT S.A.	Public radio & television broadcasting orgonanisation	336.8	416.1	3,445	100.0%
5	Hellenic Railways (OSE) Group	OSE S.A., ERGOSE S.A. and GAIOSE S.A. OSE and its subsidiaries have the ownership and the exclusive right to operate the national railway infrastructure, to manage the Group's real estate base and to assume the project management of all of the Group's investment	179.8	14,741.8	4,213	100.0%
6	Digital dividend	Right of use of the frquency spectrum released in the digital television transition (no financials available)	n/a	n/a	n/a	100.0%

Transport & Communication	Total sector	
	2009	2010
Profit and Loss (in €000s)		
Revenues	8,627,842	7,979,439
Δ % y-o-y	*2.3%*	*-7.5%*
EBITDA	1,734,476	1,603,558
% margin	*20.1%*	*20.1%*
EBIT	69,360	(265,782)
% margin	*0.8%*	*n/m*
PBT	(806,177)	(1,281,144)
% margin	*n/m*	*n/m*
PAT	(1,267,837)	(1,600,532)
% margin	*n/m*	*n/m*
Balance Sheet (in €000s)		
Total Assets	40,019,824	39,941,084
Δ % y-o-y	*1.8%*	*-0.2%*
Net Asset Value	11,778,240	12,779,459
Δ % y-o-y	*-4.5%*	*8.5%*
Net Debt / (Net Cash)	16,742,217	17,043,542
Δ % y-o-y	*4.9%*	*1.8%*
Key ratios		
Net Debt to Total Assets	41.8%	42.7%
Net Debt to Net Assets	142.1%	133.4%
Revenue to Assets	0.22 x	0.20 x
ROA	n/m	n/m
ROE	n/m	n/m
ROCE [1]	0.2%	n/m
Other data		
Dividend paid to Greek State [2]	153,621	117,039
Employees	**64,714**	**63,349**

Source: Publicly available information
Notes: [1] ROCE = EBIT / (Net Assets + Net Debt)
[2] Dividends paid as per cash flows statement, where available

The sector's net asset value increased by almost 8.5% (c.€1bn) in 2010. With the sector's 2010 after tax losses reaching almost €1.6bn and depleting more than 10% of the net asset value carried forward, the shareholders - notably the Greek State - were required to proceed with significant capital injections, particularly in heavily loss making companies such as OSE and OASA. This led to higher net asset value for the sector by the end of 2010.

Transport & communication sector - Changes in total assets and equity from 2009 to 2010



The aggregate dividend paid by the sector to the Greek State in 2010 was limited to €117 mn, and predominantly relates to a €92 mn dividend payment by Athens International Airport and a €22 mn dividend payment by OTE.

OTE

OTE's revenues decreased by 8.0% in 2010 to € 5,482 mn, mainly as a result of the decrease in revenues from domestic telephony by 13.9% and from international telephony by 20.3%, as well as the decrease in revenues from mobile telephony by 8.1%. These decreases were partially offset by the increase in revenues from ADSL and Internet by 4.7%, the increase in revenues from co-location and from access to the local loop (by 39.6%, the increase in revenues from Metro Ethernet & IP CORE and the increase in revenues from services rendered). The table below presents the breakdown of OTE's revenue by business segment for 2010.

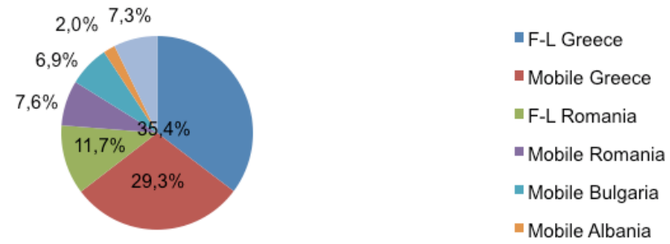
OTE's operating expenses reached €5.13 bn in 2010 reflecting an increase of 3.9% compared to the prior year. This increase was mainly due to the impairment of ROMTELECOM's assets by €244.5 mn and the increase in charges from international operators of 3.4%. These increases were partially offset by the decrease in payroll and employee benefits by 5.2%, the decrease in provision for staff retirement indemnities by 27.3%, the decrease in charges from domestic operators by 19.7%, the decrease in cost of telecommunications equipment by 5.9% and the decrease in other operating expenses by 1.3%. OTE's operating expenses for the year 2010 included the Group's early retirement programs' one-off costs of €171.5 mn (including the charge of €129.8 mn for IKA-ETAM) compared to the net gain of €30.3 mn in 2009, resulting from OTE early retirement programs' costs being offset by €201.9 mn, derived from the transfer of 4% share capital held by the Greek State to IKA-ETAM. As a result of the declining revenues and these changes in operating expenses, OTE's EBITDA decreased from €2.198 mn in 2009 to €1.748 mn in 2010.

OTE's revenue breakdown by business segment in 2010

* Gross figures (excl. eliminations) and other income

Fig xx OTE revenue breakdown by business segment

Source: OTE, corporate presentation



ELTA

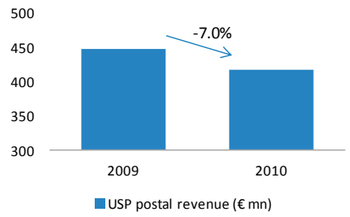
ELTA accounted for 6.8% of total transport and telecommunications portfolio revenue in 2010. ELTA has experienced a significant revenue decrease since the onset of the Greek economic crisis in 2009, which impacted almost all of the company's revenue streams. Postal revenue was adversely impacted by advertising and communication cost cutting by corporate clients as well as the decrease in retail customers' disposable income. This decrease was further exacerbated by the international trend of e-mail substitution. Postal revenue decrease was almost entirely attributed to a 7% decrease in mail volume, as ELTA did not change its pricelist in 2010.

ELTA posted an almost twofold increase in reported EBITDA and managed to return to profitability mainly due to achieved savings in personnel cost and rental expenses, both associated with legislative measures imposed to State owned enterprises.

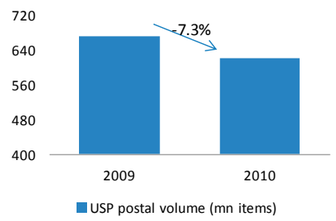
OSE and Trainose

The financial performance of the Greek railways improved in 2010 (losses on EBITDA level decreased by €194 mn) mainly due to personnel cost savings achieved following the implementation of the regulatory restrictions imposing a hiring freeze and a reduction in average salaries. OSE EBITDA improvement was partly attributed to one-off operating costs in 2009, relating to tax fines. Trainose underwent a large restructuring in 2010, which included revising the company's pricing strategy, route planning, etc resulting in further reduction of its operating cost base.

