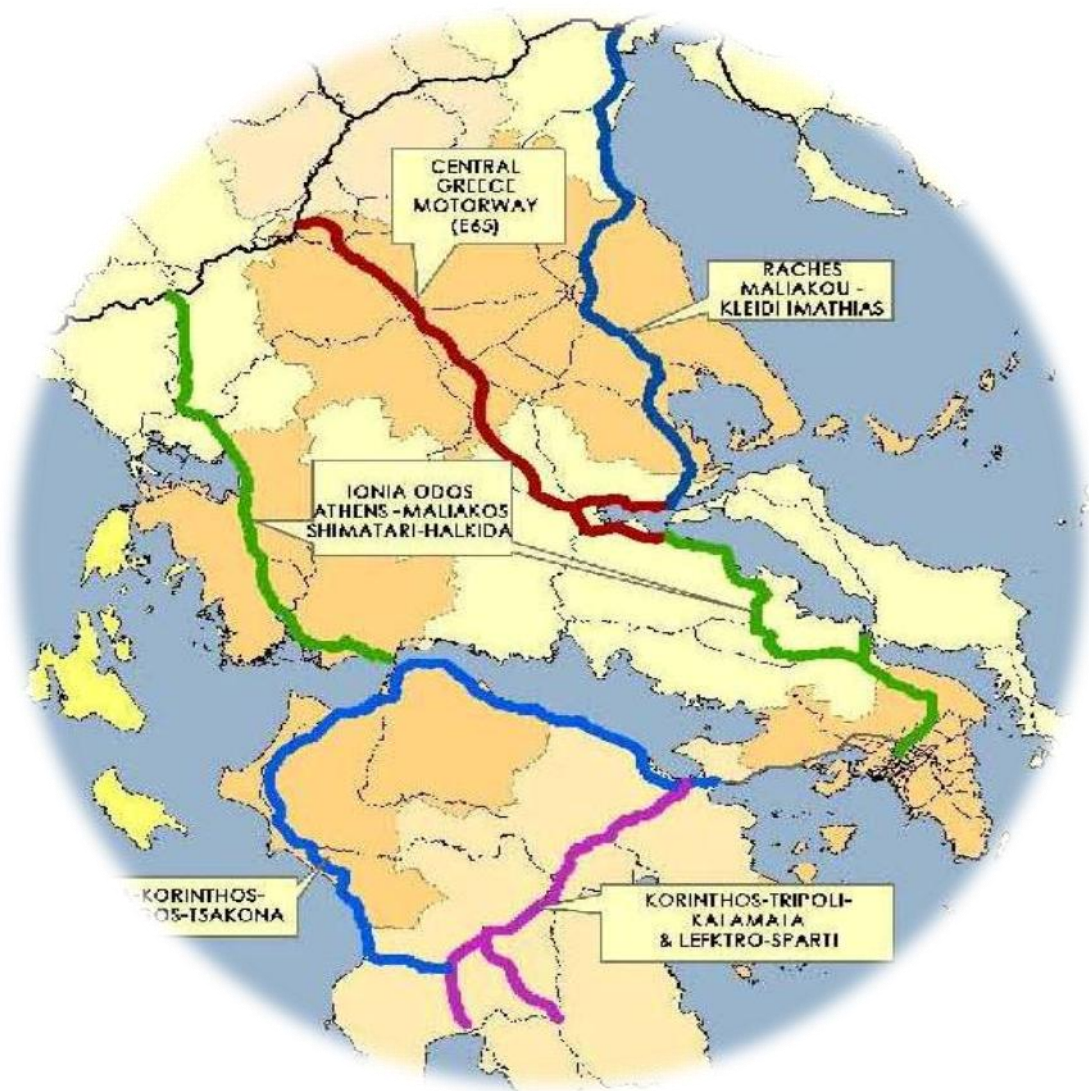


GENERAL SECRETARIAT FOR CONCESSIONS



GREEK MOTORWAY CONCESSIONS

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Preface

This Report presents in summary the problems that were encountered during the implementation of the five Greek Motorway Concessions Projects that are under construction, the actions taken by the General Secretariat for Concessions of the Hellenic Ministry of Infrastructure, Transport and Networks (MITN) and the progress of negotiations with the Concessionaires and the lending Banks to this day. The technical and financial analysis for every project is reported and a solution to the problems is investigated. The basic elements of the New Toll Policy which should be followed after the completion of the negotiations are also presented.

This report aims to assist in improving the understanding and coordination of the jointly responsible Ministries of Infrastructure, Transport and Networks and Finance and their Consultants in the next phase of negotiations with the Concessionaires and Lending Banks.

Responsibility for the contents of this report lies with the undersigned. The views and proposals included in this report by no means bind the Greek State.

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ABBREVIATIONS

CC	=	Concession Contract
CCD	=	Concession Commencement Date
SFC	=	State Financial Contribution
FC	=	Financial Contribution
FU	=	Framework of Understanding
FM	=	Financial Model
MoU	=	Memorandum of Understanding
EIB	=	European Investment Bank
NSRF	=	National Strategic Reference Framework
MITN	=	Ministry of Infrastructure, Transport and Networks
PPC	=	Public Power Corporation
TS	=	Toll Station
FTS	=	Frontal Toll Station
RTS	=	Ramp Toll Station
IRR	=	Internal Rate of Return
NPV	=	Net Present Value
TERN	=	Trans European Road Network
EPEC	=	European PPP Expertise Centre
LPVR	=	Least Present Value of the Revenues
MIG	=	Minimum Income Guarantee
PSIRU	=	Public Services International Research Unit
RDM	=	Revenue Distribution Mechanism

Synopsis

1 The problems of Motorways Concession Contracts

In total, for the four motorways concession contracts the construction works of which have been suspended, the State revenues throughout the concession period, according to the base case scenarios of the Concession Commencement Date, had been estimated by the Concessionaires at 22.085 millions € in current prices and 3.979 millions € in Net Present Value (NPV). According to the Lenders' Low Case scenarios of the same period, the revenues had been estimated at 18.917 millions € in current prices and 3.400 millions € in NPV. It is pointed out that the fifth project, Moreas Motorway, presents a deficit met by operating subsidy paid by the State of 199 millions € in nominal prices value, according to the base case scenario.

The Concession Contracts (CC) presented many problems and delays in expropriations, environmental permits, archeological investigations, completion of design by the Concessionaires etc. From the beginning of 2010 the necessary measures were taken (Olympic Games special law for the acceleration of expropriations, Memorandum of Understanding with the Ministry of Culture for the acceleration of archeological investigations, Laws amendments which link the payment of the State Financial Contribution (SFC) to the progress of the works etc) so as today there are no significant obstacles in the progress of works and the only pending issue is the agreement on the Concessionaires' claims.

The Basic Design with which the projects were tendered can be improved in many areas in order to take into account the particularities of certain regions. The State Council has suspended the construction works in several sections.

In addition, the change in economic and social conditions caused reduction in traffic volume, non-payment of tolls from a large number of users ("no pay" movement groups) and increase in interest rates in the capital markets. All the above arguments have been invoked by the Banks which finally have suspended the financing in four of five projects.

This new situation has to be reversed. Otherwise an impasse will be created and the CC will be terminated either by the State or the Concessionaires. In case of termination of the 4 CC by the Concessionaires due to State default, the State will have to repay mainly the loans and the committed investment and its financial cost; that is an amount of about 1.400 millions € (it is pointed out that according to the Concessionaires this amount is higher by 400 – 500 millions €). In case of CC termination by the State due to Concessionaires' default, the State will have to pay the lesser of the loans and the cost of the properly executed works reduced by the SFC, the committed investments, the toll revenues, taking into account the proceeds from letters of guarantees; that is an amount of about 800 millions €. In any case the lenders will be repaid for the major part or the whole of the loans disbursed.

2 The Framework of Understanding and its application

Our Country in these times has a legitimate interest to keep the Lending Banks in the projects in order to foster the Greek economy's development and to take advantage of the low interests for the projects construction. Given the limited public resources, the main target should be the attraction of investors. The achievement of this target could be accelerated only by the complete and successful implementation of the ongoing investments.

Confirming in practice its interest for finding a solution that will reestablish the contractual equilibrium and viability of the CCs (Long Term Solution), the State has initialed with each Concessionaire in June 2011 the Framework of Understanding (FU), which among others determines the principles and the time schedule that will be followed during the negotiations. Then, in every project Working Groups (Technical, Legal, Financing, Tolls) were established for the investigation of problems and the submission of proposals.

The Working Groups investigated and have in principal converged on several technical modifications of the Basic Design that were necessary, having in mind the improvement of the functionality of the projects at no additional burden to the State. Moreover, due to the decisions taken by the Council of State, with which environmental permits were cancelled for some sections or works were suspended, the parties assessed scenarios of construction of the Olympia Odos Motorway until Pyrgos (excluding the section Brachneika – Kato Achaia) and of the Motorway of Central Greece until the bridge of Mourgani (after the Kalambaka region), with temporary suspension of construction of the remaining sections in both projects. This scope reduction will lead to a significant reduction of the construction cost (and the loan amounts respectively), a fact which will facilitate the long term viability of the projects. Moreover, there is in principal agreement on the new works time schedule. The execution of the deed of acceptance of technical modifications will be made under the framework of the general agreement.

Regarding the Concessionaires' claims for compensations, according to the Technical Working Groups, these will exceed 1 billion € (an excessive amount by any criterion), but a small part of them have been submitted sufficiently documented so far, to be evaluated. In parallel, the State has already imposed to the Concessionaires penalties for delays. The current expectation is that for most of them, resolution and settlement will follow the contractual procedure, outside the financial model. Naturally, prompt settlement will facilitate the overall agreement.

The lending Banks, on the basis of the prevailing economic and financial situation (increase of financing cost, reduction of liquidity, country risk), demand essentially restructuring of the loans agreements mainly targeting an increase in the interest rate margin by 350 bps (the contractual margin is about 95 bps). The request originates from the Greek Banks, which provide about 50% of the projects loans. An increase of the interest rate by 100 bps in the senior loans corresponds to an additional cost of several hundred millions in current prices and 150-200 millions € in net present value for the four projects.

The revenues that were estimated by the Concessionaires and the Banks and reflected in their new financial models are reduced by about 40% in comparison with the ones of the Concession Commencement Dates. It should be taken into account that on similar occasions the forecasts are made with an adequate degree of certainty only for a period of time of five years. After that, usually, a linear extrapolation combined with a downward trend is applied. In

conclusion these pessimist forecasts made in such adverse economic and financial environment should not be accepted as a basis to extract results for the following thirty years.

In addition to the problems of the traffic models, the financial models, which were submitted by the Concessionaires, also present weaknesses that should be checked for the reliability of their results.

According to the new financial models, which include the Banks' and the Concessionaires' requirements, the revenues remaining to be paid to the State during the Concession period are minimal.

3 Proposals

Certain measures are proposed hereafter, which (independently or in combination) could form the basis for the next phase of negotiations. It is obvious that in the face of the current conditions, project viability will potentially be achieved at a lower level compared to the contractual provisions, with proportional adjustments (Losses) to all three involved parties requirements (State, Concessionaires, Lenders). A successful result can be obtained only if, during the negotiations, the appropriate mix of measures is achieved by adopting / enhancing some of the proposals herein, or by mitigating / rejecting others and / or by incorporating other parties' proposals.

3.1 Facing the toll revenues decline

During the loans approval process and before concluding the loan agreements, the Lenders and the Concessionaires had elaborated and agreed on a financial model (lenders low case LLC / stress scenario), which takes into account traffic decline of about 15% - 20%; in case of further traffic decline the loans repayment and (even more so) the Concessionaire's investment cannot be secured.

It is proposed for the State to guarantee (within the boundaries of the State's project revenues) the Concessionaires' cash flow, post revenue share, (and indirectly those of the Banks) in correspondence to the lenders LC scenario, subject to the condition that any future increase in traffic /revenue will be used in priority to compensate the State (payment of the capital + interest - State loan to the project). Thus, the reference financial model during negotiations will be the LLC.

The State never accepted the traffic risk, which contractually lies fully with the Concessionaire, and it never examined the Concessionaires traffic models. Following this path, the State will not be interested during the negotiation process in the re-estimation of traffic models by the Consultants of the Concessionaires and the Banks. The role of the updated Concessionaires and Banks traffic models is restricted to their own use only; their value is to confirm to them that the State would be in the position to "lend" to the project out of its project revenue share.

It is pointed out that according to the updated financial models which the Concessionaires have submitted and in which the Banks' and their requirements are included, the Projects State revenues during the concession period are very limited.

To resolve the funding shortfall of the construction period due to the reduced revenues (during the same period), **it is proposed** that a contractual extension of the construction period is granted (and this would result in the extension of the period during which the toll revenues finance the projects' construction) or/and the appropriate adjustment of the project time schedule (extension of partial deadlines – gradual completion) for certain sections of the projects. For the Olympia Odos and E65 projects, **it is proposed** additionally to reduce the technical scope.

In case that the State commits to support with its revenue share the operational expenses and the debt service of the projects, as already proposed, it should ensure that the operational expenses will be charged without excesses, in order to avoid any indirect increase of the Concessionaires' shareholders IRR. On the contrary, a rationalization of the operational expenses should be sought, but without adversely affecting the level of service or the safety of the road. Thus, **it is proposed** to pursue agreement on either a proportional reduction of the operational and maintenance expenses foreseen in the contractual financial models along with the relevant commitment of the Concessionaires to fulfill this, or a policy that will allow full transparency and control / monitoring by the State of the operational expenses ("open books" – especially for heavy maintenance, according to the pre agreed program).

3.2 Redesign of technical scope

The basic design (under which the motorway concession projects were procured) should be improved in many matters in order to recognize environmental problems encountered (Decisions of State Council), the specificities of certain areas as well as the reasonable requests of the local population. In order for a reliable time schedule to be developed, certain design modifications were agreed with the Concessionaires, improving the projects functionality without additional financial burden to the State. **It is proposed:**

Olympia Odos:

The project to be limited to the section Elefsina – End of Patras by pass.

The section Kato Achaia - Pyrgos Entrance to be completed as a public works project.

The remaining sections, to be constructed in the future as public works, but with works for improving road safety to be executed shortly.

Ionia Odos:

To construct a 2.3 km long twin tunnel in Klokova (Plaiouvouna) almost within the budgeted amount by avoiding non useful works as per the Concessionaire's proposal (e.g. the 1.1 km long twin tunnel at Menidi). To accept Concessionaire's improvement proposals, many of which coincide with State preference.

To construct the necessary supplementary works in PATHE at State's cost.

Motorway of Central Greece – E65:

The project to be limited up to the Mourgani bridge after Kalambaka (junction to Metsovo and Grevena).

The full Lamia interchange and the connecting road Anavra – Thamakos, to be constructed at a later stage as public works.

To accept certain of the Concessionaire's improvement proposals, many of which coincide with the State's preferences.

To upgrade the existing national road from Mourgani until Agii Theodori and to construct a new section of national road (9 km long) from Agii Theodori to Pigaditsa (Egnatia Odos) as public works. Moreover, to upgrade the existing national road from Mourgani to Panagia interchange (Egnatia Odos) as public works.

The motorway section from Mourgani to Egnatia Odos (Kipourgio Grevenon) to be constructed later as public works as well.

Moreas Motorway:

The Concession Contract to be confined until the Karelia junction of the Peripheral Road of Kalamata, due to the high expropriation cost and the obligation of the State to compensate the Concessionaire due to the late expropriation of the last section of the Kalamata Peripheral Road (6 km long). Possibly, the works for the section Lefktro – Sparti could be accelerated with with corresponding payment of compensation to the Concessionaire so that a breach of the additional 30% to the Total Construction Completion Date T1 provision (event of default under the loan agreements) is avoided.

In general, in every Concession Project the State and the Concessionaire will co-sign the technical modifications acceptance in the framework of the general agreement.

The Independent Engineer and the Banks Technical Advisor could promptly estimate in every project the cost of the technical modifications against the basic designs, with the direct provision of any clarification by the Concessionaire / Constructor and the authorized Service. The State and the Concessionaire will resort to the foreseen contractual dispute procedures in case of disagreement.

Given that the problems of the expropriations are practically solved, in particular for the sections where the alignment is finalized, there is in principle agreement with the Concessionaires for the new time schedule of works so that all works will be completed within the NSRF program period.

3.3 Claims and compensations evaluation

Regarding the Concessionaires' claims for compensation, according to their position in the Technical Groups, these will exceed in total the amount of 1000 millions € (for all projects), but until now only a small part of these were sufficiently documented and submitted to allow proper evaluation.

According to the Concessionaires, the increased projects' cost, due to the delay of expropriations, archeological investigations etc., should burden the State. Any acceptance of claim will be done under the negotiation framework or through the contractual arbitration procedure. Some of these claims, related to the loss of revenue, may be accepted and incorporated to the new financial models, in case they are properly documented contractually.

Regarding the Constructors' claims, the resolution and settlement procedure is contractually foreseen, in principle outside of the financial model.

In any case, from a preliminary assessment of the Concessionaires claims and in particular those of the Constructors, it seems that they can be reduced substantially.

It is pointed out that the State has already imposed to the Concessionaires penalties for delays with their responsibility. It is proposed to the soonest possible the real amounts that will burden the State, so as to positively contribute to the new financial close of the projects. Representatives of the Independent Engineer, the Banks Technical Advisors, the State and the Concessionaire and/or the Constructor should evaluate and try to agree on the claims for every project. In case of dispute, the State or the Concessionaire could seek recourse to arbitration, according to the contract.

3.4 Negotiation with the Lenders

In the context of the current economic and financial conditions (increase of the cost of funding, shortage of liquidity, increase of country risk) the lending Banks practically request the renegotiation of loan agreements aiming mainly at the increase of the lending interest rate margin, the reduction of their exposure and the direct access to the projects' total toll revenues for the repayment of loans' installments (i.e. they don't accept the indirect repayment by the State).

It is pointed out that the large number of Banks (32 Foreign and 11 Greek) that participate in the financing of the projects complicates the decision making process. For the cases of decision which need unanimous consent, it is probable that Banks with low participation (and thus exposure) will block these decisions. Furthermore, the fact that many Banks finance more than one projects, creates a phenomenon of communicating vessels in the discussion of various problems.

The request to increase the margin originates mainly from the Greek Banks, which provide approximately 50% of the projects' loans. An increase in the lending interest rate margin of 100 bps on the senior loans corresponds to additional cost, for the four projects (except Moreas), of 150-200 millions € in Net Present Value.

By applying the Banks requirements in the financial model the revenues left for the State during the concession period are practically nil. The sensitivity analyses have shown that even with a much lower increase in the interest rate margin compared to the one that the lenders require, a balanced and proportional distribution of losses among the three parties cannot be achieved.

It is estimated that with the appropriate interventions in the qualitative and quantitative characteristics on the projects' contractual relationships, through the loans agreements, a solution can be reached that will keep the new debt pricing (spread), that the Banks require, as low as possible, with evident positive results for the public interest, keeping at the same

time the equilibrium in the risk allocation between the contracting parties. The basic means through which such a solution could be realized are: change of the governing law of Loan Agreements, reduction of the Average Loan Life (through cash sweep), reduction of Loan tenor.

3.5 Negotiations with Concessionaires

Within the negotiation framework the Concessionaires' arguments and claims will be focused on the preservation of the return on investment as per their offer and the coverage of any additional cost generated mainly from the project design and time schedule modifications and the loss of revenues. On the other hand the State will seek to decrease the Concessionaires' return on investment, the reduction of the operation cost, the minimization of the Concessionaire's claims.

Note again, that applying the requirements of the Concessionaires, there are no remaining revenues for the State, during the whole concession period. The sensitivity analysis has indicated that in order to allocate proportionately the losses among the parties, the IRR cannot exceed the banks' lending interest rate, in case the projects' revenues are below the revenues of the lenders low / stress case scenario. It may be possible to gradually increase the Concessionaires' IRR, up to the level of the offer's base case scenario if in parallel the Concessionaires pay back the amounts, increased by the appropriate interest rate, which the State has lent to the projects. In any case the IRR will remain substantially lower than the IRR as per the lenders base case scenario.

It is pointed out that there all no effort should be spared so that negotiations are completed the soonest possible, in order to accelerate the start of the works. It is proposed that all procedures, including the ratification of the concession modification agreements are finalized by the end of this year.

4 Legal basis for the reestablishment of the CC equilibrium

The legal team formed for the implementation of the FU, investigated the projects' various legal and contractual problems. After processing different views and proposals, the Legal Consultant to the MITN for the Concession Contracts has prepared a detailed report which defines, under the current conditions, the most appropriate legal basis for the reestablishment of the CAs equilibrium, taken into account the Treaty Principles, the EU Directives and the ratified Concession Contracts. The proposals herein comply with this legal basis.

5 Search for alternative financial sources

The State will need to prepare its defenses in case the Concessionaires and the Banks distance themselves significantly from its reasoning and a conflict is probable. The State, parallel to the negotiations, will need to develop alternative scenarios and investigate additional financing sources for the completion of the projects (e.g. potential financing by the EIB to fund any additional State obligations for works, funding shortfall during the construction period, compensations and finally lenders' substitution in case they decline to continue the provision of financing. A relevant letter has already been sent to the EIB by the Ministry of Finance and the MITN.

6 New toll policy

A number of arrangements and options on determining the Toll Policy for the Motorway Concession Projects as reflected in the contractual documents have proven in practice problematic, especially within the current adverse economic situation. Refusal of users to pay tolls is observed and this is mainly due to the non-proportionate charge, mainly for the inhabitants of areas in the vicinity of frontal toll stations, in areas without an alternate network.

The State has proposed to the Concessionaires the following measures, at its expense, in order to preserve the projects' viability:

- Toll rate reduction by 25% - 30% for vehicle categories 1 and 2, stabilization at these levels for three years and then gradual increase up to the contractual toll level, within the following three years.
- Substantial toll reduction for the road sections under construction, e.g. 50% for the Corinth – Patras section.
- Toll subsidization for some user categories from social policy funds (e.g. disabled persons).

The cost of the proposed six years policy is estimated to be 500 mil €, amount which must be made available by the Ministry of Finance, either by monetization of future toll revenues or by other sources of funds.

The Concessionaires have proposed alternative policies at the State expenses which foresee:

- Electronic charge and payment in proportion to the distance travelled, for the users who reside in the vicinity of frontal toll stations.
- Discount policy for frequent users.

The cost of the Concessionaires' measures is preliminarily estimated not to exceed 200 mil € for the same period.

The negotiations with the Concessionaires are under way in the framework of the FU and the alternative proposals are being assessed. In view of the current economic situation it is proposed the State's proposal is revisited and that lower cost targeted policies are adopted.

The Government has affirmed its target for the implementation of a full electronic toll collection system, with free vehicles' flow in all motorways (one card/OBU – one bill for each vehicle) within the imposed interoperability of the Trans-European Road Network and the attainment of completely proportional vehicle charging within the next three years. Appropriate legislation will be proposed (to be submitted by the end of September by the Legal Team). This part of legislation will mainly address the response to the violators issue and the management of payments foreseen to be settled through an Information and Payments Exchange Center, to be established within the Ministry of Finance.

In conclusion, it is stressed that the views and suggestions of the author of this report should in no case be considered binding for the Greek State.

CHAPTER 1

Summary Presentation of Motorway Concession Projects

2.1 The Program of Concession Motorways

The following five motorways of the Trans-European Road Network are currently being implemented with concession contracts:

1. Olympia Odos: Elefsina – Corinth – Patra - Pyrgos - Tsakona
2. Ionia Odos: Antirrio – Ioanina and Patra – Athens - Thessaloniki Motorway (PATHE): Metamorfoosi Interchange – Skarfia and Schimatari - Halkida
3. Central Greece Motorway - E65 Lamia - Egnatia Odos
4. PATHE: Maliakos – Kleidi (Aegean Motorway)
5. Moreas Motorway: Corinth - Tripoli - Kalamata and Lefktro - Sparti

Table 1.1 includes the description of the technical scope of the contracts. In total, 720 kilometres of new motorway are constructed and 530 km of existing national roads are upgraded to a modern motorway. Moreover, the State delivers to the Concessionaires new sections of motorways, 166 km in length.

The Trans-European Road Network in our country has a total length of 4100 km. With the concession projects under consideration, together with Attiki Odos, Egnatia Odos and its feeder roads, 2500 km of motorway will be completed.

Table 1.2 lists the Concessionaires (6 Greek and 6 foreign companies), the Construction companies (6 Greek and 4 foreign companies) and Lender Banks (11 Greek and 32 foreign banks) with their participation percentages.

Table 1.3 presents the sources and uses of funds during the construction period, according to the Financial Model (FM) of the projects at the signing of the Concession Contracts. It arises that the sum of the necessary funds for the construction period is €8700 million. Specifically, €2300 million (26.5%) are the State Financial Contribution (SFC) and €2300 million (26.5%) are tolls paid by the users during the construction period. The main loan funds¹ amounted to €3300 million (38%) and the share capital of Concessionaires to €800 million (9%). Almost 50% of the borrowed funds are covered by Greek Banks. Moreover Greek Banks have

¹At the same time additional interim bridge loans to concessionaires are foreseen, amounting to €1700 million, to cover for a limited time the financial contribution of the State and the return of VAT.

provided a large part of the guarantees required for the projects implementation (committed investment guarantees, project performance guarantees, etc.).

Table 1.4 presents the funds paid per funding source up to the end of 2010 and spent with regard to the CC. €3100 million had been paid, of which €984 million (31%) from SFC, €550 million (18%) from tolls, €500 million (16%) from Concessionaires' committed investment, €278 million (9%) from the main loans and €812 million (26%) from the short term bridge loans of SFC.

Table 1.5 presents the overall sources and uses of funds of the concession contracts (for the entire concession period), according to the FM at the signing of the contracts.

Table 1.6 presents the contractual milestones and the binding partial deadlines of the contracts. According to the CC, all projects are to be completed up to 2014.

Table 1.7 presents the progress of the technical scope. Up to the end of 2010 only two of the five projects presented satisfactory progress, whereas today only one of these projects is proceedings at a satisfactory rate (Moreas Motorway).

Table 1.8 presents the progress of expropriations.

Table 1.9 presents the correlation between the physical and economic scopes, as well as the time elapsed in percentages up to the end of 2010. It arises that up to the end of 2010 the scope of "Maliakos – Kleidi" and "Moreas" contracts, had been completed by 53% and 61% respectively, whereas the time elapsed was 61% for both contracts. The technical scope of the contracts of Olympia Odos, Ionia Odos and E65 had been completed by 24%, 25% and 14% respectively, whereas 50% of the time had elapsed for all contracts. It is therefore found that the overall progress up to the end of 2010 in three contracts was by far less than scheduled, i.e. great delays were noted. Today these delays are longer, since in all projects, except for the Moreas Motorway, there has been draw stop of loans instalments by the banks and suspension of the construction works by the Concessionaires.

Table 1.10 presents the total funding needs of the projects, not including the Concessionaires' claims. The State has paid in total (SFC, expropriations, etc.) during the 2007-2010 the amount of €1319 million and must pay in the 2011-2014 period, the amount of €1947 million.

2.2 CCs with disbursement suspension by Banks

In four of the CCs, there has been payment draw stop by the Lender Banks, resulting in suspension of the construction works by the Concessionaires (Olympia Odos, Ionia Odos, Aegean Motorway and Central Greece Motorway).

The Contracts award has been made for the three first projects, on the following criteria:

- NPV of the offered revenues to the State;
- NPV of SFC payments, for which the Tenderer specified the payment, according to the tender documents;
- Construction completion milestones or partial deadlines.
- the level of the TRIRR (Trigger Real Investors IRR) which shall activate the cash-flow sharing mechanism of the Concession Contract.

For the fourth project, which due to the low traffic shows deficit, the first criterion differs as follows:

- NPV of the Maximum Operation Subsidy required per semester of the Subsidized Operation Period
- NPV of the Revenues which eliminate the obligation of the Operation Subsidy payments.

Table 11 presents the estimated revenues from the four projects in current and fixed prices based on the scenarios (basic and low) agreed by the Concessionaires and the Banks on the Concession Commencement Date (CCD).

For all four projects in total, the State's revenues throughout the concession period according to the basic scenario will amount in current prices to €22.085 million and in NPV to €3.979 million. According to the low scenario they will amount in current prices to €18.917 million and in NPV to €3.400 million. It is underlined that the fifth project, the Moreas Motorway, shows a deficit of €199 million in nominal prices.

2.3 The funding of Egnatia Odos

It is useful here to describe the funding scheme of the main artery of Egnatia Odos, 670 km long, constructed as a public works project.

The total implementation cost (design, construction, expropriations and management) amounted approximately to €5.500 million (not including VAT) and was been financed as follows:

- EU Community subsidy €2.450 million
- State Loan from EIB €2.200 million (its repayment has not started yet);
- Loan of Egnatia Odos S.A. by commercial bank €350 million (for which instalments and interest is already being paid).
- State budget €500 million

The annual net revenues from toll fees with a charge similar to that of the motorway concessions, have been assessed (before the drop in the traffic) to €140 million and the annual expenditure for operation, maintenance, policing, etc, are estimated between €90 and €100 million. The annual surplus of €40 million is barely adequate for the repayment of the small loan from the commercial bank within a 15 year period.

TABLE 1.1

Concession Contract	Description
<p>PATHE Maliakos – Kleidi, from the Raches Interchange to the Kleidi Interchange</p>	<p>Refers to approximately 229 kilometres of the PATHE motorway, and in particular the section from the 240+300 to the 469+700 Kilometre point.</p> <p>Of this:</p> <ul style="list-style-type: none"> ✓ 204.69 kilometres have been constructed and specifically the sections: <ul style="list-style-type: none"> ➤ Raches – Evaggelismos (135.52 km) ➤ Rapsani – Platamonas (5.56 km) ➤ Skotina – Katerini – Kleidi (63.61 km) ✓ new sections of approximately 25 kilometres long are to be constructed: <ul style="list-style-type: none"> ➤ Evaggelismos – Rapsani (14.48 km) ➤ Platamonas – Skotina (10.23 km) ➤ Interchanges on the existing section of Katerini - Kleidi
<p>Ionia Odos Motorway from Antirrio to Ioannina, PATHE Athens (Metamorfosi Interchange) – Maliakos (Skarfia) and branch of PATHE Schimatari – Halkida”</p>	<p>The project includes:</p> <ul style="list-style-type: none"> • The construction of the new Ionia Odos Motorway, 196 km long approximately, from Antirrio to the interchange with Egnatia Odos in the region of Ioannina. • The upgrade of the PATHE motorway over a length of approximately 172 km, from the Metamorfosi interchange to Skarfia. • The new branch of PATHE Schimatari - Halkida, 11 km long.
<p>Central Greece Motorway (E65)</p>	<p>The E65 is constructed on a new alignment. Its length is 174 km of which half are on plain terrain and half on mountainous terrain.</p>

Concession Contract	Description
Corinth- Tripoli – Kalamata and Lefktro – Sparti branch Motorway	<p>The Corinth- Tripoli – Kalamata and Lefktro – Sparti branch Motorway has a total length of 205 km.</p> <p>The Concessionaire’s obligations include:</p> <ul style="list-style-type: none"> ➤ The Construction, Operation and Maintenance of New Motorway Sections on a length of 100km. ➤ The Operation and Maintenance of the existing sections: Corinth – Tripoli (82.5 km) ➤ The Operation and Maintenance of New Sections constructed by the Greek State [Athinaio – Lefktro 14.6 km long, including the Rapsomati Tunnel and Paradisia – Tsakona 11 km long (to be reconstructing after the 2003 landslide)]
Elefsina – Corinth – Patra Pyrgos – Tsakona Motorway	<p>The Elefsina – Corinth – Patra - Pyrgos – Tsakona Motorway has a total length of 366 km.</p> <p>The Concessionaire’s obligations include:</p> <ul style="list-style-type: none"> ➤ The Construction, Operation and Maintenance of New Motorway Sections for a length of 284 km, from Corinth to Patra and from there to Pyrgos, Alfeios and Tsakona, with 29 km new tunnels and 8.5 km new large bridges and over 270 new safe interchanges and transits. ➤ Structural and operational upgrade of 82 km of the existing motorway from Elefsina to Corinth and the Patra by-pass.

TABLE 1.2

Concession Contracts	Concessionaires / Shareholders	Consortiums / Members Independent Engineer (IE)	Banks	Percenta ges
E65	KENTRIKI ODOS S.A.	Consortium: Central Greece Motorway	BANCO BILBAO VIZCAYA ARGENTARIA S.A.	9.53%
	CINTRA CONCESSIONES DE INFRAESTRUCTURAS DE TRANSPORTE SA (MADRID) (33.34%)	FERROVIAL 33.33%	BANCO SANTANDER S.A., LONDON BRANCH (formerly Banco Santander entral Hispano, S.A., London Branch)	6.93%
	GEK S.A. (33.33%)	DRAGADOS 33.33%	INSTITUTO DE CREDITO OFICIAL	6.51%
	IRIDIUM CONCESIONES DE INFRAESTRUCTURAS SA (MADRID) (1.33%)	TEPNA 33.33%	DEKA BANK DEUTSCHE GIROZENTRALE	6.51%
	DRAGADOS SA (MADRID) (32%)		FORTIS BANK, S.A. SUCURSAL EN ESPANA	9.53%
		IE	CAIXA BANCO DE INVESTIMENTO S.A., SUCURSAL FINANCEIRA EXTERIOR	0.85%
		Consortium: Scott Wilson Ltd - OMEK S.A.	BANCO ESPIRITO SANTO S.A., LONDON BRANCH	9.54%
			CAIXA GERAL DE DEPOSITOS S.A., FRANCE BRANCH	8.68%
			West LB AG, London Branch	2.60%
			EFG EUROBANK ERGASIAS S.A.	5.05%
			PIRAEUS BANK S.A.	9.53%
			AGRICULTURAL BANK OF GREECE S.A.	6.51%

			EMPORIKI BANK OF GREECE S.A.	6.51%
BANKS			MARFIN EGNATIA BANK S.A.	3.91%
8 FOREIGN 60.68%			NATIONAL BANK OF GREECE S.A.	6.51%
7 GREEK 39.32%			PROBANK S.A.	1.30%

Concession Contracts	Concessionaires / Shareholders	Consortiums / Members Independent Engineer (IE)	Banks	Percent ages
OLYMPIA ODOS	OLYMPIA ODOS S.A.	Consortium: APION KLEOS	NATIXIS	5.00%
	VINCI CONCESSIONS SAS (FRANCE) (29,90%)	VINCI CONCESSIONS SAS (FRANCE) (30%)	Calyon	0.70%
	HOCHTIEF PPP SOLUTIONS GmbH (GERMANY) (17%)	HOCHTIEF PPP SOLUTIONS GmbH (GERMANY) (15%)	Banco Comercial Portugues	1.20%
	AKTOR CONCESSIONS S.A. (17%)	AKTOR CONCESSIONS S.A. (17%)	Commerzbank AG	5.90%
	J & P AVAX S.A. (17%)	J & P AVAX S.A. (17%)	Bayerische Landesbank	3.00%
	ATHINA S.A. (2.1%)	ATHINA S.A. (4%)	HSBC	2.30%
	GEK TERNA S.A. (17%)	GEK TERNA S.A. (17%)	BNP Paribas (Fortis Bank)	3.00%
			Bank of Cyprus	4.40%
		IE	DekaBank Deutsche Girozentrale	5.90%
		Setec travaux publics et industriels	KfW	1.50%
			DZ Bank, London	1.50%
			BIIS	1.50%
			Bk of Ireland	3.00%
			Societe Generale	0.30%

			European Investment Bank	12.90%
			Alpha Bank A.E.	5.10%
			Emporiki Bank of Greece	4.90%
			Piraeus	4.40%
			EFG	4.40%
			Probank	1.50%
			ATE Bank	8.90%
			Marfin Bank	4.40%
			Millenium Bank SA	3.60%
BANKS			National Bank of Greece, Athens	4.60%
14 FOREIGN 52.10 %			Geniki	4.30%
11 GREEK 47.60%			Hellenic Public Bank Ltd.	1.50%

Concession Contracts	Concessionaires / Shareholders	Consortiums / Members Independent Engineer (IE)	Banks	Percenta ges
MOREAS	MOREAS S.A.	Consortium: MOREAS	HVB Athens	5.47%
	AKTOR CONCESSIONS S.A. (71.67%)	AKTOR S.A. (71.67%)	BNP Paribas	5.47%
	INTRACOM HOLDINGS (13.33%)	INTRAKAT (13.33%)	Royal Bk of Scotland	5.47%
	J & P AVAX S.A. (15%)	J & P AVAX S.A. (15%)	Bank of Ireland	7.03%
			Bayerische Laba , London	7.03%
			West LB , Madrid	7.03%
			Alpha Bank	7.66%
			Piraeus Bank	7.66%
		IE	Agricultural Bank	7.03%
		AECOM	Attica Bank	5%
			EFG Eurobank	7.03%
			Emporiki Bank	7.03%
BANKS			General Bank (Geniki)	7.03%
6 FOREIGN 37.50%			Milenium Bank	7.03%
9 GREEK 62.50%			National BK of Greece	7.03%

Concession Contracts	Concessionaires / Shareholders	Consortiums / Members Independent Engineer (IE)	Banks	Percentages
IONIA ODOS	NEA ODOS CONCESSION S.A.	Consortium: EURO - IONIA	BANCA INFRAESTRUTTURE	4.37%
	CINTRA CONCESSIONES DE INFRAESTRUCTURAS DE TRANSPORTE SA (MADRID) (33.34%)	FERROVIAL 33.33%	BANCO SANTANDER (LONDON)	8.11%
	GEK S.A. (33.33%)	DRAGADOS 33.33%	BBVA	8.11%
	IRIDIUM CONCESIONES DE INFRAESTRUCTURAS SA (MADRID) (1.33%)	TEPNA 33.33%	CAJA AHORROS Y MONTE DE PIEDAD	4.37%
	ACS (23%)		FORTIS BANK	9.98%
	DRAGADOS SA (MADRID) (9%)		INSTITUTO DE CREDITO OFICIAL	7.48%
			AGRICULTURAL BANK OF GREECE	8.11%
		IE	BANK OF ATTIKA	6.24%
		Consortium: Scott Wilson Ltd - OMEK S.A.	EFG EUROBANK ERGASIAS S.A.	8.11%
			EMPORIKI BANK OF GREECE	7.48%
			GENERAL BANK OF GREECE S.A.	4.59%
Banks			MILLENIUM BANK S.A.	8.11%
6 FOREIGN 42.40%			NATIONAL BANK OF GREECE	6.86%
8 GREEK 57.60%			PIRAEUS BANK S.A.	8.11%

Concession Contracts	Concessionaires / Shareholders	Consortiums / Members Independent Engineer (IE)	Banks	Percenta ges
MALIAKOS - KLEIDI	AEGEAN MOTORWAY S.A. (AMSA)	CONSTRUCTION CONSORTIUM MALIAKOS – KLEIDI (MKC – JV)	ING BANK	10.38%
	HOCHTIEF PPP SOLUTIONS GmbH (GERMANY) (35%)	HOCHTIEF PPP SOLUTIONS GmbH (GERMANY) (39.5%)	DEXIA CREDIT LOCAL	10.24%
	ELLINIKI TECHNODOMIKI (20%)	AKTOR (19.3%)	DEPFA	7.48%
	J & P AVAX S.A. (16.25%)	J & P AVAX S.A. (15.7%)	KBC FINANCE IRELAND	5.54%
	VINCI CONCESSIONS SAS (FRANCE) (13.75%)	VINCI CONCESSIONS SAS (FRANCE) (10.5%)	MIZUHO CORPORATE	5.54%
	AEGEK (10%)	AEGEK (10%)	CALYON	5.29%
	ATHINA S.A. (5%)	ATHINA S.A. (5%)	KfW-IPEX BANK	2.08%
			SOCIETE GENERALE	0.69%
		IE	PIRAEUS BANK	13.81%
		PARSONS INTERNATIONAL LTD	NATIONAL BANK OF GREECE	9.00%
			ALPHA BANK	8.31%
BANKS			GENIKI BANK	7.61%
8 FOREIGN 47.22%			EFG EUROBANK	7.48%
6 GREEK 52.78%			EMPORIKI BANK	6.57%

TABLE 1.3A – TOTAL AMOUNTS OF CONSTRUCTION PERIOD – MAIN SOURCES
Amounts net of VAT

MOTORWAYS	TOTAL FINANCIAL CONTRIBUTION	Committed Investment		LOAN FUNDS				TOLL REVENUES to be collected until the end of construction	SUM OF SOURCES
		Share capital	Subordinated debt	Main Loan	Financial Contribution Bridge Loan	VAT Bridge Loan	Other Loans		
Ionia Odos	359,512,771	75,000,000	17,230,019	109,600,000	270,166,708	83,298,808	0	860,867,129	1,522,209,920
Maliakos-Kleidi	296,482,410	50,000,000	86,300,000	571,000,000	-	-	-	298,973,349	1,471,755,759
	169,000,000								
	465,482,410								
Olympia Odos	607,057,525	100,000,000	100,732,000	1,186,727,266	364,586,286	0	0	943,766,000	2,938,282,791
Central Greece Motorway (E65)	518,713,575	65,000,000	89,909,821	231,544,013	440,291,563	295,689,165	721,678,000	43,068,834	1,669,914,43
Corinth – Tripoli – Kalamata and Lefktro Sparti Branch	341,880,000	50,000,000	55,000,000	524,293,026	265,794,282	27,928,842	17,010,105	114,494,370	1,102,677,501
TOTAL	2,292,646,281	340,000,000	449,171,841	2,623,164,305	1,340,838,840	406,916,815	738,688,10	2,261,169,682	8,704,840,214

TABLE 1.3B – TOTAL AMOUNTS OF CONSTRUCTION PERIOD – MAIN USES
Amounts net of VAT

MOTORWAYS	FUNDS to be spent until the end of construction for Oper/Maint, financing, etc	TOTAL DESIGN CONSTRUCTION COST (DCC)	SUM OF USES
Ionia Odos	326,249,847	1,064,378,200	1,390,628,047
Maliakos-Kleidi	477,579,029	1,008,727,047	1,486,306,076
Olympia Odos	856,947,000	2,138,233,000	2,995,180,000
Central Greece Motorway (E65)	319,732,641	1,319,673,672	1,639,406,313
Corinth – Tripoli – Kalamata and Lefktro Sparti Branch	148,960,439	899,550,161	1,048,510,600
TOTAL	2,129,468,957	6,430,562,080	8,560,031,037

TABLE 1.4A – FUNDS SPENT – MAIN SOURCES UNTIL THE END OF 2010
Amounts net of VAT

MOTORWAYS	SOURCES								SOURCES TOTAL
		Committed Investment		LOAN FUNDS disbursed for repayment				TOLL REVENUES collected	FUNDS collected
	FINANCIAL CONTRIBUTION paid	Share capital paid	Subordinated Debt and/or Equity Bridge paid	Main Loan	Financial Contribution Bridge Loan	VAT Bridge Loan	Other Loans		
Ionia Odos	139,512,771	75,000,000	32,030,662	0	48,700,000	0	0	193,836,250	489,079,683
Maliakos -Kleidi	296,482,410	15,000,000	121,300,000	109,200,000	-	-	-	128,815,000	700,797,410
	30,000,000								
	326,482,410								
Olympia Odos	243,057,525	30,000,000	54,079,415	0	336,942,475	0	0	187,809,300	851,888,715
Central Greece Motorway (E65)	138,813,575	65,000,000	1,664,020	0	222,117,373	0	0	119,935	427,714,903
Corinth – Tripoli – Kalamata and Lefktro - Sparti branch Motorway	136,752,000	50,000,000	55,000,000	168,913,495	205,128,000	27,928,842	0	46,460,349	662,253,844
TOTAL	984,618,281	235,000,000	264,074,097	278,113,495	812,887,848	27,928,842	0	557,040,834	3,131,734,554

TABLE 1.4 B – FUNDS SPENT – MAIN USES – WORK EXECUTED UNTIL THE END OF 2010
Amounts net of VAT

MOTORWAYS	USES		USES TOTAL	CONSTRUCTION WORK executed		Construction J/V advance PAYMENT
	FUNDS paid to the Construction JV	FUNDS for Oper/Maint, financial, etc	FUNDS spent	Invoiced	Paid	
Ionia Odos	335,667,443	147,214,631	482,882,074	274,040,123	224,170,136	148,587,671
Maliakos -Kleidi	475,981,876	204,250,000	680,231,876	536,000,000	459,295,000	16,686,876
Olympia Odos	647,668,630	156,838,317	804,506,947	507,029,137	433,845,368	213,823,262
Central Greece Motorway (E65)	268,842,687	93,574,585	362,417,272	197,624,903	106,194,958	187,929,891
Corinth – Tripoli – Kalamata and Lefktro - Sparta branch Motorway	613,373,893	80,768,082	694,141,975	513,042,869	499,212,267	126,617,030
TOTAL	2,341,534,529	682,645,615	3,024,180,144	2,027,737,032	1,722,717,728	693,644,730

