



OTE INTERNATIONAL SOLUTIONS S.A.

Financial statements for the year ended 31 December 2009 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

These financial statements were approved by the Board of Directors of OTE International Solutions SA on the 10th of February 2010 and are available online at the site www.oteglobe.gr

OTE INTERNATIONAL SOLUTIONS S.A.
COMPANY REGISTRATION NUMBER 46809/01AT/B/00/365
ZINONOS ELEATOU & AGISILAGOU 6-8, MAROUSI 151 23

These financial statements have been translated from the original statutory financial statements that have been prepared in the Greek language. In the event that differences exist between this translation and the original Greek language financial statements, the Greek language financial statements will prevail over this document.

OTE INTERNATIONAL SOLUTIONS S.A.

(amounts in Euro unless stated otherwise)

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(amounts in Euro unless stated otherwise)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Notes	01.01- 31.12.2009	01.01- 31.12.2008
Turnover			
Income from data and international telephony services		198,668,411	170,597,332
Income from commissions		5,099,402	7,553,667
Total turnover		203,767,813	178,150,999
Charges from international telecommunications carriers		(167,731,900)	(143,503,397)
Gross profit		36,035,913	34,647,602
Other income	7	3,384,898	3,397,182
Employee expenses	8	(11,279,162)	(10,834,612)
Depreciation	13,14	(16,882,911)	(16,942,788)
Other expenses	9	(7,071,146)	(6,947,022)
Operating profit before additional depreciation		4,187,592	3,320,362
Additional depreciations due to adjustment of useful lives	13	-	(33,677,209)
Operating profit / (loss)		4,187,592	(30,356,847)
Finance income	10	364,582	1,121,475
Finance expenses	11	(56,505)	(50,238)
Foreign exchange differences		295,500	(258,788)
Profit / (Loss) before tax		4,791,169	(29,544,398)
Income tax	12	(2,338,884)	(6,799,680)
Profit / (Loss) for the period		2,452,285	(22,744,718)
Total comprehensive Income for the period		2,452,285	(22,744,718)

The notes on pages 7 to 31 are an integral part of the financial statements.

The financial statements appearing on pages 3 to 31 were approved by the Board of Directors on the 10th of February 2010 and are signed on behalf of the Board of Directors by the following:

Chairman of the BOD
Christini Spanoudaki
I.D. no I 966760

Managing Director
Konstantinos Andreou
I.D. no X 069599

Financial Director
George Kiapokas
I.D. no AH 453220

Head of the Accounting Dept.
Andreas Galiatsatos
I.D. no AE 049899
LICENSE NO. A' CLASS
0015278

OTE INTERNATIONAL SOLUTIONS S.A.

(amounts in Euro unless stated otherwise)

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

ASSETS	Notes	2009	2008
Non-current assets			
Property, plant and equipment	13	122,475,735	120,968,003
Intangible assets	14	2,972,867	3,743,757
Available for sale investments	15	906	906
Other non-current receivables	17	50,629,931	41,004,338
Deferred taxes	16	7,791,567	9,800,821
Total non-current assets		183,871,006	175,517,825
Current assets			
Customers and other receivables	18	78,953,386	109,968,604
Income tax refundable		787,405	-
Cash and cash equivalents	19	13,079,364	12,009,615
Total current assets		92,820,155	121,978,219
TOTAL ASSETS		276,691,161	297,496,044
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20	163,697,462	163,697,462
Other reserves	21	835,979	835,979
(Accumulated losses) / Retained earnings		(7,072,040)	(9,524,325)
Total equity		157,461,401	155,009,116
LONG-TERM LIABILITIES			
Retirement benefit obligations	22	1,636,010	1,298,125
Other provisions		257,317	257,317
Total long-term liabilities		1,893,327	1,555,442
SHORT-TERM LIABILITIES			
Suppliers	23	84,224,902	105,128,997
Deferred income		9,600,420	10,287,666
Income tax		-	91,884
Other short-term obligations	24	23,511,111	25,422,939
Total short-term liabilities		117,336,433	140,931,486
TOTAL LIABILITIES		119,229,760	142,486,928
TOTAL EQUITY AND LAIBILITIES		276,691,161	297,496,044

The notes on pages 7 to 31 are an integral part of the financial statements.

OTE INTERNATIONAL SOLUTIONS S.A.

(amounts in Euro unless stated otherwise)

CASH FLOW STATEMENT

	01.01- 31.21.2009	01.01- 31.21.2008
Profit / (Loss) before tax	4,791,169	(29,544,398)
<u>Adjustments for:</u>		
Depreciation	16,882,911	50,619,997
Profit from the sale of property, plant and equipment (note 7, 9)	(4,775)	-
Profits from the sale of available for sale investments (note 10)	-	(146,343)
Interest income (note 10)	(364,582)	(975,132)
Interest expense (note 11)	56,505	50,238
Reversal of unused amounts of bad debt provision (note 18)	(789,558)	-
Provision for doubtful receivables (note 18)	128,629	627,865
Provision for retirement benefit obligations (note 8, 22)	351,680	526,266
Operating profit before changes in working capital	21,051,979	21,158,493
Changes in working capital		
Decrease/(increase) in customers and other receivables	31,676,147	(21,206,774)
(Decrease)/increase in suppliers	(18,412,979)	7,851,435
(Decrease)/increase in deferred income	(687,246)	3,061,791
(Decrease)/increase in other short-term obligations	(1,965,592)	10,731,290
Increase in other non-current receivables	(9,625,593)	(26,045,576)
Increase in other long-term liabilities	-	98,216
Income tax paid	(1,155,155)	(631,794)
Interest paid	(56,505)	(50,238)
Benefit paid	(13,795)	(61,119)
Net cash inflows / (outflows) from operating activities	20,811,261	(5,094,276)
Cash flows from investment activities		
Purchases of property, plant and equipment	(16,834,002)	(26,161,198)
Purchases of intangible assets	(851,854)	(3,018,515)
Proceeds from sale of property, plant and equipment	34,878	-
Proceeds from sale of available for sale investments	-	808,419
Interest received	364,582	975,132
Net cash flows used in investment activities	(17,250,396)	(27,396,162)
Increase/(decrease) in cash and cash equivalents	3,560,865	(32,490,438)
Cash and cash equivalents at 1 January	3,292,735	35,783,173
Cash and cash equivalents at 31 December (note 19)	6,853,600	3,292,735

The notes on pages 7 to 31 are an integral part of the financial statements.

