OTEGlobe

OTE INTERNATIONAL SOLUTIONS SA

Financial statements as of the 31st of December 2006 according to International Financial Reporting Standards (IFRS)

These financial statements were approved by the Board of Directors of OTE International Solutions SA on the 2nd of March 2007 and are available online at the site www.oteglobe.gr

OTE INTERNATIONAL SOLUTIONS SA
KIFISIAS AVE. 217, MAROUSI

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REPORT OF THE BOARD OF DIRECTORS OF OTE INTERNATIONAL SOLUTIONS SA
TO THE ANNUAL GENERAL ASSEMBLY OF THE SHAREHOLDERS REGARDING THE ACTIVITIES DURING THE 6TH FISCAL YEAR THAT ENDED ON 31ST DECEMBER 2006

Dear Shareholders,

According to article 43, paragraph 3 of Codified 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 the 6th fiscal year which ended on 31.12.2006 for which we ask for approval.

A. General

OTEGlobe is a wholly owned subsidiary of OTE SA with the company name “OTE INTERNATIONAL SOLUTIONS” (the “Company”) which started its activities on October 2000 with the objective of being a flexible business formation of the OTE Group in the dynamic environment of the competitive telecommunications market, offering integrated services in select areas of the market with its specialized and high quality international services.

In terms of the Commercial Cooperation Agreement between OTE SA and OTEGlobe, the company has been active in trade, providing international wholesale services in the Greek market and all international telecommunications services in international markets. Specifically, the Company has been focusing its activities in the following areas:

The development, promotion and provision of a large spectrum of Data/IP services, capacities, interconnection products as well as integrated services for voice, data and image transfer and multimedia applications.

Serving Telecommunications Companies (Carriers) both in the Greek and the International market by providing integrated and specialized solutions.

The commercial development and management of OTE’s international telephony.

The design, implementation and management of the international network MPLS/IP (MSP).

The provision of integrated and fully managed services of the International Network MPLS/IP to large customer companies and carriers for the area of the Balkans and SE Europe.

B. Important Events in the Company's operations

I. Activities during the Financial Year 2006

With regard to the data services sector (I.P. data & SDH capacities) but equally to the voice services sector 2006 can be described as a successful year for OTEGlobe on a commercial level.

More specifically, with respect to the data services, the income from 2006 noted an increase of +5,7% relative to the previous year despite the continuing rapid decline in unit prices (between 25-30% per annum) and despite the difficulties / delays noted in the realisation of a variety of projects.

With respect to the voice services 2006 was a very good year. Despite the continuing intense decline in unit prices (by approximately 20% per annum), OTEGlobe managed to retain the wholesale income, generating income for O.T.E. to the order of € 150 mill. (interconnection with 135 international carriers).

It is particularly worth noting that the voice services division (over MPLS), which is managed exclusively by OTEGlobe, noted an impressive increase in order of +50,8% (€ 41.8 mill. in 2006 from € 27.7 mill. in 2005).

In addition, during 2006 OTEGlobe undertook new activities, amongst others:

- The company was given the responsibility of the International Operations, including the management of the International Telecommunications Centres of O.T.E., and also the management of the international contracts and the international cable systems owned by O.T.E.
- The design of the Trans-Balkan Network as new Group infrastructure for the connection of the Balkans with W. Europe and the announcement of the competition of the "dark fibre" network in the Balkans (Bulgaria-Romania). The Trans-Balkan Network will constitute alternative geographical routing for GWEN (Greece, Italy, W. Europe) and will cover the increased needs of broadband.
- The upgrade by 40% of the core capacity of the International Network MPLS/IP (MSP) to 16 Gbps, mainly to serve the increased needs of the Greek market due to the development o broadband.
- The design and realisation of the interconnection of international networks NNI with Telefonica and strengthening our presence at global Internet Exchanges (IXs) nearly doubling interconnection capacity from 4 GBPs to 7 GBPs.

Finally, during the period of 2006 the Network Security Policy that had been submitted was authorised by the ΑΔΑΕ.

II. Changes in the Board of Directors of the Company

During the period under examination there were changes in the Board of Directors of the Company which appear in the following table:

MEMBER CAPACITY	01/01/2006 to 06/04/2006	07/04/2006 to 12/04/2006	13/04/2006 to 31/12/2006
Chairman	Michael Chamaz	Michael Chamaz	Michael Chamaz
Vice - Chairman	Christini Spanoudaki	Christini Spanoudaki	Christini Spanoudaki
Managing Director	Anastasios Aggeloglou	Michael Chamaz	Michael Chamaz
Member:	Constantine Frouzis	Constantine Frouzis	Constantine Frouzis
Member:		Anastasios Aggeloglou	Zaharias Kotsimbos
Member:	Christos Katsaounis	Christos Katsaounis	Christos Katsaounis

C. Presentation of Financial Results

I. Summary – Main Financial Indicators

OTEGlobe following the successful commercial policy that it followed in 2006 as well as the effective management of its resources has had a significant increase in its financial results as is evident from the following main financial indicators.

