OTE INTERNATIONAL SOLUTIONS S.A.

Financial statements for the year ended 31 December 2011 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 2nd of February 2012 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 & Agisilaou 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.

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

(amounts in Euro)

	Notes	01.01-31.12.2011	01.01-31.12.2010
Turnover			
Income from data and international telephony services		264,732,151	235,132,851
Income from commissions		756,487	2,510,953
Total turnover		**265,488,638**	**237,643,804**
Charges from international telecommunications carriers		(219,398,628)	(194,548,502)
Gross profit		**46,090,010**	**43,095,302**
Other income	7	3,256,777	2,262,848
Employee expenses	8	(12,370,742)	(11,900,202)
Depreciation	13,14	(13,774,599)	(16,563,122)
Other expenses	9	(7,727,753)	(12,275,381)
Operating profit before additional depreciation		**15,473,693**	**4,619,445**
Additional depreciation due to change in useful life	13	(17,427,061)	-
Operating (loss) / profit		**(1,953,368)**	**4,619,445**
Finance income	10	429,134	208,252
Finance expenses	11	(153,917)	(152,049)
Foreign exchange differences		260,172	161,104
(Loss) / Profit before tax		**(1,417,979)**	**4,836,752**
Income tax	12	(782,978)	(1,819,541)
(Loss) / Profit for the year		**(2,200,957)**	**3,017,211**
Other comprehensive income			
Actuarial gains / (losses) due to change in discount rate	23	1,959,335	(257,952)
Deferred tax on actuarial gains / (losses) due to change in discount rate	16	(391,867)	51,590
Other comprehensive income for the year		**1,567,468**	**(206,362)**
Total comprehensive income for the year		**(633,489)**	**2,810,849**

The notes on pages 8 to 35 are an integral part of the financial statements. The financial statements appearing on pages 4 to 35 were approved by the Board of Directors on the 2nd of February 2012 and are signed on behalf of the Board of Directors by the following:

CHAIRMAN OF THE BoD	MANAGING DIRECTOR	FINANCIAL DIRECTOR	HEAD ACCOUNTANT
KATSAOUNIS CHRISTOS	ANDREOU KONSTANTINOS	KIAPOKAS GEORGE	GALIATSATOS ANDREAS
ID No AB 287811	ID No X 069599	ID No AH 453220	ID No AE 049899
			License A’ Class No 0015278

The notes on pages 8 to 35 are an integral part of the financial statements.

OTE INTERNATIONAL SOLUTIONS S.A.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2O11

(amounts in Euro)

		31 December	
ASSETS	**Notes**	**2011**	**2010**
Non-current assets			
Property, plant and equipment	13	93,352,723	116,617,772
Intangible assets	14	1,060,624	1,710,720
Available for sale financial assets	15	460	906
Other non-current receivables	17	56,668,564	60,805,892
Deferred tax asset	16	9,347,779	7,428,044
Total non-current assets		**160,430,150**	**186,563,334**
Current assets			
Trade and other receivables	18	79,752,785	82,923,226
Other financial assets	19	30,165,716	-
Cash and cash equivalents	20	18,180,536	11,167,921
Total current assets		**128,099,037**	**94,091,147**
TOTAL ASSETS		**288,529,187**	**280,654,481**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	163,697,462	163,697,462
Other reserves	22	835,979	835,979
Accumulated losses		(5,006,323)	(4,372,834)
Total equity		**159,527,118**	**160,160,607**
Long term liabilities			
Retirement benefit obligations	23	922,838	2,438,358
Other provisions		884,367	257,317
Total long term liabilities		**1,807,205**	**2,695,675**
Short term liabilities			
Suppliers	24	94,065,843	85,969,417
Deferred income		5,202,494	6,256,620
Current tax liability		2,380,166	265,383
Accruals and other short term liabilities	25	25,546,361	25,306,779
Total short term liabilities		**127,194,864**	**117,798,199**
Total liabilities		**129,002,069**	**120,493,874**
TOTAL EQUITY AND LIABILITIES		**288,529,187**	**280,654,481**

The notes on pages 8 to 35 are an integral part of the financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

(amounts in Euro)

	Notes	01.01-31.12.2011	01.01-31.12.2010
(Loss) / Profit before tax		(1,417,979)	4,836,752
Adjustments for:			
Depreciation	13, 14	13,774,599	16,563,122
Additional depreciation due to change in useful life	13	17,427,061	
Income from government grants	13	(488,685)	-
Impairment of available-for-sale financial assets	15	446	-
Finance income	10	(429,134)	(208,252)
Finance costs	11	153,917	152,049
Reversal of unused amounts of doubtful debt provision	18	-	(6,500)
Provision for doubtful receivables	18	432,601	5,085,359
Provision for retirement benefit obligations	8	345,825	327,392
Decrease / (Increase) of trade and other receivables before provision for impairment	18	2,737,840	(9,048,697)
Increase in other provisions		627,050	-
Increase in suppliers	24	8,096,426	5,567,473
(Decrease) of deferred income		(1,054,126)	(3,343,800)
Increase in accruals and other short term liabilities		1,994,919	1,795,668
Decrease / (Increase) in other non-current receivables	17	4,137,328	(10,175,961)
Income tax paid		(1,463,966)	(323,730)
Interest paid		(55,927)	(65,934)
Benefits paid		-	(8,664)
Net cash flows from operating activities		**44,818,195**	**11,146,277**
Cash flows from investment activities			
Purchases of property, plant and equipment	13	(6,773,635)	(9,158,087)
Purchases of intangible assets	14	(72,385)	(284,930)
Proceeds from the sale / disposal of property, plant and equipment	13	48,192	-
Purchases of financial assets	19	(29,998,778)	-
Interest received	10	262,196	208,252
Net cash flows used in investment activities		**(36,534,410)**	**(9,234,765)**
Net increase in cash and cash equivalents		**8,283,785**	**1,911,512**
Cash and cash equivalents at 1 January	20	8,765,112	6,853,600
Cash and cash equivalents at 31 December	20	**17,048,897**	**8,765,112**