TABLE 1.5

SOURCES – CONCESSION PERIOD (in € '000)					
Motorway	Elefsina – Corinth – Patras – Pyrgos – Tsakona	PATHE Maliakos - Kleidi	Ionia Odos	E65	Corinth – Tripoli - Kalamata
Concession Company	Olympia Odos S.A.	Aegean Motorway S.A.	Nea Odos S.A.	Kentriki Odos S.A.	Moreas S.A.
Toll and MSS revenues	14.434.129	6.395.823	14.158.698	2.694.097	3.074.602
Operation Subsidy	-	-	-	1.646.908	199.251
Interest Income	320.141	23.390	147.112	-	37.115
Share Capital	100.000	50.000	75.000	65.000	50.000
Shareholders subordinated loans	100.732	86.300	117.230	89.910	55.000
Equity Bridge Loans	-	121.300	-	-	-
State Financial Contribution	607.644	296.482	360.033	517.990	341.874
EIB Loan	200.000	-	-	-	138.457
Main Loan	937.484	570.876	109.600	1.190.054	339.067
Compensation from the State	91.119	9.009	-	-	9.380
State Financial Contribution Bridge Loan	607.644	-	311.860	512.073	314.458
Tax refunds	-	-	34.281	-	-
Standby share capital/ sub debt	-	-	6.364	-	-
Working Capital Movements	-	-	2.337	123.026	-
Total	17.398.893	7.553.180	15.322.000	6.839.056	4.559.205

USES – CONCESSION PERIOD (in € '000)					
Motorway	Elefsina – Corinth – Patras – Pyrgos – Tsakona	PATHE Maliakos - Kleidi	Ionia Odos	E65	Corinth – Tripoli - Kalamata
Concession Company	Olympia Odos S.A.	Aegean Motorway S.A.	Nea Odos S.A.	Kentriki Odos S.A.	Moreas S.A.
Payments to the State	9.536.069	3.300.212	10.896.209	-	-
Operational Expenses	1.231.212	1.011.009	1.204.400	1.166.951	1.101.283
Concessionaire Overheads	1.000.810	340.882	381.988	271.251	39.474
Construction Cost	2.541.334	885.465	1.569.612	1.390.207	844.115
Loan Interest and Fees	623.000	667.117	141.018	1.263.667	484.271
EIB Loan repayment	200.000	-	-	-	150.000
Main Loan repayment	937.484	570.876	109.600	1.190.054	376.303
Equity bridge loan / sub debt repayment	-	121.300	-	-	93.925
Dividends	389.610	374.082	253.108	154.492	755.404
Corporate Income tax	136.742	109.911	135.171	189.416	234.306
State Financial Contribution Bridge repayment	607.644	-	311.860	512.073	351.255
Shareholders subordinated loan repayment, interest, fees	160.447	172.326	319.506	195.648	128.869
Cash reserves (end of concession)	34.541	-	-	-	-
Working Capital Movements	-	-	-	505.298	-
Total	17.398.893	7.553.180	15.322.000	6.839.056	4.559.205

Table 1.6

Concession Contract	Ratifying Law	Commencement date	Construction Period	Concession Period	Exclusive partial deadlines
PATHE Maliakos – Kleidi, from the Raches Interchange to the Kleidi Interchange	Law 3605/2007 (GovGaz A'168)	5-3-2008	54 months 5-9-2012	30 years 5-3-2038	1st EPD 5-7-2008 met 2nd EPD 5-3-2009 met with 18 month delay 3rd EPD 5-6-2009 met with 4 month delay 4th EPD 5-3-2011 expected to be met until the end of 2011 5th EPD 5-1-2012
Ionia Odos Motorway from Antirrio to Ioannina, PATHE Athens (Metamorfoosi Interchange) – Maliakos (Skarfia) and branch of PATHE Schimatari – Halkida” (Ionia Odos)	Law 3555/2007 (GovGaz A'81)	19-12-2007	72 months 18-12-2013	30 years 18-12-2037	1st EPD 20-12-2007 met 2nd EPD 18-8-2009 met 3rd EPD 18-8-2010 not met 4th EPD 18-4-2011

Concession Contract	Ratifying Law	Entry into Force	Construction Period	Concession Period	Exclusive partial deadlines
Central Greece Motorway (E65)	Law 3597/2007 (GovGaz A'168)	31-3-2008	66 months 30-9-2013	30 years 30-3-2038	1st EPD 31-5-2008 met 2nd EPD 31-3-2010 not met 3rd EPD 31-12-2011 A 10 month extension was given
Corinth – Tripoli – Kalamata and Lefktro – Sparti branch Motorway	Law 3559/2007 (Gov.Gaz A'102)	3-3-2008	54 months 3-9-2012	30 years 3-3-2038	1st EPD 3-7-2008 met 2nd EPD 3-3-2010 met 3rd EPD 3-8-2010 Extended to 3-5-2011, met on 3-11-2010 4th EPD 3-7-2011
Elefsina – Corinth – Patra - Pyrgos – Tsakona Motorway (Olympia Odos)	Law 3621/2007 (Gov. Gaz A'279)	4-8-2008	72 months 3-8-2014	30 years 4-8-2038	1st EPD 4-8-2008 met 2nd EPD 4-8-2009 met 3rd EPD 4-4-2010 extended until completion of the expropriations of the Elefsina – Corinth section 4th EPD 4-4-2011 extended to 30-6-2012 5th EPD 4-6-2011 extended to 4-4-2012 6th EPD 4-2-2012

**TABLE 1.7
PROGRESS OF PROJECTS SCOPE**

1	Central Greece Motorway - E65	Works are suspended at the KP 144+000 – KP 175+000 section by the Council of the State An appeal has been lodged with the EU for environmental reasons. Reply is expected Sections Completed Percentage of total (%)							
		1	2.18	2	1.46	3	0.28	4	0.80
		5	3.29	6	1.59		1.43	8	0.65
		9	1.14	10	0.29	11	0.26	12	0.56
		13	0.10	14	0	15	0.03	16	0.03
		Total progress 16%							
2	PATHE: Elefsina – Corinth – Patra Ionia Odos: Patra - Pyrgos – Tsakona (Ionia Odos)	Progress per section							
		Elefsina - Corinth		Corinth - Patra		Patra - Pyrgos		Pyrgos - Tsakona	
		80%		35%		20%			
Total progress 28%									
3	Corinth- Tripoli – Kalamata and Lefktro – Sparti branch Motorway	Progress per section							
		Corinth - Tripoli		Tripoli - Paradisia		Tsakona - Kalamata		Lefktro - Sparti	
		100%		100%		50%		45%	
Total progress 71%									
4	Ionia Odos: Antirrio – Ioanina PATHE: Athens (Metamorfofi Interchange) Maliakos (Skarfia) Schimatari – Halkida (Ionia Odos)	Progress per section of total or of section							
		S1		8.97%		S2		4.17%	
		27.37%		19.4%					
S3		4.95%		PATHE		10			
16.3%		65.3							
Total progress 25%									
5	PATHE: Maliakos-Kleidi	Sections – Progress per section of total or of section (%)							
		1	100	2	100	3	100	4	86
		5	100	6	64	7	55	8	100
		9	84	10	33	11	76	12	41
		13	52	14	46	15	100	16	18
		17	5	18	50	19	12	20	84
		21	100	22	100	23	43	24	100
		25	61	26	87				
		Total progress 62%							

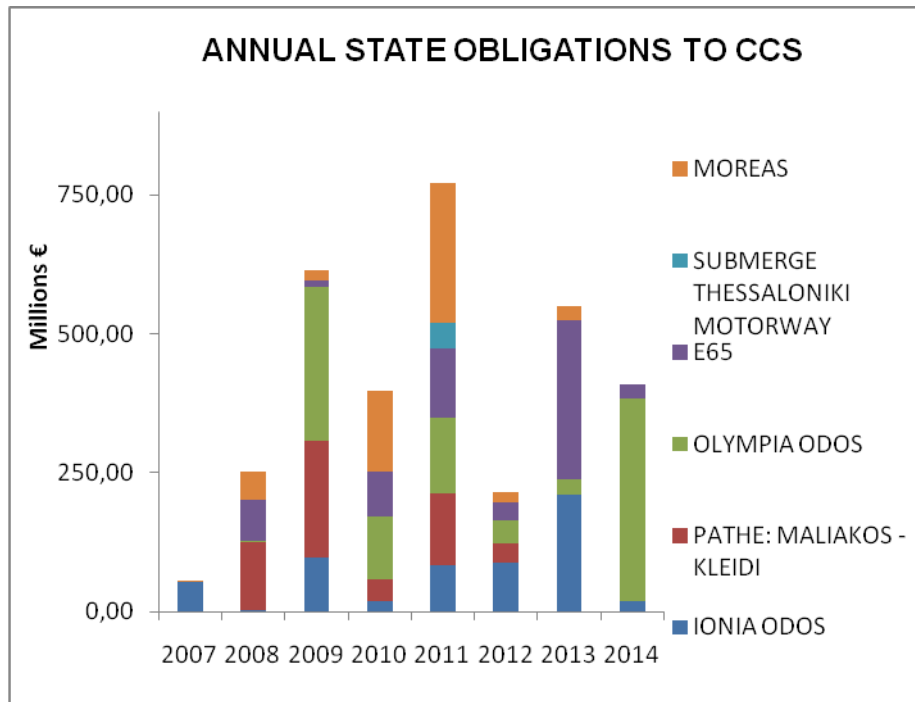
TABLE 1.8				
PROGRESS OF EXPROPRIATIONS - REQUISITIONS				
Central Greece Motorway - E65	<p>Expropriations – requisitions for 80% of the project, where the alignment has been finalized</p> <p>There is an issue however because alignment will be changed in several areas, and new expropriation needs will arise</p>			
PATHE: Elefsina – Corinth – Patra Ionia Odos: Patra - Pyrgos – Tsakona (Ionia Odos)	Progress of expropriations - requisitions per section			
	Elefsina - Corinth	Corinth - Patra	Patra - Pyrgos	Pyrgos - Tsakona
	80%	65%	6%	
Corinth- Tripoli – Kalamata and Lefktro – Sparti branch Motorway	Progress of expropriations - requisitions per section			
	Corinth - Tripoli	Tripoli - Paradisia	Tsakona - Kalamata	Lefktro - Sparti
	100%	100%	84%	98%
Ionia Odos: Antirrio – Ioanina PATHE: Athens (Metamorfofi Interchange) Maliakos (Skarfia) Schimatari – Halkida (Ionia Odos)	Percentage of expropriations - requisitions per section			
	S1	82.55%	S2	61%
	S3	21.1%	PATHE	
	Total 53.68%			
PATHE: Maliakos-Kleidi	Total 65%			

TABLE 1.9

FINANCIAL AND TECHNICAL INFORMATION OF PROJECTS UNTIL THE END OF 2010

Progress		Ionia Odos	Maliakos - Kleidi	Olympia Odos	Central Greece Motorway (E65)	Corinth – Tripoli – Kalamata and Lefktro – Sparti branch Motorway
Total amount / Disbursement percentage	Main Loan	109,600,000 0%	571,000,000 19%	1,186,727,266 0%	231,544,013 0%	524,293,026 32%
	FC Bridge Loan	270,166,708 18%		364,586,286 100%	440,291,563 50%	265,794,282 77%
	VAT Loan	83,298,808 0%			295,689,165 0%	27,928,842 100%
	Other Loan				721,678,000 0%	17,010,105 0%
Total amount / Collection percentage	Financial Contribution	359,512,771 39%	296,482,410 100%	607,057,525 40%	517,990,094 27%	341,880,000 40%
Total amount / Payment percentage	Committed Investment	192,230,019 55%	136,300,000 100%	200,732,000 41%	154,909,821,49 43%	105,000,000 100%
Total estimated amount / Collection percentage	Toll revenues construction period	860,867,129 22%	298,973,349 43%	943,766,000 20%	43,068,834 0,2%	114,494,370 40%
Total time / Percentage of elapsed time	Construction completion deadline	72 months 50%	54 months 61%	72 months 50%	66 months 50%	54 months 61%
Total DCC/ Completion – invoicing percentage	Design Construction cost (DCC)	1,064,378,200 25%	1,008,727,047 53%	2,138,233,000 24%	1,319,673,672 14%	899,550,161 61%

YEARS	STATE OBLIGATIONS TO CCs		PERCENTAGE
	ANNUAL	CUMULATIVE	
2007	54,436,998.78	54,436,998.78	1.67%
2008	252,754,075.51	307,191,074.29	9.40%
2009	614,514,100.79	921,705,175.08	28.21%
2010	398,259,005.09	1,319,964,180.17	40.39%
2011	771,901,850.00	2,091,866,030.17	64.01%
2012	215,531,075.92	2,307,397,106.09	70.61%
2013	550,429,700.00	2,857,826,806.09	87.45%
2014	410,000,000.00	3,267,826,806.09	100.00%
TOTAL	3,267,826,806.09		



STATE OBLIGATIONS CUMULATIVE

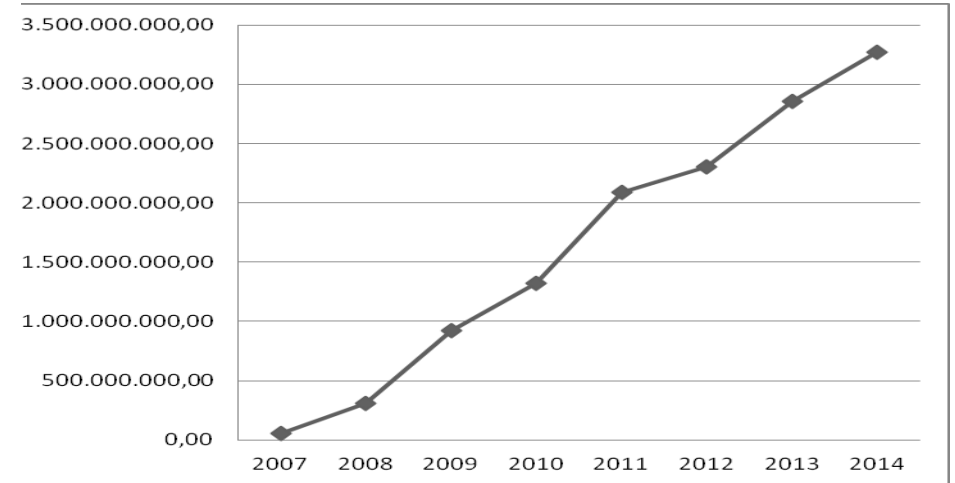


TABLE 1.11

Banks scenarios at signing of the Contracts

	Basic		Low		Basic		Low		Basic		Low	
	AEGEAN MOTORWAY		OLYMPIA ODOS		IONIA ODOS				E65			
Decrease of traffic revenues compared to the forecast at signing of the Contract	-	20%	-	10%	-	14%			-	23%		
Loan margin	90	90	95	95	95	95			105	105		
Concessionaire IRR	9.0	2.0	15.1	-	7.9	-			8,3	2,7		
Average life of main loan (years)	17.6	17.6	12.5	12.5	10.35	10.17			15,2	17,3		
Total traffic revenues current prices	6,265	5,000	14,434	12,927	14,038	12,053			2.684	2.070		
State revenues (million €) current prices	3,300	2,503	9,536	8,602	10,896	9,459			1.647	1.647		
NPV	652	507	1,407	1,269	2,250	1,954			330	330		

CHAPTER 2

Problems of Motorway CCs

2.1 The CC logic

The CCs were formulated under the axiomatic logic that it is the user who must pay and not the taxpayer. In reality the user repays 72% of the cost of the construction period (T1) of the projects, whereas the other 28% is subsidized by the State Budget (which includes EU participation) through the SFC. The user also repays the cost of the operation period (T2) of the project. It is noted that the State has paid a large part of the projects (e.g. PATHE) that had been constructed before the concession and was given for exploitation to the Concessionaires, and it reasonably expects to recover its payments (at least for the most recently constructed parts) through the revenues share.

Moreover, in the context of the Country's Regional Cohesion and the relevant Community Policy, the user pays for the use of the motorway he travels on, but the State, with the total revenues from all motorways, repays other parts of the motorway network constructed in the current period. That is, all motorways are considered a single network, and the user pays the same kilometric toll fee for each section. This is a cross subsidy policy, implemented extensively during the previous decades in southern European countries, in order to quickly develop their motorway networks. The sections with a large traffic load between large cities (e.g. Rome – Florence – Milan) were constructed first, and their toll fees were used to construct the motorways in the periphery (e.g. Sicily).

2.2 Inherent problems of CCs

The CCs under consideration however present inherent problems:

- They foresee the construction of motorways in sections where it was not necessary due to the low traffic volume, e.g. Pyrgos – Kalo Nero – Tsakona, Lefktro – Sparti. This increased significantly the project budgets.
- They foresee the construction of the motorway network over a short period of time. This significantly increased projects' borrowing needs (front-loaded financing program)
- To decrease borrowing, they provide for the payment of toll fees in sections under construction (e.g. Corinth – Patra).
- The split of the network sections per contract is not successful. This leads to uneven contracts regarding the borrowing needs for the implementation of the projects, e.g. low borrowing and large return of funds to the State by Ionia Odos, high borrowing and operation subsidy for the E65.
- They provide for State obligations which are almost impossible to be met, e.g. delivery of project expropriations in 12 months, environmental licensing in 4 months. This leads to significant claims by Concessionaires from the State.
- The technical design of the projects needs of many improvements.
- Works have been suspended with decisions (or in expectation of decisions) of the Council of the State after citizen appeals, in sections Palaiovouna of Ionia Odos,

Oxyntia – Egnatia of E65. Also, the Council of the State has cancelled the JMD on Environmental Terms in the Samiko – Zacharo section of Olympia Odos.

- They allow the operation of an open toll system by Concessionaires, a fact which leads to high charges for the users living close to frontal Toll Stations, where there is no alternative lateral road network.

The above led to great delays in the implementation of the projects and protests by users.

2.3 Dealing with inherent problems

To a great extent, the delays are due to the parties not fulfilling contractual obligations:

- timely delivery of land, transfer of utilities networks, completion of archaeological research, VAT refund and issuance of environmental licenses by the State;
- preparation of environmental licensing files, drafting of designs, mobilization of construction workforce by Concessionaires.

It is noted that in case the total time for completion exceeds the contractual milestone for the construction of the projects by 30% through granting of extensions, the Banks / Concessionaires have the right to terminate the CCs at the State's fault.

The rapid resolution of some contractual problems that remain will eliminate the last "State responsibility events", Concessionaires will not make claims any more, and several of the arguments of Lender Banks, that have suspended project funding, will be eliminated:

- Expropriations have already been accelerated with the implementation of article 7A of the Mandatory Property Expropriation Code (MPEC), the issue of Ministerial Council Acts (MCA) and the trial of the cases in the local Courts of Appeals.
- To speed up archaeological works, a memorandum was signed between the General Secretaries of the MITN and the Ministry of Culture and Tourism that facilitates the time schedule monitoring of these works.
- The Environmental licensing procedure is extremely complicated, in such a degree that environmental licensing is now the most important impediment to the progress of the works. No substantial progress has been made in this field up to date.
- By a law provision the payment of the SFC has been linked with the progress of the works (liquidity facilitation), in case of delays due to the State.
- It is noted that: The delays due to the transfer of networks is due to the refusal of Utilities Organizations to be charged with the relevant expenses, as specified in the CCs and the Law, their understaffing and the lack of spare parts. Meanwhile, an appeal of Public Power Corporation (PPC) came before the Council of State against the relevant provisions of the CCs and the State was vindicated (but PPC continues with the same tactics).
- The delay in the completion of designs is exclusively due to the Concessionaires.
- The delay in the mobilization of the construction workforce is also exclusively due to the Concessionaires.
- The delay in the finalization of the alignment is partially due to the State (for those sections for which appeals are pending) and partially to the Concessionaires (where they propose alternative alignments).

Also:

- A Law provision has regulated the administrative sanctions for offenders of the obligation to pay toll fees.

Problems have also arisen in the fulfilment of the State's financial obligations provided for in the CCs: VAT refund, payment of additional works and funding of projects which the State is constructing to deliver to the Concessionaires. Most of the above matters however have been now settled.

2.4 Problems due to the financial crisis

Social and economic conditions have changed compared to the forecasts at the commencement of the concession. The financial crisis with the derived decrease in citizen purchasing power, the increase of fuel prices, the contractual increase of toll fees, the increase of VAT, the uncertainty in the workplace, created conditions that caused a decrease of traffic and therefore a decrease of revenues from toll fees.

Moreover, a citizen movement emerged which refused to pay toll fees. Finally, when certain professional groups believe they are harmed by Government measures they occupy Toll Stations and hinder the toll payments.

These factors have as a consequence the decrease of toll fee revenues, which according to the contracts:

- first, during the construction period cover part of the project construction cost, and
- second, during the operation period pay off bank loans and the investment of the Concessionaires' shareholders, and generate revenues for the State (for the construction of new projects, repayment of state loans, etc.).

The total revenues of the projects which the Concessionaires forecast at this time are significantly lower than those of the CCD. At the same time, the financial crisis has led to high borrowing interest rates for our Country. Lender Banks seek opportunities to be disengaged from these projects, because they have committed sizeable loan funds with low interest rates. Given that there is uncertainty in the international markets with regard to whether our Country will get through the crisis, Banks seem to wonder whether, in the midst of the austerity and the imposed financial restrictions, our Country will succeed in completing these projects.

All these problems have led to suspension of funding by Lender Banks in four out of the five projects.

2.5 Impact of problems on CCs

The implementation of policies oriented towards development is currently imperative for our Country. Given the limited public resources, the primary goal must be the attraction of investors; this however means that the high risk attributed to the Country by international markets must be overcome. This goal may be rapidly achieved only by the complete implementation and success of these investments in progress. The successful management of the problems of the concession contracts will signal that the country's risk is in fact much smaller than the one attributed to it. At the same time, the rapid implementation of the investments in progress will mitigate the recession and unemployment, i.e. it will directly

contribute towards growth. On the contrary, the unsuccessful handling of these problems, will practically lead to disinvestment, will increase unemployment and will deter future investments.

Moreover, the unsuccessful handling of the problems may lead to the termination of the CCs, which will excessively burden the State at this phase, without completing the projects.

Furthermore, the State will be also called upon to return the absorbed amounts of the EU contribution. It is noted that in case of termination, the turnover of Greek construction companies will fall significantly, in a period that is particularly critical for their survival.

In the event of termination sizeable amounts under the letters of guarantee provided by Greek banks will be forfeited, with significant consequences for them.

CHAPTER 3

Investigation of Problems

3.1 Forecasts for traffic loads and revenues by Concessionaires

During the period 2002-2003, the State conducted traffic counts and surveys (origin, destination, value of time, etc) for all motorways and allowed Concessionaires to access primary data. The Concessionaires, based on newer traffic counts conducted by themselves and the State's data (which they appropriately adapted), evaluated the traffic forecasts (in an optimistic manner) and used them to calculate their revenues when drawing up their bids.

It is noted that the traffic forecasts depend on various parameters, most important amongst them is the GDP, the operating cost of vehicles (fuel, tires, depreciation, etc), the value of time (income, etc.), the social and economic characteristics of the region as well as the geometric characteristics of the network. Through all these parameters, the change in the GDP is the one affecting the change in traffic in a more immediate and linear way.

The State did not request the submission of these traffic surveys, because the traffic risk lies exclusively with the Concessionaires. In the context of the FM the State was given mainly the revenues from the Toll Stations (TS). The correct practice would have been for the traffic surveys to be submitted to the State and provide not only the traffic volume, but also the detailed toll revenues calculation, based on vehicle-kilometres, and the toll fees per vehicle category, given that the tender provided for a maximum toll rate per kilometre travelled per type of vehicle.

The financial crisis in Greece broke out in 2010, and soon a decrease in traffic was observed.

The change is indicatively presented in the following figure:

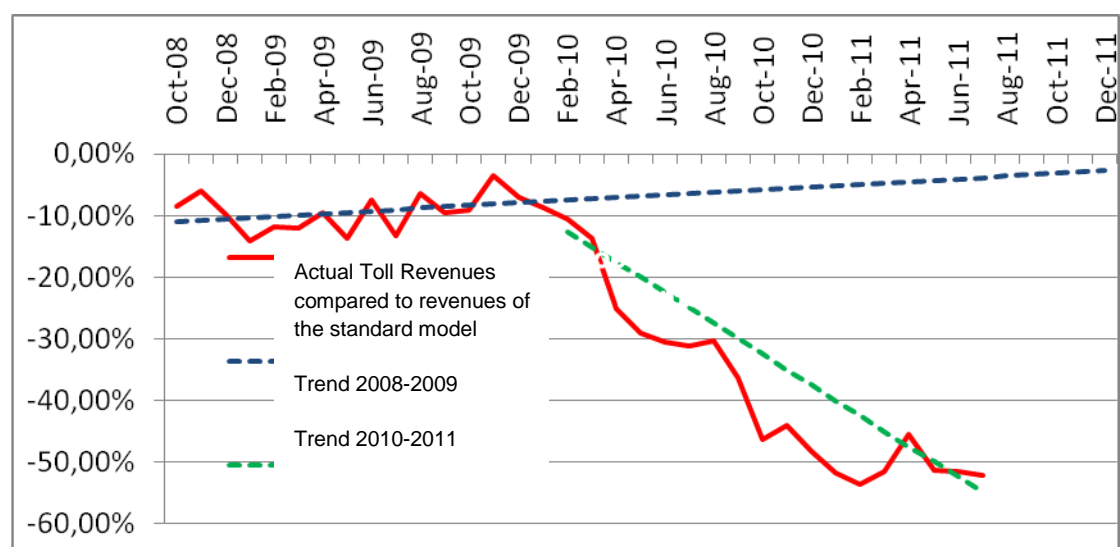


Figure 3.1: Indicative decrease of traffic

In the midst of the financial crisis, various organisations processed new forecasts for the Country's GDP. In the following figure (Baseline 100=2010) the fall in the GDP forecast is presented, compared to the corresponding assessments during the bidding period.

GDP progress – Baseline 100=2010

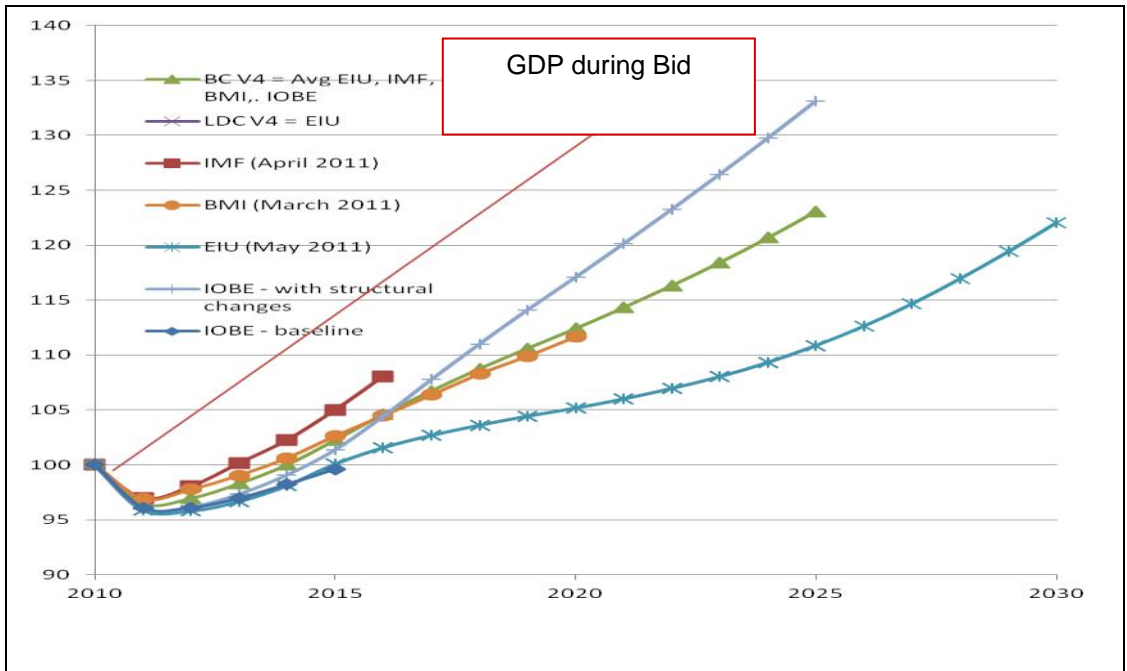


Figure 3.2: GDP course 2010-2030

The delay in the implementation of the projects further decreased revenues.

Taking all the above into account, the Banks requested the re-confirmation of the viability of the projects. The Consultants of the Concessionaires recently updated the traffic volume forecast and the Lender Banks accepted them. It is noted that the traffic forecast is mainly based on the forecast of the GDP. For the GDP forecasts, the lenders of the Concessionaires have taken a conservative stance based on the forecasts of international organisations. In three cases the most conservative EIU forecast while just one uses an average of various forecasts.

The revenues forecasts estimated by Concessionaires show a decrease of 40-45% compared to those of the FM at the commencement of the Concession. It should be taken into account however that in similar cases, forecasts are made with relevant certainty only for a 5 year period. Usually a linear change is followed after that (with a downward trend).

Therefore, one should not accept such pessimistic forecasts and commit to 30-year conclusions based on the current adverse financial climate.

3.2 Contracts' termination

The Concessionaires have, according to the Concession Contracts, undertaken the obligation to finance the Projects, meaning that they will ensure that *“there shall be at all given times available funding for the complete and appropriate execution of the Project”*.

The revenues risk of the projects is integrated in the framework of this obligation, which the Concessionaires have contractually assumed, meaning that if these revenues are not sufficient either to fund the construction cost of the project (in the cases where during the construction period motorway sections are operating and toll fees are collected) or repay loans, this may (if not remedied) be considered according to the loan agreements, as Borrower's Events of Default) and lead to a termination of the loan agreements by the lenders.

The loan agreements for the projects under CCs contain the usual clauses and specifically (among others) the following provisions:

- A clause related to meeting specific cover ratios (e.g. LLCR or ADSCR) which relate to the capacity of the project to meet the loan repayment obligation;
- A clause related to the adequacy of available capital funds to cover the project's construction cost;
- A clause related to the occurrence of a Material Adverse Effect.

If any of the above borrower's events of default apply, as e.g. in this case:

- due to the decrease of the project's revenues from toll fees (traffic volume decrease), there is or is expected to be a Funding shortfall or Forecast Funding Shortfall;
- Similarly, due to the decrease of the project's actual and projected toll revenues which produces cover ratios which are lower than the minimum threshold agreed in the loan agreements (e.g. LLCR lower than 1.10:1 or ADSCR lower than 1.05:1), an inability to service debt occurs;
- Events which have a Material Adverse Effect apply (according to the lenders) with regard e.g. to the Project or the capability of the Concessionaire to meet its obligations according to the so-called “Relevant Documents”, which include, among others, the Concession Contract and the loan agreements,

Lenders have the right (indicatively):

- To suspend the Concessionaire's right to disburse amounts from the existing loans;
- to terminate the loan agreements (acceleration) and require the settlement of the already disbursed loans.

The termination of the loan agreements by the lenders for reasons due to the Concessionaire is a reason of termination of the Concession Contract by the State, due to the Concessionaire's inability to fund the project. This termination reason is indicatively specialized in the Concession Contracts:

- either as the Concessionaire's inability to meet any necessary condition for the disbursement of any Designated Loan Agreement, which results in the material delay or inability to disburse the entire or part of the corresponding loan, or
- as the termination of any of the Designated Loan Agreements by any Lender.

The termination by the State of the Concession Contract, due to the Concessionaire's inability to fund the project, is not without consequences for the State, to the extent that the State must, according to the provisions of the Concession Contracts, pay to the Concessionaire or the Lenders the "*value up to the time of occurrence of the termination events of properly executed Construction Works of the T1 Period*", minus however:

- the State's Financial Contribution paid up to the time of termination;
- the Concessionaire's committed investment (either in the form of share capital or in the form of subordinated debt);
- the revenues (before VAT) from the operation of the Project, collected up to the termination, after first deducting the corresponding operation and maintenance expenses.

i.e. essentially the loan funds used for the construction of the project up to the date of termination is reimbursed, and this under the condition that all constructions to that time are found *adequately executed*, that is, according to the provisions of the Concession Contract (specifications, technical requirements, etc).

The following Table presents the termination cost of the four contracts, as calculated by Ernst & Young, in the case of termination of the projects in June 2011, based on updated but not audit and approved financial models of the Concessionaires. In the event of termination of the 4 contracts for a State event of default, the State will be called upon to pay the total amount of €1418 million (It is noted that according to the Concessionaires the compensation amounts are increased by €400-500 million). In the event of termination of the contracts by the State for a Concessionaire event of default, the State will be called upon to pay the total amount of €776.5 million. The difference is equal to the Concessionaires' own funds, which they lose in the event of termination of the contracts in case of their default.

Table 3.1: Termination of CCs at Concessionaire's default

Termination Date: July 2011					
Concessionaire's default euro thousands	IONIA	E65	OLYMPIA ODOS	MALIAKOS - KLEIDI	Total
(A) Properly executed Constructions - Committed Investment - Revenues before VAT - State's FC	-45,198	198,259	306,516	76,593	536,170
(B) Obligations to Lenders	88,700	272,117	336,942	229,200	926,960
(C) Products of letters of guarantee	83,000	81,000	105,000	53,000	322,000
Amount of Use of Letter of Guarantee	83,000	73,859	30,427	53,000	240,286

Balance of Letter of Guarantee	0	7,141	74,573	0	81,714
Compensation (A) + (C) for the amount by which (A) is lower than (B) – with offset of (A) if negative	37,802	272,117	336,942	129,593	776,456

Table 3.2: Termination of CC at State's default

Termination Date: July 2011					
State's default euro thousands	IONIA	E65	OLYMPIA ODOS	MALIAKOS KLEIDI	Total
(A) Obligations to Lenders	88,700	272,117	336,942	229,200	926,960
(B) Committed Investment	120,424	66,664	80,293	136,300	403,681
(C) Return on Committed Investment	22,661	12,618	15,043	37,283	87,605
Compensation (A) + (B) + (C)	231,785	351,400	432,279	402,783	1,418,245

The above amounts include the compensation amounts for the termination of the swaps contracts, estimated at €150 million per contract, which according to the contracts the State will pay in any event.

The above amounts do not include the compensation amounts for the properly executed works that have not yet been verified and/or are in progress as well as interest on the termination compensation payments.

In the event of termination, letters of guarantee provided by Greek banks at significant amounts will be forfeited, with severe consequences for the Banks.

3.3 Other country practices

Other countries are also dealing with similar problems of re-establishing the viability of concessions due to the international financial and credit crisis.

Traffic volume has significantly decreased in Spain, mainly on regional motorways. This created problems in the repayment of loans on many motorways that had just been completed. The Spanish Government decided to grant loans to the concessionaires with a parallel increase of toll fees in the future, above the CC limits, in order for them to repay the loans.

According to a 2009 study of the Public Services International Research Unit (PSIRU) of Greenwich University, the globalization of the financial crisis makes investors unwilling to lend their money to private companies, and as a result the companies cannot borrow the necessary funds they need in order to fund the projects that are under way or will be executed with a CC. CC problems in many countries are discussed: United Kingdom, Spain, Australia,

New Zealand, USA, Ireland, Slovakia, Canada and Russia. The study concludes that in order for the concession projects to continue to be financially sustainable, perhaps governments should undertake the guarantees of the loans which the private companies will need to fund the projects, thus achieving better loan terms (lower interest rates).

In August 2009 the European PPP Expertise Centre (EPEC) in cooperation with the European Investment Bank (EIB) published a study providing a framework for analyzing critical issues related to the financial crisis in Europe and how this affects CCs. According to the study, the impact of the current complex credit situation on the CCs could be summarized as follows:

- The collapse of interbank borrowing significantly decreased liquidity. Most Banks, and mainly those with small deposit bases, fail to find funds, even with short maturities.
- Bank borrowing interest rates have significantly increased.
- Capital loans have significantly decreased.
- Many Banks have totally or partially withdrawn from the concession project funding market. Also, many international investors are increasingly orientated towards their domestic markets.
- There has not yet been any sustainable solution in the capital market, in order to replace the ever shrinking bond market.

The study proposes three main methods for the sustainable operation of the CCs:

- Corrective measures pertaining to the tender procedures: bids for loan funds should be given at tender completion, there should be provisions for smaller terms loans, etc.
- Corrective measures pertaining to Public Authorities: State guarantees to lenders, assumption of part of the loans by the State, etc.
- Corrective measures pertaining to the attraction of new investors: tax deductions, creation of Public Fund that will lend to concession projects, resolving any problems of liquidity that arise, the State FC to be injected in priority, etc.

In the framework of the financial crisis in Chile in the 1998 – 2002 period, J.M. Vassalo investigated in 2006 the three methods applied in order to deal with the risk of a decrease in traffic to CC motorways, in order not to require renegotiation of contract in the middle of the concession period: Minimum Income Guarantee (MIG), Least Present Value of the Revenues (LPVR), Revenue Distribution Mechanism (RDM).

With the MIG method, the total guaranteed income amount is the same for all participants in the project's tender and cannot exceed 70% of the investment plus the project's operation and maintenance expenses. If the actual revenues are less than those expected at any time, then the State undertakes to offset the difference to the Concessionaire. If the Concessionaire decides to adopt this mechanism, it then undertakes the obligation to share part of its revenues with the State, whenever the traffic volume is greater than expected. The Concessionaire must share 50% of the difference arising from the actual revenues and the guaranteed revenues with the State. With the MIG method, the risk of the traffic is shared, lenders feel safe because part of the revenues is guaranteed, and therefore the cost of the project is decreased and toll fees decrease correspondingly. Its disadvantage lies in the fact that the State may face financing problems in periods of financial recession, when it must contribute in numerous CCs.

With the LPVR method, the traffic risk significantly decreases, and as a consequence any future negotiations between the Concessionaire and the State are also significantly limited. If

the load is less than the one foreseen, then the concession term is extended, if it is higher it correspondingly decreases. Of course, according to the law, no concession term may exceed fifty years.

The RDM method guarantees a designated amount of revenues (in net present value) to be received by the Concessionaire. This means that the concession term may change.

From the three methods, J.M. Vassalo proposed as more appropriate the LPVR method because it reduces negotiations to a great extent between contracting parties since they share the risk, and significantly reduces the traffic risk, mainly in recession periods.

Based on the above, a viable solution for future (in surplus) CCs could be the redetermination of the contractual priority of the payments so as to ensure the service of the loan obligations before making payments to the State (and naturally to the shareholders). The revenues remaining after the payment of the operation and maintenance expenses, taxes and loan service, will be shared between the State and the shareholders of the Concessionaire. In the following figure, the white area between red and black line presents the revenues to be allocated between the State and the Concessionaire.

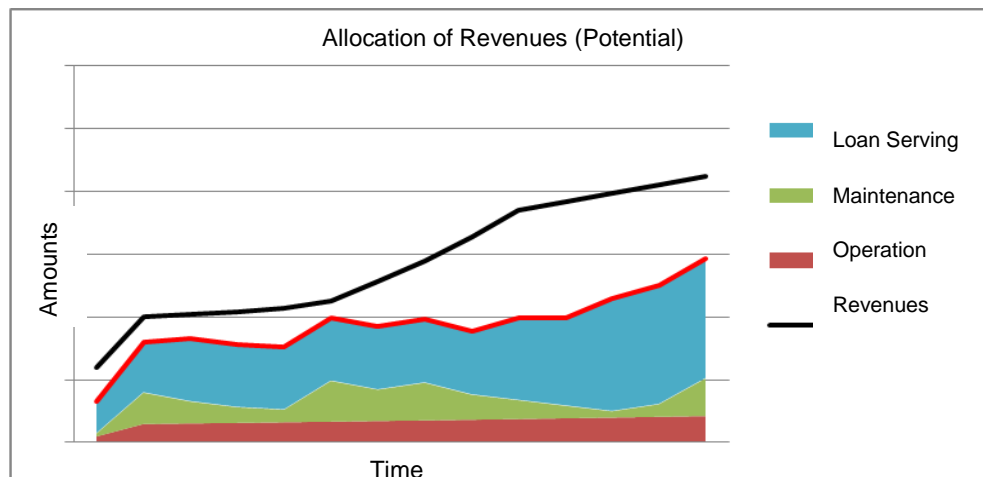


Figure 3.3: Allocation of revenues in surplus CCs

After the service of the loan obligations, the remaining revenues will be allocated between the State and the Concessionaire with parallel payments until the specific level of Concessionaire's return on investment will be achieved. The return on investment will be protected, but on a level determined in advance. The exact method of revenues share will be an object of the tender procedure.

3.4 The problems investigation framework

Our Country during this period has every interest to keep the Lenders in the projects, in order to support the national economy, and also benefit from the low interest rates and the implementation of the projects.

The resolution of the multiple problems of the four CCs requires a group of measures with the following objectives:

- The direct restoration of the State responsibility events and the complete satisfaction of the contractual obligations of the parties in the future.
- The balancing of the social and economic conditions changes exclusively to the benefit of the projects.

Aiming towards the rapid completion of the projects and without overturning conditions of fair competition, the State's intervention must primarily:

- protect public interest and ensure the implementation of the projects.
- achieve to the benefit of the user to deter an increase in toll fees, and on the contrary succeed in achieving a reasonable decrease of their amount during the first years of the concession.

The State's intervention must also:

- create the conditions for the repayment of the loans, a fact that is interrelated to the CC structure.
- ensure that the Concessionaires – investors do not lose their capital. That is, prove in practice that whoever invests in Greece, especially in the period of this economic crisis, will not lose his money.

3.5 The Framework of Understanding

The State, confirming in practice its interest in the progress of the CCs, proceeded with immediate measures in order to further suspend the adverse impact on the CCs. As a first step in the effort to find a solution that would restore the long-term contractual balance and viability of the CC (Long-term solution), the State and all Concessionaires have initialled in June of 2011 the Framework of Understanding (FU), which among other things determined the following Principles to be followed during negotiations:

1. Effort to deter, or minimize, interventions to contractual provisions.
2. Compliance with the General Principles of the Treaty.
3. Finalization of Technical Solutions, aimed at:
 - (i) The optimization of the cost – time – revenues compared to the Forecasts;
 - (ii) The social and economic importance of each section of the Project;
 - (iii) The possibility of commitments towards the completion of the Project in a specific time (by extension), with simultaneous identification and commitment of the sources of the necessary funding.
4. Redetermination and agreement on revenue forecasts, both during the Design – Construction Period and after it.
5. Identification and settlement of pending contractual claims/requirements of the Parties and agreement on the method and time of their resolution.
6. Re-evaluation of the operational expenditure of the project, in combination with the New Toll Policy (electronic tolls / interoperability).
7. Calculation of the impact of the New Toll Policy on the Project's revenues and agreement on the method for dealing with them.
8. Re-evaluation of the Project's funding needs, in correlation (initially) with points 3, 4, 5 and 6 above, and the relevant positions of the Lenders.
9. Re-evaluation of the possibility of servicing the Project's loans after the above interventions.

10. Investigation of the optimum economic and legal methodology of utilization of the expected State revenues for ensuring (if necessary) the repayment of the loans. Determination of the conditions (economic – time) for recovery by the State of its revenues used according to the above.
11. Elaboration and agreement on the Updated Financial Mode (FM) compiled based on all the above.
12. Identification, evaluation and agreement on any necessary amendments to the contractual documents, including Designated Loan Agreements.

At each CC, the State, the Concessionaire and the Banks jointly created five Working Groups to investigate the separate problems and submit recommendations:

- Coordinating Group
- Technical Group
- Legal Group
- Tolls Group
- Financial Model Group

The following chapters describe in summary the results of the works up to date.

CHAPTER 4

The Tolls Problematic

4.1 The role of tolls and social reactions

Since March 2010, there has been a fall in traffic volume. Moreover, the collection of toll charges by Concessionaires faces strong opposition by user groups (refusal of payment - sit-in in stations). These reactions led to a further reduction in revenues (that particularly complicates the progress of the Works) and to the already voted legislation to impose administrative penalties against offenders.

It should be noted that tolls are the main source of revenue during the Concession Period. Consequently, not only the completion of constructions but also the operation and maintenance of the projects and the repayment of the loans (i.e. the economic balance of the Contracts) rely heavily on their unhindered collection as contractually provided.

It is true that in the areas of certain Frontal Toll Stations (FTS), there are problems as regards short-distance travel charging, mainly due to the lack of service roads; these problems create local reactions that can be dealt with focused interventions on the Concessionaires' toll policy.

Any variation of the existing toll collection should take into account the policies the State wishes to implement for the reasonable satisfaction of users, the promotion of modern collection practices, but also for the overall benefit for users and the national economy from the completion of these important infrastructure projects. At the same time however, it should be limited to the minimum possible impact on the revenues of the CC.

Moreover, toll collection is essentially public revenue, which has been assigned to the Concessionaires as one of the considerations for their payment of the cost of the projects' construction, according to the provisions of the CCs.

Therefore, the objective is to achieve a policy that will satisfy the public interest and the State's desire to comply with policies reducing social tensions, while not affecting the contractual balance of the CCs. Simultaneously, Concessionaires should prepare a comprehensive commercial policy plan, with specific financial and traffic targets.

Finally, we should note the CC provisions (and the EU legislation) on the proportionality of toll charges, which ipso facto is linked to the use of electronic tolling. The completion of the implementation process of proportional electronic toll charges and the steps of the State and Concessionaires in this direction should be accelerated.

4.2 Contractual arrangements for toll collection

CCs provide that Concessionaires have the option to implement either an open or a closed toll collection system. In the open system, primarily chosen by Concessionaires and on the basis of the contractual provisions they are required to establish a minimum number of FTSs to optimise to the extent possible the proportionate charging of users. As far as Ramp Toll Stations (RTS) are concerned, the Contracts provide that their location shall be determined by

a Special Traffic Study. The Contracts also provide for the installation of an electronic tolling system, within the framework of the country's commitment to the interoperability of the Trans-European Road Network (TERN), but mainly for the application of proportional charging.

In any FTS or RTS, charges for light vehicles (vehicles with or without trailer and height up to 2.20 metres) are calculated by multiplying the length of the charging zone by the rate per km.

The Maximum Toll Rate Limit ((MTRL) per km is set at 0.04 €/km for light vehicles, in January 2003 prices. This rate is adjusted by annual CPI plus VAT.