MAIN FINANCIAL INDEXES

in thousand Euros			
	2006	**2005**	Δ%
TURNOVER	162,960	134,680	21%
PROFIT BEFORE TAX	9,520	8,285	15%
TAXES	2,841	2,850	
PROFITS AFTER TAX	6,680	5,435	23%
EARNINGS PER SHARE	22.27	18.12	23%

The significant increase in sales by 21% and the stabilization of the company's profits which combined had as a result the increase in earnings per share of 23% compared to the previous accounting period, proving the important goodwill that the Company provides to its shareholders.

II. Financial Statements

The financial statements dated 31.12.2006 were drawn up according to the principles of International Financial Reporting Standards and they reflect with the Balance Sheet the financial status of the Company at the above date as well as the operating results, cash flow and statement of changes in the equity for the period from 01.01.2006 to 31.12.2006 with detailed clarifications regarding the accounting principles applied as well as specific item disclosures.

D. Company prospects

OTEGlobe's primary mission being supporting the business of the OTE Group, will continue actively pursuing increases in sales from international telecommunications services, and in the general improvement of international operations, the management of which it took over from O.T.E.

OTEGlobe's goal is to increase its share of outside markets that the group already has a presence in (alternatives, mobile and International providers) generating new income for OTE Group.

OTEGlobe's strategic objectives for the three year period 2007-2009 are:

- Further penetration into the South-East European market while also seeking opportunities in markets of the Middle East.
- Increase turnover from the market for international services for corporate customers.
- Promotion of new services and value added services.
- Increase number of strategic partnerships and increased participation in projects for the development of infrastructure in the wider region.

The achievement of the objectives mentioned above will give OTE Group additional income of around € 150 mill. with EBITDA in the order of 32% on sales.

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

a) Data Services: significant increase in demand due to the inevitable rapid development of broadband infiltration. Simultaneously however, sharply falling prices and the broadening of competition are expected to continue.

b) Voice Services: Stabilisation of income by counterbalancing the negative trend in prices with the additional focus on the increasing segments of VOIP and mobile telephony.

Following that we hereby call upon you, ladies and gentlemen Shareholders to:

Approve the Balance Sheet and the other financial statements of the accounting period 01/01/2006 - 31/12/2006.

1. Relieve the members of the BOD and the Company’s certified accountants from every indemnification liability regarding their actions during the 2006 fiscal year, according to the Law and also the Company's Articles of Association.
2. Approve the compensation, fees and expenses paid to the members of the Board of Directors, the Chairman and the Managing Director for 2006 and set those for 2007.
3. Appoint certified auditors for the current fiscal year of 2007.

M. CHAMAZ
MANAGING DIRECTOR

OPERATING RESULTS FOR THE YEAR ENDED 31 DECEMBER

(Amounts in EUROS)

	Note	2006	2005
Turnover			
Income from data and international telephony services		122 054 351	102 686 579
Income from commissions		40 906 091	31 993 669
Total turnover		**162 960 442**	**134 680 248**
Charges from international telecommunications carriers		(139 630 098)	(116 091 625)
Gross profit		**23 330 344**	**18 588 623**
Other income	**7**	1 841 928	1 411 936
Employee benefit expenses	**8**	(8 721 506)	(6 455 586)
Depreciation		(1 008 961)	(973 816)
Other operating expenses	**9**	(6 070 559)	(4 258 647)
Operating profit		**9 371 246**	**8 312 510**
Finance income	**10**	200 823	55 092
Finance expenses	**10**	(51 673)	(82 457)
Profit before tax		**9 520 396**	**8 285 145**
Income tax	**11**	2 840 504	(2 850 061)
Net profit for the period		**6 679 892**	**5 435 084**
Earnings per shares in €			
Basic and adjusted	**12**	22.27	18.12

The notes on pages 14 to 29 are an integral part of the financial statements.