USP postal revenue



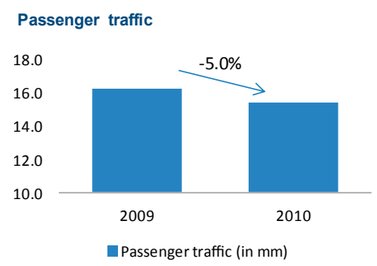
USP postal volume



Athens International Airport

Athens International Airport (AIA) contributes approximately 4.5% of the transport and telecommunication portfolio revenue. The fall in revenues recorded by the Athens International Airport in 2010 is mainly attributable to one-off items included in 2009 revenue, i.e. the release of an impairment provision recorded in earlier years.

Excluding the positive, one-off effect recorded in 2009, AIA revenue in 2010 was affected by declining passenger traffic and number of flights, as a result of lower demand. The economic situation in Greece resulted in lower domestic passenger traffic, while on the supply side the streamlining of services of the Greek carriers adversely impacted the number of aircraft movements and slot revenue.



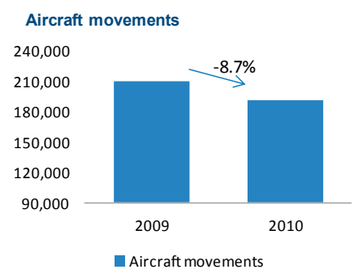


Fig xx Athens International Passenger traffic and aircraft movements in 2010
Source: Athens International Airport website

OLP and the maritime sector

In 2010, Greece's state-owned ports generated an aggregate of €201.3 mn in revenue, 2.5% of the transport and communication portfolio revenues. A fall in ports revenue for OLP is largely attributable to the concession agreement signed between OLP and COSCO Pacific Ltd in November 2009 for the construction, upgrade and operation of Piers II and III, which has resulted in the loss of clientele of OLP's Container Terminal-Pier I- in favor of Pier II. 2009 and 2010 revenue figures are not directly comparable as OLP's container terminal was in operation for the first 9 months in 2009 and the last 7 months of 2010. The regulatory changes in relation to personnel boosted ports' profit margins. Ports' EBITDA increased by €60 mn, primarily reflecting OLP's EBITDA improvement, driven by personnel cost savings but also reflecting significant one-off provision expenses in 2009, which related to the voluntary retirement plan concluded in early 2010 and various pending court cases.

Motorways

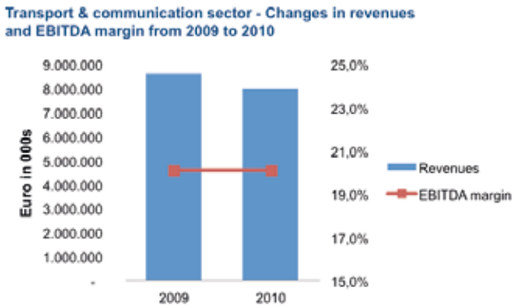
In 2010, motorways contributed €479.8 mn or approximately 6% of transport and communication portfolio revenues and were the only sub-sector in the transport and communication portfolio expanding in terms of revenue in 2010. The 5% revenue increase in 2010 reflects mainly the increase in the revenue generated by Moreas S.A. Broadly, roads profit margins remained relatively stable.

Urban Transportation

Urban transportation companies contributed 3.1% of the transport and communication portfolio revenues in 2010 (€246 mn), a 10% reduction on 2009. This can be attributed chiefly to decreased revenue from fares.

Radio and Television

ERT, the state owned radio and television broadcasting company, contributed €337 mn, or 4.2% of transport and communication portfolio revenues. It should be noted however that only a small part of ERT's revenue relates to commercial activity, as



2.2 Energy and Utilities

Sector Overview

The Greek energy market covers electricity generation, transmission, distribution and supply from renewable and non-renewable sources; natural gas import, transmission and distribution; and oil refining and oil products distribution and sale. Greece has almost no domestic fossil fuel production and imports most of its oil from Iran, Saudi Arabia, Russia, Libya and Kazakhstan. The country's limited oil production comes mainly from the Prinos fields in the Aegean Sea, which have been in production since 1996.

The Greek energy system has undergone important structural changes during the last decade and is in the early stages of a significant transformation. This is defined by the growing importance of natural gas in the Greek energy balance and growing EU and local initiatives for the development of Renewable Energy Sources. EU energy policy has also driven the liberalization of the electricity and natural gas markets and the development of trans-European transmission networks.

The electricity market includes the activities of production, transmission and distribution. Power producers sell electricity to the wholesale market which operates as a mandatory pool, operated by Operator of Electricity Market S.A. (LAGIE). Independent Power Transmission Operator S.A. (ADMIE) operates the transmission network (the "grid") according to the Electricity Grid Operation Code while recently-founded Hellenic Distribution Network Operator S.A. (DEDDIE) will undertake the operation of the electricity distribution networks according to the Distribution Network Operation Code, as part of the implementation of the provisions of EU's 3rd Energy Package.

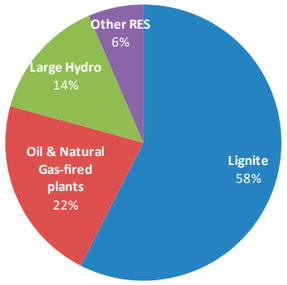


Fig 3 Allocation of total installed electricity Production capacity of 48,250 GWh in 2010 Source: RAE National report 2011

The natural gas market is dominated by the Public Gas Corporation S.A. (DEPA) which has the exclusive right to import natural gas (excluding LNG) in the country. National Gas System Operator S.A. (DESFA) operates the National Natural Gas System under the Operation Codes of the National Natural Gas System ensuring access of LNG importers to the system.

The sector is monitored and regulated by the Regulatory Authority for Energy (RAE), an independent administrative authority, which enjoys, by the provisions of the law establishing it, financial and administrative independence.

Provision of water services tends to fall under the jurisdiction of the local prefectures in Greece, with the exception of Athens and Thessaloniki, which benefit from well-developed water companies. Tariff policy for these companies is determined by central government.

Largest assets in the sector

#	Company	Area of operation	Revenue 2010 (€ mn)	Assets 2010 (€ mn)	No. of employees	Interest owned by the state
1	Public Power Corporation S.A.	Energy utility company engaged in the generation, transmission and distribution of electricity in Greece	5,811.4	16,200.4	21,845	51.0%
2	Public Gas Corporation S.A.	Import and distribution of natural gas. Also holds 100% of the Hellenic Natural Gas Transmission System Operator	1,216.7	2,733.9	934	65.0%
3	Hellenic Petroleum S.A.	Oil refining, oil products production and trading. Also also engaged in the production and trading of petrochemicals, oil and gas exploration and production and production and trading of electricity	8,476.8	6,862.0	3,639	35.5%
4	Athens Water & Sewerage S.A.	Water supply and sewerage services, operation and maintenance of water supply and sewerage systems in the Athens metropolitan area	379.0	1,623.9	2,911	61.3%
5	Thessaloniki Water & Sewerage S.A.	Water supply and sewerage services, operation and maintenance of water supply and sewerage systems in the Thessaloniki metropolitan area	71.2	167.5	327	74.0%