OTE INTERNATIONAL SOLUTIONS S.A.

(amounts in Euro unless stated otherwise)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	(Accumulated loss) / Retained earnings	Total equity
Balance 1 January 2008	163,697,462	752,979	13,303,393	177,753,834
Loss for the year	-	-	(22,744,718)	(22,744,718)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income for 2008	163,697,462	752,979	(9,441,325)	155,009,116
Statutory reserve	-	83,000	(83,000)	-
Balance 31 December 2008	163,697,462	835,979	(9,524,325)	155,009,116
Net profit for the year	-	-	2,452,285	2,452,285
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income for 2009	163,697,462	835,979	(7,072,040)	157,461,401
Balance 31 December 2009	163,697,462	835,979	(7,072,040)	157,461,401

The notes on pages 7 to 31 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General

OTE INTERNATIONAL SOLUTIONS SA (the “Company”) is engaged in the provision of wholesale voice and capacity services as well as the provision of integrated solutions and value added services. The Company is a wholly owned subsidiary of OTE S.A. which consolidates the Company’s financial statements under the company name “OTE INTERNATIONAL SOLUTIONS” and trademark designation “OTEGlobe”, in preparing its Group financial statements.

The Company is active in Greece and in various countries overseas. The address of its registered office is Zinonos Eleatou & Agisilaou 6-8, municipality of Amarousion, Attiki, Greece. The web site address of the Company is www.oteglobe.gr.

2. Basis of presentation

2.1 Note on conformity

The financial statements have been prepared in accordance with the International Financial Reporting Standards (I.F.R.S) as adopted by the European Union.

The financial statements were approved by the Board of Directors on 10 February 2010. These financial statements are subject to the approval of the annual general meeting of shareholders.

2.2 Basis for Valuation

The financial statements have been prepared using the historical cost convention with the exception of available for sale financial assets which are measured at fair value. The methods of valuation for arriving at fair value are analysed in detail in note 6.

2.3 Functional currency and presentation currency

The financial statements are presented in EURO, which is the functional currency and the presentation currency of the Company.

2.4 Significant accounting estimates and judgements of Management

The estimates and judgements of Management are continuously reassessed and are based on historical data and expectations of future events which are considered reasonable at the balance sheet date.

The Company makes estimates and judgements regarding the development of future events. The estimates and judgements that have a significant risk of causing substantial adjustments to the carrying amounts of assets and liabilities in the next 12 months include the following:

(a) Provisions for doubtful receivables: The Management of the Company periodically evaluates the adequacy of receivables provisions in respect of doubtful debts considering the Company’s normal credit terms to customers.

(b) Provision for income tax: The income tax provision in terms of IAS 12 is based on the tax that would be payable to the tax authorities and includes the current tax for each year, provision for additional taxes and recognition of future tax benefits. The final determination of

income tax may differ from the amounts that have been provided for in the financial statements.

(c) Depreciation rates: The fixed assets of the Company are depreciated based on their estimated useful lives. These estimated useful lives are re-evaluated periodically to determine if they are still appropriate. The actual useful lives of fixed assets may differ due to factors such as technological obsolescence and levels of maintenance.

(d) Impairment of property, plant and equipment: Property, plant and equipment is evaluated for impairment purposes when facts and changes in circumstances indicate that the book values may not be realisable. For the purposes of determining value in use, Management evaluates future cash flows from the asset in question or the cash generating unit relating to that asset and determines the appropriate discount rate to calculate the present value of these cash flows.

3. Key accounting principles

The accounting principles outlined below have been applied with consistency for the periods presented in these financial statements.

3.1 Transactions in foreign currency

Transactions in foreign currencies are converted to the functional currency according to the rate that applies on the date of the transaction. Profits and losses from foreign exchange differences which arise during the settlement of such transactions during the period and by converting the balance sheet date amounts of sums expressed in foreign currency on the date of the balance sheet are included in results for the period. Any foreign exchange differences arising from elements unrelated to currency and which are assessed according to their fair value, will be considered a part of the fair value and therefore are included with the results of the relevant fair value adjustments.

3.2 Property, plant and equipment

Property, plant and equipment are presented at historical cost less accumulated depreciation and any impairment. Historical cost includes all expenses directly associated with the acquisition of the assets.

Any subsequent expenses will either increase the carrying amount of the property, plant and equipment or be recognized as a separate fixed asset only when it is probable that future economic benefits will flow to the Company and it is possible to measure their cost reliably. The cost for repairs and maintenance is charged to the income statement in the accounting period in which they occur.

Depreciation of the components of property, plant and equipment is calculated on a straight line basis over the estimated useful lives of the assets. The depreciation rates used are as follows:

	<u>Estimated useful life in years</u>
- Buildings	12
- Machinery and Technical Installations	3,3 -15
- Furniture and other equipment	3,3 - 5

When the carrying amount of the tangible assets exceeds their recoverable amount, the difference (impairment) is recorded immediately as an expense in the statement of

comprehensive income.

Upon the sale of property, plant and equipment assets, the difference between the proceeds and their carrying amount is recognized as a gain or a loss in the statement of comprehensive income.

3.3 Impairment of assets

Assets that have an indefinite useful life are not depreciated and are subjected to impairment testing annually or sooner if there have been events which indicate that the carrying amount may not be recoverable. At the balance sheet date the Company did not have any assets with indefinite useful lives.

The assets that are depreciated are impairment tested when there are indications that it will not be possible to recover their carrying amount. The recoverable amount of an asset or of a cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on future estimated cash flows discounted to present value using a pre-tax rate that reflects current market conditions of the time value of money as well as the specific risks associated with the asset.

The impairment losses are included as expenses in the income statement when they arise.

3.4 Intangible assets

Individually acquired intangible assets are recorded at historical cost, whereas intangibles acquired through a business acquisition are recorded at fair value at their date of acquisition. Intangibles may have finite or infinite useful lives. The cost of intangibles with a finite useful life is amortised over their estimated useful lives on a straight line basis. The cost of intangibles with an infinite useful life is not amortised. Residual values are not recognised. The useful lives of intangibles are estimated on an annual basis as follows:

	Estimated useful life in years
Software	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> 3,3 years

Any subsequent expenses with respect to intangible assets are recognized only when it is probable that future economic benefits will flow, and are included in the carrying value of the respective intangible asset. Other costs are charged to the income statement in the accounting period in which they are incurred.