After the application of VAT rates and CPI indexation, the rate charged for light vehicles on sections where this rate has been provisionally set at 0.03* €/km equals today to $0.03 \times 1.23 \times 1.301415606 = 0.048$ €/km, whereas in sections where the MTRL is already applied, it equals today to $0,04 \times 1,23 \times 1,301415606 = 0,064$ €/km

The length of the charging zone for FTSs (usually approx. 50 km) is the sum of half the distance from the previous FTS plus half the distance to the next FTS.

The length of the charging zone for entry RTSs (located after the FTS) is the distance from the entrance to the nearest charging limit of the next FTS.

The length of the charging zone for exit RTSs (located before the FTS) is the distance from the nearest charging boundary of the previous FTS to the exit point.

Under the current charging system, users who live near FTSs are not always charged equitably and proportionately to the distance travelled; consequently the adjustment is desirable.

For the remaining vehicle categories, the charge lengths per Station are calculated as for light vehicles. The rate per km is calculated by multiplying the rate per km for light vehicles by the coefficients in the table below.

Table 4.1: Toll Rate Calculation Coefficients

CAT.	NAME	DESCRIPTION	COEFFICIENT
1	Bicycles, tricycles		0.70
2	Light vehicles	Vehicles with or without trailer and height up to 2.20 m.	1.00
3	Trucks, buses, vehicles with less than 4 axles.	Vehicles with or without trailer with two or three axles and a height greater than 2.20 m.	2.50
4	Trucks and other vehicles with 4 or more axles.	Vehicles with or without trailer with four or more axles and a height greater than 2.20 m.	3.50

The cycle of toll rate increases is not yet completed. According to the CC provisions, the MTRL could be applicable to the greater part of the network within 2011. As mentioned above, the rate, including VAT, is currently around 6.4 cents/km for passenger vehicles.

4.3 Framework of Understanding: Proposed restructuring of toll policy

In fact the MTRL foreseen in Greece is lower than the rates in other countries (Italy, Spain, Portugal, France etc.). Nevertheless, the economic crunch imposes the examination of scenarios to alleviate the users. The Framework of Understanding that has been initiated with Concessionaires includes:

Proposed measures at the State's cost:

- For categories 1 and 2, a reduction of 25% to 30% in relation to the MTRL and stabilization of toll rates for three years, with a gradual return to the contractual levels over the next three years.
- A significant reduction in tolls in sections under construction, e.g. 50% in the Corinth - Patras section, etc.
- Toll subsidies for some categories of users, through social policy funds (e.g. disabled citizens).

Proposed measures to be examined by the Concessionaires:

- Proportional electronic charge for users who live close to FTSS.
- Discount policy for frequent users.

The strategic objective of the State and the Concessionaires must be a fully electronic toll collection through a free flow system and proportional user charges within the next three years on all motorways (one OBU - one account for each vehicle). Initiatives are required by both parties, as well as legislative, administrative and contractual arrangements.

4.4 Proposed measures at the State's cost

The following are proposed for light vehicles (categories 1 and 2), that are equipped with electronic payment device:

- for the next three years, i.e. for the period 2011 – 2013 and for all completed sections of motorways, regardless of the provisions of the Contracts, the toll rate to remain stable (without CPI indexation) at 0.048 €/km. (MTRL level at 0.03*€/km, indexed to date), which means that it should not be further increased or to be reduced if it is already higher.
- For sections of motorways which are under construction but at the same time open to traffic (e.g. the Corinth - Patras section), and the Tempi section, to be decreased in half in relation to the current toll rate.
- From 01.01.2014 until 01.01.2017, the toll rates (of the reduction policies) for the above vehicle categories 1 and 2 should be gradually increased to predetermined levels so as to reach on 1-1-2017 the level that it should have been in accordance with the Concession Contracts.

Table 4.2: Toll Rate Adjustment - Impact on on Revenues - Application of reduction to 0.03 €/km

Amounts in millions €

Motorway	2011	2012	2013	2014	2015	2016	2017	TOTAL PROJECT
Olympia Odos	17	17	21	30	26	19	0	130
Maliakos - Kleidi Section of the PATHE	5	9	16	8	7	4	0	49
Corinth - Tripoli - Kalamata	7	10	13	8	6	3	0	46
E65		3	5	8	9	3	0	27
Ionia Odos	35	42	50	49	42	31	0	250
ANNUAL TOTAL	64	81	105	103	88	61	0	503

These proposed measures, in accordance with an initial indicative estimate by Ernst Young a few months ago, will cost the State **€500 million**. More precise calculations by the Concessionaires for each project, based on their reduced forecasts, limit the amount to **€420 million**.

No reduction of the contractual toll rate is proposed for light vehicles, bicycles and tricycles not equipped with electronic payment devices (in order to accelerate the implementation of the electronic toll collection system).

No reduction of the contractual toll rate is proposed for other vehicle categories (commercial vehicles), namely trucks and buses of any size, since they can transpose the toll fee to their clients.

4.5 Proposed measures to be examined by the Concessionaires

Regarding changes at the responsibility of Concessionaires, the following proposals are being discussed by the parties.

- Mileage charge for users of electronic cards

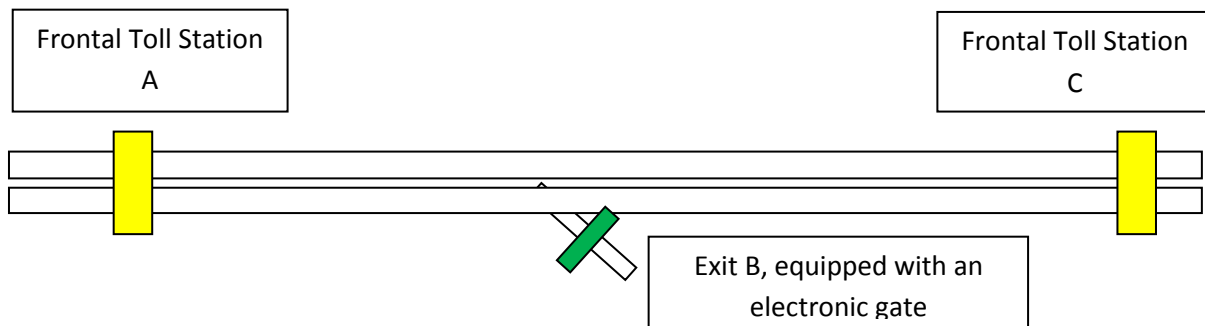
As it will take time to implement the fully electronic free flow toll system, the rapid implementation of an intermediate hybrid combination of an open toll system with conventional Toll Stations (as it has already been implemented to a significant degree by the Concessionaires) is under examination; this would be the main billing method for all users, while developing a closed toll system only for electronic users (that offers the possibility of charging according to the actual distance traveled and/or discount to frequent users).

The closed toll system (only for electronic users) will be implemented by equipping the motorway entrances before the next FTS (within its charging length) and the exits after the previous FTS (also within its respective charging length) that do not have a RTS, with an

array of a free flow electronic system (installation of a metallic frame on which the necessary OBU reading antennas will be placed, “electronic gate”).

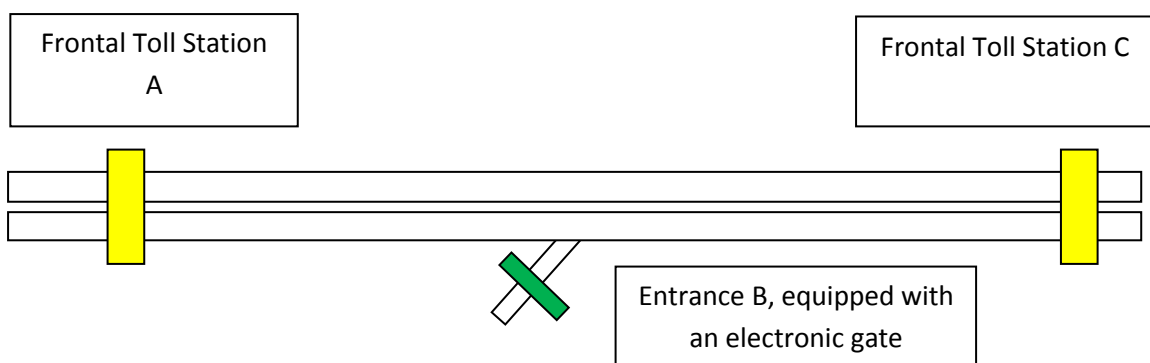
These arrays in combination with the electronic lanes of the conventional FTS ensure that vehicles with OBUs will be recognised both going through a conventional toll station and through an electronic gate.

An OBU owner goes through a pair of a conventional toll station (through an electronic or manual gate) and an electronic gate. When going through a conventional toll station he is initially charged the full toll amount. When passing through the electronic gate (in a following exit or a preceding entrance), the system records the passage and calculates the distance and final cost. An example of the calculation method for exits from motorways is shown in the chart below:



A user travels on the motorway, passing through FTS A, and exits at exit B. Under the current situation, he will pay the toll fee corresponding to the distance A-C, while he will have travelled the distance A-B. By applying the proposed system, when passing from the FTS A, the user will initially be charged the full amount. However subsequently the system will record that he left from exit B (electronic gate), and, based on the distance A-B, it will calculate the final charge corresponding to that.

An example of the calculation method for entrances to motorways is shown in the chart below:



A user enters the motorway from entrance B and travels towards FTS C; the normal charge at station C is for the distance A-C. The incoming user is detected by the electronic gate and his passage is recorded by the system with no initial charge. When the user passes from station C, the system will calculate the final charge corresponding to section B-C.

The proposed installation of antennas at the entrances and exits of the motorway, on both sides of the FTSs, will allow the implementation of a system “almost equivalent” to that of mileage fees, of course only for holders of transponders who subscribe to payment plans that each Concessionaire should provide.

The time required for the design and implementation of the system in each project is estimated initially at six months to a year. The “densification” of the electronic system at the entrances and exits before and after the FTSs can be achieved in less time, in parallel with the adoption of the appropriate procedural and legislative arrangements and of billing and infringement management rules.

Priority in the phased implementation of the system will be given to areas where the possibility of alternative routes is limited and to areas where inequities in charging are noted. When fully developed, the system can include all entrances and exits to and from the motorway and is essentially similar to a closed system of billing.

➤ Discounts depending on frequency of use

In conjunction with the existing tolls per kilometre and commercial rules (e.g. minimum number of passes on a monthly basis, hours of use, travel routes, etc.), a specific discount is calculated at each passage, and the remaining amount is credited to the user's account.

It is also possible to provide discounts to residents of areas that have no reliable alternative routes for their travel, apart from the motorway. For example, transponder holders are provided discounts:

- based on their (monthly) frequency of passage from specific stations,
- in the form of single or tiered percentage discount for a predetermined number of passes,
- in the form of a fixed price regardless of the number of passes.

➤ Advantages of method combinations

The combination of the Open or Closed Toll Systems (only for electronic users) with a discount policy offers important advantages:

- It does not upset the already largely implemented open system that remains and forms the basis of the charging system for most users.
- It enables a fairer charging for frequent users and the mitigation of local reactions.
- It provides flexibility in shaping a commercial policy depending on the specific circumstances in each case.
- It promotes the use of electronic tolls, with all the benefits for the users (avoiding stops and transactions, etc.).
- It contributes to the reduction of the operating costs of motorways, due to the expected increase in passages of vehicles with transponders from unmanned lanes, which far outweighs the additional cost of installing a closed electronic system.
- It shapes the conditions for the future transition to a fully electronic free-flow system through the increase of vehicles equipped with electronic transponders.

The estimate, however, of its impact on revenue (any reduction and additional revenue from attracting local travellers) is an extremely difficult process, since the conventional forecasting models cannot adequately capture the local traffic and its characteristics.

4.6 Alternative Concessionaire Proposals

Taking all the above into account, Concessionaires propose the implementation of the following policy per contract as an alternative to the toll policy proposed by the State:

➤ Aegean Motorway

- Proportionate electronic payment or measures of equivalent effect for users who live close to FTSS: As it will take time to implement the fully electronic free flow tolls, the rapid implementation of an intermediate hybrid combination of an open toll system with conventional tolls is proposed (as has largely been already done by Concessionaires); this would be the main billing method for all users, developing a closed toll system only for users of electronic cards. This system allows charges according to actual mileage and/or discounts to frequent users.
- Discount policy for frequent users: providing discounts to frequent users (specifying a minimum number of passes on a monthly basis for each station and to residents of areas that have no reliable alternative routes for their travel, apart from the motorway. This means that transponder holders are provided discounts, either based on their (monthly) frequency of passage from specific stations, or in the form of a single or tiered percentage discount for a predetermined number of passes (LEPTOKARYA BONUS), or in the form of a fixed price regardless of the number of passes.

e way									
ΤΙΜΟΚΑΤΑΛΟΓΟΣ ΣΥΝΔΡΟΜΗΤΙΚΟΥ ΠΡΟΓΡΑΜΜΑΤΟΣ (BONUS)									
ΤΙΜΟΚΑΤΑΛΟΓΟΣ ΔΙΟΔΙΩΝ ΣΤΑΘΜΩΝ ΔΙΟΔΙΩΝ									
Μετωπικοί Σταθμοί					Πλευρικοί Σταθμοί				
ΚΑΤΗΓΟΡΙΑ ΟΧΗΜΑΤΟΣ	ΠΕΛΑΣΓΙΑ	ΜΟΣΧΟΧΩΡΙ	ΜΑΚΡΥΧΩΡΙ	ΠΥΡΓΕΤΟΣ	ΛΕΠΤΟΚΑΡΥΑ	ΚΛΕΙΔΙ	ΓΥΡΤΩΝΗ	ΜΑΚΡΥΧΩΡΙ	ΛΕΠΤΟΚΑΡΥΑ
2	2,60 €	2,90 €	1,00 €	2,30 €	3,10 €	Προσκαρτών κωδικό κλήση	0,50 €	0,80 €	Προσκαρτών κωδικό κλήση
«Λεπτοκαρύ BONUS»									
Αριθμός Μηνιαίων Διελεύσεων					Ποσοτό έκπτωσης ανά διέλευση στα δίδυμα Λεπτοκαρύα				
1-5					0%				
6-10					10%				
11-15					30%				
16-20					50%				
21-25					70%				
26-30					90%				
31 και πάνω					ΔΩΡΕΑΝ				
<p>Το πρόγραμμα BONUS αφορά μόνο σε Ελαφρά οχήματα με ύψος έως 2,20 μ. (κατηγορία 2)</p> <p>Το πρόγραμμα BONUS Λεπτοκαρύ αφορά εκπτώσεις στις διελεύσεις που πραγματοποιούνται στον μετωπικό σταθμό διόδων Λεπτοκαρύα</p> <p>Οι προσφορές του προγράμματος BONUS αφορούν διελεύσεις που πραγματοποιούνται εντός κάθε ημερολογιακού μήνα και εκπίπτουν στις ανωτέρω κατηγοριοποιήσεις εκπτώσεων.</p> <p>Η κρέωση είναι ίδια είτε χρησιμοποιήσετε ηλεκτρονική λωρίδα είτε λωρίδα με εισπράκτορα, εφόσον η διέλευση πραγματοποιηθεί με πομπόδεκτη e way ή με SMART CARD e way.</p> <p>Η κατοχή και η χρήση του πομπόδεκτη e way και της SMART CARD e way σας παρέχεται δωρεάν.</p> <p>Ο τιμοκατάλογος ισχύει για οχήματα με πομπόδεκτη e way.</p> <p>ΠΡΟΣΟΧΗ: Αν μεταφέρεται μεταβληόμενο φορτίο σας προτείνουμε να χρησιμοποιείτε την λωρίδα με εισπράκτορα.</p> <p>ΧΡΗΣΙΜΕΣ ΠΛΗΡΟΦΟΡΙΕΣ ΓΙΑ ΤΟΝ ΛΟΓΑΡΙΑΣΜΟ ΣΑΣ</p> <p>Σε κάθε σας διέλευση ο ηλεκτρονικός πίνακας σας ενημερώνει:</p> <p>«Έγκυρο ή Good»: Ο λογαριασμός σας έχει επαρκές υπόλοιπο για τις μελλοντικές σας διελεύσεις από τους σταθμούς διόδων. Επιτρέπεται η διέλευσή σας.</p> <p>«Οριακό ή Low»: Το υπόλοιπο του λογαριασμού σας είναι μικρότερο από ένα συγκεκριμένο όριο χρηματικού ποσού. Επιτρέπεται η διέλευσή σας. Παρακαλούμε φροντίστε να καταθέσετε άμεσα χρήματα στον λογαριασμό σας.</p> <p>«Άκυρο ή Bad»: Το υπόλοιπο του λογαριασμού σας δεν επαρκεί για να πραγματοποιήσετε την διέλευσή σας. Η διέλευσή σας δεν επιτρέπεται, παρακαλούμε φροντίστε άμεσα να προσθέσετε χρήματα στον λογαριασμό σας.</p> <p>Εάν βρεθείτε εντός της ηλεκτρονικής λωρίδας και δεν σας επιτραπεί η διέλευση (δεν ανοίγει η μπάρα), παρακαλούμε:</p> <ul style="list-style-type: none"> ➤ Χρησιμοποιήστε την ενδοστηθική μονάδα για οδηγίες. ➤ Φροντίστε άμεσα να προσθέσετε χρήματα στον λογαριασμό σας. 									
ΟΡΙΑ ΣΥΝΔΡΟΜΗΤΙΚΟΥ ΠΡΟΓΡΑΜΜΑΤΟΣ ΑΝΑ ΠΟΜΠΟΔΕΚΤΗ e way									
Bonus (Λεπτοκαρύ) Ελαφρά οχήματα με ύψος έως 2,20 μ.					Οριακό ή Low	Άκυρο ή Bad			
					12,40€	3,09€			
<p>Τα όρια πολλαπλασιάζονται με τον αριθμό των πομπόδεκτη e way του συνδρομητικού σας προγράμματος.</p> <p>Το ελάχιστο ποσό πρόπαις κατάθεσης προπληρωμένων διελεύσεων, για την ενεργοποίηση του συνδρομητικού σας λογαριασμού είναι 20€.</p> <p>Το ελάχιστο ποσό κατάθεσης προπληρωμένων διελεύσεων, μετά την ενεργοποίηση του συνδρομητικού σας λογαριασμού είναι 10€.</p> <p>Για επαγγελματίες και εταιρείες εκδίδεται και αποστέλλεται δωρεάν κάθε μήνα αναλυτικό τιμολόγιο. Στους υπόλοιπους συνδρομητές αποστέλλεται δωρεάν ετήσιος συγκεντρωτικός λογαριασμός, ενώ στην περίπτωση που επιθυμούν μηνιαία αναλυτική ενημέρωση των διελεύσεων τους, αυτή τους αποστέλλεται ταχυδρομικά με επιπρόσθετο κόστος 1 €/μήνα.</p> <p>Οι τιμές του συγκεκριμένου τιμοκαταλόγου περιλαμβάνουν Φ.Π.Α. 23%.</p> <p>Έναρξη ισχύος του τιμοκαταλόγου από 28/04/2011.</p> <p>Η εταιρία διατηρεί το δικαίωμα να αλλάξει τον τιμοκατάλογο της.</p>									

Olympia Odos

The toll policy proposed by the Concessionaire as an alternative to the policy proposed by the State is presented in the table below.

Table 4.3: Alternative Toll Policy - OLYMPIA ODOS

	Contract	State Toll Policy	Concessionaire Toll Policy
General		<ul style="list-style-type: none"> Discount for light vehicles with electronic billing. Implemented with the application of bi-directional charging in the EL-CO section. 	<ul style="list-style-type: none"> Basic discount provided to all users, light and heavy vehicles and additional discount provided to light vehicles with electronic billing. Implemented with the application of bidirectional charging in the EL-CO section.
Elefsina - Corinth EL-CO	Direct implementation of bidirectional charging with a maximum contract fee of 4 cents/km, with a transitional phase of 3 cents/km.	<ul style="list-style-type: none"> Initial discount of 25% in relation to the maximum contract fee. Stabilization of charges for the years 2012 and 2013. Period of return to contractual charges from 2014 until the end of 2016 	<ul style="list-style-type: none"> Initial discount of 25% in relation to the maximum contract fee. 13% discount upon completion of the first section of the CO-PA. With indexation Return to the contractual fee upon completion of the CO-PA and launch of the hybrid closed system.
Corinth - Patras CO-PA	<ul style="list-style-type: none"> The current system remains until the partial completion After that: bidirectional charge with a maximum contract fee of 4 cents/km. 	<ul style="list-style-type: none"> Initial discount of -50% in relation to the current fee. Fixed price until the sectional completion. After that, application of the charge applicable to the EL-CO. 	<ul style="list-style-type: none"> Initial 35% discount for all users and 50% discount for light vehicles with electronic billing. Fixed price until the sectional completion. After that, application of the charge applicable to the EL-CO.

The charging policy for the Kato Achaia - Pyrgos Entrance Interchange will be respective to the above.

The policy (price, duration) proposed by the State, assuming that 100% of users will use electronic billing for the period 2012-2016, will cost up to 80 million € for the EL-PA section, while the policy proposed by the Concessionaire for the same section and for the same time will cost about half this amount.

New Toll Policy - Proposal by Concessionaire

Cost for the implementation of the Concessionaire's alternative proposal	36.76 million €
Cost for the installation of the hybrid toll system	8.50 million €

Nea Odos

As an alternative to the general tolls policy proposed by the State, the Concessionaire proposes the following:

- Two of the four (urban) Toll Stations in the region of Athens, i.e. the stations at Pyrna and Kaliftaki shall not operate throughout the Concession Period (or until the conversion of the system to free-flow).
- The remaining two of the four (urban) Toll Stations, i.e. the stations at Varibobi and Aghios Stephanos shall operate temporarily only for vehicles in categories 3 & 4 (trucks and buses). This limitation will cease immediately after the imposition of electronic toll fee collection system, after which the toll fees will be paid in accordance with the provisions of the Contract.
- Offer of discounts to frequent users in the form of a tiered discount, depending on the number of trips made per month, in accordance with the following table:

Table 4.4a: Alternative Toll Policy - NEA ODOS

Routes per month	5	10	15	20	25	30	35	40	45	50	55	60
Discount	0%	0%	10%	10%	10%	20%	20%	20%	30%	30%	30%	30%

Thus, discounts will be offered for more than 15 trips per month. The maximum discount is 30%, for more than 45 trips per month.

The impact of the above proposed toll policy from 2012 until the end of the Concession Period, calculated under the new revenue scenario of the Lenders, is as follows:

- The average loss of revenue due to the elimination of Toll Stations in Pyrna and Kaliftaki is approximately 2.3% of the total project revenue.
- The average loss of revenue due to the limitation of toll revenue only for vehicles in categories 3 and 4 in Varibobi and Bogiati is approximately 6.1% of the total project revenue.

As shown in the following table, in the first years of the Concession, the impact is greater because of the distribution of the sources of income.

Table 4.4B: Alternative Toll Policy - NEA ODOS

Net income (thousand €)	2012	2013	2014	2015	2016	2017	2018	2019	2020
Lenders Scenario	141,376	156,112	183,406	199,069	212,368	221,577	230,747	239,825	249,259
Without Pyrna & Kaliftaki	127,162	140,832	178,940	194,374	207,456	216,439	225,397	234,264	243,480
	-2.8%	-2.7%	-2.4%	-2.4%	-2.3%	-2.3%	-2.3%	-2.3%	-2.3%

Varibobi & Bogiati: Only Heavy Vehicles	133,535	147,747	171,716	186,757	199,472	208,074	216,686	225,210	234,069
	-8.1%	-7.9%	-6.4%	-6.2%	-6.1%	-6.1%	-6.1%	-6.1%	-6.1%

The loss of revenue due to tiered discounts is estimated at approximately 2.8% of the total project revenue, as shown in the table below.

Table 4.4C: Alternative Toll Policy - NEA ODOS

Net income (thousand €)	2012	2013	2014	2015	2016	2017	2018	2019	2020
Lenders Scenario	127,162	140,832	183,406	199,069	212,368	221,577	230,747	239,825	249,259
Frequent Use Discounts	123,601	136,889	178,271	193,495	206,422	215,373	224,286	233,110	242,280

Cumulatively, the toll policy proposed by the Concessionaire shows an average reduction in revenue of about 11.2% of the total project revenue.

According to the Concessionaires, the alternative toll policies, if agreed, should be borne by the State.

4.7 Specific provisions per Concession Contract

The New Toll Policy includes the adoption of specific provisions per Concession Contract until the implementation of the fully electronic free-flow system, such as:

Aegean Motorway:

- Regulation of the operation of the Toll Station of Aiginio (Concessionaire) in conjunction with the operation of the Malgara (TEO) and Kleidi Stations (Egnatia Odos SA).

PATHE (Nea Odos):

- Non-operation of the Toll Stations of Pyna and Kaliftaki until the implementation of electronic tolling.
- In the Stations of Varibobi and Aghios Stephanos, imposition of tolls only for vehicles in categories 3 and 4 in accordance with the provisions of the Contract, until the completion of the axillary roads.
- Operation of the Mainline Toll Station of Afidnes as a Ramp Toll Station for the nearby half-interchange (Afidnes).

4.8 Necessary next steps

Interoperability of Concessionaire Systems

The widespread use of discounts for all transponder holders, regardless of provider, will be possible only after the development of a **National Interoperability System** that will take place with the participation of both public and private stakeholders in a Body under the control of the State. It is necessary to directly initiate the gradual implementation of the mileage charge and interoperability with a single transponder and a single account per user, regardless of the provider. Already, an Interoperability Committee has been established and is working to this end with representatives of the relevant Government agencies and the Concessionaires.

Simplification of the tax system

The **simplification of the tax system** is required to achieve the application of discount packages and the spread of electronic transponders. The free distribution of already activated transponders (without unnecessary tax entanglements) and their easy distribution by the Toll Stations and other distribution centres, the easy and paperless registration of subscribers, the ability to send bills via the Internet and other electronic media, the easy payment and “recharging” of accounts in various ways (internet, credit cards, bank accounts, bank ATMs, smart cards, mobile phones) are prerequisites for the penetration of the system in the motorway user market. It is necessary to simplify the existing cumbersome tax regulations, without however an impact on the proper tax treatment of the system (by eliminating dispatch notes, the simultaneous charging during passage and the use of payments in advance, etc.).

4.9 Long-term toll policy

The aim of the State is the fully electronic collection of toll fees, with a free flow of vehicles, and achieving proportional charging within three years, by implementing a closed toll system.

The CCs provide for the installation of a fully electronic tolling system, in the framework of the country's commitment to the interoperability of the Trans-European Road Network (implementation of European Directive 2004/52/EC on Interoperability and of PD 177/2007 (GG 216a 11-09-2007) on the harmonization of Greek legislation in this Directive and Decision 2009/750/EU of the European Commission).

The CCs also provide for the charging of users based exclusively on distance, after the implementation of the closed fully electronic tolling system.

Presently, conditions are not mature for the implementation and reliable operation of fully electronic free-flow tolls (due to legal problems, the difficulty of securing/guaranteeing revenues from non-owners of transponders, offenders, the still low volume of electronic transactions, the lack of interoperability, etc.).

To achieve the strategic objective, the State should soon examine the possible formulation of an institutional framework that will provide:

- The simplification of tax and bureaucratic procedures to facilitate the distribution of transponders to users.

- The obligation of Concessionaires to provide transponders, which will be implemented in the interoperable system (one transponder - one account) to users through fast and simple procedures.
- Securing of the relevant license from the Hellenic Personal Data Protection Authority and/or other authorities on the applicability of the vehicle registration recording system, for vehicles not equipped with a transponder. This system (video tolling) uses the photograph of the licence plate (and other vehicle characteristics - finger printing), to identify the owner of the vehicle.
- Establishment of the non-payment of electronic toll fees (ascertained by electronic means) as a traffic offence, chargeable to the owner of the vehicle and not the driver, with a corresponding adjustment of the Traffic Code and the modernization of the means of service to debtors.
- Identification of the vehicle owner by accessing the vehicles database of the Ministry of Finance (and use of the data of the Ministry of Transport), on the basis of which documents will be served regarding the non-payment of tolls.
- Determination of the method and the amount of payment by users that do not have a transponder. [E.g. giving users who passed the toll stations without a transponder the possibility to pay for their passage (with a greater charge than if they had a transponder) without being treated as offenders. Payment should be possible with many convenient payment methods (internet, sms, user service points, etc.) within a set short period (e.g. one day) without obligation of notification by the Concessionaire. Users will have the obligation to be informed about their debt, payment methods, and the payment as such through the internet. In this case, users will be charged a management fee plus the tolls fee, to cover the cost of the vehicle identification (so that users have an incentive to acquire transponders).
- If users fail to pay the corresponding fee within the prescribed time limit, they will be charged both with the fine provided by the CC, and with a penalty under Section 104 of the Traffic Code. The penalty will constitute public revenue, sought by the competent tax office.
- For each fine and penalty imposed (i.e. for each passage that took place without charging of the transponder and for which the user has not paid the debt within the set period) the State shall pay the corresponding amount (toll fee and management fee) to the corresponding Concessionaire in due time.
- The State Agency to be established (Information Exchange and Payment Centre, IEPC) will undertake the management and control of all transactions and electronic payments of the interoperable system.

CHAPTER 5

Aegean Motorway Concession Contract

5.1 Project Identity

Technical scope: The project includes the construction of a new motorway or upgrade to motorway of 229 km of the Patras-Athens-Thessaloniki-Evzonoi border crossing road (PATHE) from Raches (KP 240+300) to Kleidi (KP 469+700). Construction along 205 km has been completed to date and the Evangelismos-Skotina section (large tunnels at Tempi and Platamonas) remains to be completed.

Concession Contract (CC): The CC was signed on 28-6-2007 and commenced (Concession Commencement Date - CCD) on 5-3-2008. The following companies are participating as the Concessionaire with the respective percentages:

HOCHTIEF PPP SOLUTIONS GmbH (GERMANY) (35%)

ELLAKTOR (20%)

J & P AVAX SA (16.25%)

VINCI CONCESSIONS SAS (FRANCE) (13.75%)

AEGEK (10%)

ATHENA SA (5%)

Cost and Funding of the Project: The total cost of the construction project is € 869,365,739. The cost of constructing Emergency Lanes (EL) inside the tunnels, which is € 169,000,000, must be added to this total. Of this amount, € 538,396,402 has already been absorbed for the main project. It is about 62% complete.

According to provisions of the CC's Financial Model, the funding for the project is broken down as follows:

Table 5.1: Project funding sources

Share capital and shareholder liability secondary loans	136,300,000
Financial contribution by the State	296,482,410
Anticipated toll revenues over construction period	299,000,000
Principal loan(lending margin 90 bp, 25-year term and average loan life of 17.6 years)	571,000,000
TOTAL	1,302,782,410
Additional compensation for EL (8360/28-8-2009 decision by Minister for the	169,000,000

The figure below shows each Bank's participation in the loan.

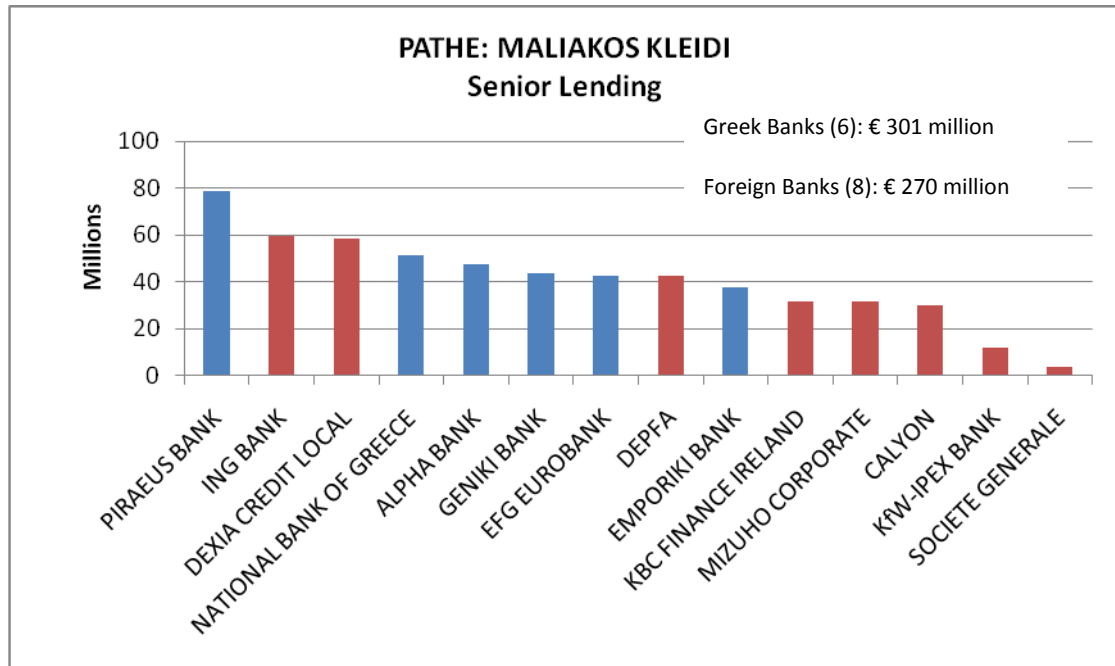


Figure 5.1: Banks Participating in Senior Project Loan

Upon signing the contract, the Bank financial models present the following financial results:

Table 5.2: Financial result scenarios on CCD

Current values € 000	Bank-based Scenario	Low Bank scenario	Percentage reduction
Total project revenues	6,264,636	5,000,178	20.2%
State Revenues	3,300,212	2,502,723	24.2%
Concessionaire return on equity (IRR)	9%	2%	

The following amounts have been paid into the Project to date:

- € 136 million by the Concessionaire, namely the total equity (share capital and secondary loans);
- € 109 million by the Banks (principal loan), namely 19% of the anticipated amount for construction;
- € 297 million by the State, namely 100% of anticipated amount;

- € 75 million by the State for the construction of EL, namely 44% of the amount anticipated to complete construction;
- € 149 million from tolls (up to 30-6-2011), namely 50% of the amount anticipated for the construction period.

Current liabilities due, owed by the Greek State to the Concessionaire amount to:

- € 15 million for the construction of ELs; and
- € 8 million for non-payment of tolls collected from the Malgara Toll Station (National Road Construction Fund-TEO) instead of the Aiginio Toll Station (Concessionaire).

To settle the State's most pressing obligations with regard to the EL in the tunnels, an amount of € 15 million must be paid immediately for the second instalment. In the near future another €45 million will be due (the third instalment) and it is scheduled to be repaid in three monthly instalments.

The above amounts must be paid as soon as possible so that the lining of the excavated tunnels can be completed to ensure the safety of the construction.

5.2 Problems

Socioeconomic conditions changed during the implementation of the Concession Contract. The economic crisis and the accompanying drop in citizen purchasing power, the increase in fuel costs, the increase in toll fees, the increase in VAT and uncertainty in the employment sector created conditions which led to a reduction in road traffic and, as a result, to a drop in revenue from toll fees, as well as to the perception by the Concessionaires that this reduction in traffic and revenues will continue in the future. Actual revenue from toll collection is substantially lower than estimated.

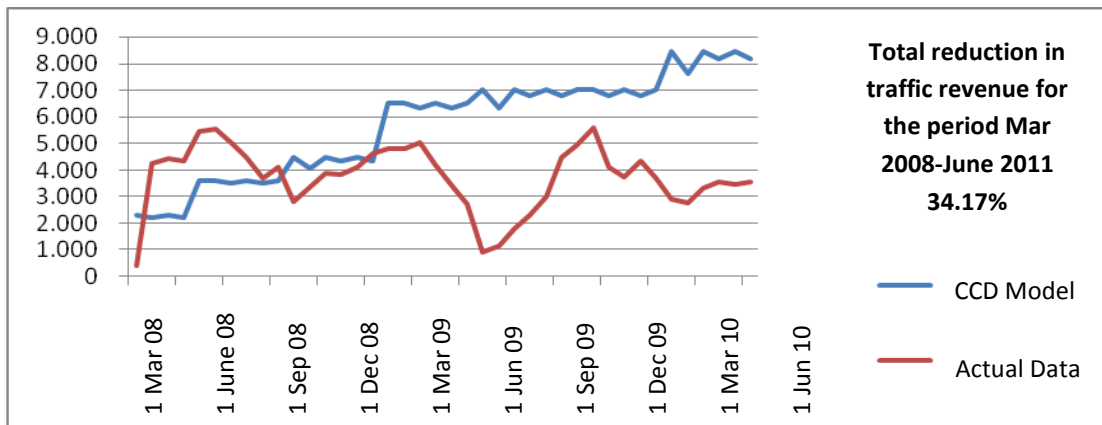


Figure 5.2: Reduction in Traffic Revenue

In addition, there has been a growing popular movement against paying toll fees (mainly due to the unfair system of toll charges). The figure below presents the percentage of violators (of total users) for the period starting at the end of October (43rd week) of 2010 to mid-March (10th week) of 2011.

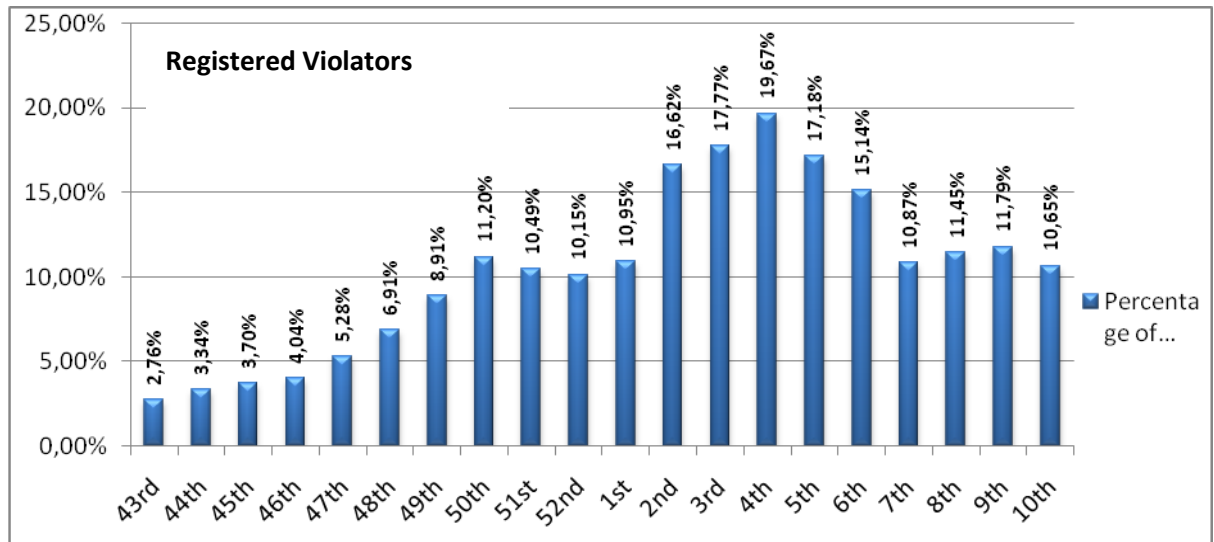


Figure 5.3: Violators at Toll Stations

Finally, the Concessionaire's estimates of toll fee revenues appear significantly lower throughout the concession period in comparison with estimates on the CCD of the CC.

The lending Banks believe that the viability of the Project has been threatened and have suspended its funding. As a result of the suspension in funding, the Concessionaire temporarily suspended construction work.

Confirming its interest in finding a solution to re-establish the long-term contractual balance and viability of the CC (Long-term Solution) in practice, the State initialled along with the Concessionaire on 9 June 2011 a "Framework of Understanding," which among other things will establish the principles and time line to be followed during negotiations. Subsequently, the State, the Concessionaire and the Banks jointly formed work groups (Technical, Legal, Tolls and Financial) to review each individual problem and submit proposals.

5.3 Compensation, Penalties, Technical Differences and Arbitration

Both the Greek State and the Concessionaire, in invoking the related articles of the contract, have in many cases resorted to the provided dispute resolution procedures. The arbitrations and technical differences, as well as the related demands of the Concessionaire and the State, are listed at the end of the chapter.

The Concessionaire and the Construction Company submitted, formally or informally within the framework of workshops with the Technical Team, their claims to date regarding compensation, which are summarised in the following Table and are presented in detail at the end of the chapter.

Table 5.3: Demands for compensation by Concessionaire – Construction Company

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Total claims by Concessionaire – Construction Company		€ million	
Cat. A	Extension of construction period	103.3	Compensation for Concessionaire and Contractor
Cat. B	Tolls / Violations	32	Kleidi, 4 th Exclusive Partial Deadline (EPD), Violators
Cat. C	Disputes between Concessionaire - State	41.9	Expropriations, premature operation of Tempe, Free access by local residents, interest, etc
Cat. D	Disputes between Concessionaire / Construction Company - State	13	Stalies, Mavroneri, etc
Total		190.2	

In addition, following decisions by Egnatia Odos SA, which is responsible for managing the project, penalty clauses of up to € 45 million have been imposed against the Concessionaire for its part in exceeding the 2nd and 3rd PLP of the CC. The State's claim under the imposed penalty clause (under the clause that any challenges or disputes that exist or may occur will be resolved) may be offset against the Concessionaire's claims.

According to the Concessionaire, increased project costs should be borne by the State. Any settlement of even part of these claims will either take place as part of negotiations or be resolved in arbitration (where most are pending).

Some of the Concessionaire's demands above, once they are substantiated contractually, may be accepted by the State and be included in a new FM. However, a first overview of claims by the Concessionaire / Construction Company indicates that is abundant room for reductions.

In any event, it is preferable that the true amounts of the compensation to be borne by the State be agreed upon as soon as possible so that they may be part of the new financial close of the project.

5.4 The Banks' position

The Bank Steering Committee has notified the State and the Concessionaire of its claims, as summarised below:

- Waiver fee (fee to waive rights / claims) equal to 1.5% of the loan balance (approximately € 9 million).
- Cover Ratios to be retained as in the FM at the time contract was signed.
- Non-use of any committed loan facility to cover project needs under present circumstances.
- New lending margin at 440 bp.
- Submission of advance payment (by end of November 2011) of State's obligations to Concessionaire for compensation (about € 60 million), even if the respective increased expenditures by the Concessionaire have not yet occurred.
- To compensate the Concessionaire for every case of violators not paying tolls.
- To charge the State for the cost of the toll policy it will select and to submit such compensation to the Concessionaire in advance.
- The State should compensate the Construction Company directly for the delays.
- To resolve all pending disputes between the Concessionaire and the State.
- To re-establish the partial and final deadlines for construction.

5.5 Updated FM for the Concessionaire and Sensitivity Analyses

This model provides less flexibility in monitoring revenue calculations, as the calculation of toll fees is performed per vehicle category and per toll station in final form without previous presentation of figures on which the final charges depend. With this method, it is not possible to draw reliable conclusions regarding charges per kilometre included in the toll fee, nor regarding the Maximum Toll Rates (MTR) charged by the Concessionaire.

In addition, confusion arises with regard to the operation of the Makrichori Ramp Toll Station and the Aiginio Mainline Toll Station. While the Makrichori Ramp Toll Station is in operation, according to the Concessionaire, no revenues appear on the FM. The Aiginio Station appears to be in operation; it employs staff and shows revenues on the FM. However, according to the Concessionaire, no toll fees have been collected by this station to date. Evidently, the revenues from this station will result from the claims of the Concessionaire against the State; nevertheless, there is no justification for all the operational expenditures shown for the station.

Notwithstanding the above, the basic working assumptions and the results of the updated FM presented by the Concessionaire are summarised as follows:

- A 39% reduction in traffic revenues (two times the pessimistic scenario on the CCD of the CC).
- Increased construction time by 14 months (from 54 to 68).
- Lending margin at 350 bp (initial Bank requirement, later 440 bp) compared to 90 bp in the loan agreements.
- Equity rate of return 9% (as in CC).
- Average loan life 14.5 years.
- State revenues from the project - € 312 million in nominal values and € 19 million in present values.

The State established new working criteria in the FM so as to broaden the sensitivity of the various parameters. The related data is presented in the table and figure that follow.

According to the various scenarios outlined and in relation to the State revenues in nominal values, the following are apparent:

- According to the FM when the Contract was signed, the State will collect 53% of the total revenues of the project or 50% under the Banks' pessimistic FM. In nominal values, cash flow to shareholders was € 537 million and € 200 million, respectively.
- According to the Concessionaire's updated FM, the State will collect 8% of the total project revenues, while the Concessionaire will collect greater amounts than those outlined in the basic Bank scenario (€ 945 million in nominal values).
- According to scenario 11 of the sensitivity analysis, the State secures 34% of the total project revenues, while the cash flow to shareholders is reduced significantly (€ 287 million in nominal values).
- According to scenario 12 of the sensitivity analysis, provided that the traffic increases in the future, the State's revenues will exceed 50% of the total project revenues, as in the basic Bank scenario, while the cash flow to shareholders will remain lower (€ 272 million in nominal values).