Energy & Utilities	Total	
Profit and Loss (in €000s)	**2009**	**2010**
Revenues	14,227,440	15,955,046
Δ % y-o-y	*-20.6%*	*12.1%*
EBITDA	2,304,404	2,295,054
% EBITDA margin	*16.2%*	*14.4%*
EBIT	1,551,904	1,424,759
% EBIT margin	*10.9%*	*8.9%*
PBT	1,379,663	1,242,439
% PBT margin	*9.7%*	*7.8%*
PAT	950,406	859,851
% PAT margin	*6.7%*	*5.4%*
Balance Sheet (in €000s)		
Total Assets	25,813,728	27,587,754
Δ % y-o-y	*11.1%*	*6.9%*
Net Asset Value	11,002,814	11,426,953
Δ % y-o-y	*16.5%*	*3.9%*
Net Debt	5,685,463	6,168,815
Δ % y-o-y	*3.7%*	*8.5%*
Ratios		
Net Debt / Total Assets	22.0%	22.4%
Net Debt / Net Assets	51.7%	54.0%
Asset Turnover	0.6 x	0.6 x
Return on Assets	3.9%	3.2%
Return on Equity	9.3%	7.7%
ROCE [1]	9.8%	8.3%
Other data		
Dividend paid to Greek State [2]	61,340	168,699
Employees	30,995	29,656

Source: Publicly available information
Notes: [1] ROCE = EBIT / (Net Assets + Net Debt)
[2] Dividends paid as per cash flows statement, where available

Financial Performance

Energy & Utilities portfolio revenue growth in 2010 was driven primarily by the increase in the revenues of Hellenic Petroleum S.A. (HELPE), which is the largest oil refining and trading company in Greece. Sector profitability dropped in 2010, as a result of lower profit margins at energy distributor Public Power Corporation S.A. (PPC). Profit margins at HELPE, DEPA and Thessaloniki Water & Sewage Company S.A. (EYATH) remained relatively stable while Athens Water & Sewage Company S.A.'s (EYDAP) improved profitability was not enough to offset the effect of PPC's performance on the sector's overall profitability. Dividends received by the Greek State from the energy and utilities portfolio increased in 2010, mainly due to higher dividend payout by PPC.

HELPE

HELPE revenues amounted to €8.476 mn 2010, a 26% increase from 2009, as higher oil prices more than offset lower demand for oil products in the Greek market.

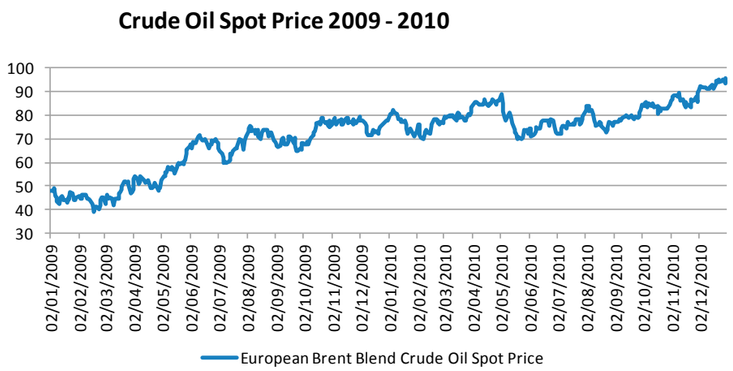


Fig X Crude oil spot prices 2009 and 2010
Source: Bloomberg

More specifically, the adverse economic climate and the increases in Fuel Consumption Tax and VAT led to lower sales volumes in both the refining (-8.4%) and trading (-7.7%) segments of the company's activities:

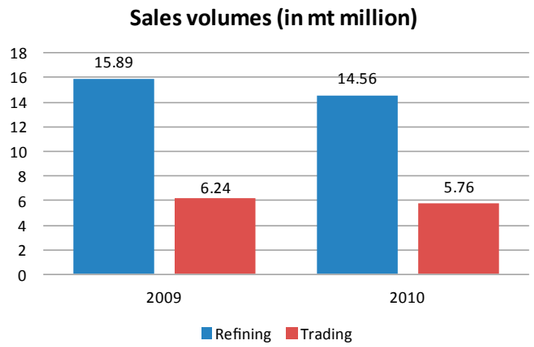


Fig X HELPE Sales volumes
Source: HELPE management annual report

It should also be noted that 2010 was the first full year of consolidation of Hellenic Fuels S.A. (formerly BP Hellas), acquired in December 2009. Hellenic Fuels is active in the trading of oil products, operating a network of gas stations with the BP logo.

The acquisition of Hellenic Fuels for a purchase price of €366 mn (plus assumption of debt of €40 mn), along with upgrading investments in the company's refineries contributed to the 19% increase in the company's total assets. The 29% increase in Net Debt largely reflects the need to finance these investments.

HELPE also holds a 35% participation stake in DEPA.

DEPA

Despite higher gas consumption in the country during 2010 (as a result of a longer winter and two new IPP-operated CCGT plants), DEPA's sales volume decreased by 5.6% as the company lost market share to LNG importers (who were provided with access to the National Gas System for the first time during 2010). Despite this decrease in volumes, total revenues amounted to €1,217 mn in 2010, a 25% increase over 2009, as a result of higher gas prices. Gas-fired plants accounted for 58% of DEPA's sales in the period.

Higher revenue and gross profit, along with containment in administration expenses, led to slightly improved EBITDA and EBIT profitability in 2010, despite significant (€10 mn) one-off expenses relating to provisions for litigations and inventory impairment.

PPC

PPC revenue, which accounted for 36% of the energy and utility portfolio total revenue in 2010, decreased by 3.6% in 2010 as a result of lower demand from end consumers and lower market share in the wholesale market, following the coming on line of IPP-operated plants in April 2010. Despite reduced payroll costs, PPC's profitability was squeezed by higher energy expenses, fuel taxes, bad debt provisions and a one-off contribution of €100 mn to PPC's Personnel Insurance Organizations.

Water and Sewerage

Revenues of the two water companies EYDAP and EYATH decreased by 2.6% and 8.0% respectively in 2010, due to lower billed water consumption and changes in their customer mix, with more customers entering EYDAP's lower billing scale.

DEPA 2010 sales by customer category

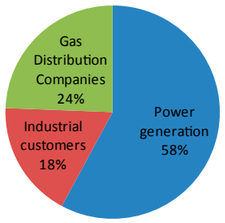


Fig X DEPA sales by customer type
Source: DEPA management annual report 2010

2.3 Gaming

Sector Overview

The Greek regulated gaming market covers sports and horserace betting, the Hellenic State Lotteries and casinos. The Greek gaming market is currently regulated by the newly established Hellenic Gaming Commission (HGC), an independent public authority that will replace the previous regulator, the Commission on Monitoring and Control of Games of Chance. OPAP and Hellenic Horse Racing SA (ODIE) hold a monopoly within the lottery and sport betting sectors (excluding online betting). Gaming generated €2.3 bn of gross winnings in 2010 (Fig XX).