3.5 Leases

A lease which transfers the rights and obligations (risks) arising from ownership of an asset to the lessee, is considered as a finance lease and the lessee is considered as having acquired an asset and undertaken an obligation. In this case, the lease payment is allocated between the finance expenses (interest) and decreasing the obligation that was undertaken. Financing expenses are recorded directly in the statement of comprehensive income.

Finance leases are recorded at the lower of the fair value of the asset and the present value of the minimum lease payments at the lease's commencement, reduced by accumulated depreciation or impairment losses.

All other leases are considered to be operating leases and with the exception of investment property, the leased assets do not appear on the Company's statement of financial position.

The Irrevocable Rights of Use – IRU's relate to the right of use of a part of the capacity of overground or underground cabling for a specified period of time.

3.6 Financial assets

The Company's financial assets are allocated to the following categories:

- (a) Available for sale financial assets
- (b) Receivables
- (c) Financial assets at fair value through profit or loss

Purchases and sales of financial assets are recognized on the date of the transaction which is the date at which the Company commits to purchasing or selling an asset. Financial assets are initially recognized at their fair value plus transaction costs. Investments are derecognised when the right to cash flows from investment expires or is transferred and the Company has substantially transferred all risks and rewards of ownership.

- (a) Available for sale financial assets

This category includes non derivatives that are either designated in this category or not classified in any of the other categories.

Subsequently available for sale financial assets are assessed at their fair value and the related gain or loss is recorded as equity reserves until these assets are sold or suffer an impairment. Following the sale or the impairment any gains or losses will be transferred to the statement of comprehensive income.

The fair values of financial assets that are traded in stockmarkets are measured according to current stockmarket prices. With respect to assets that are not negotiated in stockmarkets, the fair values are measured with the use of valuation techniques such as the analysis of recent transactions, reference to instruments that are substantially the same and discounted cash flows.

At each balance sheet date the Company assesses whether there is objective evidence that would lead to the conclusion that the financial assets have suffered an impairment. In the case of equity securities classified as available for sale, such an indication would be the significant or prolonged decline in the fair value of the security below its cost. If impairment is proven then the cumulative loss in equity, which is the difference between the acquisition cost and the fair value, will be transferred to the statement of comprehensive income. Impairment losses on equity instruments recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income.

- (b) Receivables

The accounts receivable (short-term) are initially recognized at their fair value. After initial recognition they are assessed at this value less any impairment which has occurred. At the date when the financial statements are drawn up, the recoverability of the accounts is assessed on the basis of historical and statistical data and a provision is made regarding any possible losses which may be quantified. The provision is evaluated and adjusted the results

of which is reflected in the results of period. Any receivables that are considered not to be recoverable are written off. Any write off of such receivables is made through this provision.

(c) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are investments acquired with a view to selling in the short term. Gains / losses from these financial assets are reflected in the results for the period.

3.7 Share Capital

The share capital comprises the Company's issued shares.

Direct expenses for the issue of shares, net of any related income tax, is reflected as a deduction from equity.

3.8 Current and deferred income tax

The income tax charge for the year comprises current tax and any deferred taxes. Income tax is recorded in the statement of comprehensive income except in the case where it relates to items reflected directly in equity, in which case it is recorded in equity.

The current income tax rate is estimated on taxable income for the period, based on the tax rates that apply at the balance sheet date.

Deferred income tax is calculated using the liability method on the temporary differences that arise between the tax base and the carrying amount of the assets and liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, deferred tax receivables and tax losses, to the extent that there will be a future taxable profit against which the deductible temporary differences, deferred tax receivables and tax losses can be utilised.

The value of the deferred tax asset is tested for impairment at each balance sheet date and is reduced to the extent that it is not expected that there will be enough taxable income to cover the deferred tax asset.

Deferred income tax assets and liabilities are determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled and are based on tax rates (and tax laws) that are in effect or have been adopted at the balance sheet date.

Deferred income tax assets and liabilities are offset if there is a legal right to offset current tax assets against current tax liabilities and the deferred tax relates to the same legal entity and the same tax authorities.

Additional income taxes arising from dividend distribution are recognised the moment the payment obligation is recognised for the respective dividends.

3.9 Employee Benefits

a) Defined contribution plans

Obligations for contributions from defined contribution plans are recorded as an expense in the statement of comprehensive income at the time that they incur.

b) Defined benefit plans

Liabilities arising from defined employee benefits plans are calculated at the present value of the future benefits payable to employees that arise at the date of the balance sheet. These obligations are calculated on the basis of financial and actuarial assumptions using the projected unit credit method.

The net cost for the period is included in the statement of comprehensive income and consists of the present value of the obligation realised during the accounting period, interest on the future obligation, past service costs and realised actuarial gains or losses. Unrealised past service cost is recognized over the average remaining service period of employees which are expected to receive these benefits. Unrealised actuarial gains or losses are recognized during the average remaining period of service for active employees and are included in the net cost for the period if at the beginning of the period they are in excess of 10% of the estimated future obligation.

3.10 Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events and it is probable that there will be an outflow of resources and the amount of which can be reliably measured. If the effect is significant, provisions are measured at the present value of the expected future cash outflows, using a pre-tax interest rate which reflects the current market estimates of the time value of money and the associated risks attached to the obligation. When provisions are discounted the increase in the provision due to the passage of time is recorded as interest expense. Provisions are reassessed at each balance sheet date and if it is no longer probable that there will be an outflow of resources they are reversed. Provisions are used only for the reason for which they were originally created. Provisions are not recognized for future losses. Contingent liabilities are not recognised but appropriately disclosed.

3.11 Revenue recognition

Income includes mainly the fair value of income for the provision of services net of value added tax, discounts and returns.

(a) *Provision of Services*: The income from the provision of services is recognized at the time when they are provided.

(b) *Income from connection fees or fixed fee income*: Income from connection fees or fixed fee income is recognised in the month in which the telecommunication services are provided. Income that has not yet been invoiced, being income that arises between the invoicing date and the reporting date, is measured based on the telecommunication traffic and is accounted for at the end of each month.

(c) *Income from dividends*: Income from dividends is recognised at the date when their distribution is approved.

(d) *Income from sale of capacity*: Income from the sale of capacity of overground or

underground cables (irrevocable right of use “IRU”) is recognised on a straight line basis over the duration of the contract.

(e) *Interest income*: Interest income is recognized when interest becomes payable using the effective interest rate method.

3.12 Subsidies

Subsidies that relate to the acquisition of a fixed asset are presented as a deduction against the cost of the related fixed asset and are recognized in the statement of comprehensive income over the estimated useful life of the asset concerned.

