



OTE INTERNATIONAL SOLUTIONS SA

Board of Directors report of OTE International Solutions S.A.
to the annual general meeting of shareholders in respect of
the 7th annual financial year ended 31 December 2007

**OTE INTERNATIONAL SOLUTIONS SA
COMPANY REGISTRATION NUMBER 46809/01AT/B/00/365
ZINONOS ELEATOU & AGISILAGOU 6-8, MAROUSI**

This report has been translated from the original Board of Directors report that has been prepared in the Greek language. In the event that differences exist between this translation and the original Greek language report, the Greek language report will prevail over this document.

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**REPORT OF THE BOARD OF DIRECTORS OF OTE INTERNATIONAL SOLUTIONS SA
TO THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS
REGARDING THE COMPANY'S ACTIVITIES DURING THE 7TH FINANCIAL YEAR
THAT ENDED ON 31 DECEMBER 2007**

Dear Shareholders,

In accordance with article 43a paragraph 3 of Law 2190/1920, as replaced by article 35 of Presidential Decree 409/86, we submit to the General Assembly the following report regarding the actions, the activities and the corresponding financial statements of the Company for its 7th annual reporting period that ended on 31.12.2007, and we ask for their approval.

A. GENERAL

OTEGLOBE, is a wholly owned subsidiary of OTE SA under the company name OTE INTERNATIONAL SOLUTIONS SA registered in Athens. It provides wholesale international telecommunications services to telecommunication providers and to multinational companies in the wider region of South East Europe. The Company is a wholly owned subsidiary of OTE SA and has been operating since 2000.

OTEGLOBE has developed into an important telecommunication centre in the region providing an extensive range of integrated data, capacity and voice services through its own network infrastructure to providers of telecommunication services and to major multinationals in the Greek as well as the international markets, and it provides international integrated and specialised solutions.

Following the spin off from OTE and the parallel absorption by OTEGLOBE of the international operations and network infrastructure on 1 April 2007, the company now owns two, two-way high capacity fibre optic networks, the TBN and the GWEN, which extend from Greece to Western Europe as well as an IP/MPLS(MSP) network with 14 loops in Western and Eastern Europe and New York. In addition, OTEGLOBE possesses rights to various peripheral and transatlantic underwater cables, international networks of fibre optic cables towards all neighbouring countries and more than 150 interconnections.

More analytically, the company focuses its activities in the following areas:

- development, implementation and provision of capacity and interconnection through two owned, physically and geographically identifiable, international fibre optic networks;
- commercial development and management of the international telephony of OTE;
- provision of integrated services of international telephony to providers in Greece and abroad, such as VoIP, Hubbing and other;

Designing, implementing and managing the international network MPLS/IP (MSP) to provide integrated and wholly managed services to large corporate clients and telecom providers in the Balkan area and South Eastern Europe.

B. IMPORTANT EVENTS IN THE COMPANY'S OPERATIONS

I. Activities during the Financial Year 2007

2007 can be described as a particularly successful year for OTEGLOBE on both commercial and technological grounds in the areas of data services (I.P. data & SDH capacities) and voice services.

Regarding data services, revenues of 2007 marked a significant increase of over 19% compared to 2006, despite the continuing tendency of price decreases in the market, by taking advantage of the increased demand of broadband. The company, moving in line with the new market trends, entered into 3 to 5-year sales/contracts during 2007.

Voice services during 2007 fluctuated on very good levels hence achieving a further increase compared to the previous year. More specifically, despite the continuing fall in prices and the significant increase of competition within Greece from alternative providers, wholesale revenues of the OTE Group reached €160,34 million compared to €150 million in 2006 that also resulted in the increase in the number of interconnections with International Carriers.

The use of the voice mail technology over MPLS which is exclusively operated by OTEGLOBE also presented an increase of 20% (€50 million in 2007 from €41,8 million in 2006).

The most significant events regarding the company's activities during 2007 were as follows:

- **The absorption of the segment of assets and cable infrastructure of OTE SA (contribution in kind) by OTEGLOBE.** The segment that was transferred includes all assets of OTE relating to the international operations (MSP, international cable infrastructure, rights of use of the invoicing system INTEC-ITU, international contracts). With the spin off of the segment (contribution in kind) the company made a share capital increase of €132.8 million.
- **Further increase of the share capital of OTEGLOBE** by €30 million for partly financing the new investment programme for the company's growth.
- **New commercial agreement with OTE**, with the aim to mutually benefit both companies regarding the designation of rights and obligations arising from the transfer of the segment, to ensure that the highest quality of services are being offered to the customer.
- **Implementation and commencement of the Trans-Balkan Network (TBN)**, the new international infrastructure of the Group for the connection of the Balkans with Western Europe. The Trans-Balkan Network will constitute an alternative geographical route of GWEN (Greece, Italy, Western Europe) and it will meet the increased needs of broadband in our country and the wider region. The network will initially have a capacity of 60 Gbps.
- **Design and assignment of the entry in the international network MPLS of OTEGLOBE NGN Soft Switch technology**, with an aim of optimizing the new generation voice mail service, at lower costs and better quality.
- The upgrade by 75% of the core capacity of the International Network MPLS/IP (MSP) to 28 Gbps (from 16 Gbps), mainly for meeting the increased needs of the Greek market due to the development of broadband.
- Upgrade of the network capacity of GWEN, which has now reached 80Gbps.