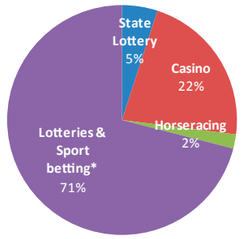


Fig 4: Gross winnings in 2010
Source: H2 Gambling capital

Largest assets in the sector

`	Company	Area of operation	Revenue 2010 (€ mn)	Assets 2010 (€ mn)	No. of employees	Interest owned by the state
1	OPAP S.A.	Operation of numerical lottery and sports betting games	5,140.0	1,220.7	996	34.0%
2	Hellenic Horse Racing S.A.	Operation of horse racing betting games	194.3	187.1	817	100.0%
3	Hellenic Casino of Parnitha S.A.	Operator of the Mont Parnes casino on Attica's Mount Parnitha	156.0	127.1	1,298	49.0%

Gaming	Total sector	
	2009	2010
Profit and Loss (in €000s)		
Revenues	5,883,320	5,490,341
Δ % y-o-y	*-2.1%*	*-6.7%*
EBITDA	995,767	921,873
% margin	*16.9%*	*16.8%*
EBIT	951,651	886,117
% margin	*16.2%*	*16.1%*
PBT	962,665	890,758
% margin	*16.4%*	*16.2%*
PAT	589,237	562,731
% margin	*10.0%*	*10.2%*
Balance Sheet (in €000s)		
Total Assets	1,634,797	1,534,882
Δ % y-o-y		*-6.1%*
Net Asset Value	671,262	714,794
Δ % y-o-y		*6.5%*
Net Debt	(535,078)	(529,912)
Δ % y-o-y		*-1.0%*
Key ratios		
Net Debt to Total Assets	n/m	n/m
Net Debt to Net Assets	n/m	n/m
Revenue to Assets	3.43 x	3.46 x
ROA	34.3%	35.5%
ROE	81.7%	81.2%
ROCE [1]	438.1%	552.0%
Other data		
Dividend paid to Greek State [2]	230,646	166,364
Employees	**3,407**	**3,111**

Source: Publicly available information
Notes: [1] ROCE = EBIT / (Net Assets + Net Debt)
[2] Dividends paid as per cash flows statement, where available

Financial Performance

Aggregate revenues of the gaming sector's enterprises (OPAP, Hellenic Casino of Parnitha SA and ODIE) decreased by 6.7% in 2010. OPAP, the leading company in the Greek gaming market, accounted approximately for the 93.6% of gaming sector's revenues, with Hellenic Casino of Parnitha and ODIE

accounting for the remaining 3.5% and 2.8% respectively. In 2010, sector absolute profitability deteriorated, with overall profit margins remaining unchanged compared to 2009 as a result of OPAP's stable profit margins.

Combined dividends paid by enterprises in the gaming sector to the Greek State decreased by 28% to €166 mn, mainly due to the fact that OPAP's distribution of dividend for the year 2010 stood at €1.54 / share vs. €1.75 / share in 2009.

Gaming sector - Changes in revenues, EBITDA margin and net profit margin from 2009 to 2010

Gaming sector - Changes in total assets, equity, ROE and ROA from 2009 to 2010

OPAP

OPAP's revenues amounted to €5.140 mn in 2010, a decrease of 5.5% from 2009. This was driven by revenue decrease of 9.7% in 2010 from the numerical KINO game. KINO accounts for half of OPAP's revenues. Revenue from the JOKER numerical game also decreased, due to lower repeated jackpots compared to the run of repeated jackpots in 2010. However OPAP's revenues were boosted by a 1.2 % increase in PAME STIHIMA sports betting revenue linked to 2010 FIFA World Cup, with sports betting segment accounting for 40% of OPAP 2010 revenues. OPAP also saw a 14.3% increase in revenues from the LOTTO numerical game. OPAP's cost of sales decreased by 4.6% (due to the fall in prize payouts to the lottery and betting winners) and company's administrative & distribution expenses decreased by 18.5% as a result of the personnel cost reduction and the savings in advertising and sponsoring expenses achieved in 2010. As a result of these cost efficiencies, the company's profit margins remained unaffected by the declining revenues.

OPAP's revenue breakdown by business segment in 2010

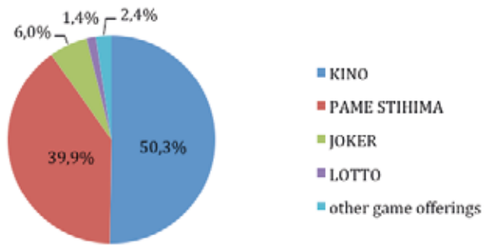


Fig 4: OPAP revenue breakdown Source: 2010 Annual Report

Hellenic Casino of Parnitha and ODIE

Hellenic Casino of Parnitha and Hellenic Horse Racing experienced significant revenue decline in 2010, (13.9% and 25.6% respectively). This decline is attributed to the significant drop in the disposable income of Greek population in 2010, the proliferation of illegal gambling and the expansion of online betting sites and casinos.

2.4 Banking

The Hellenic Republic has significant equity interest in four banks, namely ATEBank, Attica Bank, Hellenic Postbank and the Consignments Deposits and Loans Fund. Following the Greek debt restructuring, the Hellenic Financial Stability Find (HFSF) provided bridge capital to four systemic banks, namely the National Bank of Greece (NBG), EFG Eurobank Ergasias (Eurobank), Alpha Bank and Piraeus Bank. These banks are expected to be recapitalized in the immediate future, mainly through official sector funds. A brief overview of the Greek banking system and recapitalization strategy is presented below.

Sector Overview

The Greek banking system performed relatively well in the period before the Greek debt crisis. Following the introduction of the euro, Greek banks experienced significant growth through credit expansion in the Greek market, but also through acquiring banking operations in South East Europe. Nevertheless, the sovereign debt crisis and ensuing steep recession had a negative impact on Greek banks. Greek banks are currently undercapitalized, primarily due to large impairment losses incurred from the Greek debt restructuring.

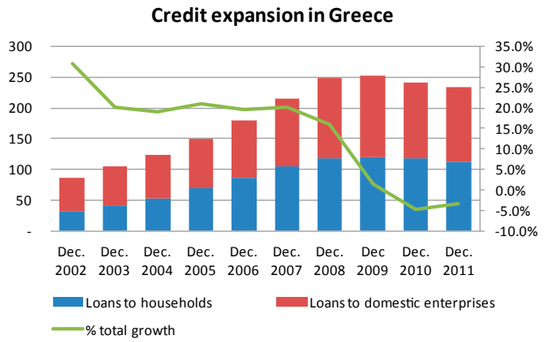
The inability of the Greek banks to gain access to the international capital and money markets and the reduction of deposits due to heightened sovereign risk and deterioration of the Greek economy led to an increased reliance of Greek banks on Eurosystem financing facilities. Greek banks experienced an overall 6.2% decrease in their deposit balances, with ATE Bank and Alpha Bank losing almost 12% of their customer deposit base.