3.13 Derecognition of Financial assets and liabilities

- a. Financial assets: Financial assets (or a part of a financial asset or a part of a group of financial assets) are derecognised when :
- The rights for the flow of cash revenues have expired.
 - The Company maintains the right in the flow of cash from the particular asset but has simultaneously undertaken an obligation to a third party to settle completely and without significant delay, under a contract of transfer.
 - The company has transferred the right in the flow of cash from the particular asset while at the same time (1) has transferred substantially all related risks and rewards or (2) has not transferred substantially all related risks and rewards, but has transferred the control over the particular asset. Where the Company has transferred the rights to the cash inflows related to the asset but at the same time has not transferred substantially all related risks and rewards or the control over the particular asset, the asset is recognized to the extent of the Company’s continuing involvement in the financial asset. The continuing involvement which has the form of a guarantee over the transferred asset is valued at the lower value between the initial value of the financial asset and the maximum amount that the Company may be called upon to repay. When the continuing involvement is in the form of a right to buy and / or sell a financial asset (including rights that are cash settled), the degree of continuing involvement is the value of the transferred asset the Company has the right to re-purchase, with the exception of financial assets measured at fair value, where the degree of continuing involvement of the Company is the lower of the fair value of the transferred asset and the price at which the right can be exercised.
- b. Financial liabilities: Financial liabilities are derecognised when the relative obligation is waived, cancelled or expired. Where a financial liability is replaced by another from the same lender but with substantially different terms, or where the terms of an existing obligation have substantially been modified, the exchange or the modification is considered to be a settlement of the original financial liability and the recognition of a new financial liability, with the difference in the carrying amounts of the two obligations being taken to the statement of comprehensive income.

3.14 Cash and Cash equivalents

The Company considers time deposits and other highly liquid deposits with an initial expiry period of less than three months as cash and cash equivalents.

For cash flow statement purposes, cash and cash equivalents comprise cash and deposits at banks, as well as cash time deposits and other highly liquid deposits as described above.

4. Financial Risk Management

General

The Company is exposed to the following types of financial risks:

- Credit risk
- Liquidity risk
- Market risk
- Capital management

This note provides information on the exposure of the Company to each one of the above mentioned types of risk. It provides information on the targets, the policies and the procedures that are applied for measuring and managing these risks as well as information on capital management.

The management of the Company is responsible for creating and supervising the risk management policy of the Company.

The risk management policy of the Company are applied in order to identify and analyse the risks the Company is exposed to, to set limits of tolerance and to monitor these risks. The risk management policies and the related systems are examined periodically so that any changes in the market or the Company's activities are incorporated. Through educational seminars and through placing procedures to monitor the application of the policies set by management, the Company aims to develop an effective environment in which all employees are aware of their roles and obligations.

Credit risk

Credit risk is the risk that the Company will suffer a loss if a customer or a third party, as a result of any financial transaction, fails to meet his contractual obligations and it mostly relates to receivables from customers and cash and cash equivalents.

a) Customers and other receivables

The exposure of the Company to credit risk is mainly affected by the peculiarities of each client. The demographic features of the Company's client base, including the risk of default in

payments that is characteristic to the particular market and the country in which the customers operate, affect credit risk to a lesser extent. Approximately 5% of the income of the Company is generated from sales to a customer outside the Deutsche Telecom Group. However, a geographical concentration of credit risk is not observed.

The Company has put in force a credit policy based on which each new customer's creditworthiness is examined on an individual basis before offering the usual terms of payment (30 days). The assessment of customer creditworthiness includes the examination of bank resources and other relevant resources, where these exist. Credit limits are set for each customer where delays in payment occur. The Company generates income from Deutsche Telecom Group companies that amount to approximately 55% of its annual income and consequently the credit risk on these receivables is low. In addition, approximately 24% concerns mostly large telecommunication providers, who are also suppliers to the Company through telephone traffic exchange and the risk of default of payments by these customers is minimal.

In monitoring the credit risk of these customers, they are grouped not only according to their credit characteristics, but also if they are Voice or Data customers and whether they are also suppliers. Customers and other receivables only comprise wholesale customers of the Company.

The Company records impairment losses based on its estimates for losses concerning customer and other receivable balances and investments in securities. Impairment losses mainly comprise losses arising from impairment of specific customers that have been characterized as high risk.

b) Investments

The Company limits its exposure to credit risk by investing only in short term deposits which due to their short term nature have limited risk. The Company does not possess listed securities.

c) Exposure to credit risk

The carrying amount of the financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the balance sheet date was as follows:

	31 December	
	2009	2008
Available for sale financial assets	906	906
Customers (prior to impairment provision)	58,175,713	77,833,753
Cash and cash equivalents	13,079,364	12,009,615

The maximum exposure to credit risk of trade receivables at the balance sheet date per customer category was as follows:

	31		
December	Note	2009	2008

Related party receivables	1	28,210,700	48,498,700
Customers that are simultaneously suppliers (net settlement of receivable/payable balance)	2	19,533,484	22,384,787
Other customers	3	14,176,704	11,356,370
Less: Provisions for doubtful customers		<u>(3,745,175)</u>	<u>(4,406,104)</u>
		<u>58,175,713</u>	<u>77,833,753</u>

- 1) Transactions with related companies amount to 48% of total receivables and are not exposed to credit risk. The Company considers the companies within the Deutsche Telecom Group related.
- 2) If the respective payable balance is taken into account for these customers, in their simultaneous role as suppliers, the maximum exposure on net receivables would amount to € 3,884,167.
- 3) Included in receivables is an amount of €5 million due from a customer who, with the intention of delaying repayment is contesting the validity of the €4,8 million out of this amount. Based on our overseas legal counsel's opinion, we consider that this customer has no justifiable grounds.

d) Impairment losses

The ageing of receivables that were not impaired at the Balance sheet date was as follows:

	31 December	
	2009	2008
Neither due nor impaired	36,563,203	25,444,661
0-30 days	2,352,918	38,667,432
31-60 days	3,768,892	4,168,967
61+ days	15,490,700	9,552,693
	<u>58,175,713</u>	<u>77,833,753</u>

The movement in the provision of impairment of receivables during the year was as follows:

	31 December	
	2009	2008
Balance at 1 January	(4,406,104)	(3,809,919)
Provision for receivables impairment	(128,629)	(627,865)
Receivables written off	-	31,680
Unused amounts reversed	789,558	-
Balance at 31 December	<u>(3,745,175)</u>	<u>(4,404,104)</u>

The Company has created a provision on doubtful balances. Based on historical records on delays in payment, the Company does not consider it necessary to make an impairment provision for receivables that are due for over 60 days, since the largest percentage of these concern balances due from related parties, and the remaining balances are due from customers who have a healthy credit record, with the exception of the customer mentioned in section 4 (c) part 3 above.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle its financial obligations when these become due. The Company manages liquidity risk by securing, as much as possible, that there will always be sufficient liquidity for it to meet its financial obligations when these fall due, under normal but also difficult conditions, without suffering unacceptable losses or setting the Company's reputation in danger.