The notes on pages 8 to 35 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

(amounts in Euro)

	Share capital	Other reserves	(Accumulated loss) / Retained earnings	Total equity
Balance at 1 January 2010	**163,697,462**	**835,979**	**(7,183,683)**	**157,349,758**
Net profit for the year	-	-	3,017,211	3,017,211
Other comprehensive income	-	-	(206,362)	(206,362)
Balance at 31 December 2010	**163,697,462**	**835,979**	**(4,372,834)**	**160,160,607**
Net loss for the year	-	-	(2,200,957)	(2,200,957)
Other comprehensive income	-	-	1,567,468	1,567,468
Balance at 31 December 2011	**163,697,462**	**835,979**	**(5,006,323)**	**159,527,118**

The notes on pages 8 to 35 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 S.A." and trademark designation "OTEGIobe", 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 (IFRS) as adopted by the European Union.

The financial statements were approved by the Board of Directors on 2 February 2012. 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.

2.3 Going concern

These financial statements have been prepared on a going concern basis and do not contain any adjustments which reflect the potential future effect on its assets and liabilities with regards to their recoverability and their reclassification in case the Company has not the ability to continue as a going concern in the foreseeable future.

2.4 Functional currency and presentation currency

The financial statements are presented in Euro, which is the functional currency of the Company.

2.5 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 under the circumstances.

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 settlement of income tax and VAT 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 whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of determining value in use, Management evaluates future cash flows from the asset or the cash generating unit relating to that asset and determines the appropriate discount rate to calculate the present value of these cash flows.

(e) Deferred tax asset: Deferred tax assets are recognized for all deductible temporary differences and tax losses carried forward, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized. The Company considers the existence of future taxable profits and follows a rather conservative tax planning strategy for the estimation of the utilization of deferred tax assets. The accounting estimates relating to the deferred tax assets require Management to state its assumptions with regards to the timing of future events, like the probability of future taxable profits and the available possibilities for tax planning.

(f) Post-employment benefits: Employee benefits obligation is calculated on the basis of financial and actuarial assumptions which require Management to provide estimates for the discount rate, the salary increase rate, the rates of employee mortality and disability, the retirement age and other factors. Changes in these basic assumptions may have a significant impact on the liability and the corresponding costs of each period. The net total cost for the period comprise the present value of the current service cost, the interest cost on future obligation, the past service cost and the actuarial gains and losses. The employee retirement compensation and the Youth Fund contributions are not funded. Due to the long term nature of these defined benefit plans, the assumptions are subject to significant degree of uncertainty. Additional details are provided in Note 22.

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions during the year and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss for the year. Translation differences on non-monetary financial assets and liabilities measured at fair value are considered as part of the fair value and therefore are recognized in profit or loss as part of the fair value gain or loss.

3.2 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment. Historical cost includes all expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The cost for repairs and maintenance is charged to profit and loss during the financial period in which they are incurred.

Depreciation 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:

	Estimated Useful Life in years
Buildings	12
Machinery and technical installations	3,3-15
Furniture and other equipment	3,3-5

When the assets' carrying amount is greater than their recoverable amount, the difference (impairment) is recorded immediately as an expense in profit and loss. The assets' residual values and useful lives are reviewed, and adjusted as appropriate to reflect any new events and the current market conditions, at the end of each reporting period.

Upon the sale of property, plant and equipment, the difference between the proceeds and their carrying amount is recognized as a gain or loss within profit or loss for the year.

3.3 Impairment of non-current assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually or sooner whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. At the reporting date the Company did not have any assets with indefinite useful lives.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of an asset or a cash generating unit is the higher of the fair value less costs to sell and value in use. Value in use is based on future estimated cash flows discounted to present value using a pre-tax rate that reflects current market assessments of the time value of money as well as the specific risks associated with the asset.

The impairment losses are included as expenses in profit or loss when they arise.

3.4 Intangible assets

Separately acquired intangible assets are shown at historical cost. Intangibles may have finite or indefinite 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 indefinite 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
Software	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 profit or loss 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 finance charges (interest) and decreasing the obligation that was undertaken. Finance charges are recorded directly in profit and loss of the year.

Finance leases are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments at the lease's commencement date, 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 over-ground or underground cabling for a specified period of time.

3.6 Financial assets

The Company classifies its financial assets in the following categories:

(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 according to IAS 39.

Subsequently, available for sale financial assets are measured at fair value and the related gain or loss is recorded as equity reserve until these assets are sold or impaired. Following the sale or the impairment, any gains or losses will be transferred to profit or loss.