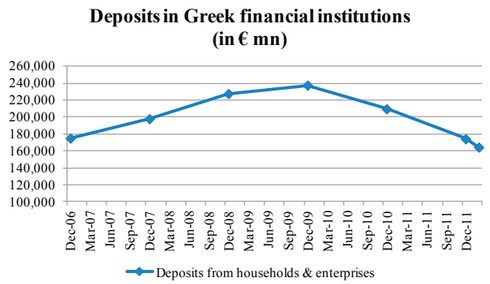
These conditions pose a significant ongoing liquidity challenge. Deteriorating economic conditions continue to have a negative impact on profitability and have caused a significant increase in non-performing loans. Total lending slightly increased slightly in 2010 primarily due to the increase in gross loans of NBG and Eurobank. However, in the case of NBG, expansion of retail banking activities was primarily attributed to its subsidiary Finansbank in Turkey where deposits and loans increased by around 25%. Overall, the Greek banking sector's Loans- to-Deposits ratio increased from 114% in 2009 to 123% in 2010.

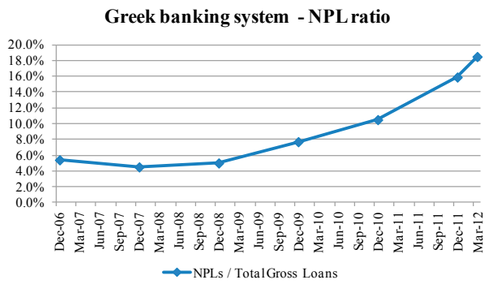
As a result of deteriorating asset quality and gradual deleveraging of most of banks' balance sheets, their total assets' book value dropped in 2010, except for NBG (again due to Finansbank's expanding activities and low NPL ratio) and Piraeus Bank, whose increase in total assets has offset the remaining banks' poor performance. The sector's PBT decreased in 2010 primarily due to impairment losses from loans and the deteriorating performance of trading portfolios. Total impairment losses (which in the case of ATE Bank also included one-off impairment in subsidiaries) amounted to €3.5 bn, 11% higher than 2009.

After-tax results were also affected by the increased tax charge, due to the special tax contribution imposed in 2009 and 2010 on all companies with net income exceeding €5mn in 2008. A further special tax charge for companies with net income above €100,000 was imposed in 2010 by the Greek Government in an effort to increase tax revenues.

The Greek banking sector's net asset position was enhanced in 2009 chiefly by share capital increases through the issue of preference shares acquired by the Greek State. NBG, Alpha Bank, Piraeus Bank, Attica Bank and Hellenic Postbank also raised additional funding from the market by issuing ordinary shares. However, in 2010, the sector's net assets value decreased by around 2% due to losses in their AFS portfolios, relating to the decreasing value of GGBs, which negatively affected the AFS revaluation reserve included in the banks' equity. These losses were partially offset by the €1.7 bn share capital increase of NBG through the issuance of common shares.







Recapitalization strategy

The EU / IMF / ECB support programme for Greece included a €50bn financial assistance facility for the recapitalization of the Greek banks. For this purpose, Hellenic Financial Stability Fund (HFSF) was established in 2010 with the objective of strengthening the capital adequacy of credit institutions and facilitating the recapitalization process. The Bank of Greece is the competent supervisory and resolution authority that is ultimately responsible for ensuring the stability of the Greek banking system.

In the letter of intent signed with the EU/ IMF/ ECB support programme, the Greek Government has expressed its commitment to provide the support needed to restore confidence in the banking system and create a viable and well capitalized private banking sector that can support the economic recovery and sustainable growth. Its intention is to do this through well targeted recapitalization and resolution.

The policy of the Greek government is to design a recapitalization framework that will provide financial support to viable banks and at the same time promote private sector investment by preserving the business autonomy of the banks. It will initiate the resolution process in an orderly manner for those banks that will not be considered as viable, avoiding value destruction, minimizing costs for the taxpayers and protecting deposits. It will also ensure continued access to central bank liquidity for all viable banks until the recapitalization process is completed. The objectives of HFSF will be to divest the equity obtained in the recapitalization process within the next 5 years. In the event that the minimum private sector participation is not achieved, then the HFSF will acquire common shares with voting rights in which case according to the law, these shares will have to be disposed of within a 2 year period.

According to the recent revision of the HFSF law, the shares that will be issued to HFSF as part of the recapitalization process will have limited voting rights, provided that 10% of the capital needs will be covered by the private sector. The recapitalization framework that will be approved by the new Government is expected to contain a balanced mix of recapitalization instruments, such as Contingent Convertible bonds, convertible loan notes and options. This is intended to incentivize private sector participation in the forthcoming share capital increases.

HFSF has recently provided a bridge capital contribution, amounting in total to €18 bn, to the four systemically important Greek banks: NBG, EFG Eurobank, Alpha Bank and Piraeus Bank.

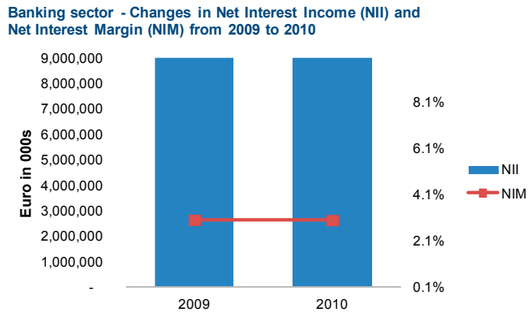
Largest assets in the sector

#	Company	Area of operation	NII 2010 (€ mn)	Assets 2010 (€ mn)	No. of employees	Interest owned by the state
1	National Bank of Greece S.A.	The largest bank in Greece offering universal banking services, such as retail & investment banking services, brokerage, insurance, asset management, leasing and factoring	4,148.0	120,744.6	36,376	1.2%
3	EFG Eurobank Ergasias S.A.	Offers full range of banking and financial products and services to households and enterprises: retail banking, corporate banking, investment banking and asset management are part of its activities	2,254.0	87,188.0	22,996	0.0%
2	Alpha Bank S.A.	Offers a range of services, including retail, small and medium-sised enterprise & corporate banking, credit cards, asset management, investment banking, private banking, brokerage, leasing and factoring	1,818.6	66,798.3	14,896	0.6%
4	Piraeus Bank S.A.	Engaged in universal banking activities and specialises in small & medium-sised companies, retail banking, capital markets, investment banking and leasing. Its e-banking service (*winbank*) was the 1st one set-up in Greece.	1,206.9	57,680.3	13,320	1.3%
5	Agricultural Bank of Greece (ATE Bank) S.A.	Commercial bank offering retail and business services covering savings & loans, insurance and asset management products & other financial services	823.7	31,220.7	8,915	77.3%
6	Hellenic Postbank S.A.	Mainly engaged in the retail banking field and its services include various types of deposit products; mortgage, consumer, student loans & other. Also active in the investment banking field through Hellenic Post Mutual Fund Management Company	384.6	16,566.3	2,510	34.0%
7	Attica Bank S.A.	Financial institution engaged in retail, corporate and private banking, leasing, factoring, asset management and brokerage	115.0	4,770.2	1,143	41.7%