The financial statements appearing in pages 10 to 29 were approved by the Board of Directors on the 2nd of March 2007 and are signed for the Board of Directors by the following:

Chairman of the BOD & Managing Director	Vice-Chairman	Financial Director	Head of the Accounting Dept.
Michael Chamaz	Christini Spanoudaki	Konstantinos Andreou	Andreas Galiatsatos
I.D. no Σ648394	I.D. no I 966760	I.D. no X 069599	I.D. no I 226743
			LICENCE NO. A' CLASS 0015278

BALANCE SHEET AT 31 DECEMBER

(Amounts in EUROS)

ASSETS	Note:	2006	2005
Non-current assets			
Tangible assets	13	7 098 022	7 604 842
Intangible assets	14	196 511	3 484
Investments available for sale	15	662,982	662 982
Deferred taxes	16	1 406 274	479 643
Other non-current assets	17	1 098 388	229 600
Total non-current assets		**10 462 177**	**8 980 551**
Current assets			
Customers and other receivables	18	59 597 074	49 665 648
Cash	19	7 547 819	5 671 536
Total current assets		**67 144 893**	**55 337 184**
Total assets		**77 607 070**	**64 317 735**
EQUITY AND LIABILITIES			
EQUITY			
Shareholder's Equity			
Share Capital	20	879 000	879 000
Reserves	21	752 979	462 178
Retained earnings		14 369 832	10 480 740
Total shareholder's equity		**16 001 811**	**11 821 918**
LIABILITIES			
Long-term liabilities			
Provision for benefits to employees after their retirement.	22	405 694	355 369
Deferred taxes	16	-	1 697
Total long-term liabilities		**405 694**	**357 066**
Short-term liabilities			
Suppliers	23	36 428 095	42 184 911
Income tax		1 909 414	1 406 536
Deferred income		4 430 414	-
Other obligations	24	18 431 642	8 547 304
Total Short-term liabilities		**61 199 565**	**52 138 751**
Total liabilities		**61 605 259**	**52 495 817**
Total Equity and Laibilities		**77 607 070**	**64 317 735**

The notes on pages 14 to 29 are an integral part of the financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER

(Amounts in EUROS)

	2006	2005
Net profits	**6 679 892**	**5 435 084**
Adjustments for:		
Income tax	2 840 504	2 850 061
Depreciation tangible and intangible assets	1 008 961	973 816
Profits from sale of tangible assets (see below)	(22)	(734)
Interest income	(70 242)	(55 092)
Interest expense	51 673	35 940
Other	-	(7 427)
Changes in working capital		
(Decrease)/ Increase in receivables	(9 931 427)	31 296 126
(Increase)/ Decrease in suppliers	(3 922 414)	(44 227 870)
Increase in provisions and other obligations	14 307 724	3 330 898
Increase in obligations for employee benefits due to retirement	50 325	109 095
Increase in other assets	(868 788)	(1 787)
Income tax paid	(3 258 923)	(2 438 022)
Operating cash flows	**6 887 263**	**(2 699 912)**
Cash flows from investment activities		
Purchase of tangible assets	(695 811)	(201 252)
Sales of tangible assets	665	3 711
Interest received	70 242	55 092
Interest paid	(51 673)	(35 940)
Cash flows from investment activities	**(676 577)**	**(178 389)**
Cash flows from financing activities		
Dividends paid to shareholders	(2 500 000)	(2 500 000)
Cash flows from financing activities	**(2 500 000)**	**(2 500 000)**
Decrease in cash - net	**3 710 686**	**(5 378 301)**
Cash at 1 January	3 107 696	8 485 997
Cash at 31 December (note 19)	**6 818 382**	**3 107 696**

The notes on pages 14 to 29 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

(Amounts in EUROS)

	Share capital	Reserves	Retained earnings	Total equity
Balance 1st January 2005	**879 000**	**462 178**	**7 545 654**	**8 886 832**
Net profit for the year	-	-	5 435 084	5 435 084
Dividend for the 2004 year	-	-	(2 500 000)	(2 500 000)
Other adjustments	-	-	2	2
Balance 31st December 2005	**879 000**	**462 178**	**10 480 740**	**11 821 918**
Net profit for the year	-	-	6 679 892	6 679 892
Reserves transfer	-	290 801	(290 801)	-
Dividend for the 2005 year	-	-	(2 500 000)	(2 500 000)
Other adjustments	-	-	1	1
Balance 31st December 2006	**879 000**	**752 979**	**14 369 832**	**16 001 811**

The notes on pages 14 to 29 are an integral part of the financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1. General

OTE INTERNATIONAL SOLUTIONS SA (the "Company") is active in the provision of wholesale voice and capacity services as well as the provision of integrated solutions and added value services. The Company is a wholly owned subsidiary of OTE SA with the company name "OTE INTERNATIONAL SOLUTIONS" and the mark designation OTEGlobe.