Generally, the Company secures that it has sufficient cash to cover its operational needs for a period of 60 days. This policy does not take into account the respective impact from conditions that cannot be predicted, such as natural disasters.

Set out below are the balances of financial liabilities:

	31 December	
	2009	2008
Related party payables	62,435,862	82,581,406
Suppliers that are simultaneously Customers (net settlement of receivable payable balance)	11,016,073	17,427,817
Other suppliers	10,772,967	5,119,774
	<u>84,224,902</u>	<u>105,128,997</u>

The maturity of the Company's liabilities as at 31 December 2009 is in less than 1 year.

Market risk

Market risk comprises the impact on cash flows resulting from the risk of changes in currency exchange rates, interest rates, and share prices, that are likely to affect the Company's financial instruments. The Company's market risk management policy aims to control the Company's exposure to these risks by setting a frame of acceptable parameters, and simultaneously optimizing its returns.

a) Interest rate risks

The only interest-bearing balances are bank deposits resulting in limited risk exposure to the Company.

b) Foreign exchange risk

Foreign exchange risk does not materially affect the Company's operations since it has no material transactions in foreign currency.

Capital risk management

Management's policy is to maintain a strong capital base in order to preserve the level of trust creditors and the market have in the Company and to allow future development in the activities of the Company. Management also monitors the amount of dividends payable to the Company's shareholders.

5. New standards and interpretations

5.1 The following new standards, amendments to standards and interpretations are mandatory for periods beginning from 1 January 2009.

- ***IFRIC 13 - Customer Loyalty Programmes***
- ***IFRIC 15 - Agreements for the construction of real estate***
- ***IFRIC 16 - Hedges of a net investment in a foreign operation***
- ***IFRIC 9 - Reassessment of Embedded Derivatives (amendment) and IAS 39 Financial Instruments: Recognition and Measurement (amendment)***
- ***IFRS 1 - First-time adoption of International Financial Reporting Standards (amendment) and IAS 27 Consolidated and Separate Financial Statements (amendment)***
- ***IFRS 2 - Share based payments (amendment)***
- ***IFRS 8 - Segmental reporting***
- ***IFRS 7 - Financial instruments: Disclosures (amendment)***
- ***IAS 32 - Financial Instruments: Presentation (amendment) and IAS 1 (amendment) presentation and disclosures of puttable instruments classified as equity.***
- ***IAS 23 - Borrowing costs (amendment)***

Annual improvements to IFRS

- ***IFRIC 18 Transfers of assets from customers***

This interpretation provides guidance on the accounting for agreements in which an entity receives from a customer an item of property, plant and equipment, or of cash to be used for the construction of the property, plant and equipment. The entity must then use the asset to connect the customer to a network or to provide the customer with an ongoing supply of goods or services, or both. The accounting treatment that is in effect by the Company does not differ from the guidance provided by the IFRIC.

- ***IAS 1 Revised - Presentation of financial statements.***

IAS 1 requires that the statement of changes in equity include only transactions with shareholders. It introduces a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with “other comprehensive income”. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has made the necessary changes to the presentation of its financial statements in 2009 and has elected to present the information in a single statement.

5.2 The following new standards, amendments/revisions to the standards or interpretations have been issued but are not effective for accounting periods beginning 1 January 2009 and have not been early adopted by the Company:

- **IFRIC 17 - Distribution of non cash assets to owners**
IFRIC 17 applies to annual periods beginning on or after 1 July 2009. This interpretation will not have any impact on the financial statements of the Company.
- **IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments**
This IFRIC applies to annual periods beginning on or after 1 July 2010. It has not yet been endorsed by the EU and is not relevant to the Company.
- **IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amendment)**
This amendment is effective for annual periods beginning on or after 1 January 2011. It has not yet been endorsed by the EU and is not expected to have any impact on the Company's financial statements.
- **IFRS 3 - Business combinations and consequential amendments and IAS 27, Consolidated and separate financial statements (amendment)**
This amendment is effective for annual periods beginning on or after 1 July 2009. All changes to the above standards will be applied from their effective date and will impact future acquisitions and transactions with minority shareholders from this date and thereafter.
- **IAS 39 - Financial Instruments: Recognition and Measurement: Hedge accounting (amendment)**
This amendment is effective for annual periods beginning on or after 1 July 2009. This amendment is not applicable to the Group as it does not apply hedge accounting in terms of IAS 39.
- **IFRS 9 - Financial Instruments – Phase 1, Financial assets, classification and measurement**
It is effective for annual periods beginning on or after 1 January 2013. It has not been endorsed by the EU. The Company does not expect this standard to have an impact on its financial statements.
- **IFRS 2 - Share-based Payment (amendment)**
This amendment is effective for annual periods beginning on or after 1 January 2010. It has not yet been endorsed by the EU. It is not expected to impact the Company's financial statements since the Company does not have any such transactions.
- **IAS 32 - Financial Instruments: Presentation (amendment)**
This amendment is effective for annual periods beginning on or after 1 February 2010. It is not expected to impact the Company's financial statements since the Company does not have any such transactions.
- **IAS 24 - Related Party Disclosures (amendment)**
This amendment is effective for annual periods beginning on or after 1 January 2011. It has not yet been endorsed by the EU. The amendment is expected to have an impact the Company's financial statements
- **IFRS 1 – Additional exemptions on first time adoption of IFRS**
This amendment has not yet been endorsed by the EU. It is not expected to impact the Company's financial statements
- In April 2009, the Accounting Standards Board issued a second series of

amendments to IFRSs with the intention of eliminating inconsistencies and providing clarifications. The effective dates differ for each amendment, the earliest of which is for accounting periods beginning on or after 1 July 2009. At present, the impact of adoption of these amendments is being examined. The amendments have not been yet endorsed by the EU.