Banking	Total sector	
	2009	2010
Profit and Loss (in €000s)		
Net Interest Income (NII)	10,295,278	10,750,840
% yoy growth	*3.2%*	*4.4%*
Operating Income	13,658,907	12,591,589
% yoy growth	*1.6%*	*-7.8%*
PBT	2,014,601	615,364
% margin	*19.6%*	*5.7%*
PAT	1,407,116	108,628
% margin	*13.7%*	*1.0%*
Balance Sheet (in €000s)		
Total Loans(1)	261,827,558	265,036,307
% yoy growth	*3.9%*	*1.2%*
Total Deposits	229,639,218	215,366,253
% yoy growth	*4.7%*	*-6.2%*
Total Assets	377,540,406	384,968,440
% yoy growth	*7.4%*	*2.0%*
Net Asset Value(2)	26,907,215	26,318,938
% yoy growth	*39.1%*	*-2.2%*
Key ratios		
Net Interest Margin (NIM)(3)	3.0%	3.0%
Loans to Deposits	114.0%	123.1%
ROE	6.1%	0.4%
Employess	**102,365**	**100,156**

Source: Publicly available information
Notes: (1) Gross Loans
(2) Excluding minority interests
(3) NIM = NII / Interest bearing assets
Dividends paid not presented due limitations in availability of information

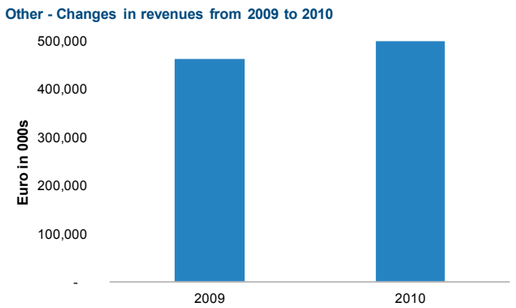
Despite the unfavorable conditions in the financial services industry, the banks in the portfolio managed to increase their net interest income by 4.4% in 2010 over 2009, primarily due to an increase in average interest-bearing assets for the period, as net interest margins remained at 2009 levels.



2.5 Other

Sector Overview

The Greek corporate asset portfolio also contains 3 companies active in the defense sector (Hellenic Vehicle Industry S.A. - ELVO, EAS, EAB.), metals & mining (Larco), construction and real e state (Public Corporation for Construction of Hospitals - DEPANOM, Public Corporation for Construction of Court Buildings - THEMIS, National School Buildings Organisation - OSK, ETBA Industrial Areas, Public Properties Company - ETAD), food (Hellenic Saltworks S.A. –Ellinikes Alykes), marketing (Thessaloniki International Fair - DETH), and culture/entertainment (Hellenic Festival S.A. – Elliniko Festival, Helexpo S.A.). Overall, the sector has been consistently loss-making, with low asset utilization and high debt levels.



Largest assets in the sector

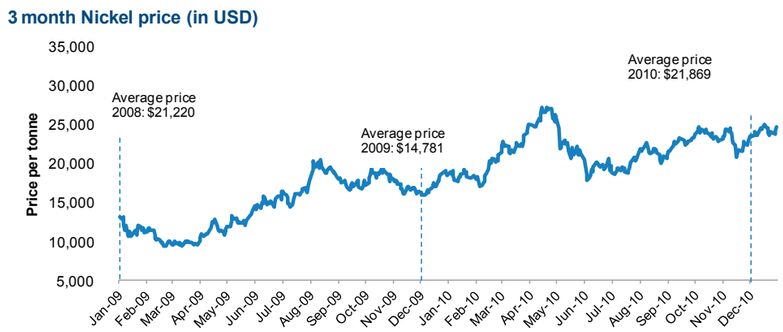
#	Company	Area of operation	Revenue 2010 (€ mn)	Assets 2010 (€ mn)	No. of employees	Interest owned by the state
1	Larco S.A.	Exploration, development, mining and smelting of nickel	239.5	282.1	1,186	55.2%
2	Hellenic Aerospace Industry S.A.	Manufacture and maintenance of aircraft parts and defense systems	149.9	855.6	1,914	99.6%
3	Public Properties Company S.A.	Development of bespoke tourism infrastructure and innovative forms of tourism	50.9	853.1	424	100.0%
4	Hellenic Defense Systems S.A.	Manufacture and assembly weapons and ammunition for military purposes as well as products for the civil sector, including commercial explosives, hunting rifle ammunition, metal constructions and boilers	31.3	585.9	1,214	99.8%

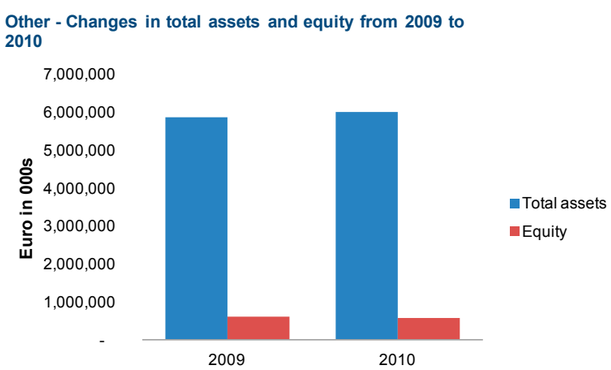
Other	Total	
Profit and Loss (in €000s)	**2009** [3]	**2010**
Revenues	462,015	562,689
Δ % y-o-y	*-37.7%*	*21.8%*
EBITDA	(374,164)	(120,976)
% EBITDA margin	*n/m*	*-21.5%*
EBIT	(418,195)	(162,686)
% EBIT margin	*n/m*	*-28.9%*
PBT	(533,874)	(243,504)
% PBT margin	*n/m*	*n/m*
PAT	(519,076)	(200,097)
% PAT margin	*n/m*	*n/m*
Balance Sheet (in €000s)		
Total Assets	4,410,366	4,405,054
Δ % y-o-y	*-7.1%*	*-0.1%*
Net Asset Value	171,588	25,637
Δ % y-o-y	*-72.9%*	*-85.1%*
Net Debt	2,069,739	1,944,447
Δ % y-o-y	*14.6%*	*-6.1%*
Ratios		
Net Debt / Total Assets	46.9%	44.1%
Net Debt / Net Assets	1206.2%	7584.6%
Asset Turnover	0.1 x	0.1 x
Return on Assets	n/m	n/m
Return on Equity	n/m	n/m
ROCE [1]	n/m	-7.7%
Other data		
Dividends paid (in €000s) [2]	21,034	4,239
State %		
State dividend	3,046	276
Employees	12,656	11,460

Source: Publicly available information
Notes: [1] ROCE = EBIT / (Net Assets + Net Debt)
[2] Dividends paid as per cash flows statement, where available
[3] FY09 results for Hellenic Duty Free Shops have been restated by the company for comparability, to account for the 2010 merger of the Group with companies Folli-Follie and Elmec Sport

Larco

2009 was one of the worst financial years in the history of nickel producer Larco, due not only to significant decreases in the price of nickel but also to two tragic accidents in its main production facility in Larymna that lead to a partial shutdown of the facility in August of 2009. As a result, the company posted net losses of €105 mn on revenues of €99 mn. However, as nickel demand and prices recovered and the company's facilities were repaired, Larco returned to full production in 2010, increasing its revenues by 142%, covering its cost base and returning to profitability. Revenue was also boosted by favorable movements in foreign exchange rates.