Table 5.4: FM Scenarios

Models	Bank scenarios at Contract signing		Contractual Model / Reduced Traffic	Contractual Model / Reduced Traffic / Con/aire Substitution	Updated Concessionaire Model	Sensitivity Analysis							
	Basic	Low				5	6	7	8	9	10	11	12
Scenarios	1	2	3	3a	4	5	6	7	8	9	10	11	12
Reduction of toll revenues	-	-20%	-39%	-39%	-39%	-21%	-39%	-21%	-21%	-39%	-21%	-39%	-21%
Loan margin	90	90	90	90	350	350	200	200	200	200	200	90	90
Concessionaire return on equity (IRR)	9.0%	2.0%	-	-	9.0%	17.9%	6.0%	6.0%	7.5%	2.0%	2.0%	2.0%	2.0%
Average loan life (years)	17.6	17.6	Inability to Service the Debt	14.5	14.5	14.5	11.6	7.5	7.2	11.6	7.5	14.5	8.14
Total revenues nominal values	6265	5000	3828	3828	3828	4951	3828	4951	4951	3828	4951	3828	4951
State revenues (€ million) nominal values	3300	2503	1872	1348	312	422	1023	2249	2155	1283	2519	1296	2572
NPV	652	507	342	218	19	28	117	335	307	169	388	217	414
Cash flow to shareholders nominal values	537	200	-	-	945	1732	525	526	611	289	283	287	272
State revenues (€ million)													
Percentage (%) of total traffic revenues	53%	50%	49%	35%	8%	9%	27%	45%	44%	34%	51%	34%	52%

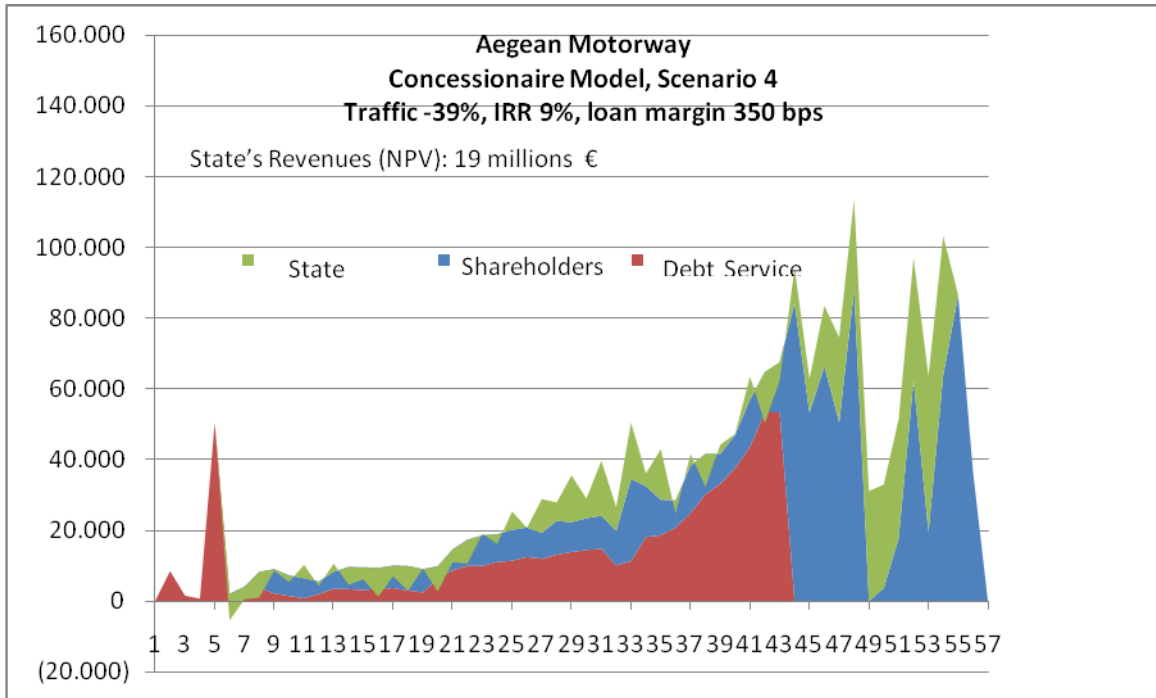


Figure 5.4: Scenario 4 - Traffic -39%, IRR 9%, loan margin 350 bps

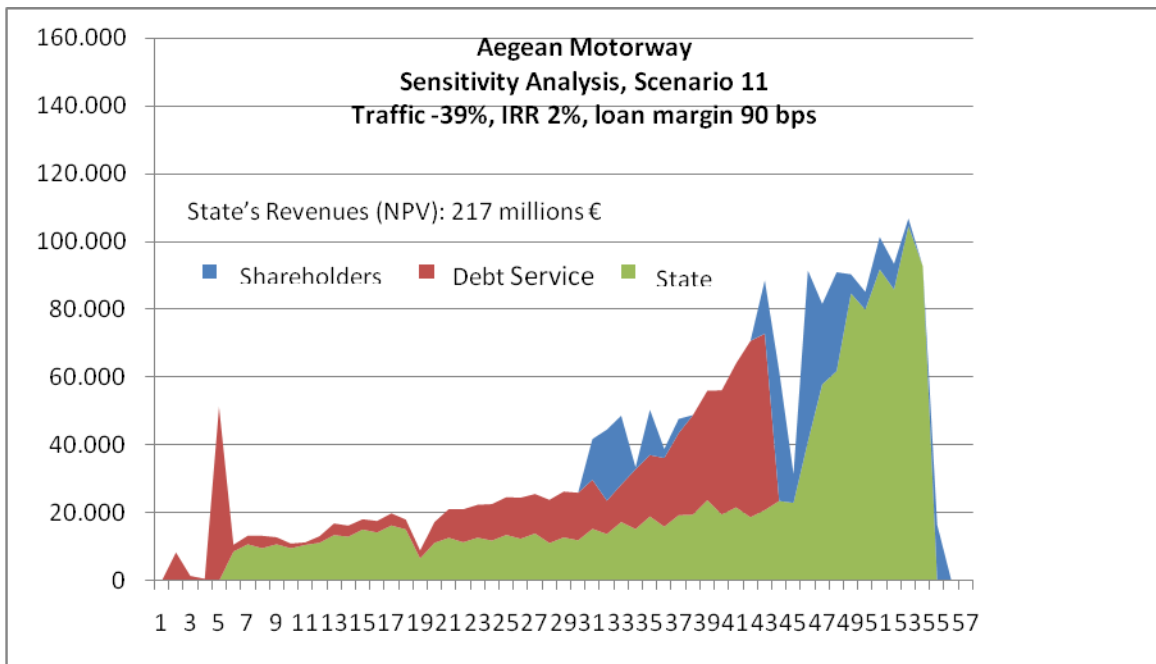


Figure 5.5: Scenario 11 - Traffic -39%, IRR 2%, loan margin 90 bps

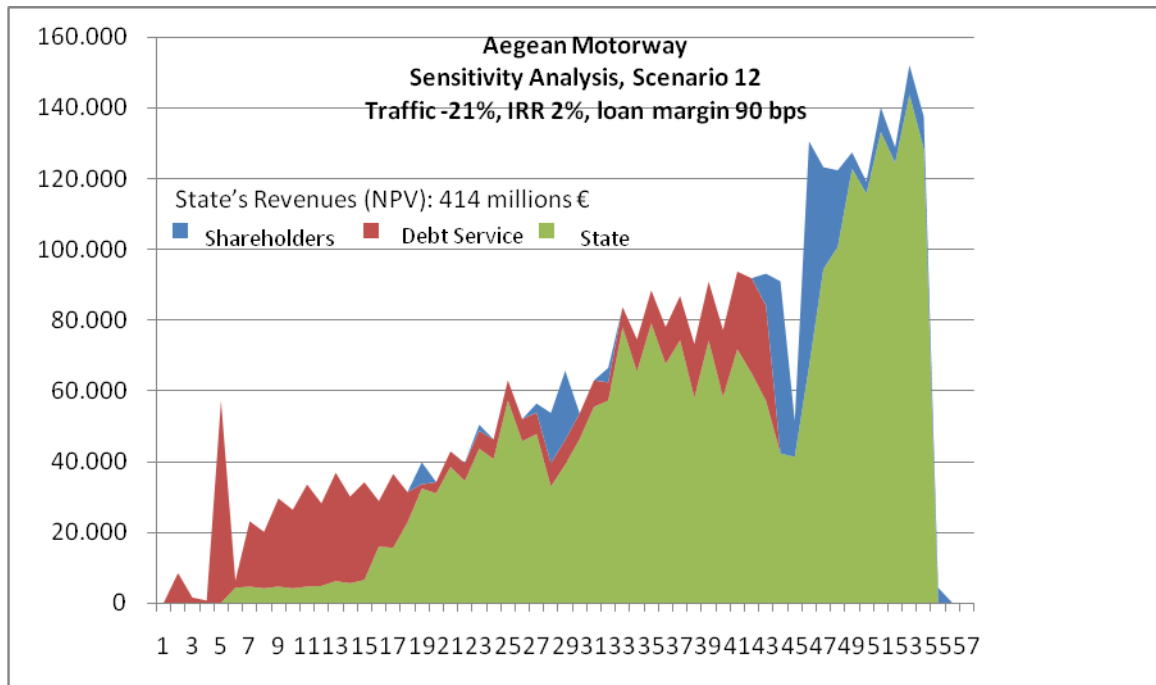


Figure 5.6: Scenario 12 - Traffic -21%, IRR 2%, loan margin 90 bps

In other words, the State's position in each case is made worse as traffic decreases, while it can be restored once traffic increases.

The Banks' exposure is reduced in scenarios 11 and 12. During the initial years of operation, project revenues are distributed to as high a percentage as possible to repay the loans (partial cash sweep), meaning repaying greater amounts against the loan over a shorter time period so that the average loan life is reduced.

5.6 Scenario assessment

It is a fact that any reduction in traffic / revenues of about 39% is quite large and therefore critical for the Project. In such circumstances, it is obvious that everyone must feel some pressure and accept reasonable losses, such as:

- The interest on loans will not be increased, but the exposure of the lender Banks will decrease and offset the fact that the current loan margin is not equivalent to the market lending rate.
- the State will collect part of the budgeted Revenues from the Project (with the option of restoring its revenues to contractual levels, in the event that traffic improves).
- the Concessionaire's shareholders will earn the rate of return (IRR) provided for by the low Bank scenario, in other words, a much smaller return than that provided for in the base case scenario at financial close.

In addition, the following is noted:

- The contractual duration of the project construction is 54 months (from 5-3-2008 to 5-9-2012). Within the framework of a long-term solution, the Concessionaire proposes an

extension of the period of construction to 68 months, which is an extension of 14 months. This period of time is required mainly because of the suspended construction work, which was due to a great degree to the suspension of funding for the project by the lending Banks. With this extension, the work can be completed on the one hand (essentially it would be completed in 62 months), and it would facilitate the funding of the project on the other (additional revenues from toll fees to fund the project construction). The extension on the construction deadline sets off the loss of revenues resulting from the drop in traffic (revenues of about € 290 million are expected, with a corresponding drop in State revenues for the operating period through distribution of project revenues), so that the amount from toll revenues for funding the construction would be approximately equal with that on the CCD.

- The State must review the traffic model presented by the Concessionaire (calling for a 39% reduction compared to concession commencement).
- According to sensitivity analysis scenarios, the State will provide the necessary additional sources along with the Concessionaire from project revenues to service the project loans. Specifically, over the first 7-10 years of operation, all of the funds resulting from project revenues earmarked for the Concessionaire and part of the revenues earmarked for the State will be diverted to servicing the loans. After the above-mentioned period, the State and the Concessionaire will make available part of their revenues to repay the loans, according to the loan repayment schedule to be agreed upon and to the extent that project revenues that remain after calculating the State's share are not sufficient.
- In any event, the State will have to set an acceptable limit to expenditures for the operation and maintenance of the project at a lower level than the CC calls for.

Finally, the following is noted:

- Any improvement in traffic/revenues from the Project over the predicted drop of -39% and up to -21% will exclusively benefit the State and will not change the agreed upon IRR of the Concessionaire (2% IRR).
- In the event of a smaller drop in traffic/revenues from the Project (that is, not exceeding -21%), an improvement in the Concessionaire's return may be considered.
- In the event that the State ultimately collects the sums it made available to support the Project's viability, the viability support adjustments will be terminated (limits to revenues, capital return and so on) and the provisions of the CC will go into effect.

These adjustments must be agreed upon by both the State and the Concessionaire. In any event, the Lenders will also have to agree, according to the terms of the established loan agreements.

5.7 Adjustment in the operation of toll stations

It is imperative that the operation of the Aiginio Toll Station (Concessionaire) be adjusted in combination with the operation of the toll stations at Malgara (TEO) and Kleidi (Egnatia Odos SA) through a Joint Ministerial Decision (JMD).

AEGEAN MOTORWAY
TECHNICAL DISPUTES - ARBITRATION

Technical Disputes

- 1st Dispute**, the Concessionaire appealed to a Technical Dispute Resolution Committee against the State on 04.05.09 because the expected environmental permit was not issued for the Pyrgetos Toll Station. (Found in favour of the State)
- 2nd Dispute**, the State appealed to a Technical Dispute Resolution Committee on 24.07.09 the decision of the Independent Engineer to issue confirmation of payment of the 2nd instalment of the State Financial Contribution (SFC), which resulted in the earlier payment of the 2nd FCS. (Pending)
- 3rd Dispute**, the Concessionaire appealed to a Technical Dispute Resolution Committee against the State on 26.08.09 because the expected environmental permit was not issued for the Kleidi Toll Station. (Found in favour of the State)
- 4th Dispute**, the Concessionaire appealed to a Technical Dispute Resolution Committee on 02.10.09 a decision by which the Independent Engineer accepted the State's objections and approved technical specifications of an underpass opening of 14 m instead of 11.5 m (Found in favour of the Concessionaire)
- 5th Dispute**, the State appealed to a Technical Dispute Resolution Committee on 06.10.09 a decision by the Independent Engineer to approve a study of the final lining of tunnel T1 without reinforcement (Found in favour of the Concessionaire)
- 6th Dispute**, the Concessionaire appealed on 25.05.10 because of the State's failure to recognise its responsibility in diverting the Mavroneri riverbed. (Found in favour of the Concessionaire Brought to Arbitration by the State)
- 7th Dispute**, the Concessionaire appealed on 09.08.10 for failure to issue an environmental permit for the Leptokarya Automobile Service Station (SEA). (Pending)
- 8th Dispute**, the Concessionaire appealed on 27.09.10 claiming intervention by the State due to the failure of toll stations at Aiginio and Kleidi to operate. (Pending)
- 9th Dispute**, the State appealed on 27.09.10 as a result of non-acceptance of expropriation for railway embankment H409 (OSE). (Pending)
- 10th Dispute**, the State appealed on 29.09.10, due to failure to accept unreinforced final lining of tunnel T2. (Pending)
- 11th Dispute**, the State appealed on 30.09.10 as a result of non-acceptance of Relief Event (expropriation) for ramp toll station at Leptokarya. (Pending)
- 12th Dispute**, the Concessionaire appealed on 01.10.10 as a result of non-acceptance of Relief Event (expropriation) for ramp toll station at Leptokarya. (Pending)
- 13th Dispute**, the State appealed on 07.10.10 as a result of non-acceptance of Relief Event (expropriation) for B560/561 and H425-428 of Bridge 19. (Pending)
- 14th Dispute**, the Concessionaire appealed on 08.10.10 as a result of non-acceptance

of Relief Event (expropriation) for B560/561. (Pending)

15th Dispute, the Concessionaire appealed on 08.10.10 as a result of non-acceptance of Relief Event (expropriation) for embankments for H425-428 of Bridge 19. (Pending)

16th Dispute, the State appealed on 18.10.10 as a result of non-acceptance of expropriation for embankment H419 of Bridge 17. (Pending)

17th Dispute, the Concessionaire appealed on 19.10.10 as a result of non-acceptance of Relief Event (expropriation) for embankment H419 of Bridge 17. (Pending)

18th Dispute, the State appealed on 25.10.10 as a result of non-acceptance of Relief Event (expropriation) for the Katerini BAKK. (Pending)

19th Dispute, the State appealed on 01.11.10, as a result of non-acceptance of unreinforced final lining of tunnel T3. (Pending)

20th Dispute, the Concessionaire appealed on 11.11.10 claiming intervention by the State as a result of its obstructing construction of the Leptokarya Ramp Toll Station and for loss of revenues. (Pending)

21st Dispute, the Concessionaire appealed on 29.11.10 a decision by the State by which it did not recognise the strike of 13-30.09.2010 of tanker truck and lorry owners as a force majeure. (Pending)

22nd Dispute, the Concessionaire appealed on 03.03.11 over non-collection of toll fees because of "unauthorised intervention by the State" (Seizures-Breach of Policing Agreement-Non-enforcement of Traffic Code-Non-adjustment of toll fees starting 01.01.11 and so on). (Pending)

23rd Dispute, the Concessionaire appealed on 20.04.11 the cancellation of a decision by Egnatia Odos SA (EOAE) invoking a penalty clause of the 3rd PLP. (Pending)

24th Dispute, the Concessionaire appealed on 17.06.11 in the case of an environmental permit for the Pelasgia Ramp Toll Station. (Pending)

25th Dispute, the Concessionaire appealed on 01.07.11 in the case of moving public utilities. (Pending)

Arbitration

1st Dispute, the Concessionaire appealed on 26.02.10 a decision by the State by which it did not recognise the rockfall at Tempi as a force majeure and a State Risk event. (Pending)

2nd Dispute, the Concessionaire appealed on 26.03.10 decisions by the State by which the farmer demonstrations in 2009 and 2010 were not recognised as force majeure event. (Pending)

3rd Dispute, the Concessionaire appealed on 16.04.10 the finding of the Technical Dispute Resolution Committee rejecting the Concessionaire's application for the construction of the Pyrgetos Toll Station. (Pending)

4th Dispute, the Concessionaire appealed on 16.04.10 the finding of the Technical Dispute Resolution Committee rejecting the Concessionaire's application for the

construction of the Kleidi Toll Station. (Pending)

5th Dispute, the Concessionaire appealed on 03.03.11 the non-acceptance of an automatic increase of the MTF to 4 cents/km starting 01.01.11. (Pending)

6th Dispute, the State appealed on 09.05.11 the finding of the 6th Technical Dispute Resolution Committee dated 07.04.2011 with regard to the diversion of the Mavroneri streambed. (Pending)

7th Dispute, the Concessionaire appealed on 05.05.11 the implementation of a discount policy for the Leptokarya Ramp Toll Station. (Pending)

AEGEAN MOTORWAY

Concessionaire Requirements as regards Disputes

Rebalancing² of the Project³ - Settlement of Disputes pending in Dispute Resolution Committees and International Arbitration

Dispute No	Matter of Dispute	Procedure	Current status	Contractual Challenge	Financial Challenge ⁴	Description of Financial Challenge
1	Pyrgetos	Arbitration	The appointment of the President has been requested	To recognize that the Arbitration Agreement is valid as regards the determination of the “written upraising of a dispute”	1,400,000.00	Advancement of works
					3,385,200.42	Loss of revenue
2	Second State Funding Contribution	Dispute Resolution Committee	The appointment of the President has not been requested			
3	Kleidi	Arbitration	The appointment of the President has been requested	To recognize that the Arbitration Agreement is valid as regards the determination of the “written upraising of a dispute”	2,266,000.00	Advancement of works
					6,059,266.02	Loss of revenue
4	Bridge B 535	Dispute Resolution Committee			-	
5	T1 Tunnel Lining	Dispute Resolution Committee			-	
6	Fall of rocks at Tempi	Arbitration	The Reference Terms have been signed; the	Recognition that the Fall of Rocks is a Force Majeure Event, under article 32.1(i) of the CC	3,243,406.01	Loss of Revenue after 01.04.10

² The term Project rebalancing means the Project's reinstatement to a new balance.

³ The present table is presented to the Greek State in the framework of a debate for the Project reinstatement without prejudice to the rights of the Parties and shall not be used by the Concessionaire or/and the Greek State for any other purpose.

⁴ All sums of the Financial Challenge do not include the contractual interest on deferred payment and legal costs and are subject to corrections and reviews.

Dispute No	Matter of Dispute	Procedure	Current status	Contractual Challenge	Financial Challenge ⁴	Description of Financial Challenge
			Concessionaire has made the first submission in April 2011	Recognition that Special Focus Areas (SFAs) 1 & 3-10 are not included in the Contractual Object of the Concessionaire. Granting of Time Extension for the 2nd ΑΤΠ to 29.7.2010. To dismiss the counter-claim of the State.	2,849,373.58	Construction costs for Special Focus Areas (SFAs) 1 & 3-10, the Itea-Rapsani road etc.
7	Farmers' Occupations for years 2009-10	Arbitration	The appointment of the President has not been requested	Recognition that occupations of the Motorway consist a breach of Article 2.4.1. of the CC. ⁵	1,129,878.92	Loss of Revenue for year 2009
					542,681.00	Prevention of Construction for year 2009
					559,403.45	Loss of Revenue for year 2010
					20,520.00	Prevention of Construction for year 2010
8	Installation Works on Mavroneri riverbed	Arbitration	A decision has been issued on the case by the Dispute Resolution Committee. The State submitted a request at Arbitration	To not set aside the EEDT (Committee of European Sectoral Dialogue) decision. Extension for the 3rd PLP to 16.02.2010.	1,214,504.29	60% of the Construction costs for the installation works on Mavroneri riverbed.

⁵ Article 2.4.1. of the CA: "The Hellenic State undertakes under the terms of the present and for a total time of the Concession Period: (i) to ensure to the Concessionaire the undisturbed exercise of his exclusive Project Exploitation Right"

Dispute No	Matter of Dispute	Procedure	Current status	Contractual Challenge	Financial Challenge ⁴	Description of Financial Challenge
9	Leptokarya Motorist Service Station (MSS)	Dispute Resolution Committee	The appointment of the Third Member of the Committee is pending	Recognition that the delay of issuance of an Environmental Permit has been delayed due to State liability		
10	Kleidi Toll Station Operation	Dispute Resolution Committee	The appointment of the Third Member of the Committee is pending	Recognition that the State proceeded to a State Intervention and that the Concessionaire must be compensated.	7,862,426.36	Loss of Revenue
11	Leptokarya Ramp Toll Stations	Dispute Resolution Committee	The appointment of the Third Member of the Committee is pending	Recognition that Concessionaire must be compensated by the State from 22.9.2010 to the completion of RTS construction. Recognition that the existing installation of the RTS is efficient as a permanent installation	510,475.00	Loss of Revenue
12	H409 Embankment	Dispute Resolution Committee	The appointment of the Third Member of the Committee is pending	Extension for the anticipated completion time of the Project, namely until November 2013	16,600,000.00	Concessionaire's Request for the extension of the time schedule of the period of Studies-Construction and review.
13	ΓE19 Embankments				82,994,495.00	Concessionaire's Request for the extension of the time schedule of the period of Studies-Construction and review.
14	B560/561 Bridges					
16	H419 Embankments at ΓE17					
17	Katerini North Junction					

Dispute No	Matter of Dispute	Procedure	Current status	Contractual Challenge	Financial Challenge ⁴	Description of Financial Challenge
15	T2 Tunnel Lining	Dispute Resolution Committee	The Third Member of the Committee has been appointed, and the procedure is in progress.	To dismiss the counter-claim of the State.	-	-
18	T3 Tunnel Lining	Dispute Resolution Committee				
19	Leptokarya Ramp Toll Stations II (State Intervention)	Dispute Resolution Committee	The appointment of the Third Member of the Committee is pending	Recognition that the occupations of the Motorway that prevented the construction of the Leptokarya Ramp Toll Stations consist a breach of article 2.4.1. of the CC and/ or State Intervention.	Negligible	
20	Force Majeure Event Truck Strike	Dispute Resolution Committee	The appointment of the Third Member of the Committee is pending	Extension and Compensation due to Force Majeure. No Time Extension is required in the event that a Time Extension is granted in the cases 8, 12 & 14 above.	3,118,000.00	
21	Toll Violators	Dispute Resolution Committee	The appointment of the Third Member of the Committee is pending	The State must resolve the issue of Violators and such violations must be reduced to a minimum percentage (as such calculated in the basic scenario of the F.M. a binding condition for the achievement of an agreement for the Project reinstatement. Furthermore, any increase of violations exceeding such percentage after the achievement of an agreement for the Project reinstatement shall be compensated by the State.	4,055,156.00	Loss of Revenue up to 30/4/11 (the sum increases)

Dispute No	Matter of Dispute	Procedure	Current status	Contractual Challenge	Financial Challenge ⁴	Description of Financial Challenge
22	Non increase of tolls of the 4th PLP	Arbitration	The appointment of the President has not been requested	The State must recognize that the Concessionaire is entitled to increase the toll duties after the 31.12.2010 after the achievement of the 4th PLP.	5,115,990.00	Loss of Revenue up to 30/4/11 (the sum increases)
23	Penalty Clauses of the 3rd ATP	Dispute Resolution Committee	The appointment of the Third Member of the Committee is pending	Recognition that penalty clauses shall not be imposed on the Concessionaire.		
24	Leptokarya Ramp Toll Stations II (Intervention to the Tolls Policy)	Arbitration	The appointment of the President has not been requested	Recognition that the Concessionaire is the only Party entitled to decide on the Tolls Policy within the provisions of the CC.	800,000.00	Loss of revenue
25	Pelasgia, Glyfa Ramp Toll Stations (Issuance of Environmental Permit)	Dispute Resolution Committee	The appointment of the Third Member of the Committee is pending	The State should issue the Environmental Permit so as to make the operation of the Ramp Toll Stations possible before the completion of the Mainline Toll Station detour.		
26	Displacement of Utilities Networks	Dispute Resolution Committee	The appointment of the Third Member of the Committee is pending			
	TOTAL				143,726,776	

AEGEAN MOTORWAY

Concessionaire – Manufacturer Total Claims

Cat. A	Construction Period Extension	103.3	Concessionaire and Construction Company Compensations
Cat. B	Tolls/ Violations	32	Kleidi, 4th ΑΤΠ, Violators
Cat. C	Concessionaire – State Disputes	41.9	Expropriations, early operation of Tempi, free pass for residents, interests etc.
Cat. D	Concessionaire/ Manufacturer – State Disputes	13	Stalies, Mavroneri etc.
	Total	190.2	Payable by November 2011

Cat. A Outstanding amounts due to extension of the Construction Deadline

Concessionaire (to be finalized) (Analysis 1)	€ 20.3m	Independent Engineer Cost, Insurances Solicitors Expenses, Management Expenses, swaps etc
Manufacturer (to be completed and documented) (Analysis 2)	€ 83m	Deadline Extension, operational expenses, Inflation etc.
Total sums	€ 103.3m	

Cat. B Tolls/ Violations

Compensation for the Kleidi Toll Station (Report Period: Jan '10 – Apr '11)	€ 7.8m	Payable July 2011
Compensation for the Kleidi Toll Station (Report Period: May '10 - November '11)	€ 4.2m	Payable November 2011
Compensation for non increase of the 4th ΑΤΠ (Period: Jan '11 – November '11)	€ 13.9m	Payable November 2011
Compensation for violators (Period: Oct '10 – November '11)	€ 5.9m	Payable November 2011
Total sum	€ 31.8m	

Cat. C Concessionaire – State Disputes

Additional expropriation costs	€ 1.0m	Payable October 2013
Early Drilling of Tempí	€ 2.9m	Payable November 2011
Katerini Lower crossing	€ 1.2m	Payable June 2012
Interests due to compensation delay (VAT, Kleidi, Emergency Lane (EL) etc.)	€ 4.0m	Payable November 2011
Legal Costs (Adjudications & Arbitrations)	€ 1.5m	
Waiver Fees (Senior Commitment)	€ 8.94m	
Residents' free pass (Leptokarya, Pelasgia)	€ 1.3m	Payable November 2011
Pyrgetos Arbitration	€ 4.8m	
Kleidi Arbitration	€ 8.3m	
Fall of Rocks at Tempí Arbitration	€ 3.2m	Loss of Revenue after 31/3/10
Farmer's occupation Arbitration	€ 1.7m	
Leptokarya Dispute	€ 0.5m	Operation delay
Legislation Amendment - ADR Classification	€ 0.25m	
Legislation Amendment - Detection of 2.5µm particles	€ 0.48m	
Leptokarya Tolls Station, gas station detour	€ 1.1m	
Leptokarya RTP, Discount Policy Issues/free passing Cat. 2	€ 0.8m	
Total sum	€ 41.9m	

Cat. D Concessionaire/ Manufacturer – State Disputes

Stalies	€ 4.10m	
SFAs (Fall of Rocks – Tempí)	€ 3.50m	
Mavroneri Arbitration	€ 1.20m	

Farmers and truck drivers strikes	€ 3.68m
Other dispute – related expenses	€ 0.50m
Total sum	€ 13m

<u>ANALYSIS 1</u>		Nominal prices '000 €
S/N	Concessionaire Additional Expenses	Total
1	Independent Engineer	4173
2	Insurances	4805
3	Management and general expenses	2239
4	Additional Legal Advisors' expenses for a long term solution	1200
5	Financial costs (Bondholder, Intercreditor, Bank Guarantees)	354
6	Sites expenses	1951
7	LTA	308
8	Bank Steering Committee (Project Reset Expenses)	920
9	Additional State Expenses (Facilities + Vehicles)	818
10	Additional net financial costs (SWAP restructuring)	3500
	Total sum	20,268

ANALYSIS 2

S/N	Manufacturer's Additional cost (€)	
1	Staff	25,175,555
2	Offices	820,162
3	Ongoing office costs	6,617,699
4	Site services	1,111,824
5	Subcontractors	18,449,566
6	Review	16,407,786

7	Security works	565,432
8	By mobilization	2,178,329
9	Equipment and Materials	12,056,928
	TOTAL	83,383,280

CHAPTER 6

Olympia Odos Motorway Concession Contract

6.1 Project Identity

Technical Scope: The Elefsina – Corinth – Patra – Pyrgos – Tsakona Motorway has a total length of 366 km. The Concession Contract includes the following:

- Construction, Operation, and Maintenance of New Motorway Sections with a length of 284 km from Corinth to Patra and from there to Pyrgos, the Alfeios River, and Tsakona, with 29 km of new tunnels and 8.5 km of new large bridges and over 270 interchanges and crossings.
- The improvement in construction and operation terms of 82 km of existing motorway from Elefsina to Corinth and the Patra by-pass route.

Concession Contract: The Concession Agreement was signed on July 24, 2007 and came into force on August 4, 2008 (Concession Commencement Date). The Shareholders of the Concession Company and their participation rates are as follows:

VINCI CONCESSIONS S.A.S.	29.90%
HOCHTIEF PPP SOLUTIONS GmbH	17.00%
AKTOR CONCESSIONS S.A.	17.00%
J&P AVAX S.A.	17.00%
ATHINA TECHNICAL S.A.	2.10%
GEK TERNA S.A.	17.00%

Construction Cost: The cost of the project's construction amounts to 2.138 million €. Absorption amounts to 27% and the completion rate of the project per section is displayed in the following table:

Table 6.1: Completion Rate of the Project by Sections

Completion Rate per Section (%)		
Elefsina – Corinth and Patra By-pass	Corinth – Patra	Patra - Pyrgos
80%	33%	20%

6.2 Financing of the Project

Financing of the project as of the Concession Commencement Date is displayed in the table below:

Table 6.2: Project Financing Sources

Share capital and shareholder subordinate loan	€ 200,732,000
State Financial Contribution	€ 607,057,525
Expected Toll Revenue during Construction Period	€ 943,766,000
Main Commercial Bank Loan (Loan margin of 105 basis points, duration of 13 years and average loan life of 7 years)	€ 937,000,000
Main Loan from the European Investment Bank (EIB) (With a borrowing margin of 0.35 basis points, duration of 13 years and average loan life of 7 years)	€ 200,000,000
TOTAL	€ 2,938,282,791

The project also includes a bridge loan facility against the State Financial Contribution in the amount of 364,586,286 €.

The lending banks that are participating in the main loan to the project appear in the chart below.

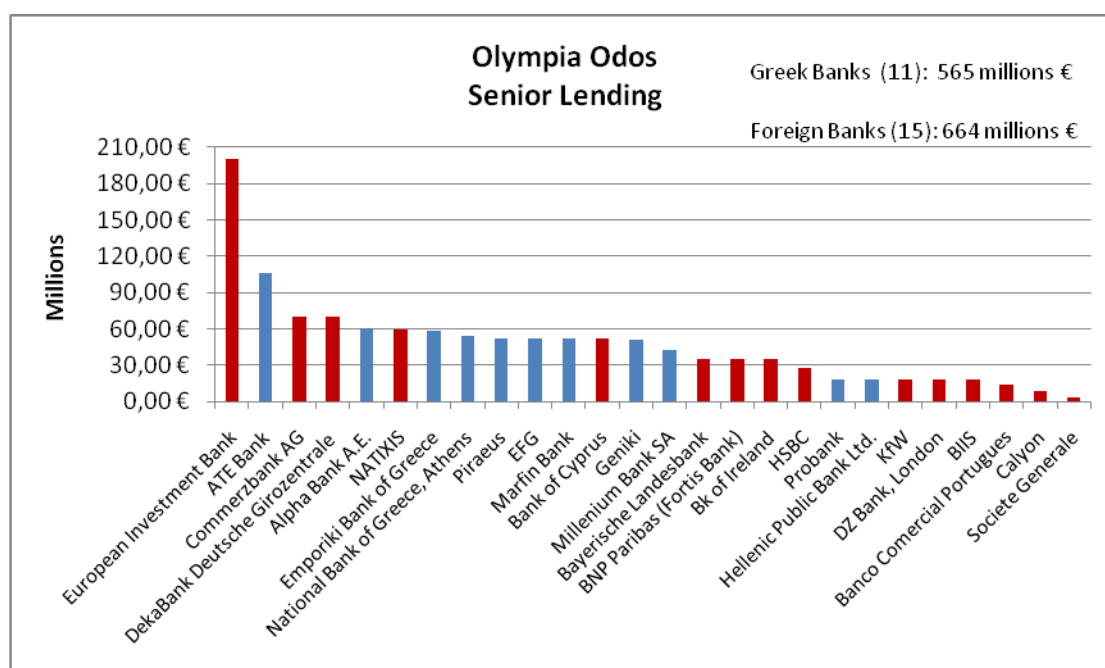


Figure 6.1: Banks Participating in Senior Project Loan

For risk assessment, on the Concession Commencement Date, the lending banks had elaborated their own scenarios with a basic and a low forecast for traffic and revenue. The table that follows was drafted based on these scenarios.

Table 6.3: Results of Financial Scenarios As of the Concession Commencement Date

	Nominal Prices '000 €	Total Project Income	State Revenue	Shareholders Return (IRR)
1	Banks' Main Scenario	18,855,334***	11,174,981	20.79%
2	Banks' Low Scenario	12,927,571**	749,197*	-
3	Base Case Bid Scenario	14,434,000	9,536,000	15.09%
4	Rate of Reduction	45% [(1) – (2) / (2)] 11% [(3)-(2)/(2)]		

*The Banks' low case scenario foresees the concession company defaulting in 2024; thus this amount does not include any income for the state after 2024

**The project's income for the entire concession period has been included regardless of the default. This income is reduced by 11% compared to the base case model.

***This income is 24% greater compared to the base case model.

Until today, the following have been paid for the project:

- By the shareholders of the Concessionaire: 84,079,415 €, that is, 42% of the committed investment (share capital and subdebt).
- By the state: 243,057,525 €, that is, 40% of the total State Financial Contribution.
- From tolls: 218,655,885 € (until June 30, 2011), that is, 23% of the total forecast until the end of the construction period.

The current liabilities of the state to the Concessionaire amount to:

- 5.77 million € approximately because of VAT not being reimbursed
- 25 million € approximately from loss of revenue until the end of 2010 (the amount has not been reviewed)

6.3 Traffic and Income Problems

Socio-economic circumstances affected the reduction of traffic and consequently the reduction of income from tolls, and created the perception of future reduced traffic and income as estimated by the Concessionaire. Furthermore, no toll posts were in operation, as was foreseen by the contract. A movement of citizens refusing to pay tolls has appeared, as have occupations of toll posts due to citizen protests for various reasons. Finally, due to a delay in the execution of the work, the price of the tolls has not increased according to the provisions of the Concession Agreement.

According to the charts below, (Concessionaire's data) it results that until now the income from tolls is lagging behind the forecasts (by 28%).

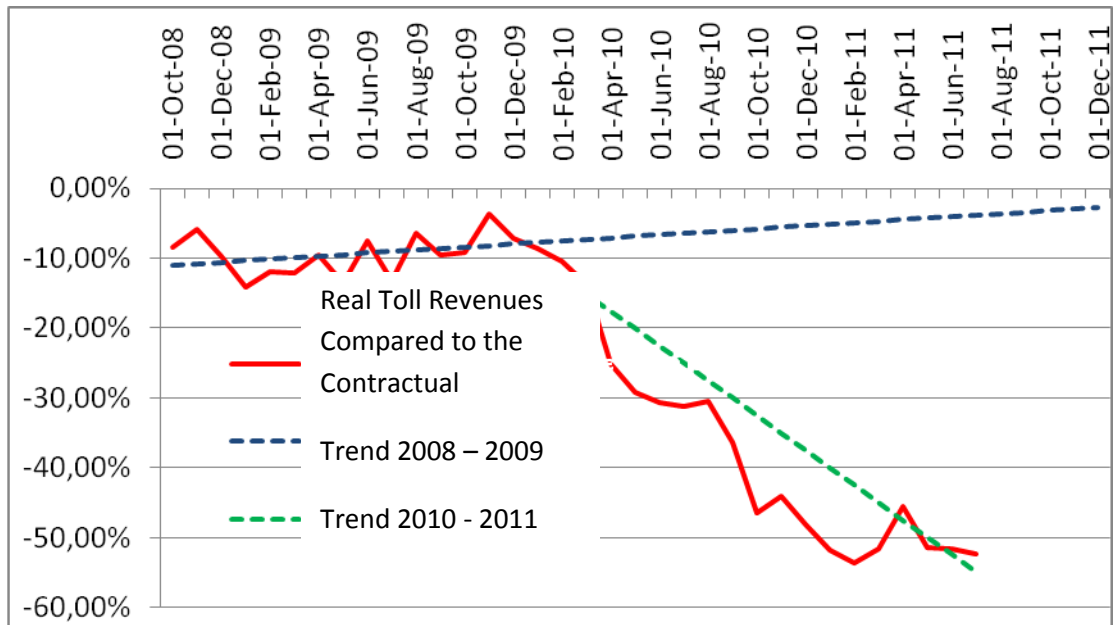


Figure 6.2A: Project Toll Revenues and future trends.

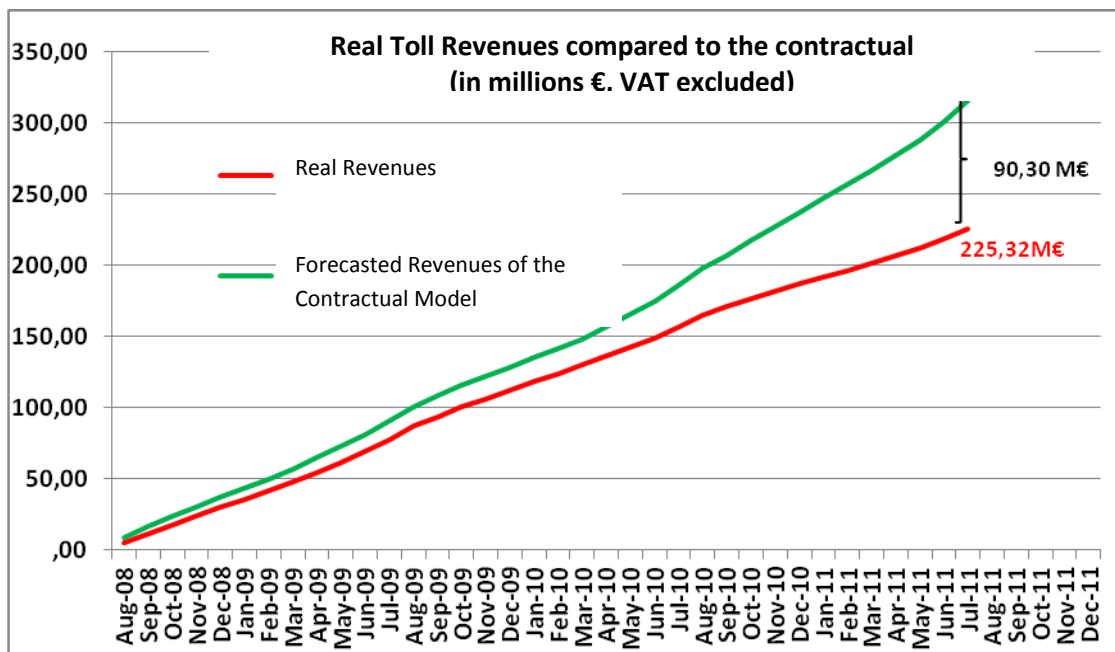


Figure 6.2B: Income of the Project from Tolls and Future Trends.

The updated income forecasts, as estimated by the Concessionaire and approved by the lending banks, show an overall decrease in income of 45% compared to the forecasts as of the Concession Commencement Date. Based on these data, it is evident that the project is facing funding shortfall for its implementation.

The movement of citizens who refuse to pay the tolls (mainly because of the unfair charging system), as well as the occupation of toll stations, contributed to the further reduction of income from tolls. Descriptive charts follow.

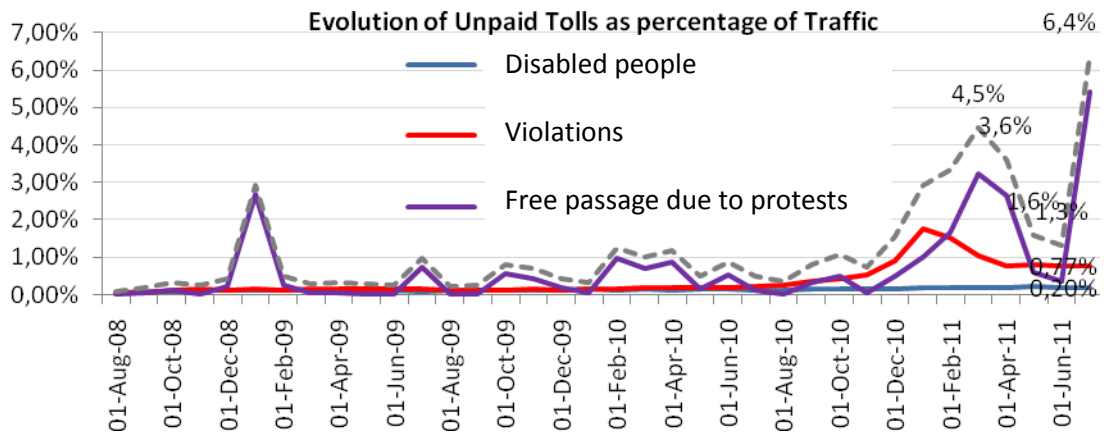


Figure 6.3: Unpaid Toll Crossings as a Percentage of Traffic.

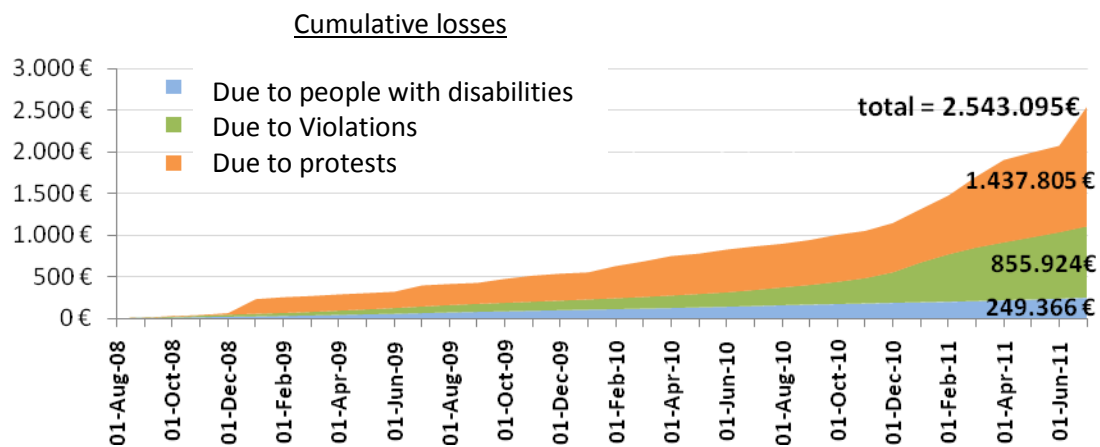


Figure 6.4: Cumulative Losses Due to Unpaid Tolls (VAT not Included).

The lending banks estimated that the viability of the project is at risk and they postponed its financing. The result of this draw stop event was the current postponement of the construction work by the Concessionaire.

Confirming in practice its interest in finding a solution that will reinstate the long-term contractual balance and viability of the Concession Contract (Long-term Solution), the State has signed a “Framework of Understanding” jointly with the Concessionaire on June 9, 2011, which, among other things, defines the principles and the schedule that will be followed during the negotiations. Afterwards, working groups (Technical, Legal, tolls, and Financial) were formed jointly (state, Concessionaire, banks) in order to investigate the particular problems and submit proposals..

6.4 Technical Issues / Problems – Deadlines

For the track in the area of Kaiafas and Zaharo an appeal to the Council of State was filed for environmental reasons. On December 8, 2010 Decision 2473/2010 of the Council of State was published, in which the approved Environmental Terms of the project were repealed in the entire area of the Municipality of Zaharo from Kato Samiko to the Nedas River (boundary between the Provinces of Messinia and Ilia), that is, for a length of approximately 22 km.

For the track in the area of Vrahneika in the Patra – Pyrgos (PA-PY) Section, Mindilogli Interchange – Kato Ahaia Interchange Sub-section (with a length of 18 km) an appeal has also been filed with the Council of State for environmental reasons and was discussed on March 15, 2011, but no decision has been issued yet.

In order to complete the studies in the Korinthos – Patra (KO-PA) Section, the state, the Concessionaire (and its construction company) signed on a Memorandum of Understanding on the planning to be applied on June 14, 2010. The signatories expressed a clear reservation regarding any economic or other impact that may arise from following it. In this framework, the appraisal by the competent service of the reduction of the construction cost of the project of the section in question ensuing after the application of the Memorandum amounts to approximately 40 million €.