The Company is active in Greece and in various foreign countries. The registered offices of the Company is in Greece, Attiki prefecture, municipality of Amarousion, 217A Kifisias Ave. The web site address of the Company is www.oteglobe.gr.

2. Basis for 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 the 2nd of March 2007.

2.2 Basis for Valuation

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

2.3 Operational currency and presentation currency

The financial statements are presented in Euros, which is the operational 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 re-evaluated 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 include an significant risk of causing substantial adjustments to the accounting values of assets and obligations in the follwoing 12 months are the following:

There are several transactions and calculation in which the final tax calculation is uncertain. If the final result of the tax audit is different than what was initially recognised, the difference will affect the income tax and the provision for the deferred taxes for that period.

23. Important 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 operational currency according to the rate that applied on the date of the transactions. 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. 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 included where there are differences in fair value.

The majority of the company's transactions are in Euros.

3.2 Tangible fixed assets

Tangible fixed assets are presented at their acquisition cost reduced by the accrued depreciation and any impairment. The acquisition cost includes all expenses directly associated with the acquisition of the assets.

Any subsequent expenses will either increase the value of the tangible assets or be recognized as a separate fixed asset only if it is expected that they will bring future financial benefits for the Company and it is possible to measure their cost credibly. The cost for repairs and maintenance is charged on the operating results in the accounting period in which they occur.

Land is not depreciated. Depreciation of the other elements of tangible assets are calculated on a straight line bases over the estimated usefull lives of the assets as follows:

- Buildings	12 years
- Machinery and Technical Installations	5 and 14.3 years
- Furniture and other equipment	5 years
- Software	3.3 years

When the accounting value of the tangible assets exceeded their recoverable value, the difference (impairment) is recorded immediately as an expense in the operating results.

Upon the sale of tangible assets, the difference between the price received and their accounting value is recognized as profit or loss in the operating results.

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 accounting value 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 accounting value. The recoverable value of an asset of a cash generating unit is the greater between its value in use and its fair value decreased by the necessary sale expenses. 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 operating results when they arise.

3.4 Leases

Any lease which transfers the rights and obligations (risks) arising from ownership of an asset to the lessee, is considered as a financed lease and the lessee is considered as having acquired an asset and undertaken an obligation. In this case, the lease payment is divided between financing expenses (interest) and decreasing the obligation that was undertaken. Financing expenses are recorded directly in operating results.

Financing leases assets are recorded at the lowest amount between their fair value of the asset and the present value of the minimum lease payments payable at the beginning of the lease, reduced by their accrued depreciation or impairment losses.

All other leases are considered to be operational for the lessee and the lease is recorded as expenses when paid, using the direct method for the duration of the lease.

In the 2005 financial statements the Company adopted interpretation 4 (IFRIC 4), which determines whether an agreement involves a lease that is compulsory for the periods that commence on or after the 1st of January 2006.

3.5 Financial assets

The Company's investments are allocated to the following categories: (a) Financial assets at fair value with changes in the results, (b) Investments held to maturity, (c) Financial assets available for sale. Management will define the allocation during the initial recognition of the financial asset.

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

(a) Financial assets at fair value with changes in the results

This category includes financial assets that were obtained to be sold in a short period. Derivatives are included in this category.

(b) Investments held to maturity

It includes non derivative financial assets with fixed or defined payments and a definite maturity date and which the Company has the intention and the ability to hold until their expiration. This category is reflected at un-amortized cost. At the end of the year the Company did not hold any investments of that category.

(c) Financial assets available for sale.

It includes non derivative financial assets which are either defined to be in this category or they cannot be placed in any of the above categories.

Subsequently financial assets available for sale are assessed at their fair value and the related profit or loss is recorded as equity reserves until these assets are sold or suffer an impairment. Following the sale or the impairment any profits or losses will be transferred to the operating results. Any impairment losses that have been recognized in operating results may not be reversed.

The realized and unrealized profits or losses which appear from changes in the fair value of the financial assets, assessed at their fair value with changes in the results, are recongised in the results of the period in which they occur.

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 transaction, comparable companies and cash flow discounting.

At each balance sheet date the Company will evaluate whether there are objective indications which would lead to the conclusion that the financial assets have suffered an impairment. Regarding the shares of companies that have been classified as financial assets available sale, such an indication would be the important or prolonged reduction of their fair value in comparison to their acquisition cost. If an impairment is proven then the loss accrued for the equity which is the difference betweene the acquisition cost and the fair value will be transferred to the results. Impairment losses in stocks which are included in the results may not be reversed by the results.