The fair value of financial instruments traded in active markets is based on quoted market prices. The fair value of instrument that are not traded in an active market is determined by using valuation techniques, such as the analysis of recent transactions, reference to similar instruments that are traded in an active market and discounted cash flows. In case that the fair value cannot be measured reliably, the financial assets are measured at historical cost.

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity investments 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 evidence for impairment exists, the cumulative loss in equity, which is the difference between the acquisition cost and the fair value, will be recognised in profit or loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through profit or loss.

(b) Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that they are not intended to be sold. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The accounts receivable (short-term) are initially recognized at fair value. After initial recognition they are assessed at this value less any impairment which has occurred. At each reporting date the Company assesses the recoverability of the accounts on the basis of historical and statistical data and a provision for impairment losses is recognised to the extent that it can be measured reliably. The movement in previously recognised provision for impairment is recognised in profit or loss. Any receivables that are not considered to be recoverable are written off. Any write off of such receivables is made through this provision.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.7 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 in hand and deposits at banks, as well as cash time deposits and other highly liquid deposits as described above.

3.8 Trade and other payables

Trade and other payables are recognized at cost which is equal to the fair value of the future payment for the purchase of goods and services rendered. Trade and other short term payables are not interest bearing liabilities and are normally settled within 50-90 days.

3.9 Share capital

Share capital includes the value of issued ordinary shares.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

3.10 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income. In this case, the tax is also recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses carried forward, to the extent that there will be a future taxable profit against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of the deferred tax asset shall be reviewed at the end of each reporting period and shall be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax to be utulised.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

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

3.11 Employee benefits

a) Defined contribution plans

Obligations for contributions from defined contribution plans are recorded as an expense in profit or loss at the period in which they are incurred.

b) Defined benefit plans

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the future benefits that employees have earned in return of their services at the end of the reporting period. These benefits are estimated on the basis of financial and actuarial assumptions using the Projected Unit Credit Method.

The net cost for the period is included in profit or loss and consists of the present value of the current service cost, the interest cost on the future obligation and the past service cost. Actuarial gains and losses are recognised in other comprehensive income. Unrealised past service cost is recognized over the average remaining service period of employees which are expected to receive these benefits.

In addition, the finance cost resulting from the defined benefit plans will be classified in finance expenses rather than in "Defined benefit plans expenses", since its classification within finance expenses reflects more accurately the nature of this cost.

3.12 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 reporting 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.

3.13 Revenue recognition

Revenue 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 these 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 is accrued using the effective interest rate method.

3.14 Grants

Grants related to the acquisition of a fixed asset are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset and are recognised in profit or loss over the expected useful life of the depreciable asset as a reduced depreciation expense.

3.15 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 contractual rights to the cash flows from the financial asset expire.

- The Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows in full and without material delay to one or more recipients under a transfer arrangement.

- The company has transferred the right to receive the cash flows from the particular asset while at the same time has either (1) 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 guaranteeing the transferred asset, is valued at the lower of the amount of the financial asset and the maximum amount that the Company could be required to repay. When the continuing involvement takes the form of a written or purchased option (or both) on the transferred assets (including the form of a cash-settled option), the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except for the case of a written put option on an asset that is measured at fair value, where the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

b. Financial liabilities: Financial liabilities are derecognised when the specific obligation is discharged, cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms or a substantial modification of the terms of an existing financial liability shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability extinguished and the liability assumed is recognised in profit or loss.

4. Financial risk management

General

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

- Credit risk
- Liquidity risk
- Market risk

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

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

The risk management policy of the Company is 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) Trade 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 4% of the Company's revenue 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 in cases of delayed payment or in cases of weak creditworthiness. The Company generates revenues from Deutsche Telecom Group companies that account for approximately 39% of its annual revenues and consequently the exposure to credit risk from these receivables is low. In addition, approximately 46% relates mainly to large international 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 the customers' base, they are not only grouped according to their credit characteristics, but also if they are Voice or Data customers and whether they are also suppliers. Trade and other receivables include solely 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 reporting date was as follows:

	31 December	
	2011	**2010**
Available for sale financial assets	460	906
Customers	64,043,236	59,136,143
Cash and cash equivalents	18,180,536	11,167,921

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

		31 December	
	Note	**2011**	**2010**
Related parties	1	26,885,736	39,709,755
Customers that are simultaneously suppliers (net settlement of receivable/payable balance)	2	33,889,175	15,439,007
Other customers		12,524,960	12,811,415
Less: Provision for doubtful receivables		(9,256,635)	(8,824,034)
		64,043,236	**59,136,143**

1) Transactions with related parties account for 42% of total receivables and are not exposed to any credit risk. The Company considers the companies within the Deutsche Telecom Group as related parties.

2) If the respective payable balance is taken into account for these customers, in their simultaneous role as suppliers, the maximum net receivable amount that could result from the net settlement of receivable-payable balance is Euro 2,016,348.

d) Impairment losses

The ageing of receivables that were not impaired at the statement of financial position date was as follows:

	31 December	
	2011	**2010**
Neither due not impaired	29,994,830	27,865,891
Due 0-30 days	3,840,692	12,967,652
Due 31-60 days	5,135,852	8,387,136
Due 61+ days	25,071,862	9,915,464
	64,043,236	**59,136,143**

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

	31 December	
	2011	**2010**
Balance at 1 January	(8,824,034)	(3,745,175)
Provision for impairment of receivables	(432,601)	(5,085,359)
Unused amounts reversed	-	6,500
Balance at 31 December	**(9,256,635)**	**(8,824,034)**

The Company has created an equal provision on doubtful receivables. Based on historical records on delays in payments, the Company does not consider it necessary to make an impairment provision for receivables that are due for over 60 days, since a high percentage of these relate to balances due from related parties, while the remaining balances are due from customers who have a healthy credit record to the Company.