A respective Memorandum is also expected to be signed also for the PA – PY Section.

Moreover, during the implementation of the project, the need for additional work has arisen, which was mainly due to the proximity of the project to the High-Speed Rail Line (HSRL) in the KO – PA Section, modifications in planning because of archaeological findings, etc. The estimated cost of this work, according to the concession holder and the construction company, amounts to about 100 million €.

Due to the delay in delivery of the sites for the project by the state, the Concessionaire is making a claim for compensation for loss of income and increased construction expenses, as well as an extension of the deadline.

To date, in the KO-PA Section, land expropriation has advanced significantly and it is estimated that by November 2011 all the sites of the project will have been delivered to the Concessionaire.

For the PA-PY Section, the initial land expropriations have taken place until the Pyrgos Entrance Interchange and the sites have been delivered, with the exception of the disputed section in the area of Vrahneika. It is estimated that by March 2012 the additional expropriation will have been completed, part of which has been requested by the Concessionaire.

In the Pyrgos – Tsakona Section, land expropriation has not advanced.

Because of these delays, the Concessionaire is asking for the following extensions of deadlines in order to implement the project from Elefsina to Pirgos.

Table 6.4: Extensions of the Construction Milestones that the Concessionaire is Requesting.

Sections	Contractual Date	New Requested Date	Delay
Ancient Corinth – Kiato Interchange	April 4, 2011 Extended until June 30, 2012	December 31, 2013	33 months
Kiato Interchange – Aigio Interchange	June 4, 2011 Extended until April 4, 2012	October 31, 2013	29 months
Aigio Interchange– Arahovitika Interchange	February 4, 2012	July 31, 2014	30 months
Arahovitika Interchange – Rio Interchange – Exit 1	April 4, 2011 Extended until June 30, 2012	March 30, 2014	36 months
Kato Ahaia Interchange – Pyrgos Entrance Interchange	February 4, 2012	August 3, 2014	27 months

The state has pointed out that only a part of the requested extensions is due to the delays in the expropriations. In particular, the concession holder delayed the preparation of designs for the project. This delay was particularly notable at the beginning of the project, when the concession holder was seeking the modification of the Main Plan.

Furthermore, the state does not accept all of the delays that are due to the postponement of the project's financing by the banks, which delayed the project for approximately a year.

Due of the problems above, as well as the reduced traffic and income respectively, it results that it is not possible to construct the entire Concession Project in the framework of the current contract without additional financing.

In view of this, three cases are being examined:

- Case 1: The original Concession Contract.
- Case 2: Limitation of the Concession Contract to the Sections from Elefsina to the Patra By-pass and from Kato Ahaia to the Pyrgos Entrance Interchange.
- Case 3: Limitation of the Concession Contract to the Section from Elefsina to the Patra By-pass. The Section from Kato Ahaia to the Pyrgos Entrance Interchange is to be built as a public works project (conventional procurement).

6.5 Compensation, Penalties, Technical Disputes, and Arbitration Procedures

The construction company submitted its claims for compensation until now, which are presented in the table below, formally or informally in the framework of the work of the Technical Group.

Table 6.5: Claims for Compensation by the Construction Company.

Construction until Patra	Amount in million €	Construction until Pyrgos	Amount in million €
Expenses for additional work by the state	98.56	Expenses for additional work by the state	98.56
Completion of Patra – Pyrgos Section Design works	2.00	Work in the Mindilogli – Kato Ahaia Section	15.66
Safeguarding Work, Patra – Pyrgos Section	5.00		
Phasing	87.42	Phasing	45.46
Additional Revision	65.30	Additional Revision	87.50
Cost of Suspension of Work	9.70	Cost of Suspension of Work	9.70
Cost Due to Delayed Work	151.96	Cost Due to Delayed Work	170.34
Other Work	pending	Other Work	pending
Flawed Construction	7.92	Flawed Construction	7.92
Interest	2.51	Interest	2.51
Total	430.38	Total	437.65

From an initial evaluation of the construction company's claims, it is pointed out that the state:

- Cannot accept the entire responsibility for the delay and therefore the entire compensation arising from this
- Cannot accept compensation of the construction company for loss of income in the case that the overall project will not be built
- Has to claim the amount equal to the scope decrease due to the application of the Memorandum
- Is liable for compensation for any additional work, which must, of course, be defined according to what is foreseen by the Concession Contract.

It is evident that the compensation claims expressed by the construction company have been excessively exaggerated and will be reduced significantly after the due diligence.

The concession holder also submitted his claims for compensation until now, which are presented in the table below, formally or informally in the framework of the work of the Technical Group.

Table 6.6: Compensation Claims by the Concessionaire.

Loss of income until June 30, 2011

Continued Operation of the Elefsina Interchange	24.35
Impact of the Delays on Income	42.49
Loss of Income Due to Extension of the Deadline for the KO-PA Section	10.90
Losses Due to Changes in Legislation and the Crisis	36.41
Losses Due to Non-payment of Tolls by Groups of Citizens	2.02
Maintenance of the Patra – Pyrgos Section	9.00
Cost of Re-establishing Financial Balance	25.00

Total	150.17
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It is evident that the claims for compensation made by the Concessionaire have been exaggerated excessively and will be reduced considerably after the due diligence.

Some of the above claims by the concession holder, as long as they are documented appropriately in contractual terms, may be acceptable for the state following an audit and may be integrated in the new Financing Model.

In any case, it is expedient to agree on the real amount of compensation for the Concessionaire that will be at the state's expense as soon as possible, in order to contribute positively to the new final definition of the project in financial terms.

6.6 The Position of the Banks and Negotiable Elements

The Steering Committee of the Banks made its claims known to the state and the Concessionaire; they are summarized as follows:

- Keeping the debt service cover ratios as recorded in the model at the concession commencement date.
- Ensuring the sources of income that are necessary for the completion of the construction during the Construction Design Period.
- Securing the viability of the project and as a result, service of its debt obligations during the Operation and Maintenance Period.
- Increase of the loans' borrowing margin to 350 basis points for commercial banks and 122.5 basis points for the European Investment Bank.
- Payment of a waiver fee (1,5% of the amount of the loans).
- Reduction of the banks' exposure.

6.7 Results of the Updated Financing Model and Sensitivity Analyses

In the specific Financing Model and for each Toll Plaza, the daily calculation of income from tolls takes place by multiplying the charge by vehicle category (in euro per passage) by the daily traffic in the respective categories of vehicles (total crossings).

Afterwards, the amount that results is multiplied by the calendar days of each calculation period in order to calculate income from tolls on a monthly (Period T1) and semiannual (Period T2) basis.

The respective inflation adjustment is applied to the amount that results according to the above procedure.

From the model of the Concessionaire it is not possible to draw a clear conclusion about how to calculate the charge per vehicle category in euro per crossing, since in the model the price is inserted as a figure and not as the product of the toll fee and the distance in kilometers.

Case 1: Construction of the Entire Project

The viability of the project was examined under the following conditions:

- Decrease in traffic income by 45% (according to the Concessionaire).
- Concession Commencement Date model: borrowing margin of 105 basis points for commercial banks and 35 basis points for the European Investment Bank.
- Construction of the entire project with a cost of 2.138 million €.

With the data above, the project cannot be constructed in its entirety, even if the state takes over the payment of the loans during the operation period from the income of the project, because additional funding is required during the construction period (a funding shortfall is created) on the order of 150 million € (scenario 4). The cash-flow to the shareholders of the Concessionaire is zero.

Apparently, the construction of the project is not possible in the case that reduced traffic is combined with an increase of the margin of the borrowing interest to 350 basis points and a waiver fee.

Under the new conditions, the Concessionaire has proposed the construction of the project as far as Patra.

Case 2: Concession Contract to the Pyrgos Entrance Interchange without the Mindilogli – Kato Ahaia Section

In this case, construction of the project south of the Pyrgos Entrance Interchange is canceled because of the decision of the Council of State, as is the construction of the Mindilogli – Kato Ahaia Section as well, due to the appeal submitted to the Council of State. The Kato Ahaia Interchange is built in order to connect the Motorway with the existing Highway at 17+000 km. 2 km of the Highway are improved at the location in question in order for adjustment and connection to take place. The Vrahneika Toll Post is moved and built at Kareika. Public works projects for improvement and road safety are executed in the existing sections of the Highway from Pyrgos to Tsakona and from Mindilogli to Kato Ahaia.

In the concession holder's updated model, the cost of construction reaching Pyrgos amounts to 1570 million €, without reducing the state's financial contribution.

In the concession holder's model (in the case of traffic reduced by 45% and margins increased as above in accordance with the banks' demands), a funding shortfall of 250 million € is created during the construction period, the state's income is reduced to zero, and the concessionaire's income increases significantly (3785 million euro instead of 585 in the banks' base case model - Scenario 6).

The state put forward some new working hypotheses in the new Financing Model, in order to investigate the sensitivity of various parameters. The respective data are displayed in the table and figures below.

Concerning the state's income at nominal prices from the various scenarios, which are set out below, the following can be observed:

- As was mentioned earlier, according to the Financing Model from the Concession Commencement Date, the state will collect 66% of the project's total income.

- According to the Concessionaire's updated Financing Model (Scenario 6), the state will collect 0% of the project's total income and a funding shortfall of 250 million € will be created.
- According to Scenario 16 in the sensitivity analysis (traffic reduced by 43.9%, contractual borrowing margins, and zero IRR for the Concessionaire), no funding shortfall is created during construction and the state will collect 57.41% of the project's total income. The banks' exposure is reduced in terms of the level of lending, but it increases in terms of the duration of the loan, which is extended from 12.5 years in the contractual scenario to 15 years.
- If traffic is reduced by less (to -22.5% compared to that of the Concession Commencement Date), with the above conditions, no funding shortfall arises during construction and the state's income (Scenario 17) will reach 70.25% of the project's total income. In this scenario as well, the banks' exposure is reduced in terms of the level of lending, while the duration of the loan remains at 12.5 years.

Table 6.7A: Financing Model Scenarios.

Models	CONCESSION AGREEMENT UNTIL PYRGOS				
	Concessionaire's Updated Model	200 bps / sweep, 6% IRR	200 bps / sweep, -22.5%, 7.5% IRR	95 bps / sweep, 0% IRR no swap reprice	95 bps / sweep, -22.5%, 0% IRR no swap reprice
Scenarios	6	12	13	16	17
Decrease of Income from Traffic Compared to the Forecast when the Contract Was Signed	-45%	-43.9%	-22.5%	-43.9%	-22.5%
Loan margin	350	200	200	95	95
Rate of Return (IRR) on the Shareholders' Equity	16.4%	6.0%	7.5%	0.0%	0.0%
Duration of the Main Loan (years)	15	16.5	13.5	15	12.5
Total Income from Traffic at Nominal Prices	7886	8103	11,187	8103	11,187
State Income (million €) at Nominal Prices	-	3773	7238	4652	7859
Net Present Value	-	480	995	618	1176
Flows to the Shareholders at Nominal Prices	3785	630	469	210	209
State Financial Contribution	608	608	608	608	608
Funding Shortfall	249	-	-	-	-

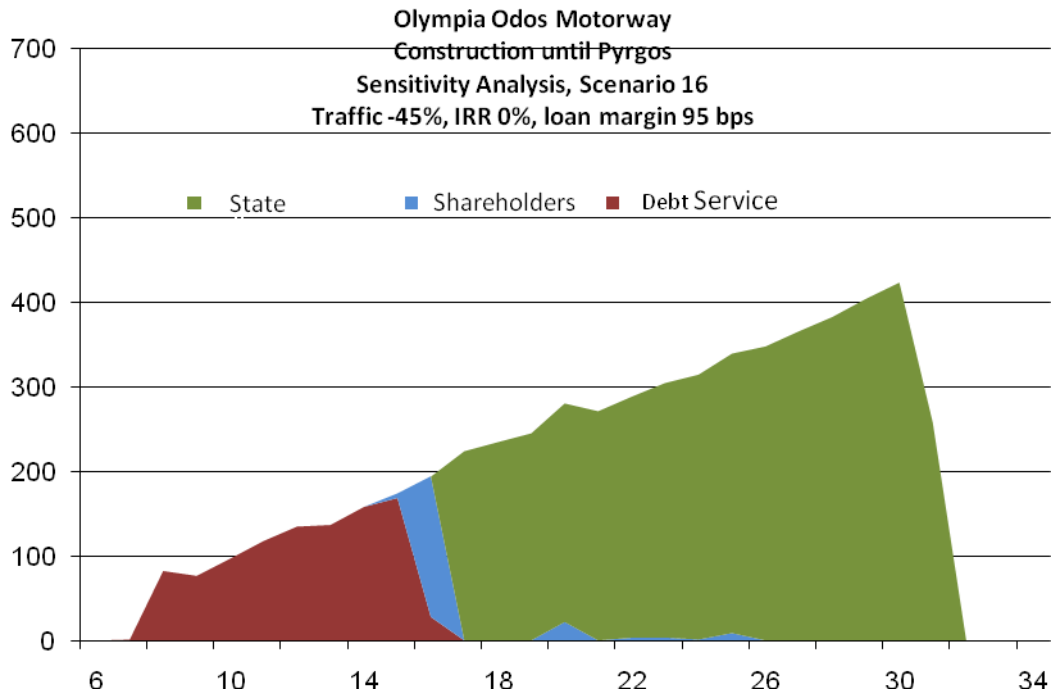


Figure 6.5: Scenario 16 – Traffic -45%, IRR 0%, Loan Margin 95 bps

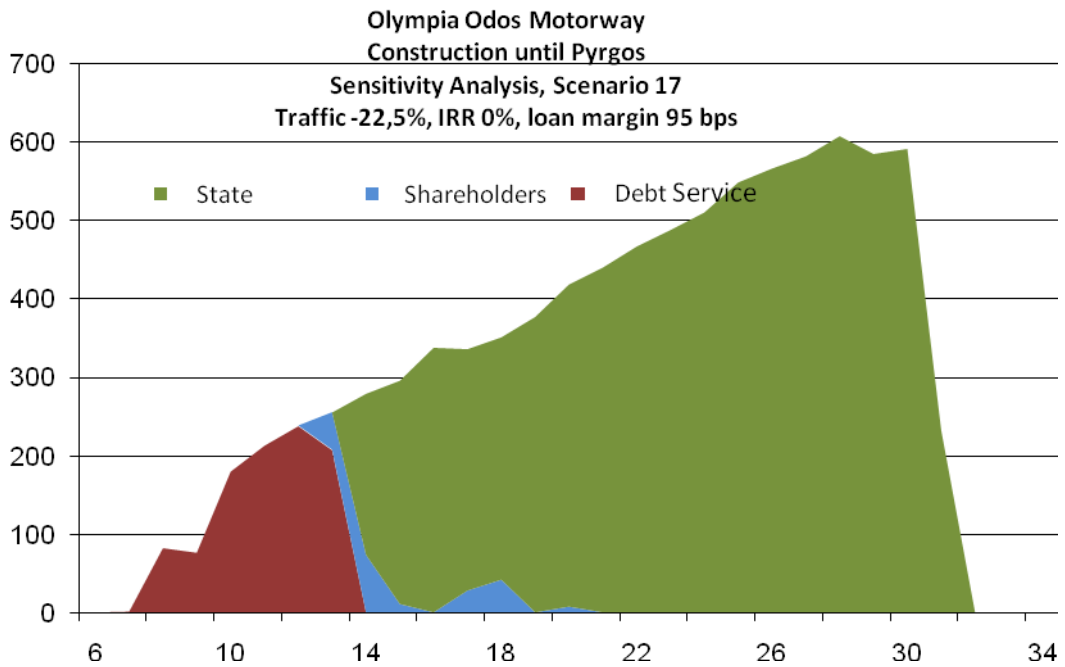


Figure 6.6: Scenario 17 – Traffic -22,5%, IRR 0%, Loan Margin 95 bps

Case 3: Concession Contract Valid until Patra and Construction of the Kato Ahaia – Pyrgos Entrance Interchange Section as a Public Works Project

In the Concessionaire's updated model until Patra, the cost of construction for the project amounts to 1,338 million euro. In this case, the Concessionaire considers it possible to reduce the state's financial contribution to 400 million € (from 608 million €, which was foreseen by the contract).

In the Concessionaire's model (with a reduction of traffic by 45% and an increase of the margins as above, in accordance with the banks' demands), the state's income from tolls is reduced to zero, but the flows to the shareholders increase significantly (3262 million € instead of 585 in the contract's model) (Scenario 5).

The state inserted new working hypotheses in the Financing Model in order to investigate the sensitivity of various parameters. The respective data are displayed in the table and figures below.

Concerning the state' income in nominal prices from the various scenarios set out below, the following can be observed:

- According to the Financing Model as of the Concession Commencement Date for the Concession Contract, the state will collect 66% of the project's total income (Scenario 1).
- According to the Concessionaire's updated Financing Model (Scenario 5), the state will collect 0% of the project's total income from tolls.
- According to Scenario 14 in the sensitivity analysis (traffic reduced by 45%, contractual margins for borrowing interest and zero IRR for the Concessionaire's shareholders) the state will collect 57.84% of the project's total income. The banks' exposure is reduced in terms of the level of borrowing but increases with respect to the duration of the loan, from 12.5 years in the contractual scenario to 15.5 years.
- As long as traffic increases (to -22.5% of the Concession Commencement Date's forecast), with the same conditions as above, the state's income (Scenario 15) will reach 70.37% of the project's total income. In this scenario, the banks' exposure is reduced in terms of the level of borrowing but increases with respect to the duration of the loan from 12.5 years in the contractual scenario to 13 years.
- The remaining 208 million € of the financial contribution are almost sufficient in order to construct the Kato Ahaia – Pyrgos Interchange Section as a public works project (1570 – 1338=232).

Table 6.7B: Financing Model Scenarios.

Models	THE ENTIRE PROJECT					CONCESSION CONTRACT UNTIL PATRA							
	Traffic Scenarios As of the Concession Commencement Date			Contractual Model / Reduced Traffic	Contractual Model / Reduced Traffic / Substitution of Concession Holder	Concessionaire's Updated Model	Concessionaire's Updated Model with Increased Traffic	200 bps / sweep, 6% IRR	200 bps / sweep, -22.5%, 6% IRR	200 bps / sweep, -22.5%, 7.5% IRR	200 bps / sweep, -22.5%, 9% IRR	95 bps / sweep, 0% IRR	95 bps / sweep, -22.5%, 0% IRR
	Contractual Model	Banks' Low Case Model	-20% compared to Starting Date Income										
Scenarios	1	2	3	4	4a	5	7	8	9	10	11	14	15
Reduced income from traffic compared to the forecast upon the contract's signature	-	-10%	-20%	-45%	-45%	-45%	-22.5%	-45.0%	-22.5%	-22.5%	-22.5%	-45.0%	-22.5%
Loan margin	95	95	95	95	95	350	350	200	200	200	200	95	95
Concession Holder's Equity Rate of Return (IRR)	15,1%	-	-	-	-	15,0%	20,8%	6,0%	6,0%	7,5%	9,0%	0,0%	0,0%
Duration of the main loan (in years)	12.5	12.5	13	Unable to service	13	19	15	16	13.5	13.5	13.5	15.5	13
Total income from traffic at current prices	14,434	12,927	11,570	7,885	7885	7,886	11,187	7,886	11,187	11,187	11,187	.886	11,187
State income (million €) at current prices	9536	8602	7842	5538	2559	-	-	3843	7400	7148	6826	4561	7872
Net Present Value	1407	1269	1155	798	175	-	-	494	1091	1055	1012	611	1167
Flows to the Concessionaire's shareholders (nominal prices)	585	165	0	-	-	3262	5.525	606	607	818	1076	210	210
State's financial contribution	608	608	608	608	608	400	400	400	400	400	400	400	400
Funding shortfall	-	-	-	150	150	-	-	-	-	-	-	-	-

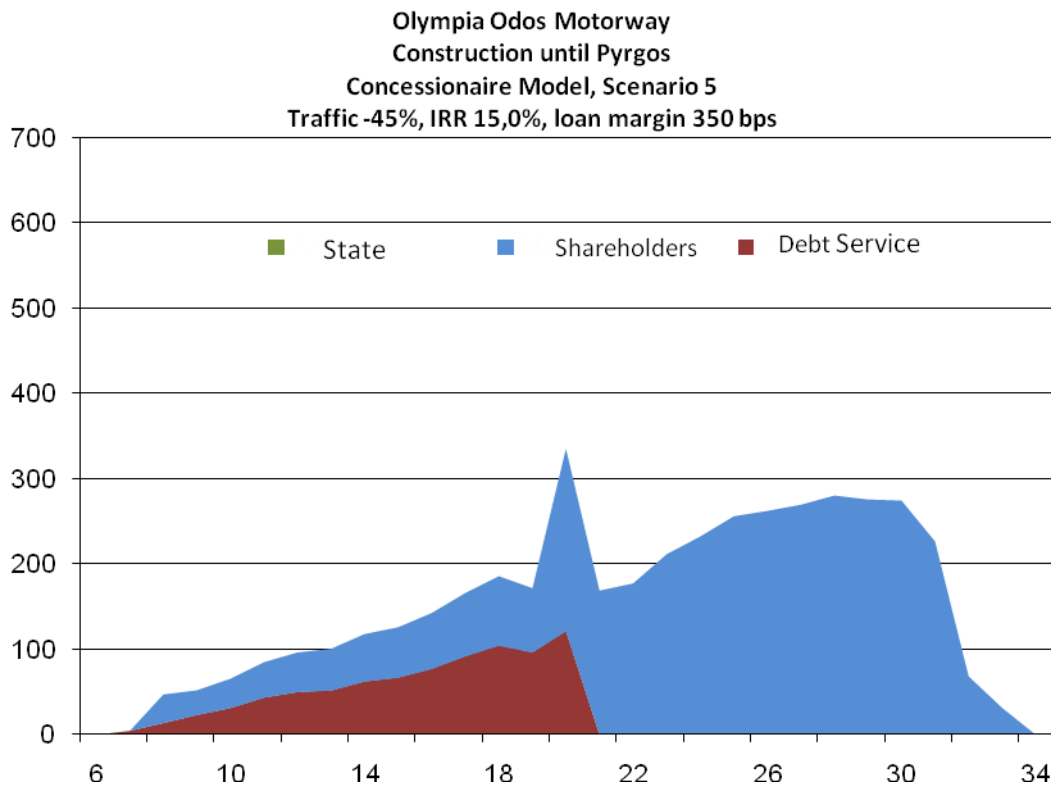


Figure 6.7: Scenario 5 – Traffic -45%, IRR 15%, Loan Margin of 350 bps

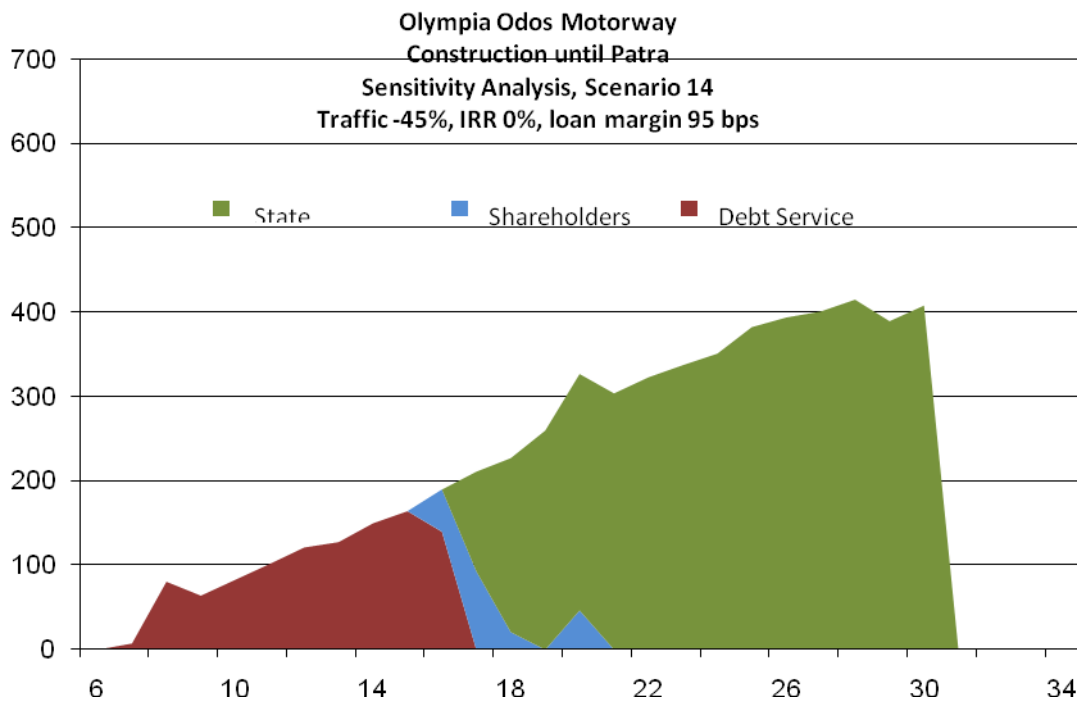


Figure 6.8: Scenario 14 – Traffic -45%, IRR 0%, Loan Margin of 95 bps

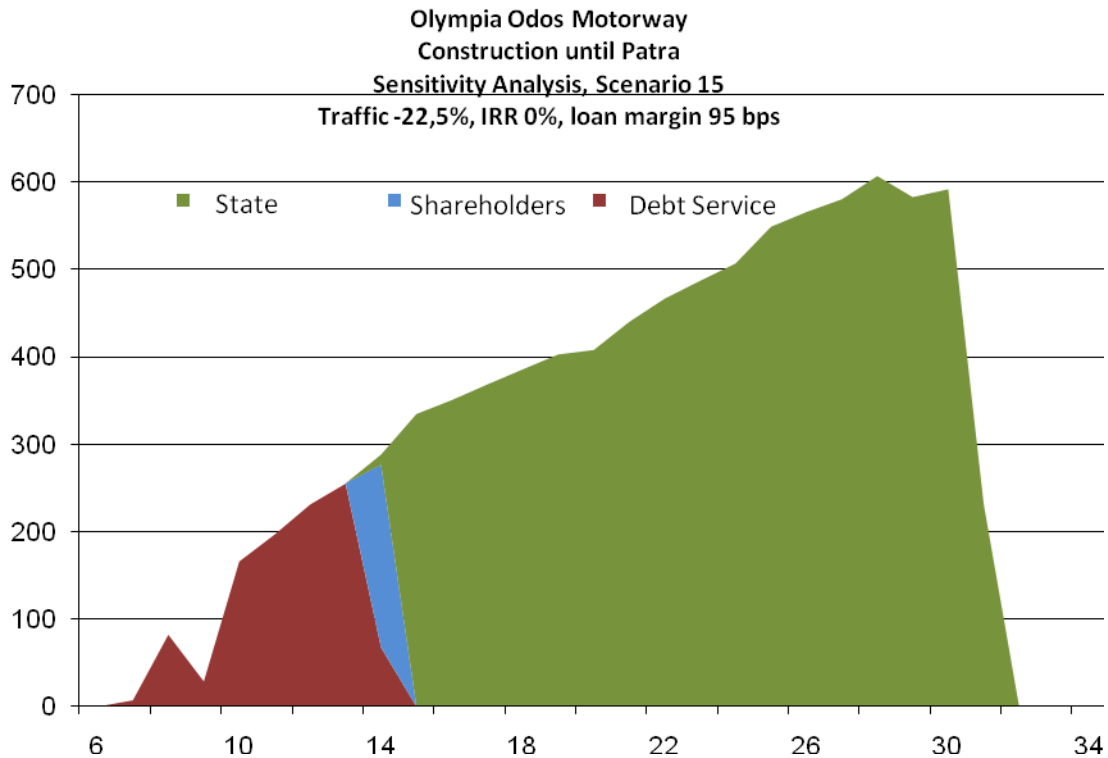


Figure 6.9: Scenario 15 – Traffic -22.5%, IRR 0%, Loan Margin of 95 bps

6.8 Evaluation of the Scenarios

The state's position in the sensitivity analysis scenarios that include partial construction of the project, a zero IRR on the Concessionaire's equity, and no increase of the borrowing interest margins does not seem to be substantially affected in any case. Its income is simply reduced due to a decrease in traffic.

The position of the banks improves because on the one hand, the borrowing margin does not increase, but their exposure is reduced in terms of the amount of the loan, even in the case that the entire project is not constructed. Their position improves even further as long as a cash sweep is applied for their repayment, especially during the first years of operation.

It is a fact that a decrease in traffic or income on the order of 45% is very significant and in such a situation, it is evident that everyone needs to withstand some pressure and accept reasonable losses:

- The loans' interest rate will not increase, but the exposure of the lending banks will be reduced, and thus it will be balanced, because the interest rate will no longer correspond to the market lending rate.
- The state will collect a part of its budgeted income from the project (however, with the possibility of its income being brought back to contractual levels in the case that traffic improves) and
- The Concessionaire's shareholders will have the IRR as forecasted by the banks' low scenario, that is, a much lower IRR than the one foreseen in the banks' base scenario.

The following can also be noted:

- The contractual duration of the project's construction is 72 months (from August 4, 2008 until August 3, 2014). In the framework of the long-term solution, the Concessionaire proposes completing construction by July 31, 2014, that is, within the contractual construction period. However, he is requesting an extension of the exclusive internal deadlines, since the possibility of building the last section of the project, from Pyrgos to Tsakona, which was also the last one in the construction schedule, has been excluded. This amount of time is mainly required due to delays in land expropriation, archeological work, etc., but also due to the suspension of the work, which to a large extent was a consequence of the lending banks suspending the project's financing. With this extension, on the one hand the work is completed, since it is possible to facilitate the project's financing based on Article 20 of Law 3897/2010 (anticipated payment of the financing contribution).
- The state must inspect the traffic model that the Concessionaire is presenting (45% less income compared to the model from the concession Commencement date).
- According to the sensitivity analysis scenarios, in the case that part of the project is built and not the entire project, the borrowing margins do not increase and the Concessionaire's shareholders' return is reduced to zero, the project's income allows servicing of the loans, under the condition that the state, together with the concession holder, will provide a part of its income from the project that corresponded to it originally based on the Concession Contract. More specifically, during the first years following completion of the construction work, all the project's income that was destined for the concession holder will be made available to pay off the loans.
- In any case, the state must set an acceptable expenditure limit for the operation and maintenance of the project that will be lower than the one foreseen in the Concession Contract.

Lastly, the following are pointed out:

- Scenario 3, that is, limiting the Concession Contract to Patra and building the Kato Ahaia – Pyrgos Entrance Interchange Section as a public works contract, is preferable.
- Any improvement of the traffic or income of the project compared to the forecast of a 45% decrease, up to a decrease of 11%, will be exclusively for the benefit of the state and will not change the agreed IRR for the Concessionaire (zero rate of return).
- In the case of a smaller decrease in the project's traffic or income (that is, one not exceeding 11%), it will be possible to examine improving the Concessionaire's IRR.
- In the case that the state finally collects the amounts that it made available in order to support the project's viability, the viability support measures (limitation of income, return on equity, etc.) will end and the provisions of the Concession Contract will be applied.

These measures must constitute the subject of an agreement between the state and the Concessionaire. In any case, their acceptance by the lenders is also required, in accordance with the terms of the established Loan Agreements.

OLYMPIA ODOS MOTORWAY

CLAIMS OF THE CONCESSIONAIRE/ CONSTRUCTION COMPANY

No.	Document Number	Demand by the Concessionaire	Amount
1.	SER/GBG/082/2011/9-03-11	Notification of a delay due to archeological research in the area of the eastern entrance to the Akrata Tunnel.	249,435.42€ (without VAT)
2.	SER/GBG/083/2011/9-03-11	Notification of a delay due to a delay in making sites available for the main Operation and Maintenance Center in Nea Peramos	24,262,896.00
3.	SER/GBG/089/2010 15/03/11 (Π1 17500)	Loss of toll income due to a protest at the toll posts	62,500.19
4.	September 13, 2010	Application for arbitration against the state concerning the OLYMPIA ODOS MOTORWAY in order to recognize that the Concessionaire is not responsible for the repair of defects in the road surface in the Elefsina – Corinth Section.	8,800,000 (without VAT)

CHAPTER 7

Ionia Odos Concession Contract

7.1 Project Identity

Technical scope: The Project has been included in the Trans-European Transport Network – TEN-T (Decision 1692/96/EC) and includes:

- Construction of the new motorway named “Ionia Odos”, approximately 196 km long, ranging from Antirrio to the Interchange (IC) with the Egnatia Odos motorway in the region of Ioannina
- The upgrade of the PATHE motorway over a length of approximately 172 km, from Metamorphosis IC to Skarfeia.
- The new 11 km long PATHE connecting branch between Schimatari and Chalkis.

Concession Contract (CC): The CC was signed on 19-12-2006 and entered into force (Concession Commencement Date – CCD) on 19.12.2007. The shareholders of the Concessionaire are the following companies holding the following percentage shares:

CINTRA S.A.	33.34%
GEK – TERNA S.A.	33.33%
IRIDIUM	1.33%
ACS	23.00%
DRAGADOS S.A.	9.00%

Project Financing: According to the Financial Model (FM) of the CC, the financing of the project in € is as follows:

Table 7.1: Project financing sources

Share capital and Concessionaire Shareholder subordinated loans	192,000,000
State Financial Contribution	360,000,000
Expected toll revenue during the construction period	883,000,000
Main Loan (with a margin of 95 bps, a duration of 30 years and an average loan life of 10.35 years)	109,600,000
Total Financing Sources during the Design – Construction Period	1,545,000,000

The following figure presents the participation of each Bank in the lending.

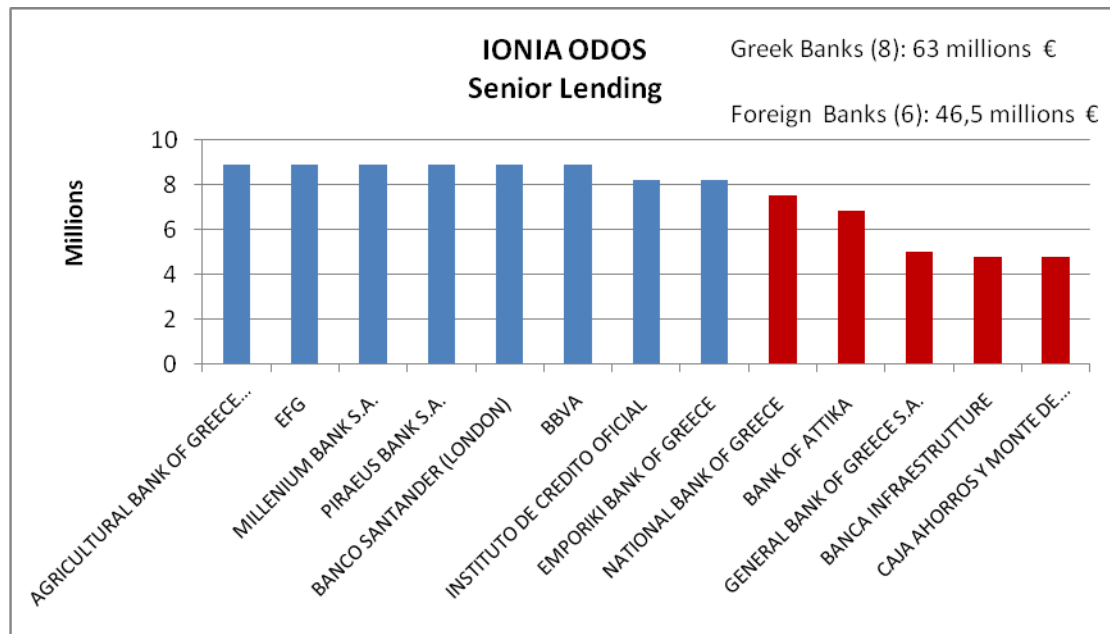


Figure 7.1: Participation of Banks in Lending for the Project

At the time of signing of the contract, the FMs of the Banks present the following results:

Table 7.2: Results of financial scenarios on the CCD

Current prices €	Bank Base Case	Bank Low Case	Reduction Percentage
Total project revenue	14,158,698,534	12,173,697,766	-14.02%
State revenue	10,896,209,310	9,458,847,117	-13.19%
Concessionaire shareholders IRR	7.93%	-	

To date, the following amounts have been paid for the project:

- €120 million by the shareholders of the Concessionaire, i.e. 62.5% of the committed investment (share capital and shareholders subordinated loans).
- €140 million by the State, i.e. 39% of the total State Financial Contribution (SFC).
- €231 million from tolls (until 30-6-2011), i.e. 26.1% of total projected revenue until the completion of construction (significantly lower than projections).

Project Cost: The total construction cost of the project is €1,115 million. To date, works worth €299 million have been certified and €262 million has been paid to the Constructor. The Project completion percentage rate amounts to approximately 30%.

The items currently due by the State to the Concessionaire amount to:

- €116 million from loss of revenue (non-audited amount).

7.2 The problems

The actual toll revenue (Concessionaire's data) is significantly lower than the CCD projections (exceeding 30%). The following figures present revenue per month and cumulatively until 30.6.2011.

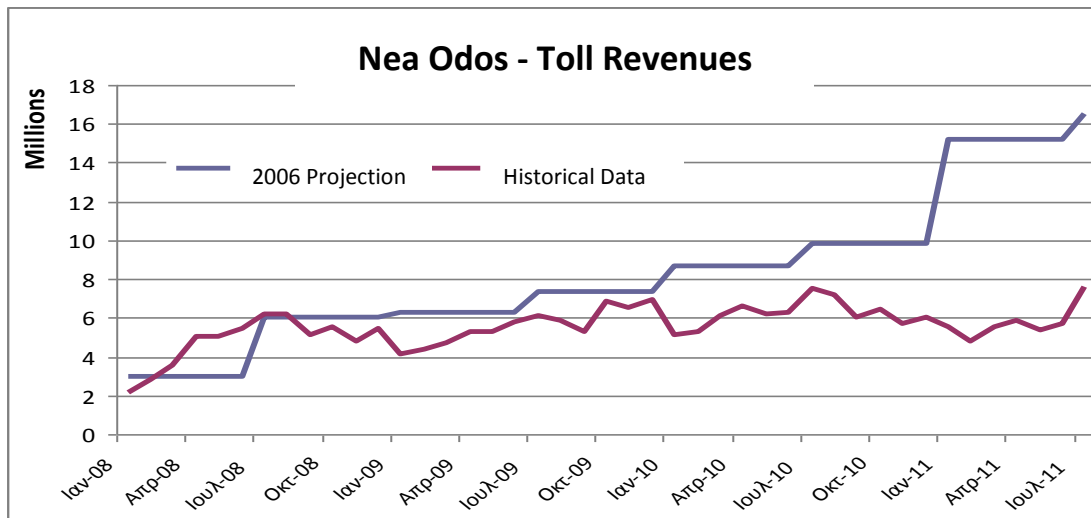


Figure 7.2: Toll revenue projections

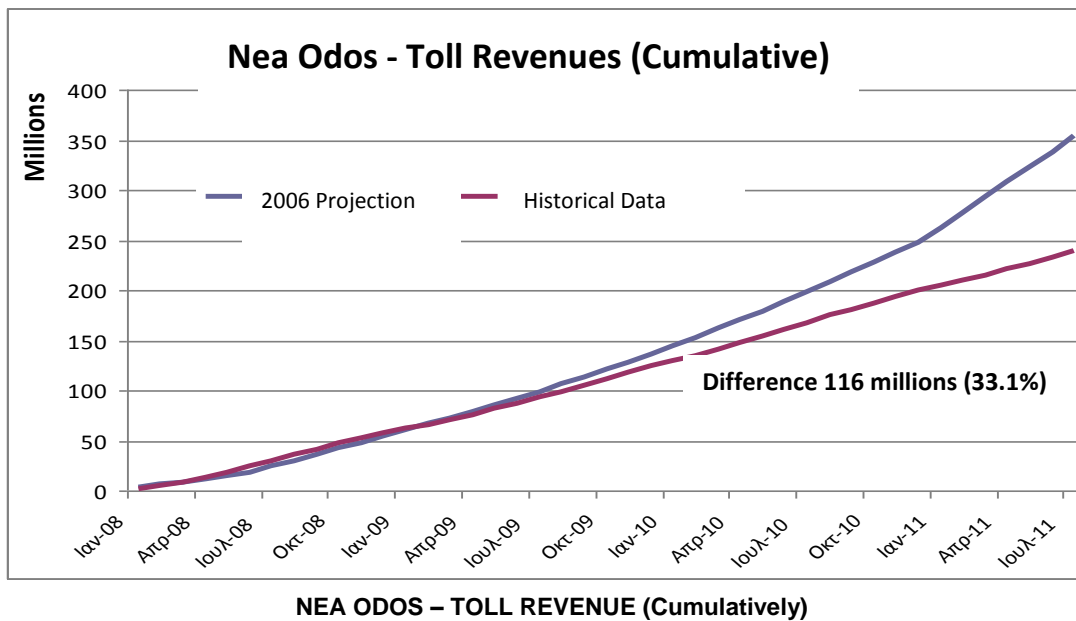


Figure 7.3: Cumulative toll revenue projections

The project is principally facing a financing deficit during the Design – Construction Period.

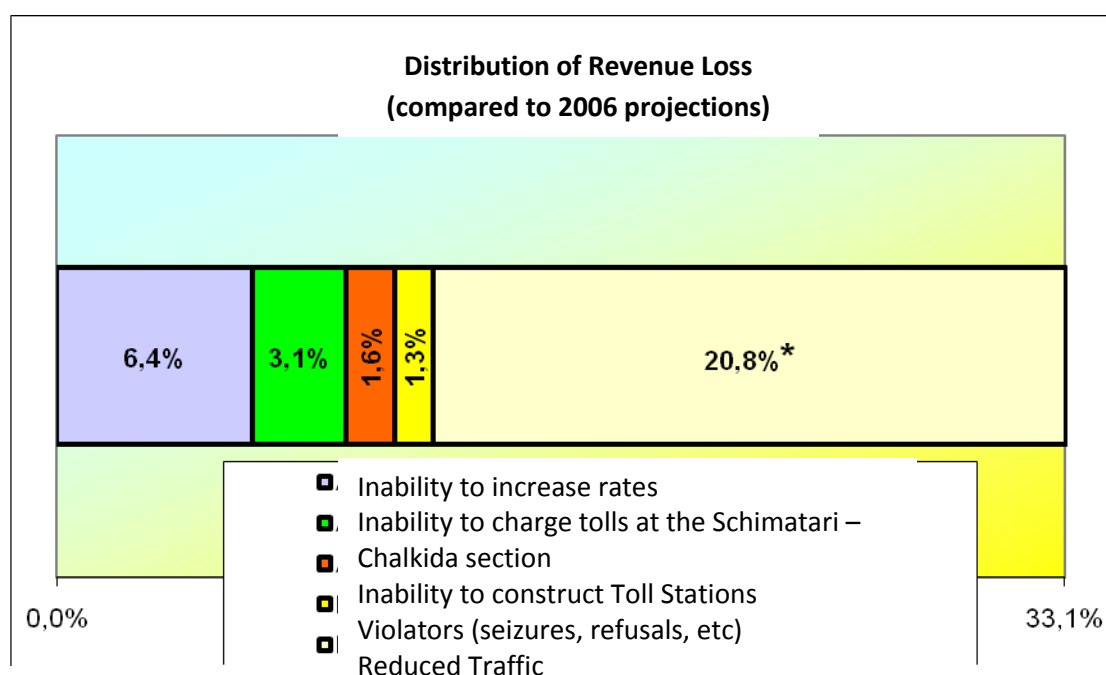
Socioeconomic conditions impacted the reduction in traffic and, subsequently, the reduction of toll revenue, as well as the reduction of traffic estimated by the Concessionaire and future revenues. Moreover, not all Toll Stations provided for in the CC were put into operation. A movement has been formed by citizens who refuse to pay tolls, while Toll Stations are blockaded by citizens demonstrating for various reasons. Finally, due to a delay in the

implementation of works, the toll price was not increased in accordance with the provisions of the CC.