3.6 Accounts receivable – Provision for doubtful debts

The accounts receivable (short-term) are initially recognized at their fair value. After initial recognision they are assessed at this value minus 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 made is readjusted and burdens the results of the then current accounting period. Any claims that are considered to be impossible to receive are written off. Any write off of claims from accounts receivable will be made through this provision.

3.7 Cash and cash equivalents

Cash and cash equivalents include cash, sight deposits as well as cheques from customers and to suppliers deposited into a bank account on the date of the balance sheet and which have not yet appeared in the Company's bank account.

3.8 Share Capital

The share capital includes the Company's common shares. Common shares are included in the equity.

Direct expenses for the issue of shares, after the related income tax has been deducted, will be reflected as a deduction from equity.

3.9 Income tax

The income tax rcharge for the year comprises current tax and any deferred taxes. Income tax is recorded in the income statement except the case when 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 from 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 difference that arises between the tax base and the accounting base of the assets and obligations. Deferred taxes are calculated on the basis of the tax rates that are in force at the date of the balance sheet.

Deferred tax assets are recongised to the extent that there will be a future taxable profit that can absorb the temporary difference arising from the deferred tax asset. The value of the deferred tax asset is tested for impairment at each date of balance sheet and it is decreased in the extent that it is not expected that there will be enough taxable income to cover the deferred tax asset.

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

3.10 Employee Benefits

a) Defined contribution plans

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

b) Defined benefit plans

Any obligations arising from defined employee benefits plans will be calculated at the present value of the future benefits payable to employees which arise at the date of the balance sheet. These obligations are calculated on the basis of financial and actuarial assumptions.

The net cost of the accounting period is included in the results and consists of the present value of the obligation which is realised during the accounting period, interest for the future obligation, the cost of past service and the realised actuarial gains or losses. The unrealised cost of past service is recognized over the average remaining service period of employees which are expected to receive these benefits. The unrealised actuarial gains or losses will be recognized during the average remaining period of service for active employees and will be included in the net cost for the period if during the beginning of the period they were oin excess of 10% of the estimated future obligation.

3.11 Other provisions

Provisions are recognized when the Company has a present commitment (legal or constructive) as a result of past events and if it is possible that there will be an outflow of resources which embody financial benefits for the arrangement of the commitment and its amount can be measured relaibly. If the consequence is significant, the provisions will be recognised on a present value basis of the expected future cash outflows, using an interest rate before tax 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 time value of money is recorded as loan cost. Provisions are re-evaluated at each balance sheet date and if it is no longer probable that there will be outflow of resources for the settlement of the obligation, the provisions will be reversed. Provisions are used only for the reason for which they were originally made. Provisions for future losses are not recognized. Possible claims and obligations are not recognised.

3.12 Revenue recognition

Income includes mainly the fair value of income for the provision of services and does not include Value Added Tax, discounts and returns.

Provision of Services: The income from the provision of services is recognized at the time when they were provided.

Income from dividends: Income from dividends is recogninsed from the date when their distribution was approved by the General Meeting of Shareholders.

Income from interest: Income from interest is recognized when the interest becomes payable (using the effective inetrest rate method).

3.13 Related parties

Transactions and other actions with related parties are disclosed separately in financial statements in terms of the requirements of IFRS. These related parties refer to the companies in the OTE SA Group and the members of the Company's management.

3.14 Earnings per share

The basic and adjusted earnings per share are calculated by dividing net earnings by the weighted average number of shares in each accounting period.

4. Financial Risk Management

Financial risk factors

The Company, being a Greek company which is active abroad, is exposed to financial risks such as market risks (changes in foreign exchange, interest rates and market prices), credit risk and liquidation risk, cash flow risk and fair value risk due to changes in interest rates. The Company's general risk management program aims to minimize any possible negative effect of the volatility of financial markets in the financial performance of the Company and the OTE Group.

Risk management is executed by the Financial Management team which operates with particular rules that have been approved by Management.

(a) Market risks
The Company is active at a global level and is therefore exposed to foreign exchange risk from the changes in foreign exchange rates. This risk arises mostly from future financial transactions, claims and obligations in foreign currencies.

The main currencies in terms of Company transaction volume after the EURO are USD, GBP and SDR. The management of foreign exchange risk is done on one part by maximizing natural hedging of obligations, claims, inflows and outflows in USD, GBP and SDR.