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 relative effect from rare events that cannot be predicted, such as natural disasters.

Set out below are the balances of financial liabilities:

	31 December	
	2011	**2010**
Payables to related parties	60,465,704	68,422,200
Suppliers that are simultaneously Customers (net settlement of receivable-payable balance)	27,821,993	13,261,770
Other suppliers	5,778,146	4,285,447
	94,065,843	**85,969,417**

Market risk

Market risk comprises the impact on cash flows relating to financial instruments resulting from the changes in currency exchange rates, interest rates and shares prices. 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 risk

The only interest-bearing financial instrument are the bank deposits which have a minimal effect on the Company's cash and cash equivalents.

b) Foreign exchange risk

Foreign exchange risk is minimised through the Company's holding of a bank account in foreign currency.

c) Price risk

The Company is not exposed to such risk.

Capital management

Management's policy is to maintain a strong capital base in order to preserve the level of trust that 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

New standards, amendments to standards and interpretations:
Certain new standards, amendments to standards and interpretations have been issued that are mandatory for periods beginning during the current financial year and subsequent years. The Company's evaluation of the effect of these new standards, amendments to standards and interpretations is as follows.

Standards and Interpretations effective for the current financial year

IAS 24 (Revised) "Related Party Disclosures"
This amendment attempts to reduce disclosures of transactions between government-related entities and clarify related-party definition. More specifically, it removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities, clarifies and simplifies the definition of a related party and requires the disclosure not only of the relationships, transactions and outstanding balances between related parties, but of commitments as well in both the consolidated and the individual financial statements. This revision does not affect the Company's financial statements.

IAS 32 (Amendment) "Financial Instruments: Presentation"
This amendment clarifies how certain rights issues should be classified. In particular, based on this amendment, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This amendment is not relevant to the Company.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
This interpretation addresses the accounting by the entity that issues equity instruments to a creditor in order to settle, in full or in part, a financial liability. This interpretation is not relevant to the Company.

IFRIC 14 (Amendment) "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
The amendments apply in limited circumstances: when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset. This interpretation is not relevant to the Company.

Amendments to standards that form part of the IASB's 2010 annual improvements project

The amendments set out below describe the key changes to IFRSs following the publication in May 2010 of the results of the IASB's annual improvements project. Unless otherwise stated the following amendments do not have a material impact on the Company's financial statements.

IFRS 3 "Business Combinations"
The amendments provide additional guidance with respect to: (i) contingent consideration arrangements arising from business combinations with acquisition dates preceding the application of IFRS 3 (2008); (ii) measuring non-controlling interests; and (iii) accounting for share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards.

IFRS 7 "Financial Instruments: Disclosures"
The amendments include multiple clarifications related to the disclosure of financial instruments.

IAS 1 "Presentation of Financial Statements"
The amendment clarifies that entities may present an analysis of the components of other comprehensive income either in the statement of changes in equity or within the notes.

IAS 27 "Consolidated and Separate Financial Statements"
The amendment clarifies that the consequential amendments to IAS 21, IAS 28 and IAS 31 resulting from the 2008 revisions to IAS 27 are to be applied prospectively.

IAS 34 "Interim Financial Reporting"
The amendment places greater emphasis on the disclosure principles that should be applied with respect to significant events and transactions, including changes to fair value measurements, and the need to update relevant information from the most recent annual report.

IFRIC 13 "Customer Loyalty Programmes"
The amendment clarifies the meaning of the term 'fair value' in the context of measuring award credits under customer loyalty programmes.

Standards and Interpretations effective from periods beginning on or after 1 January 2012

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015)
IFRS 9 is the first Phase of the Board's project to replace IAS 39 and deals with the classification and measurement of financial assets and financial liabilities. The IASB intends to expand IFRS 9 in subsequent phases in order to add new requirements for impairment and hedge accounting. The Company is currently investigating the impact of IFRS 9 on its financial statements. The Company cannot currently early adopt IFRS 9 as it has not been endorsed by the EU. Only once approved will the Company decide if IFRS 9 will be adopted prior to 1 January 2015.

IFRS 13 "Fair Value Measurement" (Effective for annual periods beginning on or after 1 January 2013)
IFRS 13 provides new guidance on fair value measurement and disclosure requirements. These requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Disclosure requirements are enhanced and apply to all assets and liabilities measured at fair value, not just financial ones. This standard has not yet been endorsed by the EU.

IFRIC 20 "Stripping costs in the production phase of a surface mine" (Effective for annual periods beginning on or after 1 January 2013)
This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. IFRIC 20 applies only to stripping costs that are incurred in surface mining activity during the production phase of the mine, while it does not address underground mining activity or oil and natural gas activity. This interpretation has not yet been endorsed by the EU.

IFRS 7 (Amendment) "Financial Instruments: Disclosures" – transfers of financial assets (effective for annual periods beginning on or after 1 July 2011)
This amendment sets out disclosure requirements for transferred financial assets not derecognised in their entirety as well as on transferred financial assets derecognised in their entirety but in which the reporting entity has continuing involvement. It also provides guidance on applying the disclosure requirements.