The following figures present the loss of revenue per cause, according to the Concessionaire's data:

Table 7.3: Loss of revenue per cause

Cause of Loss of Revenue	Losses in €	Percentage of the total	Distribution
Inability to increase rates	22,574,955	6.4%	19.4%
Inability to charge tolls at the Schimatari-Chalkis section	10,719,505	3.1%	9.2%
Inability to construct Toll Stations	5,629,694	1.6%	4.8%
Violators (seizures, refusals, etc.)	4,537,359	1.3%	3.9%
Reduced traffic	72,834,925	20.8%	62.6%
Total	116,296,438	33.1%	100.0%



* It is noted that reduced traffic includes bypasses of Toll Stations via service roads

Figure 7.4: Distribution of revenue loss

The following figures present the development of traffic volume compared to contractual projections (Concessionaire's data)

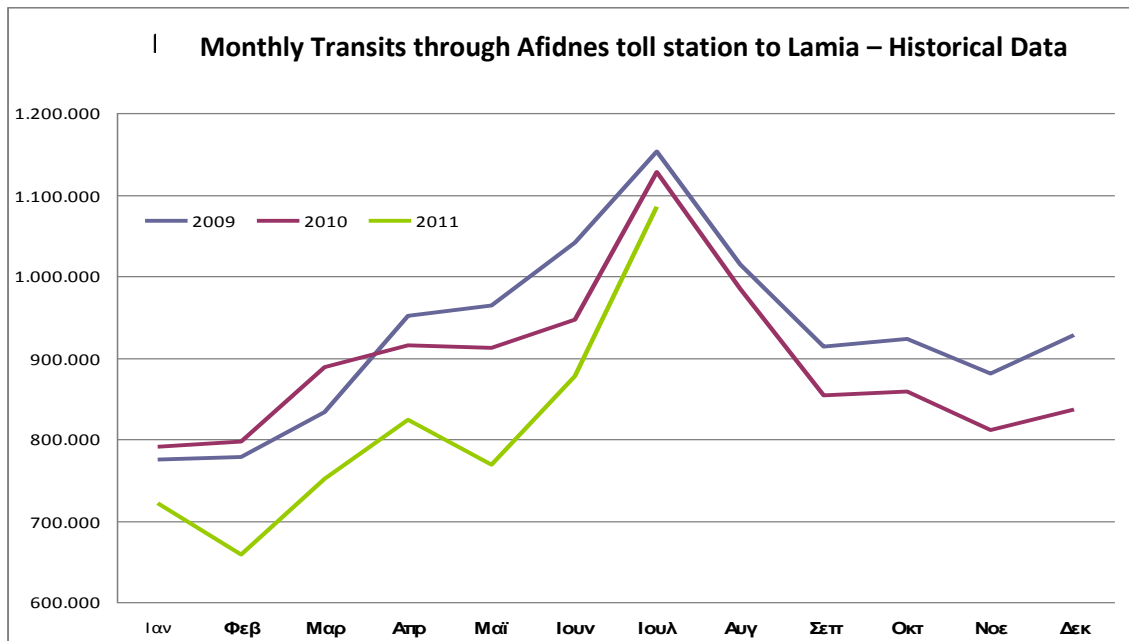


Figure 7.5: Monthly transits through Afidnes toll station towards Lamia (compared to historical data)

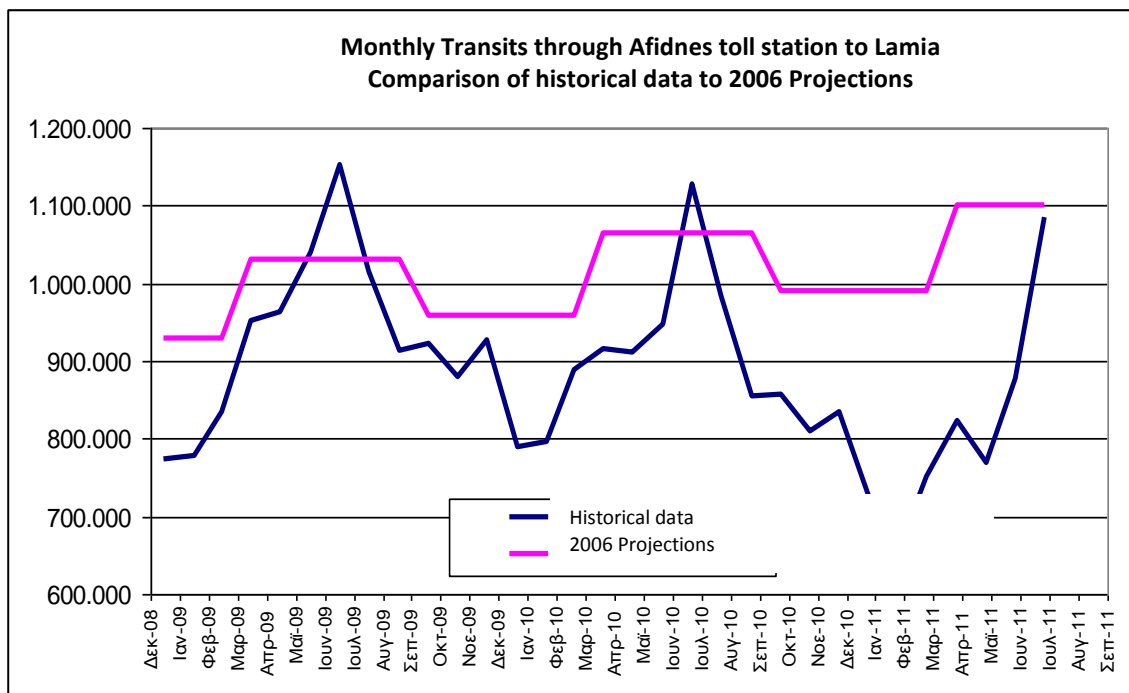


Figure 7.6: Monthly transits through Afidnes toll station to Lamia (comparison of historical data to 2006 projections)

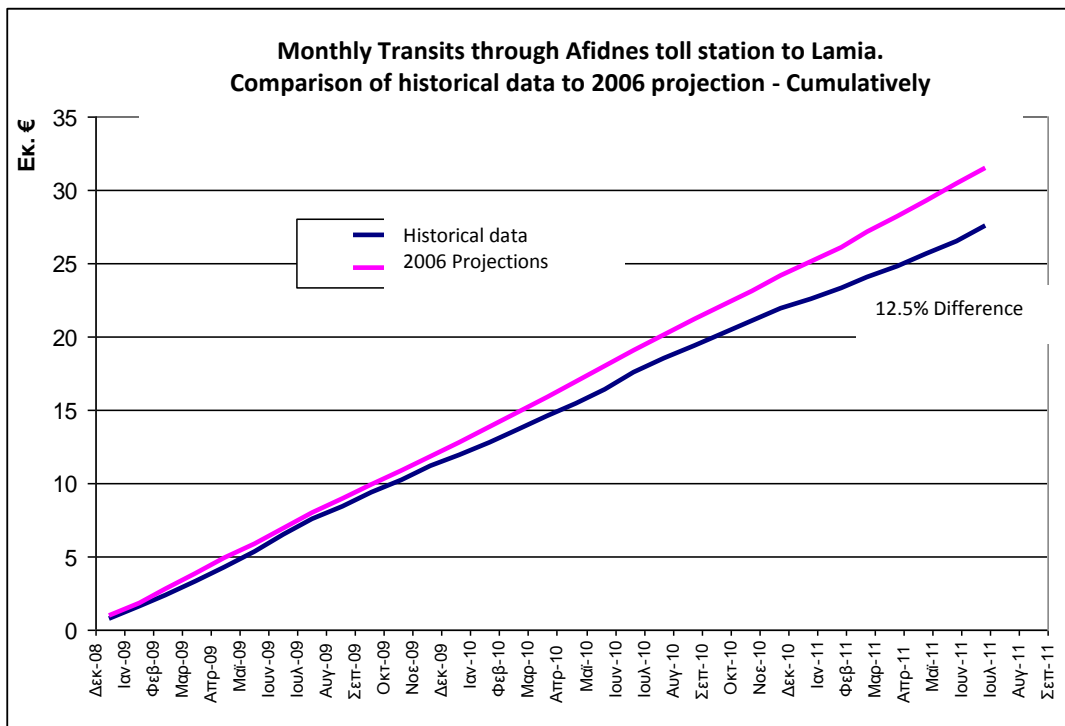


Figure 7.7: Monthly transits through Afidnes toll station to Lamia (comparison of historical data to 2006 projections – Cumulatively)

It is noted that historical data also reflect violator transits.

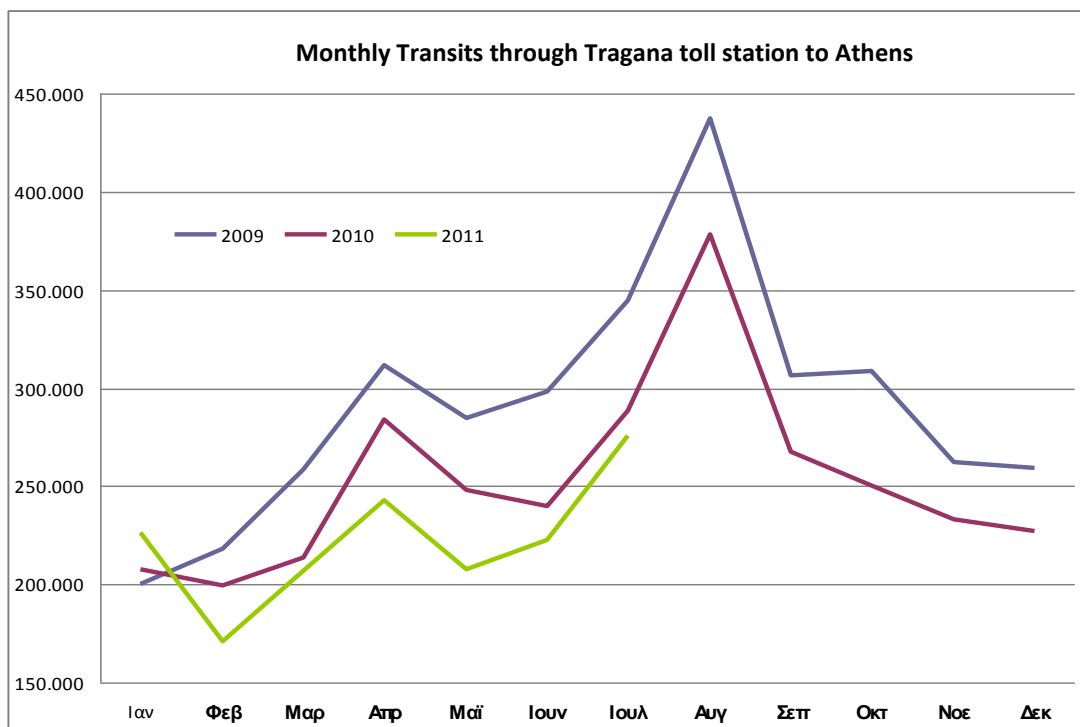


Figure 7.8: Monthly Transits through Tragana toll station to Athens

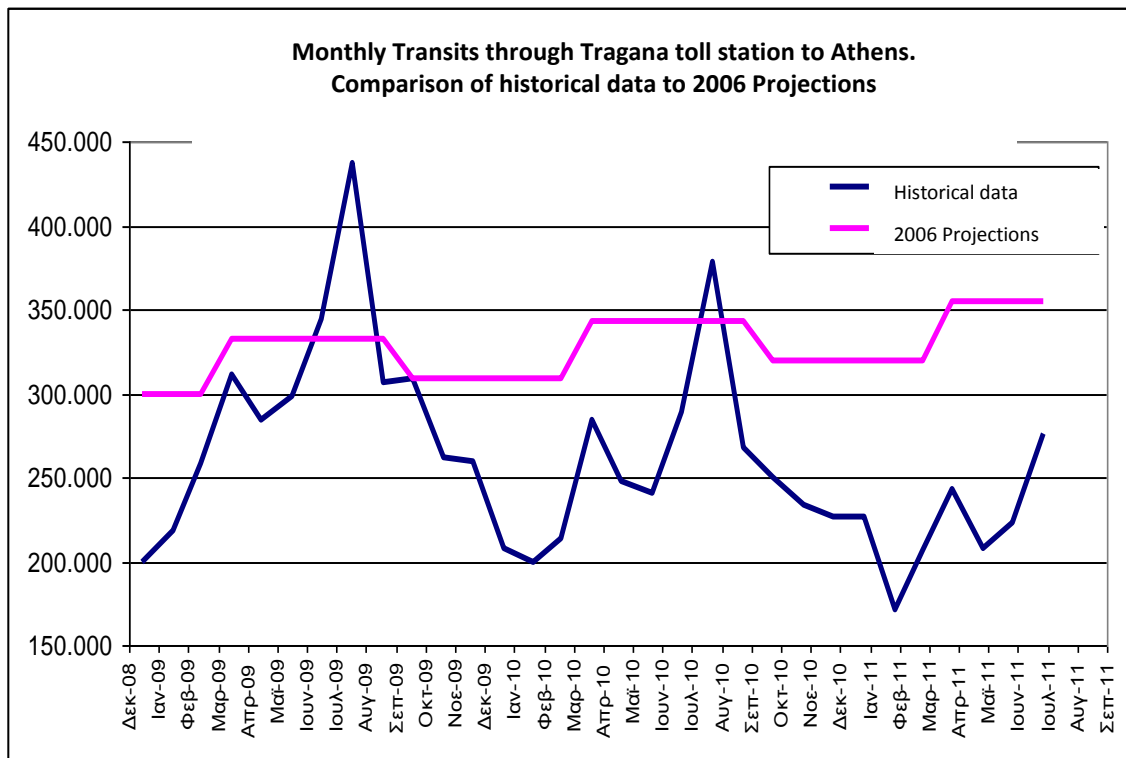


Figure 7.9: Monthly transits through Tragana toll station to Athens (comparison of historical data to 2006 projections)

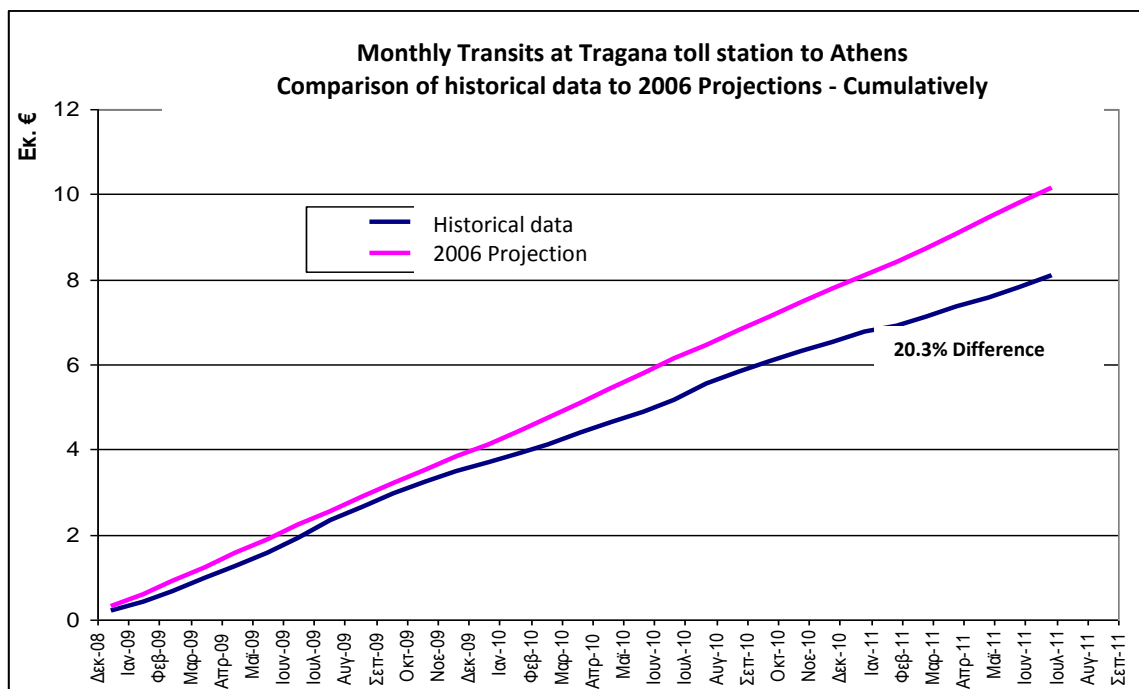


Figure 7.10: Monthly Transits at Tragana toll station to Athens (comparison of historical data to 2006 projections – Cumulatively)

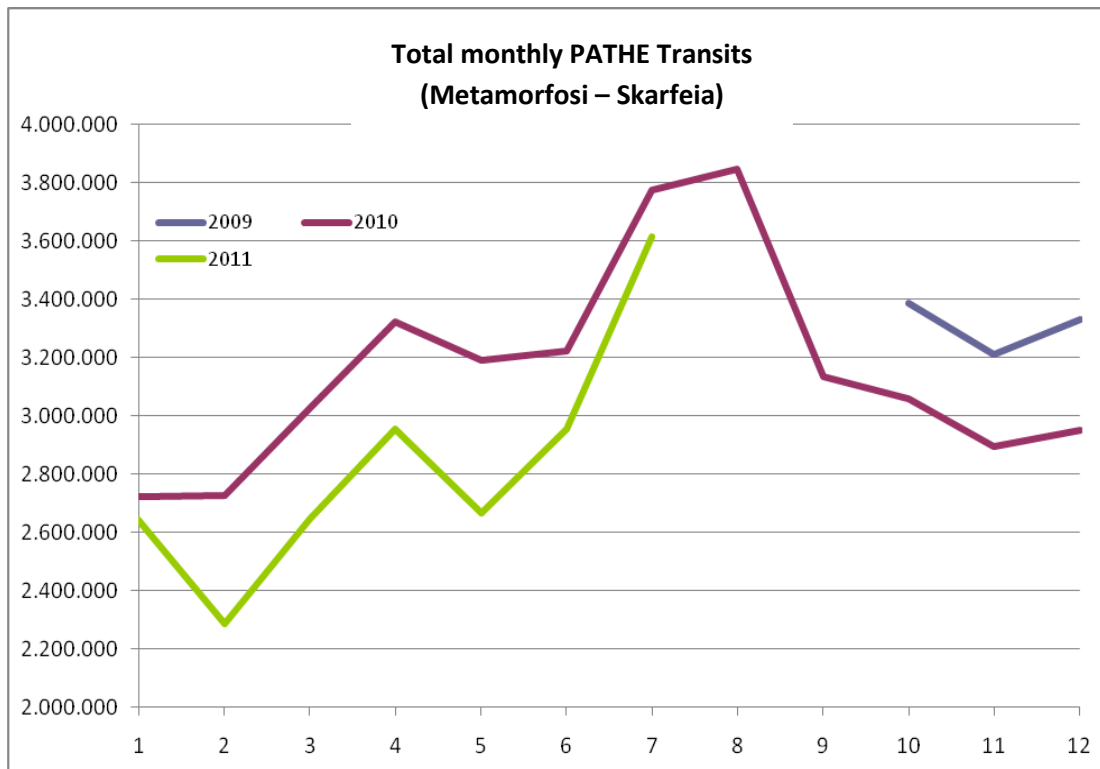


Figure 7.11: Total monthly PATHE transits (Metamorphosis – Skarfeia)

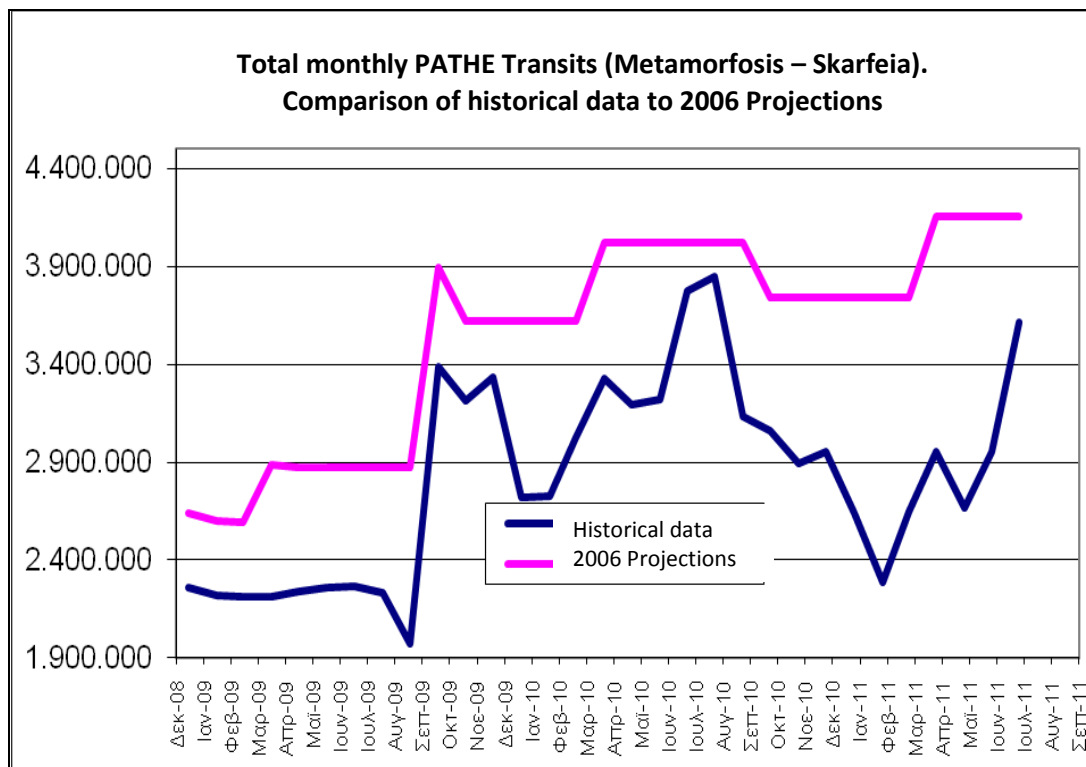


Figure 7.12: Total monthly PATHE transits (Metamorphosis – Skarfeia, comparison of historical data to 2006 projections)

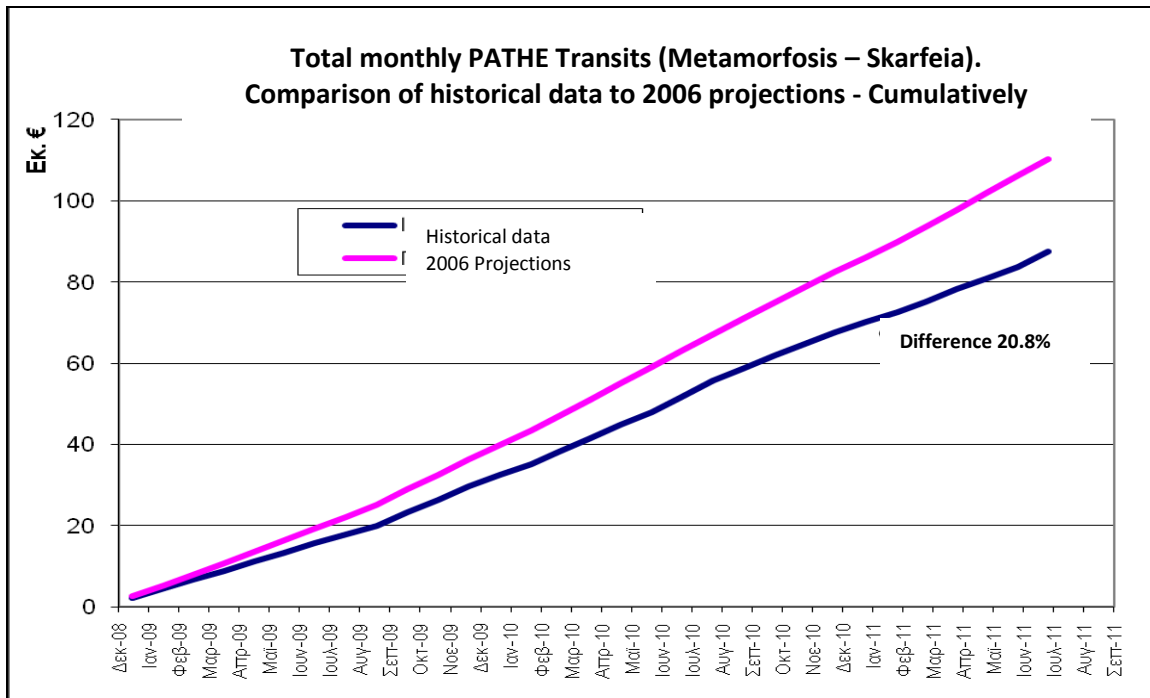


Figure 7.13: Total monthly PATHE Transits (Metamorphosis – Skarfeia, comparison of historical data to 2006 projections, cumulatively)

It is noted that the difference in traffic volume (20.8%) depicted includes the deficit of transits through non-constructed Toll Stations (Schimatari, Agios Stefanos, Varybombi, Pyna and Kalyftakis).

The following figures present the projected revenues of the project per period and cumulatively, on the basis of the Concessionaire’s initial and new models.

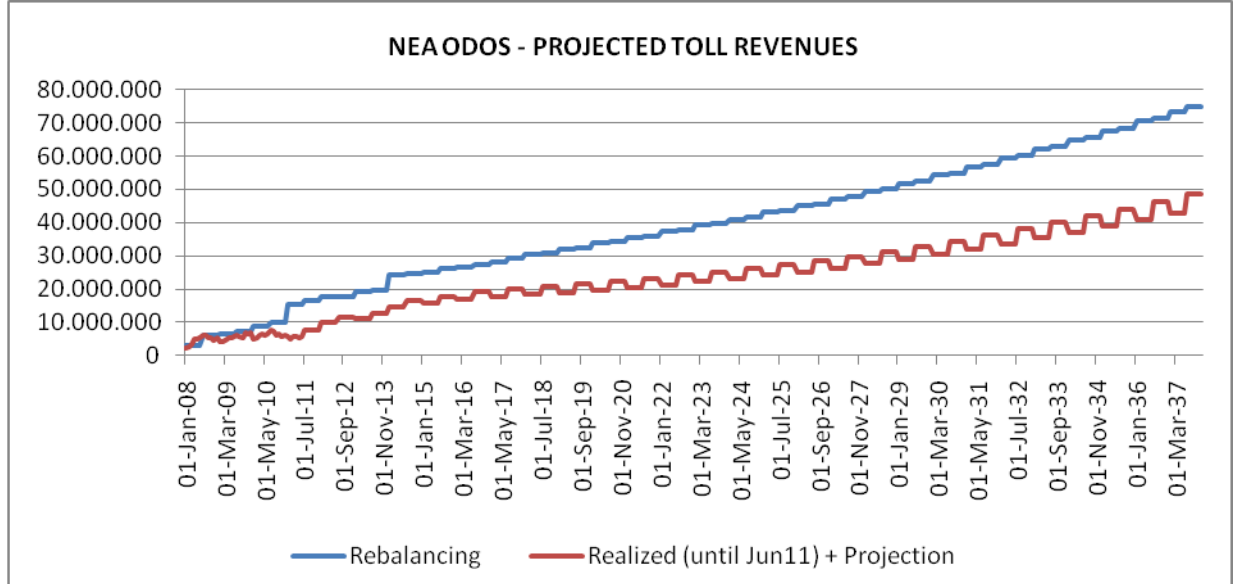


Figure 7.14: Projected toll revenues

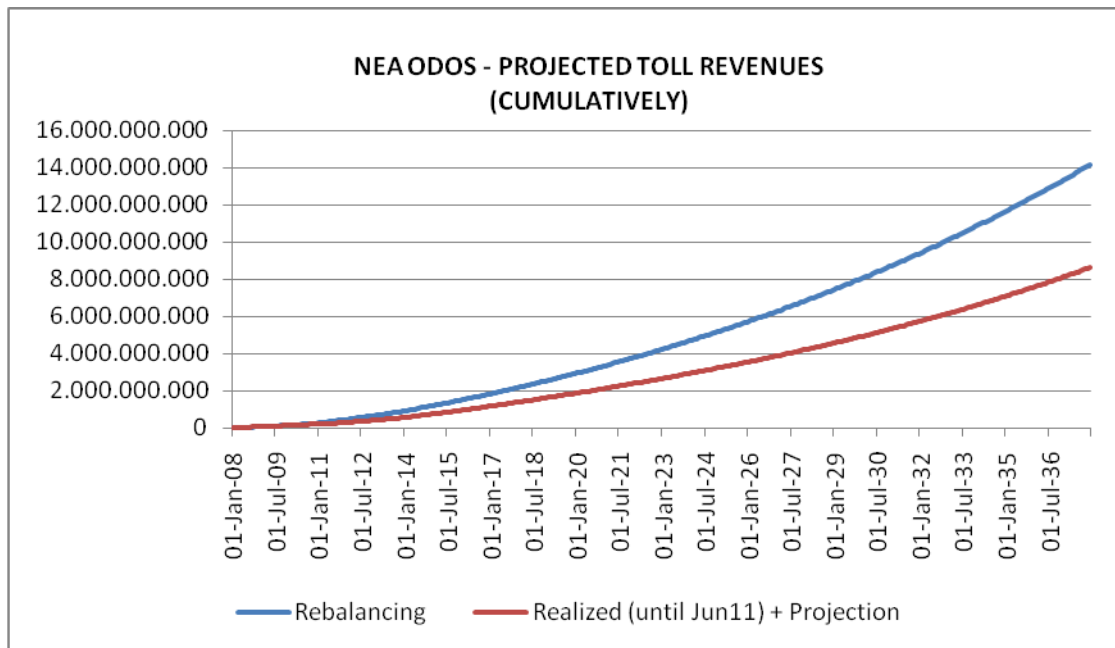


Figure 7.15: Projected toll revenues – cumulatively

Considering the combination of the problems above, the Lending Banks assessed that the viability of the Project was at risk and suspended its financing. Furthermore, they seem to be examining the possibility of fully withdrawing from the financing of the Project if a permanent and viable solution is not found. As a result of the suspension of financing, the construction works carried out by the Concessionaire were also temporarily suspended.

Confirming its interest in finding a solution that will restore the long-term contractual balance and viability of the CCs (Long-Term Solution) in practice, the State and the Concessionaire initialled a Framework of Understanding on 9 June 2011, which sets, among other things, the principles and schedule to be observed during the negotiations. Working Groups (Technical, Legal, Financial and Tolls) were then formed to examine particular problems and submit proposals.

7.3 Technical issues / Problems – Deadlines

The alignment of the Project selected for the section between the Riza IC (km position 6 +000) and the Klokova IC (km position 10+1000) was greatly disputed by citizen groups and municipalities of the region. The works in question have been suspended since 19.06.2009 pursuant to a temporary order issued by the Council of State. Final judgment is pending.

The Basic Design of the Project provided for construction at said location which entailed occupying the existing National Road, creating significant environmental problems, safety problems but also social problems. In the sub-section in question, the old National Road would be eliminated and there would be no alternative routes. In regard to this section, the Concessionaire examined the replacement of the solution in the Basic Design with a twin-tube tunnel of an approximate length of 2.3 km.

In several other sections of the project, the Concessionaire has proposed technical amendments – optimizations; Ministerial Decisions have already been issued, approving several of these proposals, while an initial informal agreement has been reached in regard to

the remaining proposals, after their evaluation by the Service. A Table of amendments to the Basic Design is presented at the end of the chapter.

According to the provisions of the CC, the required sites for the execution of the Project should have been delivered vacant to the Concessionaire within 12 months from the Concession Commencement Date. To date, the following sites per road section have been delivered:

Antirrio – Kefalovryso: 82.55%

Kouvaras – Komboti: 58.74%

Arta - Ioannina: 21.10%

Total for Ionia Odos: 50.06%

PATHE – Yliki Section The expropriation of one property has not been completed, delaying the construction of a PATHE variation section of a length of 3 km, included in the scope of the 3rd Exclusive Partial Deadline (EPD)

Within the framework of the Technical Group’s addressing the issues above, the new Project schedule is, initially, as follows:

Table 7.4: New project schedule

From KP	To KP	Road Section	Completion
0+000	5+000	Antirrio to Riza	31.11.2013
5+000	10+500	Paliouvouna Tunnel (Klokova)	31.12.2015
10+500	26+000	Paliouvouna Tunnel to Mesolongi IC	31.10.2013
26+000	43+000	Mesolongi IC to the southern end of Agrinio detour	31.10.2014
43+000	55+600	“Unfinished Agrinio detour” In operation	28.02.2013
55+600	76+000	New State section of Agrinio detour In operation	31.10.2014
76+000	85+000	Kouvaras to Amvrakia	31.10.2013
85+000	101+000	Amvrakia to Amfilochia	31.10.2014
101+000	129+000	Amfilochia to the southern end of the New State Section of Arta detour	31.10.2015
129+000	146+000	Arta detour In operation	
146+000	175+000	Arta detour to military camp area in KP 175+000	
175+000	187+000	Military Camp Area to Avgo	31.10.2013
187+000	196+000	Avgo to Egnatia Motorway	

The completion of the above requires:

- Full availability of the sites required for the works and full environmental permit issuance by 31.08.2012.
- Relocation and timely transfer of the military camp at KP 175+000 by January 2013 at the latest.
- Completion of expropriations, transfer of Utilities networks and archaeological works at KP 24+600 and 43+000 locations by 28.02.2012.

7.4 Compensation, Penalties, Technical Disputes and Arbitration

To date, the Concessionaire has notified the State about a dispute referred to Arbitration, which is presented at the end of the chapter.

At the same time, the Concessionaire and the Constructor have informally communicated, within the framework of the work carried out by the Technical Group, their compensation claims, to date, which are presented in the Table at the end of the chapter.

The increased expenditure of the project (which, in the view of the Concessionaire, should be covered by the State) will either be resolved within the framework of this negotiation or will be left to be resolved through the processes set out in the CC. In any case, it is expedient that the amounts to be paid by the State be agreed upon as soon as possible in order to facilitate the new financial close.

7.5 The position of the Banks

The Steering Committee of the Banks informed the State and the Concessionaire of its requirements, which are summarized as follows:

- Maintaining the debt service cover ratios as they were in the FM on the CCD.
- Securing the funds necessary for the completion of the construction during the Design - Construction Period.
- Safeguarding the viability of the Project and, consequently, of its debt service obligations during the Operation and Maintenance Period.
- Increasing the loan interest margin by 350 bps
- Examining the possibility of reducing the total exposure of Lenders in the Project by reducing the maximum amount of Loans or by optimizing the method of their repayment.

7.6 Updated FM of the Concessionaire – Sensitivity Analysis

The Concessionaire's FM presents reduced flexibility in the calculation of revenues, as no distance data are provided for sections of the project for which traffic data are given in vehicle-km, i.e. the corresponding charging lengths are not identified.

Moreover, this toll charging scheme is not structured on the basis of Toll Stations layout and corresponding charges for each project section. In other words, for each section of the motorway, traffic data are entered as numbers in the form of vehicle-km, distributed in three of the four aforementioned vehicle categories for each semester of the concession period.

It is noted that the financial model does not include traffic data for two-wheeled vehicles (category 1 in the CC). Then, traffic data for each section, as it comes into operation, are multiplied by the vehicle size coefficients above. They are then multiplied by the Maximum Toll Rate Limit (MTRL), as it emerges following its indexation according to projected data of the inflation rate for each semester of the concession period.

Furthermore, the main working assumptions and the results of the updated FM presented by the Concessionaire are summarized as follows:

- Reduction of traffic revenues by 42% (thrice as much as the pessimistic scenario of the Banks at the time of signing of the Contract).
- Increase of the construction time by 24 months (from 72 to 96).
- Toll revenues used in total for financing the Works over a period of 30 months (24 months extended construction period + 6 months), €955 million, compared to the projected amount of €883 million.
- Reduction of the necessary loan capital (€97 million from €109.6 million) due to the aforementioned increase in toll revenues.
- Lending interest margin of 445 bps, as compared to 95 bps in the initial loan agreements.
- Internal rate of Return: 8% (as compared to 7.9% in the contract).
- Average life of main loan: 13.08 years (increased compared to the contract, which provided for 10.35 years).
- State Revenues from the project: €4,689 million at current prices and €880 million in present value terms.

The State set out new working assumptions in the FM in order to explore the sensitivity of various parameters. The relevant data are presented in the following table and figures.

Concerning the revenues of the State at nominal prices according to the various scenarios presented below, the following conclusions have been reached:

- According to the FM upon signing the Contract, the State will collect 78% of the total revenues of the project.
- According to the updated FM by the Concessionaire (scenario 4), the State will collect 57% of the total revenues of the project.
- According to scenario 8 of the sensitivity analysis (reduced traffic by 42%, contractual margin on the interest rate and nil IRR of the Concessionaire), the State will collect 67% of the total revenues of the project. The Banks' exposure is reduced from 10.35 years in the contractual scenario to 4.06 years (reduced average life of the main loan).
- If the reduction of traffic is lower (coming to -14% of the CCD, low scenario of the Banks) with the same prerequisite conditions as above, the revenues of the State (scenario 10) will come to 77% of the total revenues of the project. In this scenario, the average life of the principal loan remains 4.06 years.

Table 7.5: FM Scenarios.

Models	Bank Scenarios upon signing the Contract		Contractual Model / Reduced Traffic	Contractual Model / Reduced Traffic / Concessionaire substitution	Concessionaire's updated model	Sensitivity Analysis					
	Base	Low				5	6	7	8	9	10
Scenarios	1	2	3	3a	4	5	6	7	8	9	10
Reduced traffic revenues in comparison to projections upon signing of the Contract	-	-14%	-42%	-42%	-42%	-24%	-42%	-24%	-42%	-24%	-14%
Loan interest margin	95	95	95	95	445	445	200	200	95	95	95
Concessionaire's IRR	7.9%	-	-	-	8.0%	12.4%	6.0%	6.0%	0.0%	0.0%	0.0%
Average life of the main loan (years)	10.35	10.17	Inability to service	9.91	13.08	6.17	4.06	4.06	4.06	4.06	4.06
Total traffic revenues current prices	14038	12053	8194	8194	8194	10642	8194	10642	8194	10642	12072
State revenues (in million €)											
current prices	10896	9459	6763	4400	4689	6482	5202	7717	5469	7932	9350
Net Present Value (NPV)	2250	1954	1388	774	880	1218	931	1408	956	1430	1761
Contractual State revenues (in million €)											
current prices	10896	9459	6757	6757	6757	8605	6757	8605	6757	8605	9678
NPV	2250	1954	1366	1366	1366	1728	1366	1728	1366	1728	1938
Cash flow to shareholders of Concessionaire											
current prices	583	76	10	10	742	1315	428	389	179	181	183
State revenues (in million €)											
Percentage (%) of total traffic revenues	78%	78%	83%	54%	57%	61%	63%	73%	67%	75%	77%

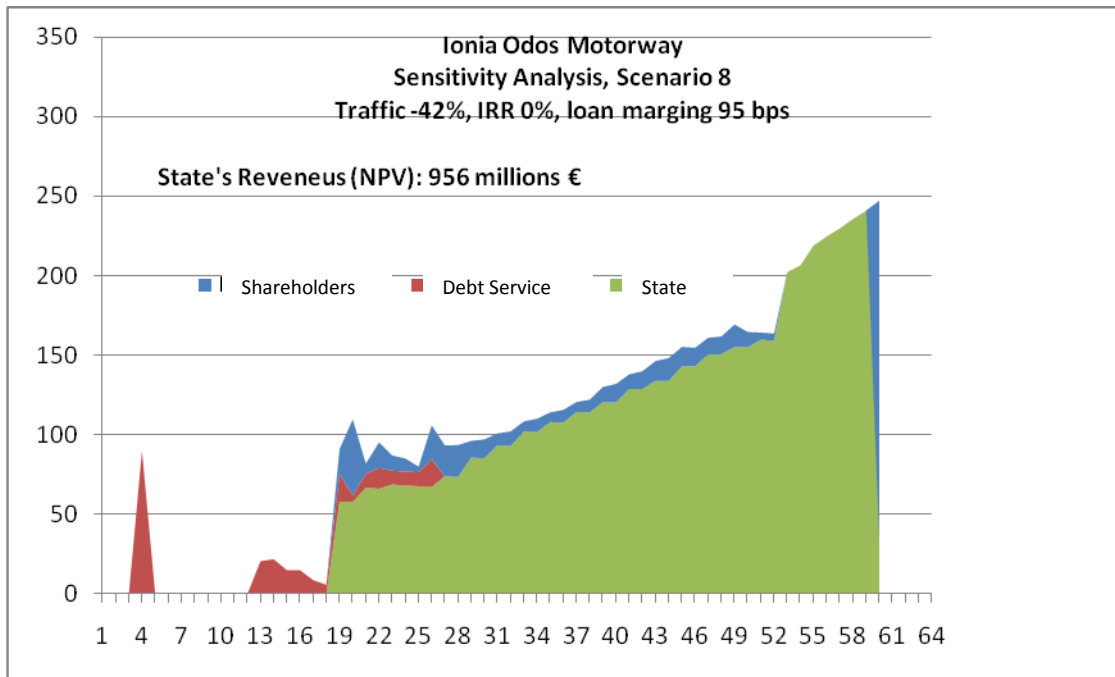


Figure 7.16: Scenario 8 – Traffic -42%, IRR 0%, loan margin 95 bps

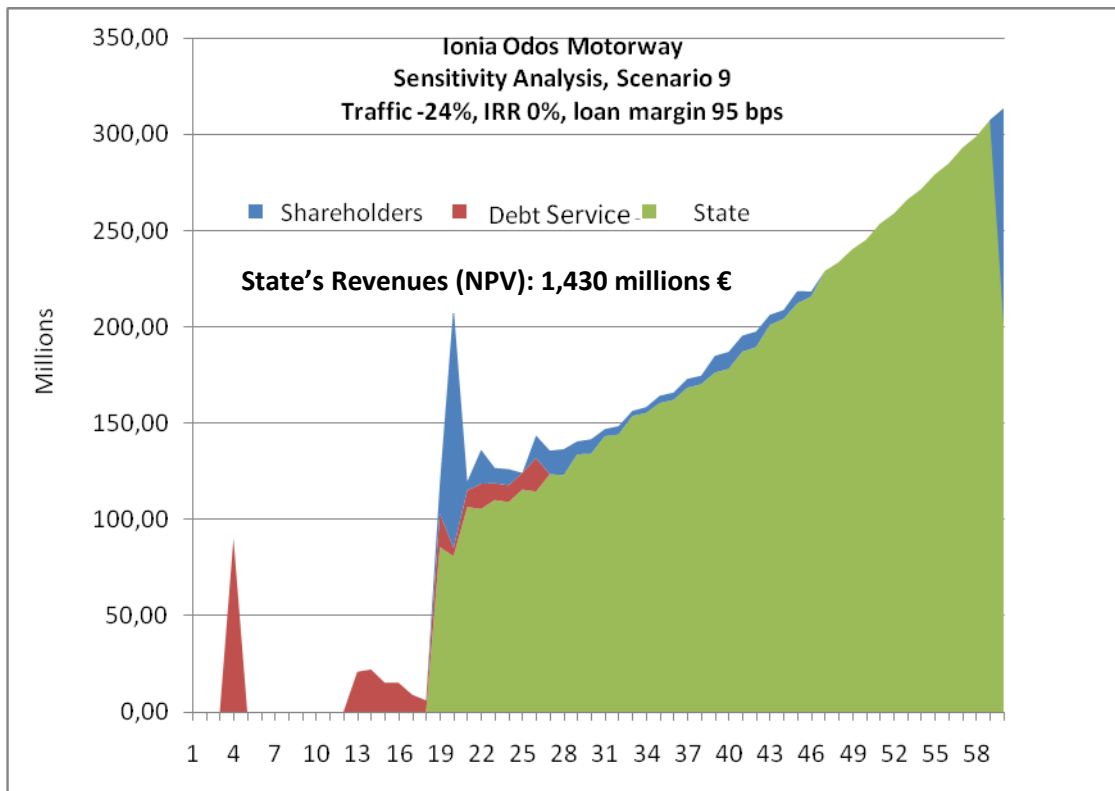


Figure 7.17: Scenario 9 – Traffic -24%, IRR 0%, loan margin 95 bps

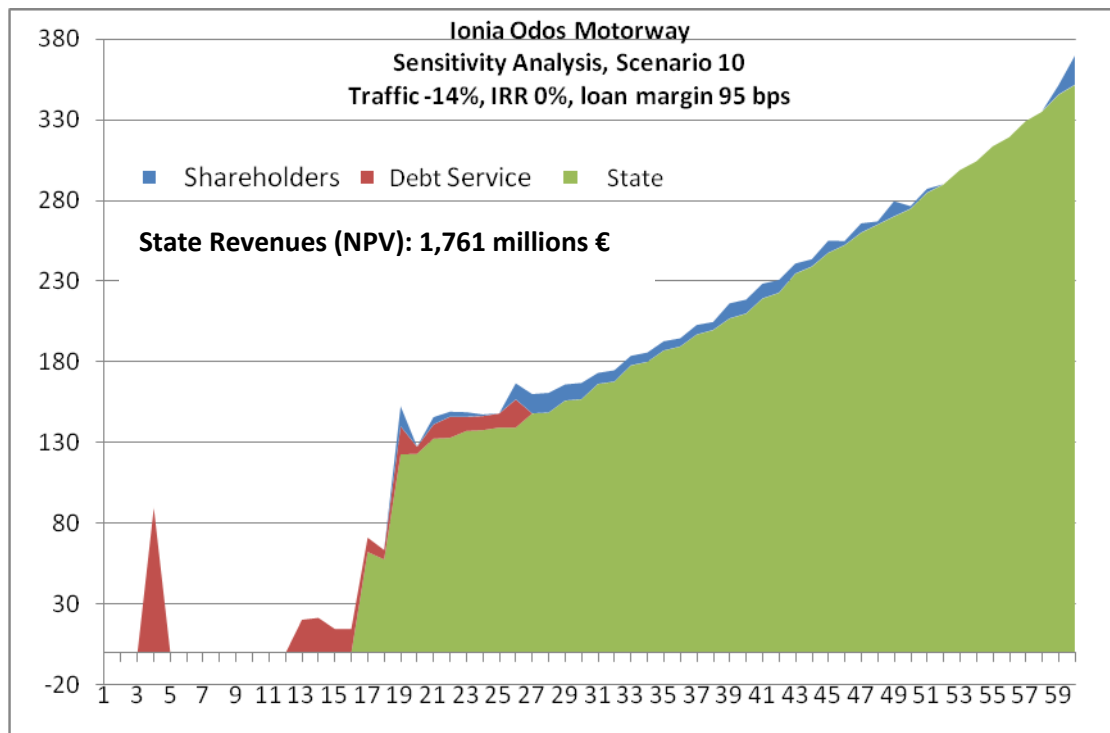


Figure 7.18: Scenario 10 – Traffic -14%, IRR 0%, loan margin 95 bps

In other words, the position of the State is adversely affected in all cases of reduced traffic and can only be restored if traffic increases.

The position of the Banks is improved, as their exposure is reduced (Loan amount – Average loan life). It is clarified that during the first 2 years after the Design – Construction Period, Project revenues will be exclusively provided for repayment of loans (cash sweep), i.e. larger loan amounts are repaid sooner, thus substantially reducing the average life of the loan.