6. Fair value estimation

The fair value of financial instruments which are traded in active markets (e.g. derivatives, shares, bonds) is based on the quoted market prices that apply at the balance sheet date. The bid price is used for financial assets and the ask price for liabilities.

The fair value of financial assets that are not traded in active markets is assessed using valuation techniques and assumptions which are based on market data at the balance sheet date.

The carrying amount of receivables less provisions for doubtful debts approximates the fair value of trade receivables. The fair value of financial liabilities at the reporting date is determined by discounting future cash flows, based on the related contract terms, to present value using the current interest rate applicable to the Company for similar financial instruments.

7. Other income

Other income presented in the financial statements is analysed as follows:

	31 December	
	2009	2008
Profit from the provision of services to third parties	2,357,350	2,282,222
Profit from sale of tangible assets sales	26,947	-
Other	1,000,601	1,114,960
Total	3,384,898	3,397,182

8. Employee benefit expense

Employee benefit expenses presented in the financial statements is analysed as follows:

	31 December	
	2009	2008
Salaries and wages	(8,222,346)	(7,904,708)
Social security expenses (Note 22)	(2,568,439)	(2,324,836)
Employee training expenses	(101,056)	(57,961)
Personnel retirement compensation provisions (Note 22)	(351,680)	(526,266)
Other expenses	(35,641)	(20,841)
Total	(11,279,162)	(10,834,612)

The average workforce size was 158 in 2009 and 150 in 2008.

9. Other expenses

Other expenses presented in the financial statements is analysed as follows:

	31 December	
	2009	2008
Repair and maintenance expenses	(185,502)	(372,764)
Operating leases	(1,803,411)	(1,915,877)
Provision for doubtful debts and other provisions	(128,629)	(726,080)
Third party remuneration and commissions	(2,147,509)	(2,152,596)
Tax and duties payable	(20,458)	(42,207)
Withholding taxes	(999,841)	-
Expenses for electricity, telecommunications and transportation	(579,769)	(600,302)
Travel expenses	(568,945)	(527,210)
Expenses for promotions, advertising, exhibitions and displays	(417,783)	(475,016)
Expenses for office supplies and consumables	(55,262)	(61,515)
Loss from sale of fixed assets	(22,172)	-
Other	(141,865)	(73,455)
Total	(7,071,146)	(6,947,022)

10. Finance income

Finance income presented in the financial statements is analysed as follows:

	31 December	
	2009	2008
Interest income	364,582	975,132
Profits from available for sale financial assets	-	146,343
Total	364,582	1,121,475

11. Finance expenses

Finance expenses presented in the financial statements is analysed as follows:

	31 December	
	2009	2008
Bank charges	(56,505)	(50,238)

Total	(56,505)	(50,238)
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12. Income Tax

In terms of Greek tax laws the tax rate applicable to Greek companies is 25% for 2009 and 2008.

The provision for income tax comprises the following:

	31 December	
	2009	2008
Current tax	(58,169)	(1,399,282)
Deferred tax (note 16)	(2,009,254)	8,198,962
Special income tax contribution	(271,461)	-
Total income tax (expense) / income per statement of comprehensive income	(2,338,884)	6,799,680

The reconciliation of tax based on the tax rate applicable to Company's profit before tax is as follows:

	31 December	
	2009	2008
Profit / (Loss) before taxes	4,791,169	(29,544,398)
Tax (income) / expense calculated based on current tax rates (25%)	(1,197,792)	7,386,100
Tax on expenses not deductible for tax purposes	(804,464)	(187,192)
Special income tax contribution	(271,461)	-
Tax impact due to reduction in tax rates	(65,167)	(399,228)
Income tax (expense) / income per statement of comprehensive income	(2,338,884)	6,799,680

The Greek tax legislation and the relevant provisions are subject to interpretations by the tax authorities. Income tax declarations are submitted to the tax authorities on an annual basis but profits or losses that are declared for taxation purposes remain pending until the tax authorities have audited the taxpayer's income tax declarations and books of account and on the basis of their audits finalize the related tax obligations. Tax losses, to the degree that they are recognized by the tax authorities may be used to offset profits for the five following fiscal years after the fiscal year to which they refer.

Based on Law 2238/1994 the tax rates will be reduced from 25% to 24% in 2010, 23% in 2011, 22% in 2012, 21% in 2013 and 20% in 2014.

The Company has not been tax audited for the fiscal years from 2007 to 2009.

13. Property, plant and equipment

	Buildings	Machinery and Technical Installations	Furniture and fixtures	Assets under construction	Total
Cost:					
Balance 1 January 2008	1,223,308	228,690,833	1,937,557	1,096,225	232,947,923
Additions	15,300	25,875,508	270,390	-	26,161,198
Transfer from assets under construction	-	1,096,225	-	(1,096,225)	-
Sales/ Write offs	(437,366)	-	(130,626)	-	(567,992)
Balance 31 December 2008	801,242	255,662,566	2,077,321	-	258,541,129
Additions	555	4,475,233	181,965	12,176,249	16,834,004
Sales/ Write offs	(6,512)	(1,785,885)	-	-	(1,792,397)
Transfer from assets under construction	-	6,960,592	-	(6,960,592)	-
Balance 31 December 2009	795,285	265,312,506	2,259,286	5,215,657	273,582,734
Accumulated depreciation:					
Balance 1 January 2008	134,601	86,921,193	1,079,030	-	88,134,824
Depreciation	63,679	15,527,046	384,620	-	15,975,345
Depreciation due to adjustment of useful lives	-	33,677,209	-	-	33,677,209
Sales/ Write offs	(119,274)	-	(94,978)	-	(214,252)
Balance 31 December 2008	79,006	136,125,448	1,368,672	-	137,573,126
Depreciation	66,216	14,834,629	395,322	-	15,296,167
Write offs	(6,512)	(1,755,782)	-	-	(1,762,294)
Balance 31 December 2009	138,710	149,204,295	1,763,994	-	151,106,999
Net book value 31 December 2009	656,575	116,108,211	495,292	5,215,657	122,475,735
Net book value 31 December 2008	722,236	119,537,118	708,649	-	120,968,003

There are no liens attached to the fixed assets.

The reduction in the carrying amount and depreciation charge in 2009 for Machinery and Technical Installations of €1,753,251 relates to the write off of the TAT12/13 cable system. The member holders of the cable system decided to terminate its operation on 31 December 2008. Based on this, the Company had already revised the useful life of the cables in 2008.