IAS 12 (Amendment) "Income Taxes" (effective for annual periods beginning on or after 1 January 2012)

The amendment to IAS 12 provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 "Investment Property". This amendment has not yet been endorsed by the EU.

IAS 1 (Amendment) "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 July 2012)

The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. This amendment has not yet been endorsed by the EU.

IAS 19 (Amendment) "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013)
This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits (eliminates the corridor approach) and to the disclosures for all employee benefits. The key changes relate mainly to recognition of actuarial gains and losses, recognition of past service cost / curtailment, measurement of pension expense, disclosure requirements, treatment of expenses and taxes relating to employee benefit plans and distinction between "short-term" and "other long-term" benefits. This amendment has not yet been endorsed by the EU.

IFRS 7 (Amendment) "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 January 2013)
The IASB has published this amendment to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.This amendment has not yet been endorsed by the EU.

IAS 32 (Amendment) "Financial Instruments: Presentation" (effective for annual periods beginning on or after 1 January 2014)
This amendment to the application guidance in IAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. This amendment has not yet been endorsed by the EU.

Group of standards on consolidation and joint arrangements (effective for annual periods beginning on or after 1 January 2013)

The IASB has published five new standards on consolidation and joint arrangements: IFRS 10, IFRS 11, IFRS 12, IAS 27 (amendment) and IAS 28 (amendment). These standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted only if the entire "package" of five standards is adopted at the same time. These standards have not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standards on its consolidated financial statements. The main provisions are as follows:

IFRS 10 "Consolidated Financial Statements"
IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 and SIC 12. The new standard changes the definition of control for the purpose of determining which entities should be consolidated. This definition is supported by extensive application guidance that addresses the different ways in which a reporting entity (investor) might control another entity (investee). The revised definition of control focuses on the need to have both power (the current ability to direct the activities that significantly influence returns) and variable returns (can be positive, negative or both) before control is present. The new standard also includes guidance on participating and protective rights, as well as on agency/ principal relationships.

IFRS 11 "Joint Arrangements"
IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The types of joint arrangements are reduced to two: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed. Equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations today. The standard also provides guidance for parties that participate in joint arrangements but do not have joint control.

IFRS 12 "Disclosure of Interests in Other Entities"
IFRS 12 requires entities to disclose information, including significant judgments and assumptions, which enable users of financial statements to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. An entity can provide any or all of the above disclosures without having to apply IFRS 12 in its entirety, or IFRS 10 or 11, or the amended IAS 27 or 28.

IAS 27 (Amendment) "Separate Financial Statements"
This Standard is issued concurrently with IFRS 10 and together, the two IFRSs supersede IAS 27 "*Consolidated and Separate Financial Statements"*. The amended IAS 27 prescribes the accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. At the same time, the Board relocated to IAS 27 requirements from IAS 28 "*Investments in Associates"* and IAS 31 "*Interests in Joint Ventures"* regarding separate financial statements.

IAS 28 (Amendment) "Investments in Associates and Joint Ventures"
IAS 28 "*Investments in Associates and Joint Ventures"* replaces IAS 28 "*Investments in Associates"*. The objective of this Standard is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures, following the issue of IFRS 11.

6. Fair value estimation

The Company uses the following hierarchy for the measurement and disclosure of the fair value of financial instruments, based on the fair value estimation method used:
Level 1: fair value is estimated based on quoted prices in active markets.
Level 2: fair value is estimated with valuation techniques at which all significant inputs are observable market data either directly or indirectly.
Level 3: fair value is estimated with valuation techniques at which one or more of the significant inputs is not based on observable market data.
The Company holds an investment of 0,01% in HELLAS SAT SA (a Company within the OTE SA Group) which has been classified as available for sale. This investment is measured at cost less impairment, since the Company is not listed and its fair value cannot be measured reliably based on another valuation technique. Apart from the foresaid investment the Company does not hold any other financial instruments measured at fair value.

7. Other income

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

	31 December	
	2011	**2010**
Income from the provision of services to third parties	2,310,069	2,232,118
Profit from sale of tangible assets	1,340	-
Income from VAT reimbursement	390,379	-
Other	554,989	30,730
Total	**3,256,777**	**2,262,848**

8. Employee benefit expense

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

	31 December	
	2011	**2010**
Salaries and wages	(9,399,592)	(8,881,042)
Defined contribution plans expenses (Note 23)	(2,684,932)	(2,632,309)
Employee training expenses	(1,400)	(47,047)
Defined benefit plans expenses (Note 23)	(345,825)	(327,392)
Other expenses	-	(12,412)
Income from subsidies	61,007	-
Total	**(12,370,742)**	**(11,900,202)**

The average number of employees in 2011 was 162, while in 2010 was 163.