The Real Estate Portfolio

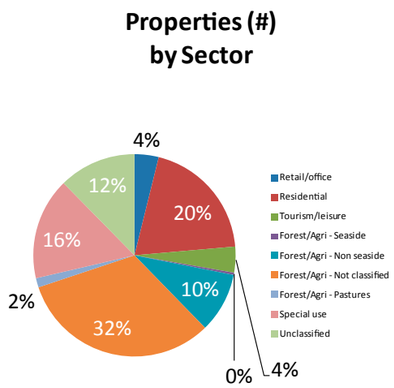
[redacted]

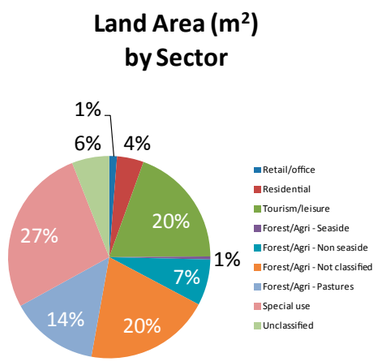
The Greek state currently owns more than four billion square metres of real estate, through different government bodies. The real estate assets have been owned and managed by each individual authority, with different goals and strategies. The intention is now to create substantial value from co-ordination and active management of the total real estate portfolio.

The key to doing this will be reviewing the usage strategies for these assets. Much of this real estate is under-utilized or used far below its potential value. The role of the HRADF is to create attractive new investment opportunities through a focussed restructuring of these real estate assets, to make way for direct sales or potential development projects.

3.1 The nature of the portfolio

The portfolio is exceptionally diverse and includes both developed properties and undeveloped land. Once fully catalogued the total portfolio is likely to amount to more than a hundred thousand properties. At present, about eighty thousand are included in registers of government bodies. The HRADF is actively engaged with the Greek authorities in identifying the full scope of Greek state real estate holdings.



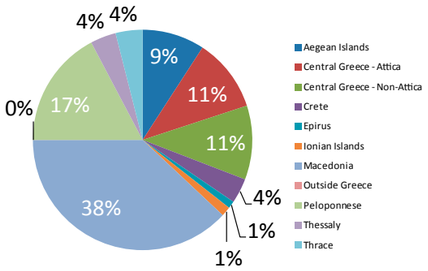


The land is currently classified based on potential use, according to existing zoning practice. The largest part of the portfolio is made up of different categories of agricultural land. 91% of the total land area is comprised of lots with a size of more than a hundred thousand square meters. Around a quarter of the land holdings are currently classified for residential, retail or tourism uses. A further quarter of the current portfolio is classified as 'special use' - denominating properties in public service such as churches or prisons.

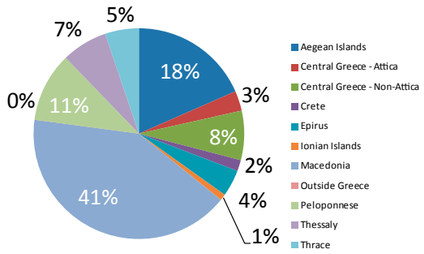
In terms of number of properties, the main focus of the portfolio is in the central and northern parts of mainland Greece, although holdings are distributed across mainland Greece and the Greek islands. Many of the largest lots are located in Macedonia and on the Peloponnese. A very small number of properties are located outside Greece. The distribution of land by size shows the same focus on northern and central Greece, although a number of large holdings in the Aegean islands increase its share of the total distribution.

8+10 Aegean Islands
1 Central Greece - Attica
2 Central Greece - Non-Attica
4 Crete
6 Epirus
7 Ionian Islands
3+13 Macedonia Outside Greece
9+12 Peloponnese
11 Thessaly
5 Thrace

Properties (#) by Region



Land Area (m²) by Region

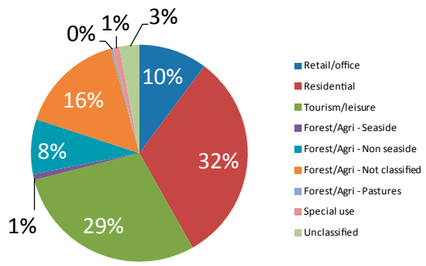


3.2 Distribution of value

Indicative valuations have so far been carried out for a part of the total portfolio, corresponding to approximately 10% of the number of properties, or 40% of the total land area. Properties valued have been selected on the basis of having the greatest potential for project development or providing sufficient valuation data. These suggest a value in the range of €18-21bn. It follows from this that there is significant additional value to discover in the portfolio as the active asset management process continues, although the values of the remainder of the portfolio are unlikely to be proportional to those parts of the portfolio already valued.

Of the holdings already valued, retail/office, residential and tourism/leisure classified properties represent a major part of the indicative land value. From the geographical perspective, the Attika and Macedonia regions represent more than half of the indicative land value, reflecting both the concentration of holdings in these areas, but also its inherent value.

Value (€ million) by Sector



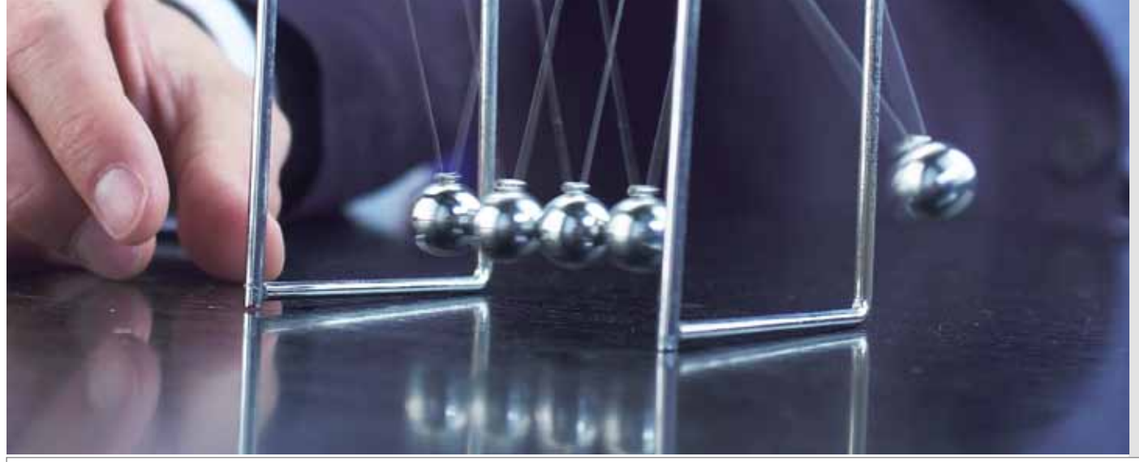
3.3 Strategy

Greece's stock of state-owned real estate is probably the largest store of unrealised value in the portfolio of the Hellenic Republic. Unlocking this value in each of these assets or groups of assets requires a process that can take five years or longer, but by reclassifying land and reassessing its development potential can create significant new economic and growth potential. This will in many cases involve reclassifying much of the Greek real estate portfolio to allow for development. Maximising the value of Greece's real estate portfolio generally requires the creation of new markets for enhanced assets, especially for vacation homes, upmarket resorts, golf courses and spas. A small part of the portfolio is also appropriate for solar energy development.