On 3 November 2008, based on a decision of the Company's Asset Evaluation Committee, the Company proceeded to adjust the useful life of three (3) cable systems. This adjustment resulted in additional depreciation for 2008 of € 33,677,209.

Furthermore, the depreciation charge for 2008 for Machinery and Technical Installations was reduced by € 1,382,893.79 as a result of subsidies related to these assets that were written off.

14. Intangible assets

Cost:	Software
Balance 1 January 2008	2,677,665
Additions	3,018,515
Balance 31 December 2008	5,696,180
Additions	815,854
Balance 31 December 2009	6,512,034
Accumulated amortisation:	
Balance 1 January 2008	984,980
Amortisation	967,443
Balance 31 December 2008	1,952,423
Amortisation	1,586,744
Balance 31 December 2009	3,539,167
Net book value 31 December 2009	2,972,867
Net book value 31 December 2008	3,743,757

15. Available for sale investments

Available for sale investments include the following:

<u>Non listed participation titles</u>	% Share	31 December	
		<u>2009</u>	<u>2008</u>
Hellas Sat S.A.	0,01%	906	906
		906	906

The investment is presented at cost since the company is not listed and its fair value cannot be reliably measured.

16. Deferred tax asset

	Balance 1 January 2008	Charge to the statement of comprehensive income	Balance at 31 December 2008	Charge to the statement of comprehensive income	Balance at 31 December 2009
Retirement benefit obligation	208,244	51,381	259,625	67,577	327,202
Receivables	952,480	6,901	959,381	(210,346)	749,035
Property, plant and equipment	(58,278)	7,112,678	7,054,400	(1,419,927)	5,634,473
Expense provisions	329,706	1,095,907	1,425,613	(457,906)	967,707
Other	169,707	(67,905)	101,802	11,348	113,150

Total	1,601,859	8,198,962	9,800,821	(2,009,254)	7,791,567
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17. Other non current assets

	31 December	
	2009	2008
Guarantees for building leases	213,849	207,299
Guarantees for car leases	42,910	40,450
Prepaid expenses	146,939	13,241
Long-term leasing expense (8 year)	7,505,024	4,417,292
Long-term leasing expense (15 year)	40,606,733	31,833,723
Other Long-term customer receivables	2,114,476	4,492,333
Total	50,629,931	41,004,338

The Long term leasing expense relates to the purchase of national capacity IRU for a term of 8 and 15 years.

18. Customers and other receivables

	31 December	
	2009	2008
Customers	61,920,888	82,239,857
Less: Impairment provisions	(3,745,175)	(4,406,104)
Trade receivables (net)	58,175,713	77,833,753
Income receivable	14,140,675	24,480,908
Other receivables	6,636,998	7,653,943
Total	78,953,386	109,968,604

The movement in the provision for impairment of receivables is as follows:

	2009	2008
Balance 1 January	(4,406,104)	(3,809,919)
Provision for receivables impairment	(128,629)	(627,865)
Receivables written off	-	31,680
Unused amounts reversed	789,558	-
Balance 31 December	(3,745,175)	(4,406,104)

19. Cash and cash equivalents

	31 December	
	2009	2008
Cash on hand and at banks	6,853,600	3,292,735
Current account-management of international telephony traffic for OTE	6,225,764	8,716,880
Total	13,079,364	12,009,615

The current account refers to an account for the management of OTE's International

Telephony Traffic by the Company.

The effective weighted average interest rate was:	<u>2009</u>	<u>2008</u>
Cash on hand and at banks	2.00%	3.00%

20. Share Capital

	<u>No. of shares</u>	<u>Ordinary shares</u>
Balance at 1 January 2009	55,869,441	163,697,462
Balance at 31 December 2009	55,869,441	163,697,462
Balance at 1 January 2008	55.869.441	163.697.462
Balance at 31 December 2008	55.869.441	163.697.462

21. Reserves

	<u>Statutory reserve</u>	<u>Special reserves</u>	<u>Untaxed reserves</u>	<u>Total</u>
Balance at 1 January 2008	583,801	1,411	167,767	752,979
Increase in Reserves	83,000	-	-	83,000
Balance at 31 December 2008	666,801	1,411	167,767	835,979
Increase in Reserves	-	-	-	-
Balance at 31 December 2009	666,801	1,411	167,767	835,979

Statutory reserve: According to the Greek corporate law, companies must withhold 5% of their net annual profits after tax in order to form a statutory reserve until the balance of the statutory reserve is equal or reaches at least 1/3 of the share capital. The reserve is not available for distribution but may be used to cover losses,

Special reserves: This refers to the conversion of the share capital from drachmas to EURO.

Untaxed reserves: Based on special provisions of the Greek tax legislation certain earnings and profits items are not taxed provided that they are not distributed and they are maintained in a particular reserve account. In the event that these reserves are distributed or capitalized they will be taxed at the tax rate on that date. Based on the tax rates applicable on 31 December 2009, the amount of tax that would arise would be €41.942.

22. Retirement benefit obligations

The movement of obligation in the balance sheet is as follows:

- a. Retirement: The employees of the Company are covered by one of the various retirement funds supported from the Greek state. Each employee is required to contribute an amount from his monthly wage to the fund, with the Company also contributing an amount. Upon retirement, the fund is responsible for the payment of pensions to employees. Thus, the enterprise does not have any obligation to pay future benefits upon the retirement of employees. The contributions to the funds for the years ending 31 December 2009 and 2008 amounted to € 2,568,439 and € 2,324,836 respectively.
- b. Personnel retirement compensation: According to the Greek labour law, employees have a right to compensation in the event of redundancy or retirement with the amount of the payment being calculated based on the employee's salary, years of service and on the way in which the employment was terminated (redundancy or retirement). Employees that resign or are dismissed for a cause do not have a right to compensation. The compensation payable in the event of retirement is equal to 40% of the sum that would be payable for redundancy without a cause. In Greece according to the local practice, these programs are not funded. The Company charges the income statement with the benefits that crystallise in each period with corresponding increase in the retirement obligation. The payments of benefits that are made in each period are debited against this obligation.