9. Other expenses

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

	31 December	
	2011	**2010**
Repairs and maintenance	(276,675)	(179,268)
Operating leases	(2,434,599)	(2,430,787)
Provision for doubtful receivables (Note 18)	(432,601)	(5,085,359)
Third party fees and commissions	(2,756,878)	(2,565,225)
Taxes and duties	(22,914)	(20,805)
Withholding taxes abroad	(98,400)	(137,678)
Telecommunication, postal, transport and communal expenses	(560,158)	(504,019)
Travel expenses	(491,266)	(613,833)
Promotion, marketing and advertising expenses	(416,087)	(478,685)
Stationary and consumables	(46,789)	(62,352)
Other	(191,386)	(197,370)
Total	**(7,727,753)**	**(12,275,381)**

10. Finance income

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

	31 December	
	2011	**2010**
Interest income	262,196	208,252
Interest income from financial assets due from related parties (Note 26)	166,938	-
Total	**429,134**	**208,252**

11. Finance expenses

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

	31 December	
	2011	**2010**
Bank charges	(55,729)	(65,934)
Impairment in investment in Hellas Sat SA	(198)	-
Interest cost on retirement benefit obligation (Note 23)	(97,990)	(86,115)
Total	**(153,917)**	**(152,049)**

12. Income tax

According to the Greek tax legislation, the applicable tax rate for Greek SA companies is 20% and 24% for 2011 and 2010 respectively.
The provision for income tax presented in the financial statements is analysed as follows:

	31 December	
	2011	**2010**
Current income tax	(2,874,957)	(1,026,370)
Deferred tax (Note 16)	2,092,264	(443,023)
Special income tax contribution	(285)	(350,148)
Total income tax expense recognised in profit or loss	**(782,978)**	**(1,819,541)**

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

	31 December	
	2011	**2010**
(Loss) / Profit before tax	(1,417,979)	4,836,752
Tax income / (expense) calculated based on current tax rates (2011: 20%, 2010: 24%)	283,596	(1,160,820)
Tax on expenses not deductible for tax purposes	(388,365)	(535,910)
Special income tax contribution	(285)	(350,148)
Tax impact due to reduction in tax rates	(677,924)	227,337
Total income tax expense recognised in profit or loss	**(782,978)**	**(1,819,541)**

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 accounts 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 taxable profits for the five fiscal years following the fiscal year when these are incurred.

The Company has not been tax audited for the fiscal years 2010 and 2011.

13. Property, plant and equipment

	Buildings	Machinery and technical installations	Furniture and fixtures	Assets under construction	Total
Cost:					
Balance at 1 January 2010	795,285	265,312,506	2,259,286	5,215,657	273,582,734
Additions	-	2,754,817	177,682	6,225,588	9,158,087
Transfer from assets under construction	-	1,610,657	-	(1,675,657)	(65,000)
Sales / Write-offs	-	(1,408,469)	(171,146)	-	(1,579,615)
Balance at 31 December 2010	**795,285**	**268,269,511**	**2,265,822**	**9,765,588**	**281,096,206**
Additions	-	502,162	103,974	6,167,500	6,773,635
Sales / Write-offs	-	(51,738)	(34,762)	(38,132)	(124,631)
Transfer from assets under construction (Note 14)	-	3,391,821	-	(3,972,750)	(580,930)
Balance at 31 December 2011	**795,285**	**272,111,756**	**2,335,035**	**11,922,205**	**287,164,282**
Accumulated depreciation:					
Balance at 1 January 2010	**138,710**	**149,204,295**	**1,763,994**	-	**151,106,999**
Depreciation	66,247	14,577,585	307,213	-	14,951,045
Sales / Write-offs	-	(1,408,466)	(171,144)	-	(1,579,610)
Balance at 31 December 2010	**204,957**	**162,373,414**	**1,900,063**	**-**	**164,478,434**
Depreciation	66,247	12,196,829	208,113	-	12,471,188
Depreciation due to change in useful life	-	17,427,061	-	-	17,427,061
Sales / Write-offs	-	(42,364)	(34,074)	-	(76,438)
Income from government grants	-	(488,685)	-	-	(488,685)
Balance at 31 December 2011	**271,204**	**191,466,254**	**2,074,101**	**-**	**193,811,559**
Net book value:					
Balance at 31 December 2011	**524,081**	**80,645,503**	**260,934**	**11,922,205**	**93,352,723**
Balance at 31 December 2010	590,328	105,896,097	365,759	9,765,588	116,617,772

There are no liens attached to the fixed assets.

Furthermore, the depreciation charge for 2010 for machinery and technical installations was reduced by Euro 194,273 as a result of the amortisation of grants received for these assets.
By virtue of the resolution of the Tangible Assets Committee, the Company adjusted the estimated useful life of certain cable systems. Depreciation expense for the year was increased by the amount of € 17,427,061 due to the foresaid adjustment.

14. Intangible assets

	Software
Cost:	
Balance at 1 January 2010	6,512,034
Additions	284,930
Transfer from assets under construction	65,000
Balance at 31 December 2010	**6,861,964**
Additions	72,385
Transfer from assets under construction	580,930
Balance at 31 December 2011	**7,515,279**
Accumulated depreciation:	
Balance at 1 January 2010	3,539,167
Depreciation	1,612,077
Balance at 31 December 2010	**5,151,244**
Depreciation	1,303,411
Balance at 31 December 2011	**6,454,655**
Net Book Value:	
Balance at 31 December 2011	**1,060,624**
Balance at 31 December 2010	1,710,720

15. Available for sale financial assets

	31 December	
	2011	**2010**
Balance 1 January	**906**	**906**
Share capital reduction	(446)	-
Balance 31 December	**460**	**906**