Most of the Greek real-estate portfolio is suitable for tourist development, and given Greece's climate and leisure and holiday potential this is the key source of potential value for investors. Greece is a mid-tier international tourist destination both in terms of tourist volumes and average spend. The Greek hospitality industry is fragmented, with no active large hotel chains and little penetration by high net worth individuals seeking large scale private holiday developments. Its tourist market has not grown significantly in the last decade.

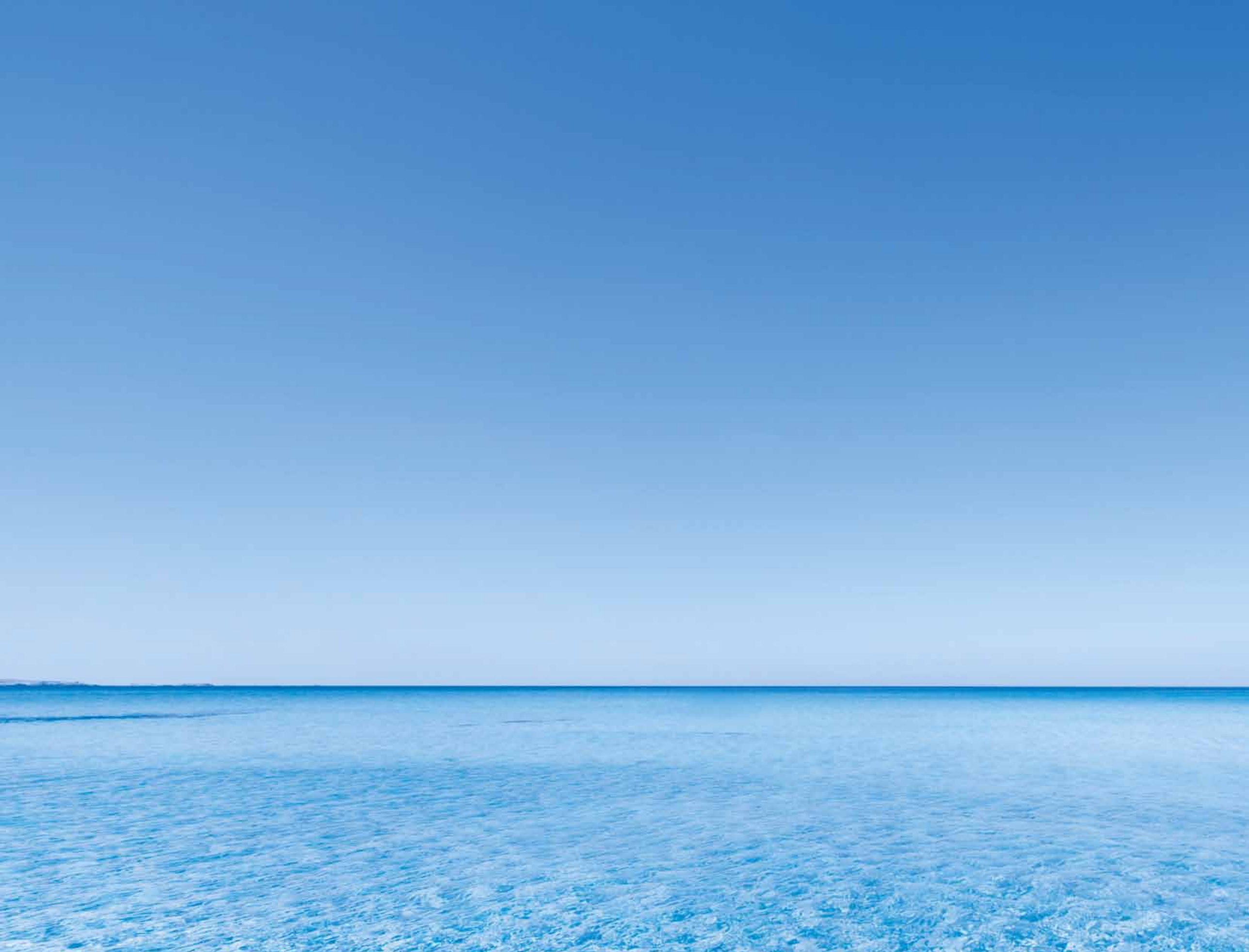
Greece also has considerable potential to attract investment from a Northern European customer base seeking to own properties in the Mediterranean for the winter months, yet it currently has a limited stock of holiday homes and limited infrastructure for this sort of seasonal or retirement ownership. The Greek holiday home stock is currently less than 1% that of Spain.

Nevertheless, the potential for Greece to compete with Spain or Italy for upmarket tourist or second home business, especially from clients in Central and Eastern Europe is clear given sufficient investment and an enhanced reputation for quality and sophistication. Brought to market in a way that ensures that supply is calibrated to new demand, and supported by reinforced infrastructure in privatised ports and marinas, there is potential for long term investors who see the significant potential gains from Greece moving up the tourism value chain.



Glossary of terms and abbreviations

Term	Definition
ADSL	Asymmetric Digital Subscriber Line
bn	Billion
CCGT	Combined Cycle Gas Turbine
CEO	Chief Executive Officer
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest tax depreciation and amortisation
ECB	Eurpoean Central Bank
EU	European Union
excl.	Excluding
FIFA	International Federation of Association Football
FY	Financial year
GAAP	Generally Accepted Accounting Standards
GDP	Gross Domestic Product
GGB	Greek Government Bonds
GWh	Gigawatt Hour
i.e.	Id est
IMF	International Monetary Fund
IFRS	International Financial Reporting Standards
Incl.	Including
IP	Intellectual Property
IPP	Independent Power Producer
km	Kilometre
LNG	Liquified Natural Gas
m^2	Square metre
mn	Million
mt	Metric tonne
n/m	Nonmeaningful
NII	Net Interest Income
NIM	Net Interest Margin
No.	Number
NPL	Non-performing loans
PAT	Profit after tax
PBT	Profit before tax
RES	Renewable energy sources
ROA	Return on assets
ROCE	Return on capital employed
ROE	Return on equity
S.A.	Société Anonyme
USD	United States Dollar
USP	Universal Service Provider
VAT	Value Added Tax
y-o-y	Year on year
Δ%	Percentage change



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