(b) Credit risk
The Company has limited exposure to credit risk. Sales of services and products are mainly to customers with proven creditworthiness. Furthermore, in cases where credit is provided to customers with reduced or unevaluated creditworthiness, the credit risk is covered either by receiving bank guarantees from the customer or by transferring the risk to suppliers where this is possible.

(c) Liquidation risk:
The liquidation risk is maintained at low levels by having sufficient cash resources available and satisfactory unutilized credit limits.

(d) Interest rate risks
The Company's income and cash flow from operational activities are mainly independent of any changes in interest rates. The Company does not hold any significant interest bearing assets or liabilities.

5 New standards

The following standards and interpretation guidelines which were published but do not apply for the 31st of December 2006 have not been employed for these financial statements.

a) IFRS 7: Financial instrument disclosures
b) IFRS 8: Operating segments
c) IFRIC 7: Financial reporting in hyper-inflationary economies
d) IFRIC 8: Scope of IFRS 2
e) IFRIC 9: Reassessment of embedded derivatives
f) IFRIC 10: Interim financial reporting and impairment
g) IFRIC 11: Treasury shares
h) IFRIC 12: Service concession arrangements

6 Determination of fair values

The fair value of financial assets which are negotiated in active markets (stock markets) (e.g. derivatives, shares, bonds) is based on the published values that apply on the date of the balance sheet. The bid price is used for financial assets and the ask price for liabilities.

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

The nominal value minus provisions for doubtful claims is used as the basis of determining the fair value of trade receivables. The fair values of financial obligations for the purposes of their presentation in the financial statements are calculated on the basis of the present value of the future cash flows set out in the related contracts and by using the current interest rate which is available to the company for the use of similar financial means.

7. Other income

(amounts in Euros)	**2006**	**2005**
Profits from sale of tangible assets sales	-	734
Profits from the provision of services to third parties	1 548 820	1 409 465
Other	293 108	1 737
Total	**1 841 928**	**1 411 936**

8. Employee benefit expenses

(amounts in euros)	2006	2005
Salaries and wages	4 787 830	4 787 830
Social security expenses	1 551 718	1 551 718
Employee departure compensation	782 862	8 225
Employee training income/ expenses	2 425	(3 637)
Personnel retirement compensation provisions	50 325	109 094
Other expenses	21 756	2 356
Total	**8 721 506**	**6 455 586**

The average workforce size was 113 in 2006 and 116 in 2005

9. Other operational expenses

(amounts in euros)	2006	2005
Maintenance and repairs expenses	108 464	115 494
Operating leases	831 748	1 018 283
Provision for doubtful debts	2 156 195	-
Third party remuneration and commissions	1 528 569	1 361 902
Tax and duties payable	119 532	94 012
Expenses for electricity, telecommunications and transportation	297 553	263 052
Travel expenses	330 868	368 403
Expenses for promotions, advertising, exhibitions and displays	279 416	344 997
Expenses for office supplies and consumables	49 913	44 488
Expenses for tender participations	5 077	256 157
Other	363 224	391 859
Total	**6 070 559**	**4 258 647**

10. Finance income / (expenses), net.

(amounts in euros)	2006	2005
Interest income	70 242	55 092
Bank expenses	(51 673)	(35 940)
Net profits / (losses) from foreign exchange differences	130 581	(46 517)
Total	**149 150**	**(27 365)**

11. Taxes

(amounts in euros)	**2006**	**2005**
Current tax	3 768 832	2 858 311
Deferred tax (note 16)	(928 328)	(8 250)
Total	**2 840 504**	**2 850 061**

The tax on the Company's profits before tax would be different from the theoretical amount which would result if the taxation rate of the country in which the Company operates is used, as follows:

		2006		**2005**
Profit before taxes		**9 520 396**		**8,285,145**
Tax calculated on the basis of current tax coefficients upon profits	**29.0%**	**2 760 915**	**32.0%**	**2,651,246**
Tax on expenses which are not deductible for the purposes of taxation	**0.4%**	38 883	**1.5%**	121,364
Other charges	0.8%	77 548	1.0%	85,701
Other	-0.4%	(36 842)	-0.1%	(8,250)
Taxes	**31.1%**	**2 840 504**	**34.4%**	**2,850,061**

Based on Law 3296/2004 the profit taxation coefficient was 32% at 31/12/05, 29% for the fiscal year of 2006 and 25% for the fiscal years of 2007 and after.

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, on 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.

The Company has not been under tax audit for the fiscal years from 2002 to 2006.