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

16. Deferred tax assets / (liabilities)

	Retirement benefit obligation	Customers	Property, plant and equipment	Expenses provision	Other	Total
Balance at 1 January 2010	**355,112**	**749,035**	**5,634,473**	**967,707**	**113,150**	**7,819,477**
Recognised in Statement of comprehensive income	80,970	1,015,772	(836,816)	(421,961)	(280,988)	**(443,023)**
Charge / (Credit) to equity	51,590	-	-	-	-	**51,590**
Balance at 31 December 2010	**487,672**	**1,764,807**	**4,797,657**	**545,746**	**(167,838)**	**7,428,044**
Recognised in Statement of comprehensive income	88,763	86,520	2,314,087	(119,410)	(277,696)	**2,092,264**
Charge / (Credit) to equity	(391,867)	-	-	-	-	**(391,867)**
Other movements	-	-	-	-	219,338	**219,338**
Balance at 31 December 2011	**184,568**	**1,851,327**	**7,111,744**	**426,336**	**(226,196)**	**9,347,779**

17. Other non-current assets

	31 December	
	2011	**2010**
Guarantees to suppliers	219,851	220,679
Guarantees for car leases	40,466	38,869
Guarantees to third parties	10,000	-
Prepaid expenses	26,463	69,407
Long term leasing expense (3-year)	-	34,149
Long term leasing expense (8-year)	4,650,046	6,174,149
Long term leasing expense (15-year)	51,016,356	52,827,632
Other long term customer receivables	705,382	1,441,007
	56,668,564	**60,805,892**

The long term leasing expense relates to the purchase of capacity IRU for a term of 3, 8 and 15 years.

18. Trade and other receivables

	31 December	
	2011	**2010**
Customers	73,299,871	67,960,177
Less: Impairment provision	(9,256,635)	(8,824,034)
Trade receivables (net)	**64,043,236**	**59,136,143**
Income receivable	9,935,276	16,174,135
Other receivables	5,774,273	7,612,948
Total	**79,752,785**	**82,923,226**

The movement in the provision for impairment of receivables is as follows:	**2011**	**2010**
Balance at 1 January	**(8,824,034)**	**(3,745,175)**
Provision for impairment of receivables (Note 9)	(432,601)	(5,085,359)
Unused amounts reversed	-	6,500
Balance at 31 December	**(9,256,635)**	**(8,824,034)**

19. Other financial assets

	31 December	
Non listed securities	**2011**	**2010**
Debenture OTE Plc	30,165,716	-
	30,165,716	**-**

The amount comprises non listed debentures issued by the company OTE Plc (related party), which were purchased directly from OTE Plc (the issuer) and are measured at amortised cost using the effective interest method. These have a maturity of 3 months expiring in January and February 2012 and are considered to bear no risk.

20. Cash and cash equivalents

	31 December	
	2011	**2010**
Cash on hand and at banks	17,048,897	8,765,112
Current account-management of international telephony traffic for OTE	1,131,639	2,402,809
Total	**18,180,536**	**11,167,921**

The current account refers to an account for the management of OTE's International Telephony Traffic by the Company and it is not included within the cash equivalents in the statement of cash flows.

The effective weighted average rate was:

	2011	**2010**
Cash on hand and at banks	1.00%	1.50%

21. Share capital

	Number of shares	Ordinary shares
Balance at 1 January 2011	**55,869,441**	**163,697,462**
Balance at 31 December 2011	**55,869,441**	**163,697,462**
Balance at 1 January 2010	**55,869,441**	**163,697,462**
Balance at 31 December 2010	**55,869,441**	**163,697,462**

22. Other reserves

	Statutory reserve	Special reserves	Tax-free reserves	Σύνολο
Balance at 31 December 2010	**666,801**	**1,411**	**167,767**	**835,979**
Increase in reserves	-	-	-	-
Balance at 31 December 2011	**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 Euros.

Tax-free 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 2011 the amount of tax that would arise would be Euros 33,553 (31 December 2010: 40,264).

23. Retirement benefit obligations

The movement of obligation in the statement of financial position 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 2011 and 2010 amounted to Euro 2,684,932 and Euro 2,632,309 respectively (Note 8).

b) **Personnel retirement compensation**: According to the Greek labour law, employees are entitled to compensation in case of redundancy or retirement, the amount of which is calculated on the basis of the employee's salary, the years of service and the way in which the employment was terminated (redundancy or retirement). Employees that resign or are dismissed for a cause are not entitled to receive compensation. The compensation payable in case 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 plans are not funded. The Company recognizes in profit or loss the current service cost for the period with an equal increase in the retirement benefit obligation. The benefits paid for retirement during the period are debited against this obligation.

	31 December	
	2011	**2010**
Obligation at 1 January	**2,438,358**	**1,775,563**
Benefits paid	-	(8,664)
Actuarial (gains) / losses	(1,959,335)	257,952
Expense recognized in profit or loss (Note 8, 11)	443,815	413,507
Obligation at 31 December	**922,838**	**2,438,358**

An international firm of independent actuaries has carried out the actuarial analysis in respect of the Company's retirement benefit obligations. The details and the basic assumptions used in the actuarial study at 31 December 2011 and 2010 for the Company are as follows:

	31 December	
	2011	**2010**
Present value of unfunded obligation	922,838	2,438,358
Net liability in the statement of financial position	**922,838**	**2,438,358**
Components of cost of retirement for the period:		
Current service cost	345,825	326,888
Interest cost	97,990	86,115
Recognition of past service cost	-	-
Recognised in the statement of comprehensive income	**443,815**	**413,003**
Cost of additional benefits	-	504
Total recognized in the statement of comprehensive income	**443,815**	**413,507**