7.7 Evaluation of scenarios

It is a fact that a 42% reduction in traffic / revenues is quite significant and in such a situation, everyone should feel equally pressured and accept reasonable losses:

- The lending interest rate will not increase, but the exposure of Lending Banks will decrease, thus counter-balancing the fact that the interest rate will no longer correspond to the market lending interest rate.
- The State will collect part of its budgeted revenues from the Project (but with the possibility of restoration of its revenues to contractual levels, should traffic improve).
- The Concessionaire’s shareholders will have the IRR projected in the banks low case, i.e. much lower return than the one projected in the base scenario.

It is also noted that:

- The contractual duration of the construction of the project is 72 months (from 19.12.2007 to 18.12.2013). Within the framework of the long-term solution, the Concessionaire proposes a construction period of 96 months, i.e. requests an extension of 24 months. This time period is necessary due to delays in the delivery of sites and the finalization of the project plan, as well as the suspension of works,

which was, to a great extent, the result of the suspension of financing the project by the Lending Banks.

- At the same time, an additional period of 6 months after the expiration of the Design – Construction Period is requested, during which all toll revenues will be used to repay the Project construction cost.
- With this overall extension requested by the Concessionaire (including the additional period of 6 months), all work will be completed and the financing of the project is facilitated (as additional toll revenue is collected to finance the construction of the project). In other words, this counter-balances the loss of revenues from reduced traffic and from the non-operation of Toll Stations or the non-increase of toll rates, for which the Concessionaire is claiming compensation from the State. As previously mentioned, during this period (24 + 6 months), toll revenues of €955 million are expected, as compared to €883 million projected in the contractual FM.
- The State must audit the traffic model presented by the Concessionaire (with a 42% reduction of revenues compared to the CCD).
- According to the sensitivity analysis scenarios, the revenues of the Project allow the servicing of loans, on the prerequisite condition that the State and the Concessionaire provide part of their revenues from the Project. Specifically, during the first years after the completion of the Constructions, all Project revenues destined for collection by the Concessionaire and part of the amounts corresponding to the State (after taking into account any needs to support other concession projects) will be provided to reduce the average life of loans. After this period, the State will provide part of its revenues for the repayment of the loans, provided this is required by the loan repayment schedule to be agreed upon, should the remaining revenues of the Project prove inadequate.
- In any case, the State must set an acceptable limit of expenditure for the operation and maintenance of the project that must be lower than the one set in the CC.

Finally, it is noted that:

- Any improvement to the traffic/revenues of the Project compared to the projection of a -42% reduction and up to a -14% reduction will exclusively benefit the State and will not alter the agreed-upon nil return of the Concessionaire.
- In case of a smaller reduction in the traffic/revenues of the Project (i.e. not exceeding -14%), it will be possible to examine the improvement of the Concessionaire's return.
- If the State finally collects the amounts it provided to support the viability of the Project, then the viability support arrangements (revenue limitation, return on invested funds, etc.) shall cease to apply and the provisions of the CC will begin to apply.

These arrangements must be the object of an agreement between the State and the Concessionaire. In any case, they must also be accepted by the Lenders, in accordance with the provisions of the Designated Loan Agreements.

Any excess revenues of the State from the project may be provided to support other motorways implemented with a CC.

IONIA ODOS

DESIGN AMENDMENTS

S/N	Applicant	Position	Region	Contractual Provision	Amendment	Notes
a) SECTION: Antirrio – Ioannina						
1	Pending due to appeal to the Council of State	6+000 - 10+000	Ionia Klokova	Bridges	Elimination of bridges (variation to the alignment with the construction of a 2.3 km tunnel) and relocation of Klokova IC	
2	State	Mesolongi IC	Ionia		Amendment due to archaeological requirements	
3	State	Plevrona	Ionia		Amendment due to archaeological requirements	
4	State	Amvrakia IC	Ionia		Relocation/upgrade of Amvrakia IC due to an amendment to the design for the connection with the Amvrakia – Aktio road axis	
5	Contractor	92+847 - 95+968	Ionia Amfilochia	Cut & Cover	Elimination of Cut & Cover with a variation to the alignment	
6	Contractor	105+521 - 108+218	Ionia Krikello	Bridge	Elimination of a large bridge (variation to the alignment with the construction of an embankment and two small bridges)	It is proposed that this should be rejected due to a significant reduction in speed.
7	Contractor	116+289 - 120+671	Ionia Menidi	Tunnel	Elimination of a tunnel (variation to the alignment with the construction of a bridge)	
8	State	Menidi – Elaiochori	Ionia		Improvement to the rural road (approx. 3 km).	
9	State	Komboti IC	Ionia		T - junction to and from Antirrio.	
10	State	Ammotopos IC	Ionia		T - junction to and from Antirrio (access to Tzoumerka)	
11	Contractor	163+900 - 166+800	Ionia Tsaggaropoulo	Bridge	Variation to the alignment with a reduction to the bridge length	
12	Contractor	179+000 - 181+700	Ionia Vaseika	Bridge	Elimination of a large bridge with a variation to the alignment	
13	Contractor	181+700 - 187+000	Ionia Avgo	2 Bridges	Elimination of a large bridge and reduction to the length of a second bridge with a variation to the alignment in the Papageorgiou military camp district	

14	State	Egnatia IC	Ionia		Earthworks, construction of the technical O.P., completion of the central pier of a future bridge	
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b) SECTION: PATHE:

15	State	13+880	PATHE Kalyftaki IC (Athens-Lamia National Road with Kimis Avenue) and Ilissia branch		Construction of Kalyftakis IC at three levels, instead of the two levels provided for in the Basic Design	
16	Contractor	18+392	PATHE Varybombi IC		Reconstruction of the Technical section for the creation of a roundabout, instead of the reconstruction provided for in the Basic Design	
17	State	21+600	PATHE Agios Stefanos		Lining of a picket fence (Mandalakas enterprise)).	
18	State	47+000	PATHE		New section of a 650m by-road to facilitate a petrol station.	
19	State	56+740	PATHE Oinoe I/C		Safe connection of the region	
20	State	59+700	PATHE Schimatari - Chalkis		Harmonisation of a 1.5 km section with the motorway.	
21	State	162+250	PATHE Agios Konstantinos – Kammena Vourla		Restoration of a landslide in the region	
22	State	139+150 83+660 69+650	PATHE Atalanti – Thebes and Ritsona		Technical works on bridges (reconstruction)	
23	State		PATHE		Infrastructure works at coach stops	

IONIA ODOS

CONTRACTOR'S CLAIMS ARBITRATION									
S/N	SERVICE PROTOCOL NO.	DESCRIPTION	CLAIM REFERENCE PERIOD	AMOUNT REQUESTED € BEFORE VAT	AMOUNT REQUESTED € PLUS VAT	TOTAL AMOUNT REQUESTED € BEFORE VAT	NOTES		TOTAL AMOUNT REQUESTED € BEFORE VAT
1	6403/ 12/2/2010	Claim for Compensation for Events for which the State is Liable within the meaning of the CC (Obstruction of Toll Collection), in accordance with Articles 4.5.1. 20.1. 23.4 and 26.5.2 of the CC -for losses from the collection of tolls due to demonstrations	from 4/4/2008 to 31/1/2010	1,934,601.93	2,302,176.00	2,002,721.83			
		For material damages to toll stations		68,119.90	68,119.90				
2	6401/ 12/2/2010	Request for Compensation for Events for which the State is Liable within the meaning of the CC (Non-delivery of sites for the construction of toll stations), in accordance with Articles 4.1.1.12.1.5.12.3 20.1. 24.2.3.26.1. 26.5.1 and 26.1.2 of the CC -for losses from the collection of tolls due to:	from 19/8/2009 to 31/12/2009				According to Service Request Rejection No. 6728/12-3-2010: "There is no Event for which the State is Liable" "		
		loss of revenues from the Chalkis frontal station (Total revenues projected within the meaning of Article 26.5.2 of the CC) from 19-8-2009 to 31-12-2009		1,540,474.76		5,236,846.41	Should have been delivered to the Concessionaire on 31-12-2008 (there are no (?) revenue losses for the period from 1-1-2009 to 18-8-2009)		

		loss of revenues from the Pyrna ramp station (Total revenues projected within the meaning of Article 26.5.2 of the CC) from 19-8-2009 to 31-12-2009		444,510.12					
		loss of revenues from the Kalyftakis ramp station (Total revenues projected within the meaning of Article 26.5.2 of the CC) from 19-8-2009 to 31-12-2009		1,178,497.00					
		loss of revenues from the Boyati ramp station (Total projected revenues within the meaning of Article 26.5.2 of the CC) from 19-8-2009 to 31-12-2009		2,073,362.55			Should have been delivered to the Concessionaire on 21-12-2008		
		TOTAL				7,239,568.24		The total amount of €7,239,568.24 was included in the ARBITRATION claim	
3	7490 /11/5/2010	ARBITRATION CLAIM	from 4/4/2008 to 31/1/2010	Ministerial Decision Prot. No. 7566/9-6-2010 for Arbitration					7,239,528.24
		Loss of revenues due to seizures from 4-4-2008 to 31-1-2010		1,934,601.93					
		Damages to toll stations during the same period		68,119.90		7,239,568.24			
		Loss of toll revenues at Chalkis from 19-8-2009 to 31-12-2009		1,540,474.76					

		Loss of toll revenues at Pyrna-Kalyftakis from 19-8-2009 to 31-12-2009		1,623,009.10					
		Loss of toll revenues at Boyati (ORFANO) from 19-8-2009 to 31-12-2009		2,073,362.55					
4	9193/ 6/10/2010	Claim for Compensation for an Event for which the State is Liable according to the CC	from 1/1/2010 to 30/6/2010						
		loss of revenues from Chalkis frontal station (Total revenues projected within the meaning of Article 26.5.2 of the CC)		1,749,013.00		4,460,596.00			
		loss of revenues from the Boyati-Agios Stefanos ramp station (Total revenues projected within the meaning of Article 26.5.2 of the CC)		2,711,583.00			Request for the 1 st semester of 2010: 2,711,583 on the basis of the Financial Model		
5	9194/ 6/10/2010	loss of revenues from the Pyrna ramp station (Total revenues projected within the meaning of Article 26.5.2 of the CC)		354,428.00		1,375,240.00	Request for the 1 st semester of 2010: 354,428.00 on the basis of the Financial Model		

		loss of revenues from the Kalyftakis ramp station (Total revenues projected within the meaning of Article 26.5.2 of the CC)		1,020,812.00			Request for the 1 st semester of 2010: 1,020,812.00,00 on the basis of the Financial Model	
		TOTAL				5,835,836.00		5,835,836.00
6	10710/21-2-2011	SUPPLEMENTARY ARBITRATION CLAIM	from 1/1/2010 to 30/6/2010			5,445,382.67		5,445,382.67
		Loss of revenues from Chalkis tolls		1,749,013.00				
		Loss of revenues from Pyna tolls		444,510.12				
		Loss of revenues from Kalyftakis tolls		1,178,497.00				
		Loss of revenues from Boyati-Agios Stefanos tolls		2,073,362.55				
7	8625/ 6-8-2010	Notification of a <i>Force Majeure</i> Event due to a strike by Public Use Transporters – reservation for the submission of a financial claim		Reservation for the submission of a financial claim				
8	8704/ 18/8/2010	Claim for Extension of the 3 rd Exclusive Partial Deadline (by 24 months) and Compensation for an Event causing Delay according to Article 26.2.1(a) of the CC	For extension of the 3rd EPD by 24 months					

		1.Expenses and costs related to the design-construction as a consequence of Delay Events/events for which the State is liable						
		a) Compensation for Construction Cost Expenditure		26,701,174.00				
		b) Compensation for Expenditure due to the contribution of Events causing Delay /State Liability Events		1,828,052.00				
		2. Additional expenses for financing and insurance of the scope of the 3rd EPD, Article 26.2.1(α)(ii)(2)						
		a) Compensation for additional interest on Loan capital		798,981.00		101,536,069.00		101,536,069.00
		b) Compensation for additional interest on VAT Loan		175,698.00				
		c) Compensation due to VAT increase		21,261.00				
		d) Cost of insurance		200,000.00				
		3. Due to the contribution of an Event causing Delay for which the State is Liable Articles 26.2.1 (α) (ii) (3) of the CC						
		a) Compensation for loss of revenues (before VAT)		71,361,655.00				
		b) Compensation for Loss of Interest Income		449,248.00				
		Initial non-binding assessment of additional expenses of the Concessionaire due to an Event causing Delay/Event for which the State is Liable (1),(2),(3)						
		Measures to restore the Event causing Delay (Article 26.4 CC)						
		Measures to reduce the extension period by 6 months (from 24 to 18) through payment of an acceleration expenditure amounting to €9,532,723.00 (Article 26.4.2); savings benefit for the Greek State: €9,389,860						

9	8773/ 27/8/2010	Notification of Delay Events and claim for compensation in accordance with Article 26.2.3 of the CC (in continuation of Claim IC.A.CC.16314/18.08.2010)	For a 25-month delay due to events for which the State is liable							
		A. Compensation according to Article 26.2.3				101,706,914.00			101,706,914.00	
		a) Compensation of Construction Cost Expenditure		52,978,062.00						
		b) Compensation of Expenditure due to contribution of State Delay Events		2,079,221.00						
		B. Additional expenses for financing and insurance of the object, Article 26.2.1(α)(ii)(2) CC								
		a) Compensation for additional interest on Loan capital		453,266.00						
		b) Compensation for additional interest on VAT loan capital		83,320.00						
		d)Additional Insurance Cost		328,947.00						
		C. Due to an Event causing Delay constituting an Event for which the State is Liable, Articles 26.2.1 (α) (ii) (3) of the CC								
		a) Compensation for loss of Revenues (before VAT)		45,541,631.00						
		b) Compensation for loss of Interest Income		242,467.00						
		Initial non-binding assessment of additional expenses of the Concessionaire due to an Event causing Delay/Event for which the State is Liable for (1),(2),(3)								
		TOTAL								
		Proposed restoration measures: reduction of the necessary extension time by six (6) months (from 25 to 19), with simultaneous payment of an acceleration expenditure amounting to €18,764,404								

10	10622/11-2-2011	Project Execution Site not delivered by the Delivery-Acceptance Protocol No. XXIV		Reservation for the submission of an impact restoration claim, in accordance with Articles 13.6, 18.2, 26.2 and 26.5 of the CC					
11	10861/ 3-3-2011	Refusal of payment of tolls by Users from the commencement of the Operation Period and omission of providing violators' vehicle registration data by the State. Initial assessment of revenue lost.	from 10/1/2008 to 2/3/2011			1,700,000.00			1,700,000.00
12	10859/ 3-3-2011	Claim for Compensation for an event for which the State is liable according to the CC.	from 1/7/2010 to 31/12/2010			1,308,263.00			1,308,263.00
		Loss of revenue due to non-operation of Pyna ramp station (total projected revenues within the meaning of Article 26.5.2 of the CC)		399,747.00					
		Loss of revenue due to non-operation of Kalyftakis ramp station (total revenues projected within the meaning of Article 26.5.2 of the CC)		908,516.00					
13	10860/3-3-2011	Claim for Compensation for an event for which the State is liable according to the CC.				7,321,592.99			7,321,592.99
		Loss of revenue due to non-operation of Varybombi ramp station	from 19-6-2008 to 31-12-2010	1,283,835.00					
		Loss of revenue due to non-operation of Chalkis frontal station	from 1-1-2009 to 31-12-2010	2,585,396.99					
		Loss of revenue due to non-operation of Boyati-Agios Stefanos ramp station	from 1-7-2010 to 31-12-2010	3,452,361.00					

14	10920/ 15-3-2011	Claim for Compensation for Events for which the State is Liable within the meaning of the CC (Obstruction of Toll Collection), in accordance with Articles 4.5.1. 20.1. 23.4 and 26.5.2 of the CC -for losses from the collection of tolls due to demonstrations	28-2-2010 to 24-12-2010	446,447.14		446,447.14			446,447.14
15	11107/ 1/4/2011	Claim for Extension of the 4 th Exclusive Partial Deadline (by 28 months) and Compensation				98,990,483.00			98,990,483.00
		i) Extension of the 4 th EPD by 28 months	Extension of the 4th EPD to 18/8/2013						
		ii) Compensation for an Event causing Delay							
		1.Expenses and costs related to design -construction							
		a) Compensation for additional construction costs		76,514,728.00					
		b) Compensation for Expenditure due to State Delay Events		1,091,202.00					
		2. Additional expenses for financing and insurance of the object of the 4th EPD, Article 26.2.1(a)(ii)(2) CC							
		a) Compensation for additional interest on loan capital		320,110.00					
		b) Compensation for additional interest on VAT Loan		71,079.00					
		3. Due to contribution of Events causing Delay which constitute Events for which the State is Liable, Articles 26.2.1 (a) (ii) (3), 26.5.1 and 26.5.2 of the CC							
		a) Compensation for loss of revenues due to non-construction of Toll Stations		20,783,614.00					

		β) Compensation for loss of interest income resulting from the loss of revenues		209,750.00					
		iii) corresponding extension of the injection of shareholder Subordinated loans of the Committed Investment by Initial Shareholders, according to Article 7.1 of the CC							
16	11485/ 12-5-2011	Loss of revenues due to non-payment of toll charges (by all stations of "Nea Odos S.A.")	from 01/01/2011 to 31/03/2011			2,550,174.69			2,550,174.69
17	12442/28-7-2011	Claim for Compensation due to an Event for which the State is Liable within the meaning of the CC (Obstruction of Collection of Tolls (seizure of Afidnes & Thebes toll stations)	19.07.2011 to 25.07.2011	305,297.90		305,297.90			305,297.90

334,385,988.63

5,445,382.67

328,940,605.96

CHAPTER 8

Central Greece Motorway (E65) Concession Contract

8.1 Project Identity

Technical scope: The E65 Motorway is part of the Trans-European highway network TEN. It has been declared a project of national significance by joint decision ΟΑΠ/Φ10/οικ/16360/ of the Hellenic ministries of The Economy, Economics and the Environment, Planning and Public Works (Greek Government Gazette B 1339/2006). The overall length of the motorway is 174km. The Concession Contract includes the operation, maintenance and exploitation of a 57 km segment of the PATHE highway from Skarfeia (Kilometer 183+300) to Raches (Kilometer 240+300).

Concession Contract (hereinafter CC): The CC was signed on 31 May 2007 and went into effect on 31 March 2008 (Concession Commencement Date – CCD). The shareholders of the Concessionaire are the following companies holding the following percentage shares:

'CENTRAL GREECE HIGHWAY S.A. or 'CENTRAL HIGHWAY S.A.'	
CINTRA S.A./ FERROVIAL	33,34%
GEK-TERNA S.A.	33,33%
IRIDIUM	1,33%
DRAGADOS S.A.	32,00%

Project Cost and Funding: The total cost of Project construction is EUR 1'305 million. To this date the construction works certified amount to EUR 206.3 million or about 16 percent of total, and the Construction Contractor has received EUR 105.7 million.

As indicated in the financial model of the Concession Contract, project funding during the construction phase shall be as follows (in EUR million):

Table 8.1: Project funding sources

Share capital and Concessionaire Shareholder subordinated loans	154.90
State Financial Contribution (FC)	517.99
Expected toll revenue during the construction period	43.07
Main Loan (with a margin of 105 bps, a duration of 25 years and an average loan life of 15.2 years)	261.54
Loan repaid by the operation subsidy (with margin 85bp, 29 year term, and average loan life 14.64 years)	721.00
TOTAL	1'698.50

A State Financial Contribution bridge loan in the amount of EUR 311 million is also foreseen. The Table that follows depicts the participation of individual banks in the primary loan.

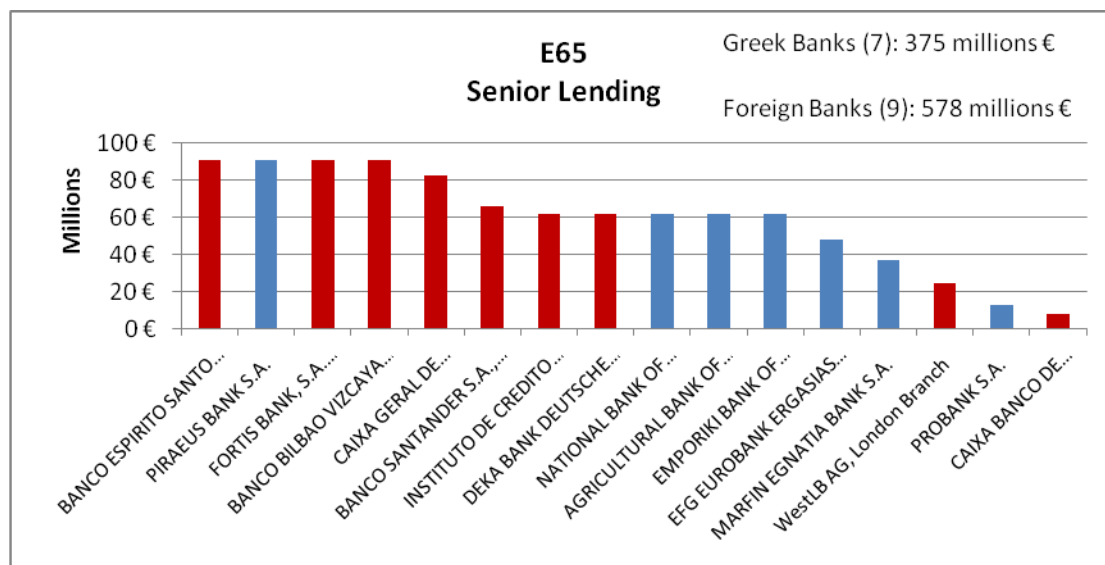


Figure 8.1: Bank participation in loans for Project funding

Motorway E65

Primary loan

Greek banks (7): EUR 375 million

Foreign banks (9): EUR 578 million

At the time of execution of the Concession Contract, the Banks' financial models were presenting the following results:

Table 8.2: Results of financial scenarios according to the CCD

Current prices EUR	Bank Base Case	Bank Low Case	Reduction %
Total project revenues	2,683,737,885	2,070,482,743	22.85
Concessionaire shareholders IRR	8.3%	2,7%	

To this date the amounts disbursed toward the project are as follows:

- EUR 66.6 million by the shareholders of the Concessionaire, amounting to 50.6% of committed investment equity (share capital and shareholders subordinated loans).
- EUR 136.3 million from the State, amounting to 26.3% of the total State Financial Contribution (SFC).
- EUR 5,5 million from tolls (to 30 June 2011), or 12.7% of the total amount projected to the end of the construction period.
- EUR 222 million from the State Financial Contribution Bridge loan.

The amount currently (30 June 2011) due by the State to the Concessionaire is EUR 4.4 million from non-refund of VAT.

8.2 Funding problems

During the implementation phase of the CC, social and economic conditions have changed. The economic crisis and its concomitant reduction of the purchasing power of consumers; higher fuel prices; higher tolls rates; VAT increase; and job insecurity have produced conditions that reduced traffic and toll revenues, and also the projected (by the Concessionaire) future traffic and revenues.

Presently only one toll station is in operation, the frontal toll station at Agia Triada on the Patras-Athens-Thessaloniki motorway (PATHE). The toll stations on the Lamia-Raches segment of the PATHE are not yet operational because construction in those segments has not yet been completed by the Greek State.

The figures that follow indicate projected project revenues by time period and cumulative, as they were estimated by the Concessionaire's traffic consultant (ARUP).

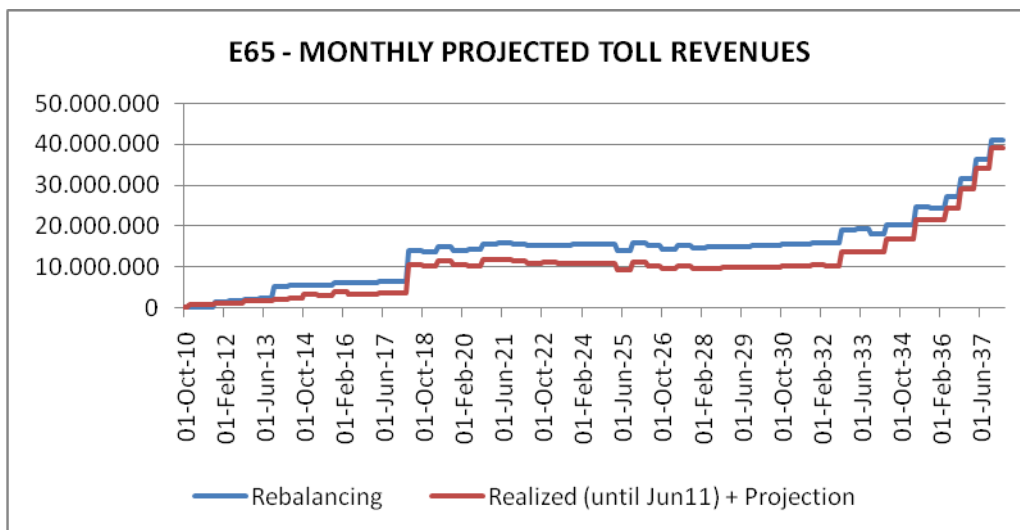


Figure 8.2: Projected monthly revenues from tolls

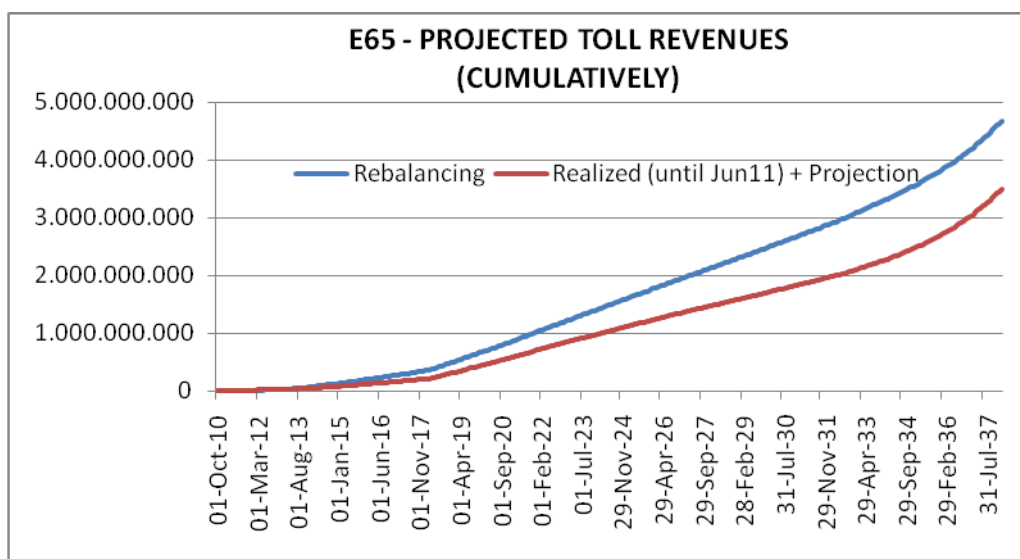


Figure 8.3: Projected cumulative revenues from tolls

The funding of Project construction depends very little on toll revenues collected during the construction period (2.5 percent share). However that is not the case for payment of the primary loan during the operation period.

The main problem of the Project is the inability to pay back its loans, on the basis of the originally requested (contractual) subsidy; and reduced traffic throughout the concession period.

The Greek State, confirming in action its interest in finding a solution that will restore the long-term contractual balance and viability of the Concession Contracts (Long Term Solution), has in June 2011, together with Concessionaire, initialed a Framework of Understanding which defines, among other things, the principles and the time-schedule to be maintained during the negotiations. Following that, groups were formed jointly (technical, legal, financial, tolls) to explore the particular problems and submit proposals.

8.3 Technical issues – Deadlines

The most important problem is the alignment of the Central Greece Motorway at its northern segment, the interchange in the Mourgani area and the interchange with the Egnatia Motorway. Concerning that segment, the Greek Council of State has issued a decision halting all construction, since the motorway as originally designed penetrates the zones of temporary and permanent habitat of the brown bear (*Ursus arctos*), which enjoys special protection under the Bern convention, overriding any other law (Greek Law 1335/1983).

To deal with that crucial environmental and economic problem, the Concessionaire studied the matter and declared that (if appropriate) it will proceed to submit to the Greek State a request to amend the alignment of the particular segment of motorway, replacing the provisions of the Basic Design and introducing a new alignment that would not penetrate the zones of temporary and permanent habitat of the brown bear. However, such solution would require much time for design and permitting procedures, and could not possibly be completed within the time period of the NSRF (National Strategic Reference Framework) 2015, nor within the time frame of the loan availability period.

In view of the above, we propose to curtail the scope of the Concession as follows:

- The motorway will be completed as initially agreed to the position Mourgani north of Kalambaka (at the junction with the roads to Metsovo and Grevena);
- A publicly funded project will improve the existing motorway from Mourgani to Agioi Theodoroi and construct a new \pm 9 km segment of new motorway from Pigaditsa to the Egnatia motorway;
- Additionally, a publicly funded project will improve the motorway from Mourgani to the Panagia interchange and to the Egnatia motorway;
- The segment of motorway from Mourgani to the Egnatia motorway (Kipourgio, in the Grevena area), the Lamia interchange as initially designed, and the connector road Anavra – Thamakos will be built later as publicly funded projects.

The Concessionaire has proposed technical amendments – optimizations for several other segments of the project, some of which have already been approved and some are being evaluated. At the end of this Chapter there is a Table with Amendments to the Basic Design.

According to the provisions of the Concession Contract, the sites necessary for project construction should have been delivered vacant to the Concessionaire within 12 months after the Concession Commencement Date (CCD).

The Technical Team, in the course of processing the above matters, has formulated a Project Time-Schedule as follows:

Table 8.3: Project Time-Schedule

From km position	To km position	Completion
0+000	14+500	31 Dec 2012
14+500	60+500	31 May 2015
60+500	90+500	30 November 2013
90+000	110+000	31 August 2014
110+000	136+000	31 August 2014
136+000	146+000	31 December 2014
146+000	175+000	No construction at this stage

8.4 Compensation, Penalties, Technical Disputes and Arbitration

To this date the Concessionaire has notified the Greek State concerning a dispute that has been relegated to Arbitration, as described in the attachment at the end of this Chapter.

Concurrently the Concessionaire and the Construction Contractor have communicated informally, on the occasion of Technical Team meetings, their claims for compensation to this date, as presented at the end of this Chapter.

The increases of the project cost, which according to the Concessionaire ought to be borne by the Greek State, will either be resolved during this round of negotiations, or they will be resolved according to the procedures provided in the Concession Contract.

8.5 The position of the banks

The Banks Steering Committee has informed the Greek State and to the Concessionaire of its demands, summarized as follows:

- To maintain the debt service cover ratios as per the Financial Model on the Concession Commencement Date;
- To secure the necessary sources of funds (for completion of construction) during the Design and Construction Period;
- To assure the viability of the Project and consequently also its debt service obligations during the Design and Construction Period;
- To increase the interest margin of loans by 350 basis points;
- To explore the potential of reducing the overall exposure of Lenders in connection with the Project, by reducing the maximum amounts of loans or optimizing the manner of repayment;
- To explore the possibility of securing the obligations of the Greek State through adequate monetary flows from secure sources, e.g. Ionia Odos revenues to assure the

payment of the Operation Subsidy, as that subsidy will be structured in response to project needs per the updated financial model;

8.6 Updated Concessionaire's Financial Model – Sensitivity Analyses

The Concessionaire's Financial Model presents reduced flexibility in the calculation of revenues. It does not include distance data for the project segments where traffic data are presented in the form of vehicle-kilometers, in other words the corresponding toll charge distances are not identified. Furthermore, that toll charge scheme is not structured according to the layout of Toll Stations and the respective toll charges for each segment of the project. In other words, the data for each motorway segment are entered as vehicle-kilometer figures, distributed among the four vehicle categories previously indicated, for each semiannual period of the Concession period. It is noted that the Financial Model does not present traffic data of two-wheeled vehicles (category 1 of the Concession Contract). Further in the calculations, the traffic data for each Project segment, as each segment successively is delivered to traffic, is multiplied by the aforementioned vehicle size coefficients. Then the figures are multiplied by the maximum toll rate limit, adjusted for inflation, according to the inflation rate projected for each semiannual period of the Concession period.

Furthermore, the fundamental working hypotheses and the results of the updated Financing Model presented by the Concessionaire are summarized as follows:

- The technical scope of the contract has been reduced by EUR 300 mil.;
- Toll receipts have been reduced by 44 percent (double the worst-case scenario of the Banks on CCD);
- Construction completion time has been increased by 20 months (from 66 to 86), not including the last segment of the motorway;
- Reduced loan amounts required (primary loan from EUR 261 mil to EUR 139.3 mil, loan against the subsidy from EUR 929 mil to EUR 814.6 mil, amounting to a total loan reduction of EUR 236.2 mil.);
- Loan margin rates have increased to 455bp, 435bp and 415bp, compared with the previous 105bp, 85bp and 65bp, respectively, for the primary loan, the loan against the subsidy, and the State Financial Contribution bridge loan;
- Internal Rate of Return 8.58% (close to as per the Concession Contract, which provided 8.3%);
- Average life of the primary loan 7.2 years (less than in the Concession Contract);
- Required subsidy from the Greek State toward the Project is EUR 2'500 million in nominal terms (from EUR 1'647 million provided in the CC).

The Greek State set new working hypotheses for the Financing Model, so as to explore the sensitivity of the various parameters. The relevant data are presented in the table and figures that follow.

The sensitivity analysis showed that (although the scope of work is now smaller) the Central Greece Motorway continues to require an operation subsidy, indeed a larger one than the one anticipated in the CC. If the demands of the banks and the Concessionaire were reduced, the subsidy could be reduced as well.

Concerning the State subsidy in current values, the various scenarios lead to the following results:

- According to the CCD model of the CC (Scenario 1) the Greek State would subsidize the Concessionaire by an amount not to exceed EUR 1'647 mil. in current values;
- The Concessionaire's updated model (Scenario 4) indicates a maximum subsidy of EUR 2'500 mil. in current values;
- According to Scenario 8 of the sensitivity analysis (44% reduction of revenues, no increase of the loan interest margin, and 2,7% return of the Concessionaire's committed investment) the Greek State would extend to the Concessionaire a EUR 1'323 million subsidy in current values. That subsidy is smaller than the maximum subsidy provided in the contract, due to the reduction of the technical scope of the project.
- If traffic increases and revenue reduction is limited to -23% (Scenario 9), and other assumptions remain unchanged, the Greek State will extend to the Concessionaire a subsidy of EUR 788 mil. in current values, compared with EUR 1'647 mil., the maximum subsidy under the CC;
- The exposure of the banks is reduced significantly, since the loan amount is decreased and also the average life of the primary loan is reduced (from 17.3 years in the banks' low case to 2.1 years in scenario 8, and 1.9 years in scenario 9).

Table 8.4: Financial Model scenarios

Models	Bank scenario at the time of Contract execution		Contractual model / reduced traffic	Contractual model / reduced traffic / Concessionaire substitution	Concessionaire's updated model	Sensitivity Analysis						
	Basic	Low				1	2	3	3 α	4	5	6
Scenarios	1	2	3	3 α	4	5	6	7	8	9		
Reduced traffic revenues in comparison to projections upon signing of the Contract	-	-23%	-44%	-44%	-44%	-23%	-44%	-23%	-44%	-23%	-44%	-23%
Loan interest margin	105	105	105	105	455	455	200	200	105	105		
Concessionaire's IRR	8,3%	2,7%	-	-	8,6%	13,0%	6,0%	6,0%	2,7%	2,7%		
Average life of primary loan (years)	15,2	17,3	Inability to service	15.2	7,2	7,2	2,2	2,0	2.1	1,9		
Total traffic revenues	2684	2070	1504	1504	1504	2054	1504	2054	1504	2054		
Current prices												
Operation subsidy												
Current prices	1647	1647	1647	2049	2500	2500	1673	1085	1323	788		
Net Present Value	330	330	330	453	583	583	417	312	340	235		
Operation subsidy under the Contract (EUR million)												
Current prices	1647	1647	1647	1647	1647	1647	1647	1647	1647	1647		
Net Present Value	330	330	330	330	330	330	330	330	330	330		
Cash flow to shareholders of Concessionaire												
Current prices	748	288	-	-	733	1139	376	346	227	204		

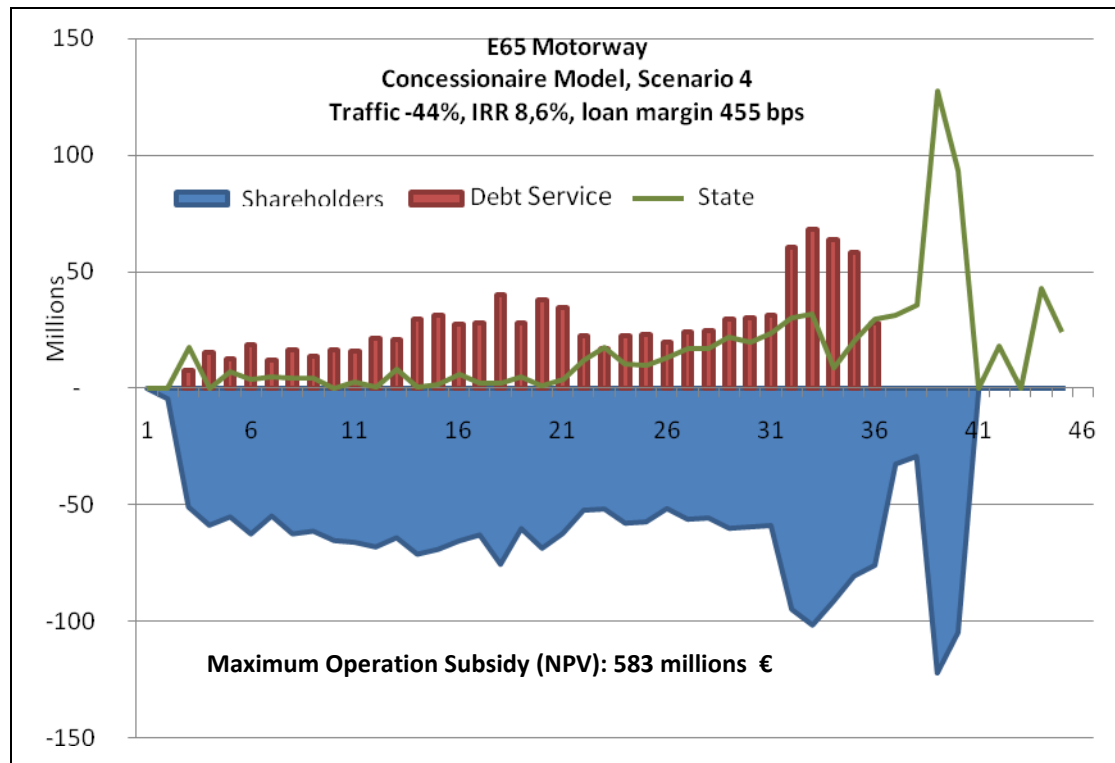


Figure 8.4: Scenario 4 – Traffic reduction -44%, IRR 8.6%, loan margin 455 bps

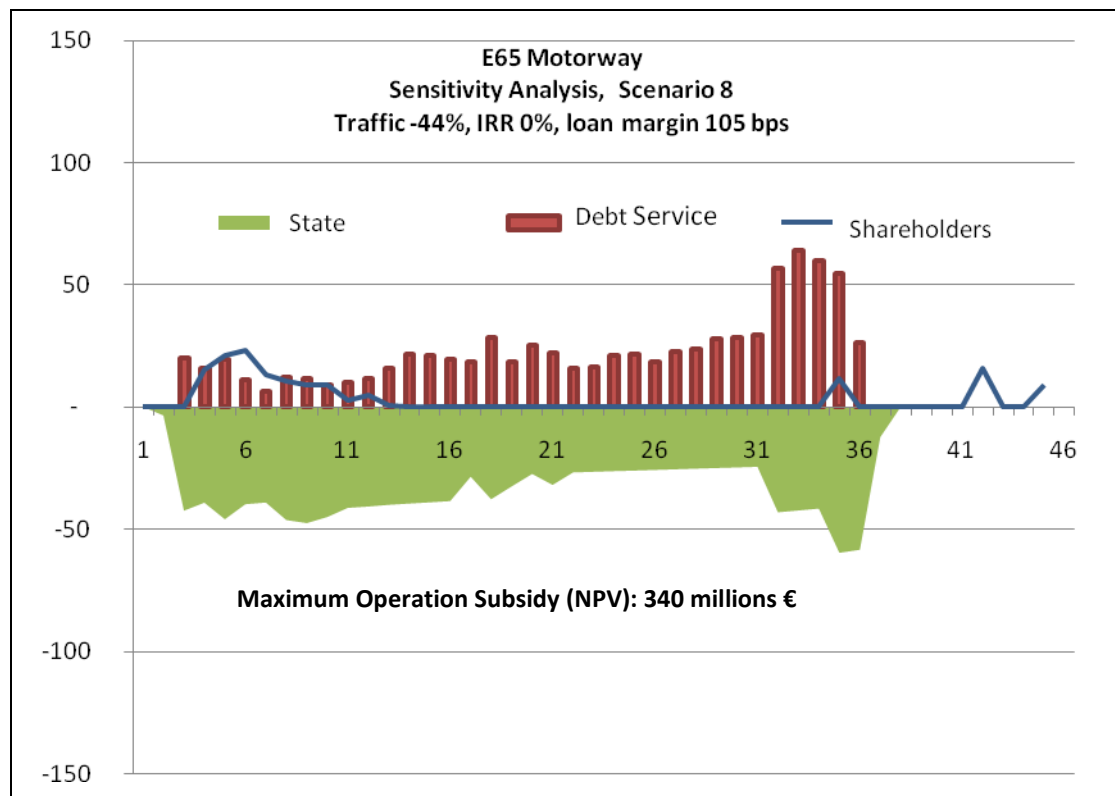


Figure 8.5: Scenario 8 – Traffic reduction -44%, IRR 2.7%, loan margin 105 bps

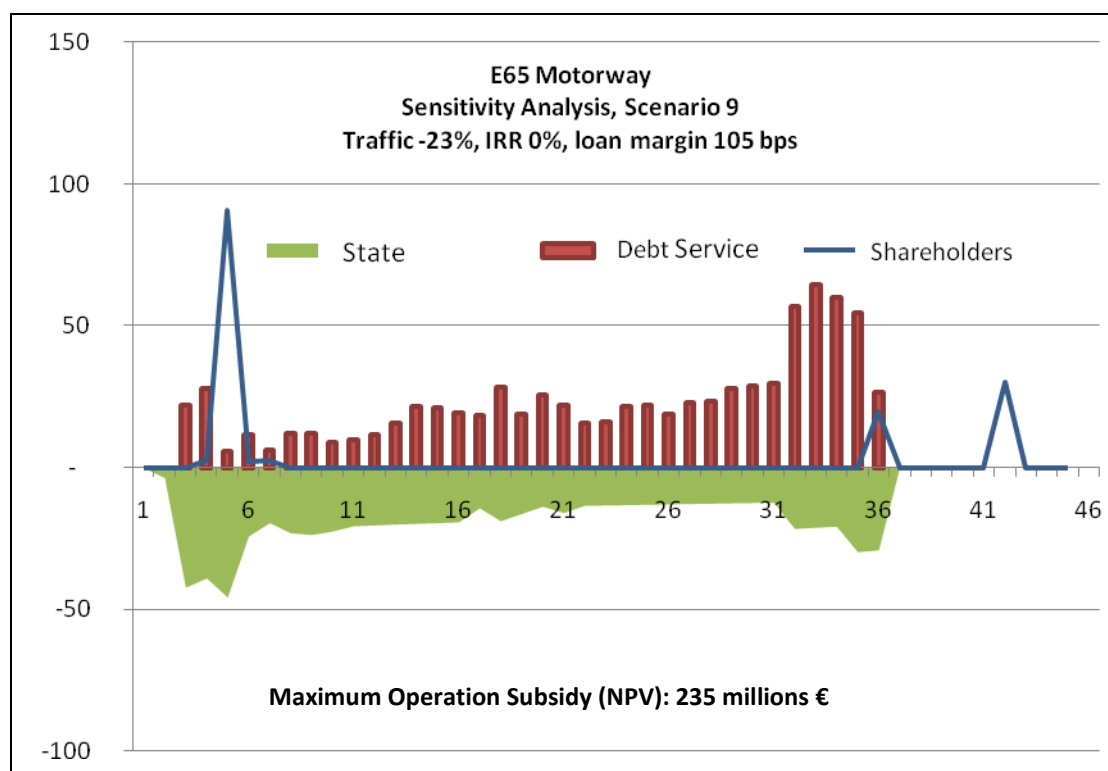


Figure 8.6: Scenario 9 – Traffic -23%, IRR 2.7%, loan margin 105bp

8.7 Evaluation of results

The position of the Greek State, in view of the fact that it is not proposed to complete the entire project, is adversely affected compared to what was provided in the CC, yet the Greek State will acquire an important project. As regards the operation subsidy, the position of the Greek State could improve if traffic increases.

The position of the banks is somewhat balanced because, even though the loan margin is lower than prevailing market rates, the banks' exposure is reduced (Amount of loan – Average loan life). It is clarified that during the initial 2 years after the Design-Construction Period, all Project revenues will go to repay loans (cash sweep), which means that larger repayments will be made in a shorter amount of time.

Survival of the Concessionaire is essential to smooth Project completion. Once the Greek State has secured (with a loan to the Project) the repayment of the Project loans, the Concessionaire's risk will be reduced significantly, and therefore its return on invested capital should also be reduced significantly.

It is a fact that a 44% reduction of traffic and revenues is very significant, and in a situation like this it is obvious that all parties ought to accept reasonable losses.