12. Earnings per share

(amounts in euros)	2006	2005
Basic and adjusted earnings per share (€ per share)		
Net profit for the period	6 679 892	5,435,084
Average weighted number of shares	300,000	300 000
Basic and adjusted earnings per share	**22.27**	**18.12**

13. Tangible fixed assets

(amounts in euros)

	Buildings	Machinery and Technical Installatioins	Furniture and vessels	Total
Acquisition value				
Balance 1st January 2006	436 863	9 376 708	926 976	10 740 547
Additions	5 845	106 461	276 205	388 511
Sales/ Writie offs	-	(665)	-	(665)
Balance 31st December 2006	**442 708**	**9 482 504**	**1 203 181**	**11 128 393**
Accumulated depreciation				
Balance 1st January 2006	6 345	2 482 685	646 675	3 135 705
Depreciation	36 133	717 152	141 403	894 688
Sales/ Writie offs	-	(22)	-	(22)
Balance 31st December 2006	**42 478**	**3 199 815**	**788 078**	**4 030 371**
Net book value 31st December 2006	**400 230**	**6 282 689**	**415 103**	**7 098 022**
Net book value 31st December 2005	430 518	6 894 023	280 301	7 604 842

There are no liens on the fixed assets.

14. Intangible assets

(amounts in euros)

	Software
Acquisition value:	
Balance 1st January 2006	451 620
Additions	307 300
Sales/ Writie offs	0
Balance 31st December 2006	**758 920**
Accumulated depreciation	
Balance 1st January 2006	448 136
Depreciation	114 273
Sales/ Writie offs	-
Balance 31st December 2006	**562 409**
Net book value 31st December 2006	**196 511**
Net book value 31st December 2005	3 484

15. Investments available for sale

(amounts in euros)

The financial items that are available for sale include the following:

Non listed participation titles	% Share	2006	2005
OTEnet Telecommunications Ltd	15,00%	662 677	662 677
OTESAT-Maritel.	0,01%	305	305
		662 982	**662 982**

Since fiscal year 2004 the Company participates in OTEnet Telecommunications Ltd, Subsidiary company of OTE Group. The investments are presented at acquisition value since they are not listed on a stock exchange.

16. Deferred tax

(amounts in euros)

Deferred tax assets

	Employee compansation	Doubtfull debts	Bonus to staff	Other	Total
Balance 1st January 2006	**88 842**	**390 801**	**-**	**(1 697)**	**477 946**
Debit/ (credit) to results	12 582	539 049	375 000	1 697	928 328
Balance 31st December 2006	**101 424**	**929 850**	**375 000**	**-**	**1 406 274**

	Employee compansation	Doubtfull debts	Bonus to staff	Other	Total
Balance 1st January 2005	**61 569**	**390 801**	**19 023**	**-**	**471 393**
Debit/ (credit) to results	27 273	-	(19 023)	-	8 250
Balance 31st December 2005	**88 842**	**390 801**	**-**	**-**	**479 643**

Deferred tax liabilites

	Foreign Exchange Differences	Total
Balance 1st January 2006	**(1,697)**	**(1,697)**
Credit/ (debit) to results	1,697	1,697
Balance 31st December 2006	**-**	-

	Foreign Exchange Differences	Total
Balance 1st January 2005	(1,697)	(1,697)
Balance 31st December 2005	**(1,697)**	**(1,697)**

17. Other assets

	2006	2005
Guarantees to suppliers	113 961	113 261
Guarantees for building leases	94 440	94 440
Guarantees for car leases	21 404	20 845
Guarantees to the PPC	1 054	1 054
Prepaid expenses	867 529	-
Σύνολο	**1 098 388**	**229 600**

18. Customers and other receivables

(amounts in euros)

	2006	2005
Customers	63 372 033	51 394 491
Less: Impairment provisions	(3 915 918)	(1 759 723)
Final commercial receivables	**59 456 115**	**49 634 768**
Other receivables	140 959	30 880
Total	**59 597 074**	**49 665 648**

The movement in the provision for doubtful debts is as follows:		
Balance 1st of January	**(1 759 723)**	**(1 759 723)**
Addition of period	(2 156 195)	-
Balance 31st of December	**(3 915 918)**	**(1 759 723)**

19. Cash and cash equivalents

(amounts in euros)

	2006	2005
Cash on hand and at banks	6 818 382	3 107 696
Sight account-management of international OTE telephony traffic	729 437	2 563 840
Total	**7 547 819**	**5 671 536**

The sight account for €729,437 refers to an account for the management of OTE's International Telephony Traffic by the Company,

The effective average weighted interest rate with respect to cash on hand and at banks was 2.50% and 1.75% for 2006 and 2005 respectively.