II. Changes in the Board of Directors of the Company

During the period under examination the composition of the Board of Directors was subjected to the following changes:

	01/01/2007 to 29/05/2007	29/05/2007 to 08/10/2007	08/10/2007 to 31/12/2007
Chairman	Michael Tsamaz	Michael Tsamaz	Michael Tsamaz
Vice-Chairman	Christini Spanoudaki	Christini Spanoudaki	Christini Spanoudaki
CEO	Michael Tsamaz	Michael Tsamaz	Konstantinos Andreou
Member	Konstantinos Frouzis	Dionissios Mygdalis	Dionissios Mygdalis
Member	Zacharias Kotsimbos	Zacharias Kotsimbos	-
Member	Christos Katsaounis	Christos Katsaounis	Christos Katsaounis

C. PRESENTATION OF FINANCIAL RESULTS

I. SUMMARY – MAIN FINANCIAL INDICATORS

On 1 April 2007, OTEGLOBE absorbed the segment of International telephony as well as the International infrastructure of OTE SA, by simultaneously amending the Commercial Agreement with OTE SA and increasing its Share Capital. The financial results for 2007, are therefore, based on the significant changes that took place in 2007, not comparable to the 2006 results.

MAIN FINANCIAL INDICATORS

	(In Euro thousands)		
	2007	2006	Δ %
REVENUES	165 061	162 960	1.3%
PROFIT BEFORE TAX	2 204	9 520	
TAX	1 592	2 841	
PROFIT AFTER TAX	612	6 680	
BASIC EARNINGS PER SHARE	0.03	22.27	

II. FINANCIAL STATEMENTS

The financial statements for the year ended 31.12.2007 have been prepared in accordance with International Financial Reporting Standards and reflect, through the Balance sheet, the asset structure of the Company as at that date, as well as the financial results, cash flows and the statement of changes in Equity for the period from 01.01.2007 to 31.12.2007 with detailed explanations of the accounting principles applied as well as specific item disclosures.

D. COMPANY PROSPECTS

OTEGLOBE's primary mission being to support the business plan of the OTE Group, will continue to actively operate in the wider region in order to increase sales from international telephony services and to maximise the utilisation of its international cable infrastructure.

OTEGLOBE's goal is to increase its share in markets where the Group does not have a share (alternatives, mobile and International providers) in Greece as well as internationally, generating income for the Group as well as further strengthening its position as the network bridge that connects the Middle East and the Balkans with Europe.

OTEGLOBE's strategic objectives for the three year period 2008 – 2010 are:

- Further penetration in the South East European market as well as seeking opportunities in the markets of the Middle East and hence being designated as the network bridge of the region.
- Improvement of services provided to Greek and international providers through the company's two owned and geographically and physically identifiable networks which are capable of supporting almost 100% of network availability.
- Exploitation of the sharp increase of broadband in Greece as well as in the wider region with an aim to:
 - Maximise the use of the self owned network TBN
 - Increase revenues from the MSP platform
- Improvement of profitability from international voice services with the use of new technology such as NGN Soft Switch
- Increase strategic partnerships and participation in projects of infrastructure development in the wider region.

Specifically, the main characteristics of the market environment for the coming year are expected to be as follows:

- α) Data Services: a significant increase in demand due to the expected rapid development of broadband penetration in Greece and in the wider region. Simultaneously, however, a sharp fall in prices of around 30% is expected and increase in competition from international providers such as Deutsche Telekom, Telekom Austria but also smaller regional companies such as Vestitel, Pantel, GTS.
- β) Voice services: Stabilisation of the income by counterbalancing the negative trend in prices with further focusing on the increasing segments of VOIP and mobile telephony.

We hereby call upon you, ladies and gentlemen Shareholders to:

1. Approve the Balance Sheet and the other financial statements of the accounting period 01/01/2007 - 31/12/2007.
2. Relieve the members of the BOD and the Company's certified accountants from every indemnification liability regarding their actions during the 2007 financial year, according to the Law and also the Company's Articles of Association.
3. Approve the compensation, fees and expenses paid to the members of the Board of Directors, the Chairman and the Chief Executive Officer for 2007 and set those for 2008.
4. Appoint certified auditors for the current financial year of 2008.

KONSTANTINOS ANDREOU
CHIEF EXECUTIVE OFFICER