	31 December	
	2011	**2010**
Reconciliation of retirement benefit obligation:		
Net liability as at 1 January	**2,438,358**	**1,775,563**
Current service cost	345,825	326,888
Interest cost (Note 11)	97,990	86,115
Benefits paid		(8,664)
Cost of additional benefits		504
Recognition of past service cost		-
Actuarial (gains) / losses	(1,959,335)	257,952
Net liability as at 31 December	**922,838**	**2,438,358**
Discount rate	5.34%	4.30%
Future salary increases	3.00%	7.00%
Average future employment (in years)	22.6	24.2

24. Suppliers

	31 December	
	2011	**2010**
Suppliers	33,600,139	17,547,217
Amounts due to related parties	60,465,704	68,422,200
Total	**94,065,843**	**85,969,417**

Trade payables do not bear interest and are normally settled within 50-90 days.

25. Accruals and other short term liabilities

Other short term liabilities in the financial statements are analysed as follows:

	31 December	
	2011	**2010**
Accrued expenses for telecommunication services	11,793,839	16,475,373
Other accrued expenses	8,626,073	6,989,519
Insurance and pension contributions payable	511,995	521,060
Customers advances	2,335,068	32,029
Other taxes and duties	2,185,185	752,610
Other	94,201	536,188
Total	**25,546,361**	**25,306,779**

26. Related party transactions

i) Sales and purchases of goods and services

	31 December	
	2011	**2010**
Sales of services:		
To the Parent of OTE Group	76,806,047	86,307,599
To other related parties	28,755,967	30,737,348
	105,562,014	**117,044,947**
Purchases of services:		
From the Parent of OTE Group	31,363,568	41,116,758
From other related parties	55,401,908	57,467,391
	86,765,476	**98,584,149**
Purchases of fixed assets:		
From the Parent of OTE Group	4,101	43,141
	4,101	**43,141**

Transactions with related parties have been conducted under terms and conditions that are on an arm's length basis.
Transactions with related parties relate mainly to telecommunications services.

ii) Key Management Personnel compensations

	2011	**2010**
Salaries and other short term employee benefits	1,782,097	1,578,963
Other long term benefits	305,106	320,898
	2,087,203	**1,899,861**

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

Short term receivables from related parties:

	31 December	
	2011	**2010**
Customers		
From the Parent of OTE Group	22,233,450	34,478,249
From other related parties	4,652,286	5,231,506
	26,885,736	**39,709,755**
Other receivables		
From the Parent of OTE Group	6,974,832	7,143,028
From other related parties	1,629,487	2,154,018
	8,604,319	**9,297,046**
Long term receivables from related parties		
From the Parent of OTE Group	51,708,150	54,681,665
From other related parties	3,598,314	3,961,495
	55,306,464	**58,643,160**
Receivables from financial assets		
From other related party	30,165,716	-
	30,165,716	
Total receivables from related parties	**120,962,235**	**107,649,961**

Payables to related parties:

Short term payables to related parties:

	31 December	
	2011	**2010**
Amounts due to related parties		
To the Parent of OTE Group	55,045,878	62,166,110
To other related parties	5,419,826	6,256,090
	60,465,704	**68,422,200**
Other payables		
To the Parent of OTE Group	2,650,460	2,622,020
To other related parties	5,022,257	7,195,470
	7,672,717	**9,817,490**
Total payables to related parties	**68,138,421**	**78,239,690**

iv) Finance income of OTE Globe International Solutions SA from related parties from financial assets

	31 December	
	2011	**2010**
Finance income		
From other related parties (Note 10)	166,938	-
	166,938	**-**

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.

27. Contingent liabilities / assets

- *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.

- *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 2010 and 2011 and therefore they have not become final. The outcome of tax audits cannot be predicted at this stage.

- *Letters of guarantee*

The Company obtains letters of guarantee from third parties for good performance and provides letters of guarantee to its customers for good performance for the services it renders. At 31 December 2011 the amount of guarantees from third parties amount to Euros 40,000 (31 December 2010: Euros

754,650) whereas guarantees provided by the Company amount to Euros 787,031.20 (31 December 2010: Euros 654,600).

28. Operating leases

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

Building rentals	**31 December**	
	2011	**2010**
Up to 1 year	692,496	574,992
From 1 to 5 years	2,972,958	2,477,719
More than 5 years	2,585,867	2,606,599
Total	**6,251,321**	**5,659,310**

Car rentals	**31 December**	
	2011	**2010**
Up to 1 year	194,948	195,866
From 1 to 5 years	217,332	129,856
Total	**412,280**	**325,722**

29. Events after the reporting period

There are not events after the reporting period that require adjustment or disclosure in the financial statements.

[Translation from the original text in Greek]

Independent Auditor's Report

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., which comprise the statement of financial position as of 31 December 2011, 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 information.

Management's Responsibility for the Financial Statements

Management 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used 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 OTE INTERNATIONAL SOLUTIONS S.A. as of 31 December 2011 and 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.

Report on Other Legal and Regulatory Requirements

We verified the conformity and consistency of the information given in the Report of the Board of Directors with the accompanying financial statements, in accordance with the requirements of articles 43a and 37 of Codified Law 2190/1920.

Athens, 2 February 2012

pwc

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