20. Share Capital

On the 31st of December 2006 the share capital consisted of 300,000 common shares (2005: 300,000) with nominal value euro 2.93 each.

21. Reserves

(amounts in euros)	2006	2005
Statutory reserve	583 801	293 000
Special reserves	1 410	1 410
Untaxed reserves	167 768	167 768
Total	**752 979**	**462 178**

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 will be equal or reach at least 1/3 of the share capital, The reserve is not available for distribution but may be used to cover losses, The Company had already covered this obligation to form the statutory reserve on the 31st December 2005.

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

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 entered in a particular reserve account, in the case that these reserves are distributed or capitalized they will be taxed at the tax rate on that date.

Dividends: Dividends paid in 2006 amounted to € 2.500.000

22. Personnel retirement compensation provisions

(amounts in euros)	2006	2005
The amounts that have been entered in the operation results statement are as follows:		
Current employment cost	813 252	103 789
Interest cost	17 923	13 019
Recognition of actuarial losses	2 013	511
Total included in employee benefits expense	**833 188**	**117 319**
Change of the obligation in the balance sheet		
Balance 1st January	**355 369**	**246 275**
Total of charge to results	833 188	117 319
Compensations paid	(782 863)	(8 225)
Balance 31st December	**405 694**	**355 369**

The main actuarial assumptions that were used for accounting purposes are the following:

	2006	2005
Discount rate	4.20%	4.00%
Future salary increases	7.00%	4.50%
Average future employment (in years)	24.31	23.8

23. Suppliers

(amounts in euros)

	2006	2005
Suppliers	35 612 054	39 433 381
Obligations to employees	5 886	3 417
Customers advances	86 078	185 330
Amounts owed to related parties (note 25)	724 077	2 562 783
Total	**36 428 095**	**42 184 911**

24. Other obligations

(amounts in euros)

	2006	2005
Insurance and pension contributions payable	314 870	313 443
Period Expenses - Accrued	16 379 339	6 347 806
Other taxes and fees	1 736 492	1 109 114
Other	941	776 941
Balance at 31st December 2006	**18 431 642**	**8 547 304**

25. Transactions with related parties

(amounts in euros)

	2006	2005
i) Sales and purchases of goods and services		
Sales of services		
To the parent company	94 965 619	76 080 888
To other related parties	17 963 381	14 393 648
	112 929 000	**90 474 536**
Purchases of services		
From the parent company	69 978 030	60 084 629
From other related parties	30 786 417	19 469 058
	100 764 447	**79 553 687**

Transactions with related parties have been conducted under terms and conditions that are on an arms length basis

	2006	2005
ii) Benefits to the Management		
Salaries and other short term work benefits	967 152	963 028
Other long term benefits	228 189	203 064
	1 195 341	**1 166 092**
iii) Balances at the end of the period from the purchase or sale of goods and services		
Receivables from related parties		
From the parent company	27 327 428	27 567 376
From other related parties	6 853 697	4 152 276
	34 181 125	**31 719 652**
Obligations to related parties		
To the parent company	10 444 791	23 979 884
To other related parties	15 199 134	5 116 352
	25 643 925	**29 096 236**

The Company considers the OTE Group’s parent company, its subsidiaries, and the members of the Board of Directors to be related parties.

26. Capital commitments

At the date when the Balance Sheet was prepared there were no significant capital expenses that were undertaken and not executed.

27. Contingent liabilies and obligations

a) Legal issues
There are no legal issues

b) Tax issues
As it is mentioned in note 11, the Company is possibly 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 2002 to and including 2006 therefore they have not become final. The outcome of tax audits cannot be predicted at this stage.

28. Operating leases

The company's obligations from leasing refer mostly to the building it inhabits but also to car leases for its employees. The minimum future leases for these operating leases are:

Building leases	
Up to 1 year	453 006
From 1 to 5 years	2 010 445
From 5 years and more	2 457 660
Total	4 921 111
Car leases	
Up to 1 year	149 771
From 1 to 5 years	96 785
From 5 years and more	-
Total	246 556

[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. (the "Company") which comprise the company balance sheet as of 31 December 2006 and the company income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. 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; 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 which conform with 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 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 the Company as of 31 December 2006, and of their financial performance and 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

The information included in the Board of Directors' Report is consistent with the accompanying financial statements.

Athens, 5th of March 2007

KPMG Kyriakou Certified Auditors A.E.

Nicholaos Vouniseas, Certified Auditor Accountant
SOEL Member no 18701