	31 December	
	2009	2008
Balance 1 January	1,298,125	832,978
Benefits Paid	(13,795)	(61,119)
Expense recognized in the statement of comprehensive income (Note 8)	351,680	526,266
Balance 31 December	<u>1,636,010</u>	<u>1,298,125</u>

An international firm of independent actuaries has carried out the calculation in respect of the Company's retirement benefit obligations. The details and the basic assumptions used in the actuarial study at 31 December 2009 and 2008 for the Company are as follows:

	31 December	
	2009	2008
Present value of unfunded liabilities	1,775,563	1,361,337
Unrecognized actuarial loss	(139,553)	(63,212)
Liability in the balance sheet	<u>1,636,010</u>	<u>1,298,125</u>

Components of cost of retirement for the period:

Service cost	266,835	297,384
Interest cost	72,832	58,616
Amortisation of unrecognized actuarial loss	-	10,825

Recognition of past service cost	9,482	123,116
Usual charge to the income statement	349,149	489,941
Cost of additional benefits	2,531	36,325
Total debit in the income statement	351,680	526,266

	31 December	
Analysis of retirement benefits obligation:	2009	2008
Balance 1 January	1,361,337	1,221,177
Service cost	266,835	297,384
Interest cost	72,832	58,616
Benefits Paid	(13,795)	(61,119)
Cost of additional benefits	2,531	36,325
Past service cost	9,482	123,116
Actuarial gains/(loss)	76,341	(314,162)
Balance 31 December	1,775,563	1,361,337
Discount rate	4.85%	5.35%
Future salary increases	7.00%	7.00%
Average future employment (in years)	23.73	23.87

23. Suppliers

	31 December	
	2009	2008
Suppliers	21,789,040	22,547,591
Amounts owed to related parties	62,435,862	82,581,406
Total	84,224,902	105,128,997

24. Other short term obligations

Other obligations include the following:

	31 December	
	2009	2008
Accrued expenses for telecommunication services	17,511,353	20,354,188
Other accrued expenses	2,938,331	3,586,083
Insurance and pension contributions payable	508,907	464,941
Customers advances	194,633	244,006
Other taxes and fees	1,804,719	211,105
Other	553,168	562,616
Total	23,511,111	25,422,939

25. Related party transactions

	31 December	
	2009	2008
i) Sales and purchases of goods and services		
Sales of services:		
To the parent company OTE	86,734,597	74,258,986
To other related parties	25,700,918	16,749,799
	112,435,515	91,008,785
Purchases of services:		
From the parent company OTE	33,708,674	31,396,005
From the parent company OTE	60,379,009	49,456,487
	94,087,683	80,852,492
Purchases of fixed assets		
From the parent company OTE	247,654	2,441,300
From the parent company OTE	-	4,727,050
	247,654	7,168,350

Transactions with related parties have been conducted under terms and conditions that are on an arms length basis. Transactions with related parties primarily relate to telecommunications services.

ii) Key Management compensation

Salaries and other short term employee benefits	1,395,060	1,172,548
Other long term benefits	310,103	301,227
	1,705,163	1,473,775

iii) Balances at the end of the period from the purchase or sale of goods / services

	2009	2008
Trade receivables from related parties		
From the parent company OTE	18,494,493	43,359,789
From other related parties	9,716,207	5,138,911
	28,210,700	48,498,700
Other receivables from related parties		
From the parent company OTE	9,603,056	18,932,860
From other related parties	1,332,710	2,076,527
	10,935,766	21,009,387
Long term receivables from related parties		
From the parent company OTE	43,429,633	29,479,045

From other related parties	4,682,125	3,897,628
	48,111,758	33,376,673
	87,258,224	102,884,760
Amounts due to related parties (short term)		
To the parent company OTE	45,016,509	58,178,218
To other related parties	17,419,353	24,403,188
	62,435,862	82,581,406
Other payables to related parties		
To the parent company OTE	3,479,902	2,887,427
To other related parties	6,324,425	6,988,847
	9,804,327	9,876,274
Total amounts due to related parties	72,240,189	92,457,680

The Company considers the following as 'related parties': OTE S.A. and its subsidiaries, Deutsche Telecom Company and its subsidiaries as well as the members of the Board of Directors.

26. Contingent liabilities / assets

a) Legal issues

The Company faces various claims and court cases arising in the ordinary course of business. Management believes that, based on the opinions obtained by the legal advisers, the final settlement of these cases is not expected to have a material effect on the financial position of the Company.

There is a legal dispute underway with a customer for outstanding receivables amounting €5 million (refer to note 4 (c) 3).

b) Tax issues

As it is mentioned in note 12, the Company may be liable for additional taxes and penalties which may be imposed by the tax authorities. The tax obligations of the Company have not been examined by the tax authorities for the fiscal years from 2007 to 2009 therefore they have not become final. The outcome of tax audits cannot be predicted at this stage.

c) Letters of guarantee

The Company obtains letters of guarantee from third parties for good performance and likewise provides letters of guarantee to its customers for good performance for the services it renders. At 31 December 2009 the amount of guarantees from third parties amount €1,264,938 (€1,424,938 at 31 December 2008) whereas guarantees provided by the Company amount to €753,045 (€743,045 at 31 December 2008)

27. Operating leases

The Company's obligations from leasing relate mainly to national capacity arrangements, the building that it occupies as well as the car leases for its employees. The minimum future leases for these operating leases are:

Building leases	31 December	
	2009	2008
Up to 1 year	578,007	547,355
From 1 to 5 years	2,490,711	2,358,628
From 5 years and more	<u>3,368,943</u>	<u>4,104,430</u>
Total	<u>6,437,661</u>	<u>7,010,413</u>

Car leases	31 December	
	2009	2008
Up to 1 year	249,285	222,381
From 1 to 5 years	<u>665,689</u>	<u>280,487</u>
Total	<u>914,974</u>	<u>502,868</u>

28. Events after the balance sheet date

There are no events after the balance sheet date that require adjustments or disclosures in the financial statements.

[Translation from the original text in Greek]

**AUDIT REPORT OT THE
INDEPENDENT CERTIFIED AUDITOR**

To the Shareholders of OTE INTERNATIONAL SOLUTIONS S.A.

Report on the Financial Statements

We have audited the accompanying financial statements of OTE INTERNATIONAL SOLUTIONS S.A. (the "Company") which comprise the statement of financial position as of 31 December 2009, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Greek Auditing Standards that are based on International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies applied and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Reference to Other Legal and Regulatory Requirements

We confirmed the contents and consistency of the Board of Directors' Report with the accompanying financial statements as well as the contents thereof as required by article 43a and 37 of Law 2190/1920.

Athens, 11 February 2010

THE CERTIFIED AUDITOR ACCOUNTANT

CHRISTOS PELENTRIDIS
SOEL REGISTRATION NO. 17831

ERNST & YOUNG (HELLAS S.A.)
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