- the loan interest rate will not increase, but the exposure of the lending banks will be reduced, offsetting the fact that the interest rate will no longer correspond to market rates;
- the Concessionaire's shareholders will receive the IRR anticipated in the banks low case, substantially lower than anticipated in the base case.
- the Greek State will receive a smaller project and may have to pay a higher operation subsidy (depending on the part of the Project that will actually be completed).

The following should also be noted:

- The scope of Project construction is reduced for environmental reasons. Yet that reduction does not diminish the Project's functionality, since the improvement of existing roads and the construction of new segments will adequately assure the envisaged connection of Central Greece with the Egnatia motorway. Furthermore, this reduction of the scope of construction contributes to rational use of economic resources for infrastructure projects, given the present conditions.
- The stipulated time of Project construction was 66 months (from 31 March 2008 to 30 September 2013). We note that the construction of the last segment of motorway would require 30 months after the completion of all permitting procedures and the delivery of all Project sites vacant for construction. In the framework of the long-term solution, the Concessionaire proposes an extension of Project construction time by 20 months, to a total of 86 months. The extra time will be needed because of delayed delivery of the project sites, delayed finalization of Project design, and the suspension of construction that resulted to a great extent from the suspension of funding by the lending banks. The time extension will allow the completion of construction and facilitate its funding, with gradual disbursement of the State Financial Contribution by the Greek State corresponding to the progress of construction, in accordance with Article 20 of Law 3897/2010.
- The Greek State must audit the traffic model presented by the Concessionaire (with revenues reduced by 44% compared with those projected on CCD).
- Construction should be accelerated to complete the public works in the motorway segments that will be delivered to the Concessionaire for operation, maintenance and exploitation (e.g. Lamia-Raches) according to the CC.
- According to the sensitivity analysis scenarios for the service of Project loans, it is possible for the Greek State together with the Concessionaire to procure the required additional resources (higher subsidy + revenues).
- In any case the Greek State ought to establish an acceptable limit to the expenses for project operation and maintenance, lower than that provided in the CC.
- The operation subsidy could originate directly from Greek State revenues obtained from the Ionia Odos motorway.

Finally, it is noted that:

- Any improvement of Project traffic / revenues, compared with the anticipated 44% reduction and up to a 23% reduction, will be entirely for the benefit of the Greek State, and will not alter the agreed return of the Concessionaire.
- In the eventuality of a yet smaller reduction of Project traffic / revenues (a reduction smaller than -23%) it will be possible to examine the possibility of improving the Concessionaire's return.
- In case the Greek State will eventually recover the amounts it disbursed to support the viability of the Project, the provisions aiming to support the viability of the Project will be waived (reduction of revenues and invested capital return, et al.) and the provisions of the CC shall apply.

All these arrangements shall be the subject of agreement between the Greek State and the Concessionaire. In any case, such arrangements also need to be accepted by the lenders, according to the Designated Loan Agreements.

E65 Motorway**APPROVED DESIGN AMENDMENTS**

#	Position	Contract provision	Amendment	Remarks
1	km 25+000 to km 27+000	–300m tunnel – 5 bridges, total length 470m	→ no tunnel → 3 bridges, total length 470m.	Basic design amendment approved by ministerial decision Y.A. 8938/30 Oct 08
2	km 26+773 to km 32+000	– one tunnel 3'330m	→one tunnel 3'000m and remote branches due to geology	Basic design amendment approved by ministerial decision Y.A. 8938/30 Oct 08
3	km 142+500 to km 145+700 Entering the habitat of large mammals	– C&C 150m and – 3 bridges, total length 800m	→shift centerline by about 300m →Eliminate one 160m bridge →Small reduction of C&C and bridges length	Basic design amendment approved by ministerial decision Y.A. 8938/30 Oct 08
4	km 148+320 to km 151+545	– 2 bridges, each 320m	→ shift centerline by 350m →One 260m long bridge	Basic design amendment approved by ministerial decision Y.A. 8938/30 Oct 08
5	km 158+140 to km 163+420	–Two tunnels, 437m & 1'400m long, and – 3 viaducts, overall length 1'110m	→Eliminate the 437m tunnel →4 bridges, overall length 1'220m	Basic design amendment approved by ministerial decision Y.A. 8938/30 Oct 08
6	km 165+720 to km 172+239	Two tunnels 1'035m and 2'140m long (total 3'191m)	→ Shift centerline north by 700m → Reduce tunnel length by 492m →2 tunnels, overall length 2740m → Added 240m bridge	Basic design amendment approved by ministerial decision Y.A. 8938/30 Oct 08
7	Total Project	<u>Typical cross sections</u> ● $0.70 + 2 \times (0.90 + 3.50 + 3.75 + 2.50) =$ 22.0m on 88.1km length ● $2.00 + 2 \times (0.90 + 3.50 + 3.75 + 2.50) =$ 23.3m on 86.9km length	<u>Use single cross section</u> <u>(except where motorway</u> <u>has median)</u> → Widen emergency lane from 2.0m. to 2.5m (at difficult locations) →Single design guidance lanes to 0.90m (reduce from 1.20m at easy locations)	Basic design amendment approved by ministerial decision Y.A. 8938/30 Oct 08
8	km 48+000 to km 56+000	Smokovo bridge, 1'120m long	→ 295m bridge → shift centerline	Basic design amendment approved by ministerial decision Y.A. 2036/29 Nov 10

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9	km 132+000	Trikala Service Area on 46 hectares	→ Highway police and fire brigade facilities on 1.5 hectare lot at 132+000km → Vassiliki Service Area at km 117+000	Basic design amendment approved by ministerial decision Y.A. 2036/29 Nov 10
10	km 148+000	● Smokovo – Monastiri road, 9km. Entire Smokovo interchange	→ Anavra – Thavmakos road (segment 1, 13.5 km long) → Smokovo T junction → T junction to Loggo by Trikala → 4 overpasses at km 63+500, km 68+500, km 93+500, km 102+000 → Widen from 10.50m to 13.00m the DP of two province roads, Kedros – Anavra (km 59+900) and Karditsomagoula – Proastio (km 96+013) → Widen 5 km of the local road network of the Trikala prefecture. Widen 4 drainage pits. → Construct 5.5km of PATHE side road at the Agia Triada toll station	Basic design amendment approved by ministerial decision Y.A. 2036/29 Nov 10
11	km 31+000 to km 33+800		Shift centerline NW to bypass site with significant archeological finds.	A254624/30.04.10 Egnatia Motorway S.A.
12	km 36+400 to km 38+800		Shift centerline SW to avoid Motorway passage though organic soils area	A254624/30.04.10 Egnatia Motorway S.A.
13	km 41+100 to km 44+400		Shift centerline SW to restore access to the Aggeia Rail Station after the construction of E65.	A254624/30.04.10 Egnatia Motorway S.A.
14	km 43+300 to km 47+600		Shift centerline west, to bypass significant archeological site.	A250885/29.03.10 Egnatia Motorway S.A.
15	km 61+000 to km 131+000		Lower red line elevation for environmental reasons	Conforms with basic design

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#	Position – km	Contract provision	Amendment	Remarks
1	km 0+000 to km 10+000 Lamia interchange	- Construct T-junction at Roditsa. - Construct Lamia interchange branches on bridges	→ Eliminate bridges of total length 2km → Construct T-junction at Anthili	Basic Design amendment
2	km 19+000 to km 23+000	– 1 bridge 900m	→Two bridges, 90m each	Basic Design amendment
3	km 26+450	– one 310m bridge on one branch, one 240m bridge on the other branch	→Eliminate bridge, replace with landfill	Basic Design amendment
4	Connecting road from Anavra to Thaumako		Proposed construction of 5km length of road	Initial 13.5km of that road were approved by ministerial decision Y.A. 8938/30 Oct 08
5	Improve local roads		Widen various local roads of total length 5 km	

E65 Motorway

TECHNICAL DISPUTES – ARBITRATIONS

DISPUTE Technical dispute – Arbitration	Disputed object	Claimant
1st technical dispute	Against the IE decision of 19 May 2010 to extend the 2 nd Exclusive Partial Deadline by 12 months	Greek State (27 May 2010)
1st arbitration	Failure to pay interest due to delayed refund of VAT for years 2007, 2008 & 2009	Concessionaire (04 Febr 2011)

CHAPTER 9

MOREAS MOTORWAY

9.1 Project Identity

Technical scope: The Corinthos – Tripoli – Kalamata motorway and the Lefktro – Sparti branch have a total length of 205km. Obligations under the Concession Contract include:

- The construction, Operation and Maintenance of New Motorway Segments 100km long;
- The Improvement, Operation and Maintenance of the existing segment Corinthos – Tripoli, 82.50km long;
- The Operation and Maintenance of New Segments under construction by the Greek State [Athinaio – Lefktro 14.60km long, including the Rapsomatis tunnel and the Paradeisia – Tsakona section, 11.00km long (reconstruction after the year 2003 landslide)].

Concession Contract (hereinafter CC): The CC was signed on 31 January 2007 (Law 3559, Greek Government Gazette 102^A/14 May 2007) and went into effect on 3 March 2008 (Concession Commencement Date – CCD). The shareholders of the Concessionaire and their shares in the capital as follows:

Concession partner	Share percentage
AKTOR CONCESSIONS S.A.	71.67%
INTRACOM HOLDINGS	13.33%
J&P AVAX S.A.	15.00%

Project Construction Cost – Completion Percentage: The total project construction cost is EUR 904 million. Disbursements to date have amounted to 68% of the total cost, and the completion percentage per road segment is indicated in the Table that follows.

Table 9.1: Percentage completion per segment (%)

Percentage completion per segment (%)				
Corinthos – Tripoli	Tripoli – Paradeisia	Tsakona – Kalamata	Kalamata perimeter highway	Lefktro – Sparti
99%	100%	80%	0%	40%

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Delivery of project segments to traffic to-date is as follows:

Corinthos – Tripoli	September 2010
Tripoli – Athinaio	November 2010
Lefktro – Paradeisia	December 2010

At present, construction works are in progress in the following segments:

- Tsakona – Kalamata
- Kalamata perimeter road
- Lefktro – Sparti

As already mentioned, the Tripoli – Kalamata segment includes two sub-segments that the Greek State should construct and deliver to the Concessionaire for operation, as follows:

Athinaio - Lefktro (14.6km)	30 June 2009	This segment was finally delivered on 30 March 2010. The delay does not necessitate compensation of the Concessionaire by the Greek State, as the Concessionaire itself delayed construction by equivalent times.
Paradeisia – Tsakona (11km)	30 June 2010	Delayed delivery of this segment will necessitate payment of compensation by the Greek State to the Concessionaire, because of loss of revenue. Completion is expected within 2012.

Project funding on CCD is indicated in the Table that follows:

Table 9.2: Funding sources for the project

Share capital and Concessionaire Shareholder subordinated loans	EUR 105'000'000
State Financial Contribution (SFC)	EUR 341'880'000
Expected toll revenue during the construction period	EUR 107'000'000
Main Loan from commercial banks (with margin 115bp, 25 year term)	EUR 376'000'000
Loan from the European Investment Bank (with margin 70bp, 25 year term)	EUR 150'000'000
TOTAL	EUR 1'079'880'000

Furthermore, a State Financial Contribution bridge facility in an amount of EUR 266'000'000 and a EUR 28'000'000 VAT Bridge facility have been committed.

Bank participation: the lending banks that participate in the primary loans to the Project are indicated in the figure that follows:

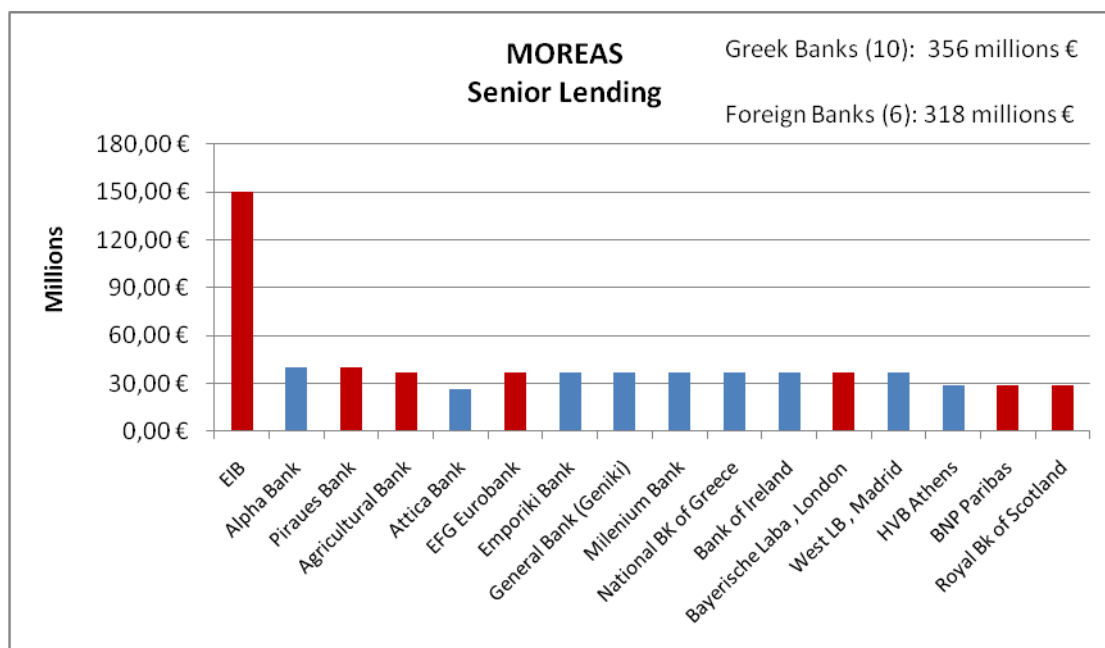


Figure 9.1: Bank participation in the primary loan of the Project

The amounts disbursed to date toward the Project are as follows:

- From the Concessionaire's shareholders, EUR 105 million, or 100% of the committed investment (share capital and shareholder subordinated loans).
- From the Greek State EUR 246'880'000, or 72% of its funding commitment.
- From tolls, EUR 50'107'104 (to 30 August 2011), or 44% of the toll revenues projected to the end of the construction period.

Amounts current due by the Greek State to the Concessionaire are as follows:

- EUR 2.3 million from VAT paid by the Concessionaire and not yet refunded

9.2 Funding problems

New socioeconomic conditions have contributed to the reduction of traffic and consequently to lower revenue from tolls, and also to reduced projected future traffic and revenues. Furthermore, not all the toll stations provided for in the Contract went into operation. Many Greek citizens have been mobilizing and refusing to pay tolls, and several toll stations have been subject to blockades by protesting citizens for a variety of reasons. Finally, the delays of Project construction have caused non-collection of tolls as provided in the CC.

Available data to-date show that, at 78% of the project construction-completion period, tolls collected amount to 44% of the amount originally projected for that period.

It is not expected that the remaining amount needed for project completion will have been collected by the end of the Project construction period, and that will require extension of the construction period.

However, it should be noted that the general reduction of traffic and revenues does not affect the viability of the Project, since the CC stipulates that the Greek State will provide a Project

operation subsidy in the eventuality that Project revenues drop below a certain level (Traffic Revenue Risk Limit - TRRL), undertaken by the Concessionaire).

9.3 Technical matters – Deadlines

In the process of Project construction the following amendments to the Basic Design have been requested and approved:

- In the existing Corinthos – Tripoli motorway, construction of a new two-branch tunnel, 950m long, in the Sterna area, and modification of alignment in two positions (Spathovouni area, Alea area);
- In the Tripoli – Tsakona segment, in the area of the Eastern interchange at the new exit (entrance) to Tripoli, and in the Asea area, on a length of 6km;
- In the Lefktro – Sparti segment, in the area of Evrotas, on a length of 6km;
- In the Kalamata Perimeter Highway.

The above amendments are supported by two ministerial decisions (ΕΠΠ/Π2/Φ1/1331 17 Febr 2009 and ΕΠΠ/Π2/Φ1/οικ 1958/18 Febr 2009) and by formal agreements between the Greek minister of Infrastructure, Transport and Networks and the Concessionaire. The decisions specifically state that “*Any benefit of the Concessionaire due to potential reduction of the Design and Construction Consideration, as that reduction will be determined after the elaboration and approval of final design, shall constitute a benefit to the Greek State*”.

At the same time, as is the case in all CCs, this Project suffered substantial delays, mostly in the delivery of construction sites by the Greek State to the Concessionaire. Those delays resulted in extensions to the Exclusive Partial Deadlines and to the Full Completion Deadline of the Project, as follows:

Table 9.3: Exclusive Partial Deadlines

Exclusive Partial Deadlines	Dates specified in Contract	Prerequisites Deadline extensions
1 st EPD	3 July 2008 (satisfied)	Submission of time-schedules concerning additional expropriations, tolls, public utilities, et al.
2 nd EPD	3 March 2010 (satisfied)	Completion of contract work for reconstructions and improvements on the Corinthos – Tripoli segment as initially provided (not including the 950m Sterna tunnel); completion of contract work for construction of the 700m Neochorio tunnel; completion of the new branch of the 1'460m Artemisio tunnel and major maintenance on the existing branch of the 1'460m Artemisio tunnel; according to Directive EU 54/2004 (electrical and mechanical works, concrete lining work, paint finish, paving).

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3 rd EPD	3 August 2010	Extended to 03 May 2011. The Greek State appealed to the Technical Dispute Adjudication Committee and the extension was set irrevocably to 3 March 2011. All work was completed and the segment was delivered to traffic on 3 November 2010. This extension involves the construction of a motorway segment from the Tripoli – Athinaio interchange (including the 650m Kalogeriko tunnels); the 950m Sterna tunnels; and improvement on the alignment of the Northern interchange for entrance (exit) to Tripoli.
4 th EPD	3 July 2011	Extended to 4 December 2012 because of insufficient land expropriations. This extension involves completion of the 33km Tsakona – Kalamata highway segment (including the Kalamata Perimeter Highway).
Full Completion deadline	3 September 2012	Extended to 31 October 2013 due to land expropriation delays.

The 4th Exclusive Partial Deadline is not expected to be met on 4 December 2011. By that date the only work to be completed will be the segment from Tsakona to the Kalamata entrance (exit) interchange (24km) and completion of the Kalamata Perimeter Highway (9km long) that is delayed by land expropriation procedures, will be pending. Concerning the Kalamata Perimeter Highway, although the Interim Unit Price Decisions have already been issued, no deposits have been made because the expropriation cost is very high (the Greek State has appealed that in the Courts). That set of expropriations will require EUR 30'000'000, while all the other segments of the 100km highway required EUR 45'000'000, which have already been deposited. For the land needs of the Kalamata Perimeter Highway, 85% of the land from the Kalamata entrance interchange to the Kalamata West entrance interchange (Karelia interchange) have already been requisitioned. After the Cadastre has been updated, the expropriation amounts for that segment will be deposited.

Most of the relocation of Public Utility Networks on the Lefktro – Sparti and the Tsakona – Kalamata segment has already been completed (not including the Kalamata Perimeter Highway).

Archeology protection works have been completed over most of the Project and are still in progress only in the Lefktro – Sparti segment.

It is noted that, to this date, the Concessionaire has not been granted the sum total of time extensions that it is entitled to due to delayed expropriations. The new extensions to be granted may possibly lead the Concessionaire to exceed the terminal deadline of 30% of the total time required for project completion, as specified in the CC, an eventuality that would entitle the banks to terminate the loan agreements, pursuant Article 26 of the CC.

To this date the progress of expropriations is as follows:

Table 9.4: Percentage completion of expropriations – requisitions per segment of motorway

Percentage completion of expropriations – requisitions per segment of highway (%)				
Corinthos – Tripoli	Tripoli – Paradeisia	Tsakona – Kalamata	Kalamata Perimeter Highway	Lefktro – Sparti
98%	100%	100%	30%	98%

9.4 Compensation, Technical Disputes and Arbitration

The requests and claims of the Concessionaire that have been submitted to the Agency up to this date are indicated in the Table that follows:

Table 9.4: Concessionaire's claims

Registry #	Concessionaire's claim	Relevant time period	Amounts in EUR (before VAT)	Remarks
MRS-20110309-126946-9-03-11 Π2 9070/ 9-03-11 Π2/9584/28-04-11	Claim for compensation for loss of toll revenues. Event of delay of the new 3 rd Exclusive Partial Deadline at 29 months	3 Sept 2010 to 22 November 2010	2'338'547	
MRS-20110309-126945-9-03-11 Π2 9089/10-03-11	Due interest on the 2 nd installment of the SFC		87'483.33	This amount is due according to CC provisions.
MRS-20110418-127793 Π2 9542/19-04-11	Claim for compensation for loss of toll revenues due to the delay of the new 3 rd Exclusive Partial Deadline at 29 months	From 3 March 2010 to 2 March 2011	2'324'997.30	Loss of toll revenues at the Spathovouni, Nestani and Asea toll stations. Pending in arbitration.
MRS-20110419-127850 Π2 9549/19-04-11 Π2/Φ4/9246/28-04-11	Delayed delivery of the Paradeisia – Tsakona segment built by the Greek State Higher material transport cost paid by the MOREAS joint venture	From 30 June 2010 to 3 July 2011	9'013'085.33	Pending in arbitration.

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MRS-20110504-128113/4-05-2011	Event of delay in delivering necessary sites for the Spathovouni alternate alignment		2'025'782	This expropriation was additional and was requested by the Concessionaire pursuant Article 3.1.15 of the CC. The Greek State was required to deliver the sites on 21 April 2009 and finally delivered them on 28 February 2011 employing the procedure of Article 7A because all adjudication at the Corinthos Court of First Instance was stopped due to abstention of all members of the Bar Association from expropriation trials. Pending in arbitration.
TOTAL			15,789,895	

9.5 Evaluation of information

Based on available information for the needs of the projects, as these are formulated in the new financial environment of Greece, we make the following recommendations:

1. Cancel construction of the last 6km of the Kalamata Perimeter Highway segment after the Keranis point because of:
 - (a) high expropriation cost (EUR 25'000'000);
 - (b) the Concessionaire's expected claim for compensation due to delays (EUR 30'000'000)
 - (c) the high construction cost of this segment (EUR 62'000'000).

2. Approve and issue an order to accelerate construction on the Lefktro – Sparti segment, for the eventuality that construction on that segment is granted an extension beyond 30% of the total time for completion of the entire Project. It should be noted that in the case of such extension the Concessionaire will be entitled to compensation not to exceed 50% of the cost of construction works affected by such extension (Article 26 of the CC).

CHAPTER 10

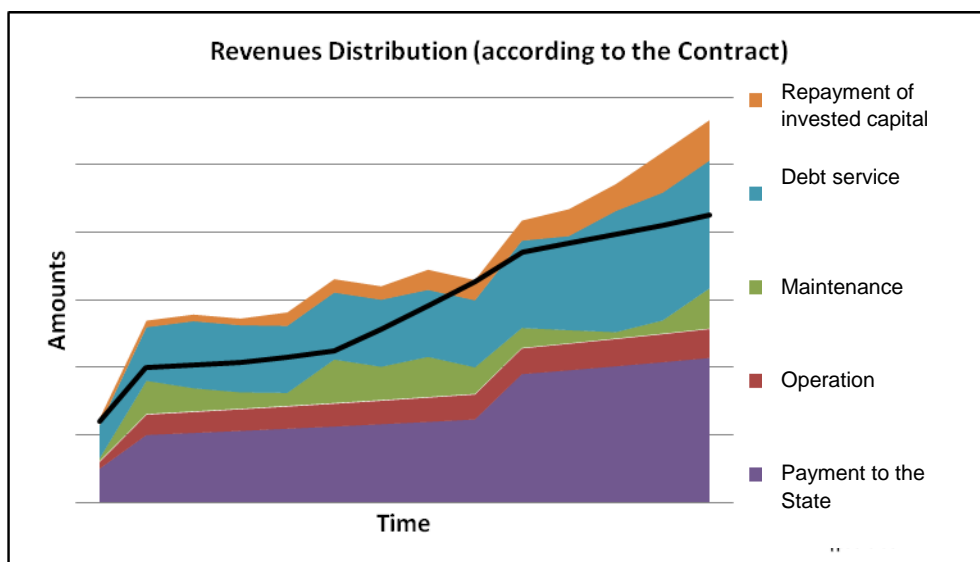
Proposals

A series of parameters, the financial crisis being the most important, caused traffic decline which resulted in the contractual (CCD) financial model (FM) losing its equilibrium; among others, the model constitutes a basic element of project financing by loans. For the project to be viable, the equilibrium must be reestablished on the basis of the contractual provisions. Obviously, under the current situation a lower base line would be achieved, with proportionate adjustments (losses) for all three parties involved (the State, the Concessionaire and the Lending Banks). Subject to all three parties being willing to contribute to achieving this goal, an appropriate proposal must be structured that will deal with the financial, technical and legal difficulties.

Certain measures are proposed hereafter, which (independently or in combination) could form the basis for the next phase of negotiations. A successful result can be obtained only if during the negotiations the appropriate mix of measures is achieved by the acceptance / enhancement of some of the proposals, the weakening / rejection of others and the incorporation of new proposals from the other parties.

10.1 Measures with regard to the toll revenues decline

The substantial decline in toll revenues (in comparison with the forecasts of the contractual FM and the Concessionaire's contractual obligation for paying to the State its revenue share in priority, result in the short term in a funding shortfall during construction and in the long term in an inability to service debt and elimination of the return on investment for the Concessionaires' shareholders, as shown in the following indicative figure. The black line represents the revenues of a typical project and it is evident that the project cannot repay its debt and total of invested capital. Therefore, the Concessionaires are unable to fulfill their obligation to finance the project.



Before concluding the loan agreements and as part of their approvals process, the lending banks and the Concessionaire in each project structured and agreed a financial model (lenders low case LLC / stress scenario), which takes into account traffic decline of 15% - 20%; in case of further traffic decline the repayment of the loans and more so the Concessionaires' shareholders investment cannot be secured.

It is proposed that the State will assure (exclusively from its share of project revenue) the Concessionaires' cash flow post revenue sharing (and indirectly those of the Banks) according to the traffic corresponding to the LLC, subject to the self-evident condition that any future increase in traffic revenue will be used to compensate the State for its contribution (loan to the project). Thus, the benchmark financial model during the negotiations will be the Banks LLC.

The State never accepted the traffic risk, which contractually lies fully with the Concessionaire, and it never examined the Concessionaires traffic models. Based on this fact, the State does not is not concerned during the negotiations with the re-estimation of traffic volumes by the Consultants of the Concessionaires and the Banks. The role of the updated Concessionaires and Banks traffic models is confined to their use only; their value is to confirm to them that the State would be in the position to "lend" the project from its revenue share as mentioned above.

Given the inability of Concessionaires to secure financing and in order for the State to establish a Special Purpose Vehicle (SPV) to manage its future revenues from the Concession projects, including their securitization, it is necessary for the State to audit the assumptions, the data and the outputs of the updated (traffic and financial) models of the Concessionaires, or generate its own models exclusively for this purpose.

It is noted that that, further the traffic estimation models problems, the financial models that the Concessionaires submitted also present several weaknesses and biased assumptions that should be checked in order to produce reliable results. It is indicative that according to these models, where the Banks and Concessionaires requirements are included, the State revenues during the concession period are minimal.

In these conditions, a first target is the projects' adjustment in order to reduce the funding shortfall during the construction period that is attributed to reduced revenue during the same period. At this stage **it is proposed** to resolve this through the contractual extension of the construction period (that would have as a result the extension of period that the revenues finance the projects' construction) or/and the appropriate adjustment of project time schedule (shift of completion dates – partial completion) for certain sections of projects. For the Olympia Odos and E65 projects and in addition to the above, **it is proposed** to reduce the technical scope.

In case that the State will agree to the subordination of its revenue share to the operational expenses and the debt service, as alternatively proposed, it should ensure that the operational expenses will be reasonably charged, in order to avoid any indirect increase of Concessionaires' shareholders IRR to the detriment of the State's share. On the contrary, there should be an effort to rationalize the operational expenses without reducing the users' service and road safety levels. Thus, **it is proposed** that the parties agree to either a proportional reduction of operational and maintenance expenses budgeted in the contractual financial models along with a commitment of Concessionaires to not exceed such levels, or a policy that will allow full transparency and increased control by the State of the operational expenses ("open books" – especially for major maintenance, according to the pre-agreed program).

10.2 Redesign of technical scope

The basic design under which the motorway concession projects were procured should be improved in many matters in order to take into account the specificities of certain areas as well as the reasonable requests of the local population. The chapters on technical analysis discuss the environmental problems encountered and characteristic design failures. In order for a reliable time schedule for the CCs to be restored, a number of design modifications were preliminarily agreed with Concessionaires, aiming at improving the projects functionality without financial burden to the State. **It is proposed:**

Olympia Odos:

The project to be limited to the section Elefsina – End of Patras by pass.

The section from Kato Achaia to the Pyrgos Entrance to be completed as a public works project.

The remaining sections to be suspended and constructed in the future by public work contracts but with works for improving road safety to be executed shortly.

Ionia Odos:

To construct a 2.3 km long twin tunnel in Klokova (Plaiouvouna) of Ionia Odos within the budgeted amount by avoiding non useful works as per the Concessionaire's proposal (such as the 1.1 km long twin tunnel at Menidi).

To accept Concessionaire's improvement proposals, many of which coincide with State preference.

To construct the necessary supplementary works in PATHE at State's cost.

Motorway of Central Greece - E65:

The project to be limited up to the Mourgani bridge after Kalambaka (junction to Metsovo and Grevena).

The Lamia interchange and the connecting road Anavra – Thamakos to be constructed later as public works. To accept certain of the Concessionaire's improvement proposals, many of which coincide with the State's preferences.

To upgrade the existing national road from Mourgani until Agii Theodori and to construct a new section of national road (9 km long) from Agii Theodori to Pigaditsa (Egnatia Odos) as public works. Moreover, to upgrade the existing national road from Mourgani to Panagia interchange (Egnatia Odos) as public works.

The motorway section from Mourgani to Egnatia Odos (Kipourgio Grevenon) to be constructed later as public works.

Moreas Motorway:

The Concession Contract to be confined until the Karelia junction of the Peripheral Road of Kalamata, due to the high expropriation cost and the obligation of the State to compensate the Concessionaire due to the late expropriation of the last section of the Peripheral Road of Kalamata (6 km long). Possibly, the works for the section Lefktro – Sparti could be accelerated with corresponding payment of compensation to the Concessionaire so that a breach of the additional 30% to the Total Construction Completion Date T1 provision (event of default under the loan agreements) is avoided.

In general, in every Concession Project the State and the Concessionaire will co-sign the technical modifications acceptance in the framework of the general agreement.

The Independent Engineer and the Banks Technical Advisor could promptly estimate in every project the cost of the technical modifications against the basic designs, with the direct provision of any clarification by the Concessionaire / Constructor and the authorized Service. The State and the Concessionaire will resort to the foreseen contractual dispute procedures in case of disagreement.

Given that the problems of the expropriations are practically solved, in particular for the sections where the alignment is finalized, there in principle agreement with the Concessionaires for the new time schedule of works so that all works will be completed within the NSRF program period.

10.3 Procedure for claims and compensation evaluation

Regarding the Concessionaires claims for compensation, according to their position in the Technical Groups, these will exceed in total the amount of 1000 millions € (for all projects), but until now only a small part of these were submitted sufficiently documented to allow proper evaluation.

According to the Concessionaires, the increased projects' cost, due to the delay of expropriations, archeological investigations etc., should burden the State. Any acceptance of

claim will be done under the negotiation framework or through the contractual arbitration procedure. Some of these claims, related to the loss of revenue, may be accepted and incorporated to the new financial models, in case they are properly documented contractually.

Regarding the Constructors' claims, the resolution and settlement procedure is contractually foreseen, in principle outside of the financial model.

In any case, from a preliminary assessment of the Concessionaires claims and in particular those of the Constructors, it seems that they can be reduced substantially.

It is pointed out that the State has already imposed to the Concessionaires penalties for delays with their responsibility.

It is proposed to agree the soonest possible the real amounts that will burden the State, so as to positively contribute to the new financial close of the projects. Representatives of the Independent Engineer, the Banks Technical Advisor, the State and the Concessionaire and/or the Constructor should evaluate and try to agree on the claims for every project. In case of dispute, the State or the Concessionaire could seek recourse to arbitration, according to the contract.

10.4 Negotiation Principles

The State has to define its negotiation limits on the basis of the following directions:

- Implementation as much as possible of the self-financing principle. That means that the State's obligations for each project will be covered exclusively by the future revenues of each project.
- Ensuring to the extent possible that the amounts provided by the State to fund the project will be at a priority and gradually repaid with interest, especially in case of future reversal (improvement) of conditions.
- The operation and maintenance expenditures will be capped (and monitored) at levels lower than those in the CCD financial model.
- The committed investment IRR for the Concessionaires' shareholders will be set at a level corresponding to the lenders low case scenario that is lower than the contractual one.

Based on the above directions and the principles of the FU, the State will proceed to the negotiations with the banks and the Concessionaires on the following issues, which are in line with the FU principles.

- Finalization of the technical solutions (Princ. 3 of FU).
- Extension of the construction completion period (Princ. 3 of FU).

- Re-calculation of revenues projections (Princ. 4 of FU).
- Estimation of the projects additional expenses, mainly during the construction period, as they may have increased due to a State event (Princ. 5 of FU).

- Evaluation / Settlement of the parties claims – requirements (Princ. 6 of FU).

- Reevaluation of the projects financing needs (Princ. 8 of FU), using different scenarios related to the Banks' requirements (Princ. 9 of FU).
- Investigation on the use of future revenues to secure the repayment of loans (Princ. 10 of FU).

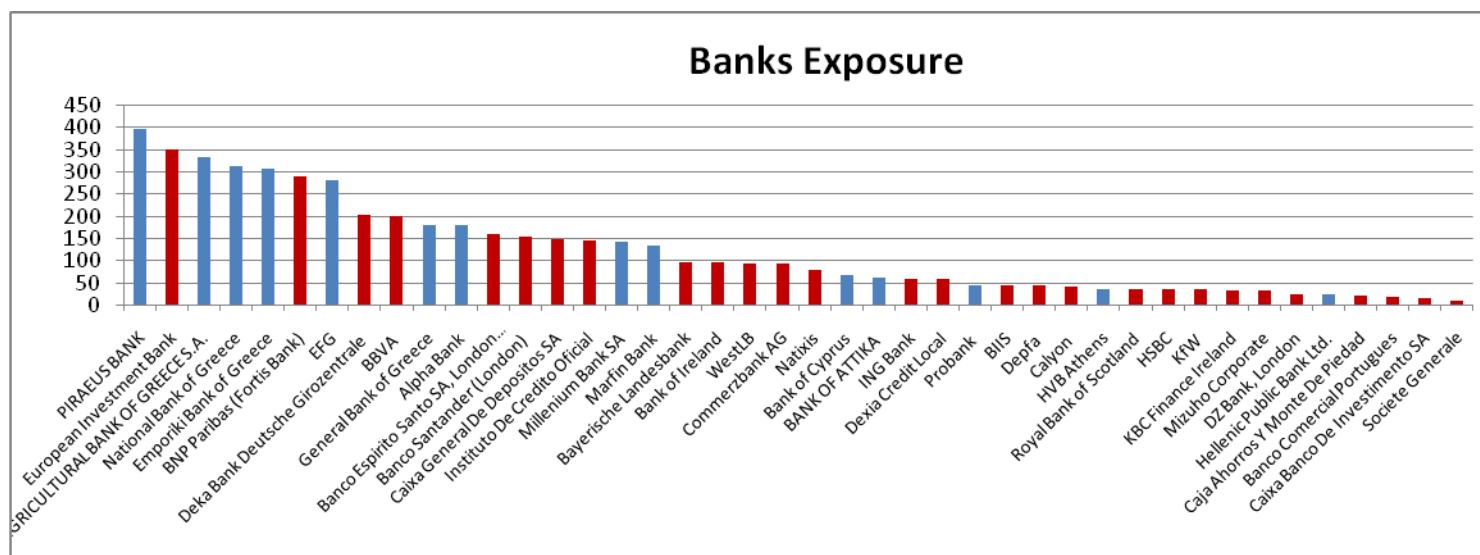
The toll policy and the interoperability of the toll collection systems (Princ. 5 and 7 of FU) cannot be agreed in the framework of the financial model, but independently. In any case the toll policy has to be agreed as soon as possible in order to be implemented with the restart of the concession contracts.

10.5 Negotiations with Banks

The lending Banks in the context of the current economic and financial conditions (increase of the cost of funding, shortage of liquidity, increase of country risk) practically request the renegotiation of loan agreements with main demand being the increase of the lending interest rate margin and the reduction of their exposure.

The request to increase the margin originates mainly from the Greek Banks, which provide approximately 50% of the projects' loans. An increase in the lending interest rate margin of 100 bps on the senior loans corresponds to additional cost, for the four projects (except Moreas), of 150-200 millions € in Net Present Value.

It is pointed out that the large number of lending Banks creates problems in the decision making process. For the cases of decision which need unanimous consent, it is probable that Banks with low participation (and thus exposure) will block these decisions. Furthermore, the fact that many Banks finance more than one projects, creates a phenomenon of communicating vessels in the discussion of various problems.



It is estimated that with the appropriate interventions in selected qualitative and quantitative characteristics of the projects’ contractual relationships, the minimization of lenders requirements for an important increase in loan interest margin can be achieved with obvious benefit for the public interest while maintaining the balance of risk allocation between the parties. The basic means that could be used for this purpose are as follows:

Change of the Governing Law of the Loan Agreements

Change from English law to the law of a country – member of the Eurozone (e.g. French). In this case the position of the Lenders will improve because they will have the ability to draw increased liquidity from the European Central Bank at low interest rates by pledging acceptable to it project bonds.

Reduction of the Average Loan Life

Given that the projects’ Loans are repaid gradually and not in lump sum, the average loan life becomes more important than the loan tenor. As the sensitivity analyses have shown, the average loan life can be reduced considerably either by direct rescheduling of the repayments or indirectly, by cash sweep. By this means, the Banks’ exposure can be reduced over time.

Reduction of Loan Tenor

One of the main reasons that can lead to a mitigation of the Banks’ demands for the debt margin increase is the reduction of loan tenor, that is, the time that the loan remains outstanding.

Increase of Debt Service Cover Ratios	The increase in cover ratios will improve the security of loan repayment, providing the appropriate buffer to counterbalance the important reduction of cash flow that is today available for loan interest and capital service (due to the reduction in projects' revenues). The Mechanism through which such increased security can be offered to lending Banks should necessarily be accompanied by arrangements that will secure the payment of the remainder of the cash flows after the loan service to the State (potentially in combination with payments to the Concessionaire).
Reduction of Loan Capital	The reduction in required loan funding could principally be achieved by redesigning the technical scope of Projects. In the case of projects where such intervention would be very limited, the reduction in loan capital can be achieved only by the reduction of other expenses to be financed, including the interests on loans (indicatively as a result of interest rate reduction during the capitalization period and the acceleration of the payment of funds for which the State is responsible).
Reduction of the availability period of Loans	The reduction of the availability period of Loans leads to an earlier commencement of repayment and thus reduces the exposure of Banks – quantitatively and qualitatively.
Improvements in Security	The commitment by the State of the revenues of a project to cover its obligations in another project is also a mechanism to enhance security to the lenders of the latter.

In the framework of the negotiation, the Banks' arguments and claims will concern the interest rate margin, the support of the Concessionaires so as not to become insolvent but to realize viable return, and the assurance of direct recourse to the total toll revenues of a project for the payment of debt service (and not their repayment through State funding).

The State should make clear that:

- it disburses funds for securing the repayment of loans and the agreed interest rate and cannot in current contracts, although it does not have the obligation, pay higher interest than the contractual one, while at the same time it is negotiating the extension of the repayment of its own past.
- with its intervention in the projects, it supports them with its own resources, supporting at the same time the Lending Banks, the Concession Companies and the Constructors.
- the financial models based on which the concession contracts were signed, were based on the financial and traffic forecasts that were approved by the Consultants of the Banks. It is now requested by the State to assume the consequences of any

failure, from whatever reason, something that is not consistent with transactional ethics.

- It reduces to the extent possible the Lenders exposure (reduction of loan capital, average loan Life) and therefore indirectly helps them to increase their return, by reinvesting their capital to more profitable projects, which is a fact to be taken into account towards the establishment of the new equilibrium.

It is pointed out again that by applying the banks' demands, no revenues are left for the State during the Concession period. The sensitivity analyses have shown that if the spread increase exceeds 110 bps, a proportional distribution of losses among the parties cannot be achieved.

10.6 Negotiations with Concessionaires

Within the negotiation framework the Concessionaires' arguments and claims will be focused on the preservation of the return on investment as per their offer and the coverage of any additional cost generated mainly from the project design and time schedule modifications and the loss of revenues. On the other hand the State will seek to decrease the Concessionaires' return on investment, the capping at current levels or even the reduction of the construction – operation cost, the minimization of the Concessionaire's claims in their entirety.

The State will have to make clear that:

- It is invited to undertake additional cost (beyond the compensation for its own breaches / events) to support the projects, albeit it has no contractual responsibility for the causes of the reduction in revenues (traffic volume etc)
- It cannot accept to receive requests to cover the cost of projects' funding shortfalls, without being given the ability to intervene in the respective cost and the parameters which contribute to its magnitude.
- The whole procedure of State intervention to rescue the contracts cannot ignore the tender procedures prior that preceded the execution of the contracts, nor the contracts themselves, the framework of which the Concessionaires have recently accepted to adhere to, within the Framework of Understanding.
- With this intervention the State unties the Gordian knot for the projects, with a fair and marginally contractual manner) in order to rescue the projects, to avoid the bankruptcy of Construction Companies and Banks, especially the Greek ones, and the Concessionaires and at the same time to protect its own interest through the continuation of these development activities.

Note again, that based on the requirements of the Concessionaires, there are no remaining revenues for the State, during the whole concession period. On the other hand, the Concessionaires' IRR in the Lenders low / stress case scenario, are nil for two of the projects and 2% - 3% for the other two. The sensitivity analysis has indicated that in order to allocate proportionately the losses among the parties, the IRR cannot exceed the banks' lending interest rate, in case the projects' revenues are below the revenues of the lenders stress / low case scenario. In case these revenues increase, it may be possible to gradually increase the Concessionaires' IRR, up to the level of the offer's base case scenario if in parallel the Concessionaires pay back the amounts, increased by the appropriate interest rate, which the State has lent to the projects. In any case the IRR will remain substantially lower than the IRR as per the lenders base case scenario.

10.7 Legal basis for the CC equilibrium reestablishment

The legal team formed for the implementation of the FU, investigated the projects' various legal and contractual problems. After processing different views and proposals, the Legal Consultant to the MITN for the Concession Contracts has prepared a detailed report of more than 50 pages, which defines, under the current conditions, the most appropriate legal basis for the reestablishment of the CCs equilibrium, taken into account the Treaty Principles, the EU Directives and the ratified Concession Contracts. The report is "Classified" and can be made available to the EU General Directions, when necessary. The proposals herein comply with this legal basis.

10.8 Examination of alternative sources of finance

The State will need to prepare its defenses in case the Concessionaires and the Banks distance themselves significantly from its reasoning and a conflict is probable. The State, parallel to the negotiations, will need to develop alternative scenarios and investigate additional financing sources for the completion of the projects.

It is already investigating the potential of borrowing from the EIB to finance any additional obligations for works, funding shortfall during the construction period, compensations as well as the substitution of lending banks, that will decline to continue the provision of financing. A relevant letter has been sent to the EIB by the Ministry of Finance and the MITN.

The possibility of development bonds and any combination of finances sources must be investigated to cover the State needs.

10.9 New Toll Policy

A number of arrangements and options on determining the Toll Policy for the Motorway Concession Projects as reflected in the Contractual Documents have proven in practice problematic, especially within the current adverse economic situation. Refusal of users to pay tolls is observed and this is mainly due to the non-proportionate charge, mainly for the inhabitants of areas in the vicinity of frontal toll stations, in areas without an alternate network.

The State has proposed to the Concessionaires the following measures, at its expense, in order to not upset the projects' viability:

- Toll rate reduction by 25% - 30% for vehicle categories 1 and 2, stabilization at these levels for three years and then gradual increase up to the contractual toll level, within the following three years.
- Substantial toll reduction for the road sections under construction, e.g. 50% for the Corinth – Patras section.
- Toll subsidization for some user categories from social policy funds (e.g. disabled persons).

The cost of the proposed 6 - years policy is estimated to be 500 mil €, amount which must be made available by the Ministry of Finance, either by monetization of future toll revenues or by other sources of funds.

The Concessionaires have proposed alternative policies at the State expenses which foresee:

- Electronic charge and payment in proportion to the distance travelled, for the users who reside in the vicinity of frontal toll stations.
- Discount policy for frequent users.

The cost of the Concessionaires' measures is preliminarily estimated not to exceed 200 mil € for the same period.

The discussions with the Concessionaires are ongoing in application of the FU as of June 2011 and the alternative proposals are being assessed.

In view of the current economic situation, **it is proposed** that the State's proposed Toll Policy is revised and that lower cost targeted policies are adopted.

A governmental target that has been declared is the implementation of a full electronic toll collection system, with free vehicles' flow in all motorways (one card/OBU – one bill for each vehicle) within the imposed interoperability of the Trans-European Road Network and the attainment of completely proportional vehicle charging within the next three years. Appropriate legislation will be **proposed** (to be submitted by the end of September by the Legal Team). This part of legislation will mainly address the response to the violators issue and the management of payments foreseen to be settled through an Information and Payments Exchange Center, to be established within the Ministry of Finance.

In conclusion, it is stressed that the views and suggestions of the author of this report should in no case be considered binding for the Greek State.