OTE INTERNATIONAL SOLUTIONS SA

Financial statements for the year ended 31 December 2007 in accordance with International Financial Reporting Standards (IFRS)

These financial statements were approved by the Board of Directors of OTE International Solutions SA on the 3rd of March 2008 and are available online at the site www.oteglobe.gr

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

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.

CONTENTS

OPERATING RESULTS FOR THE YEAR ENDED 31 DECEMBER

(Amounts in EUROS)

	Note	2007	2006
Turnover			
Income from data and international telephony services		142,660,104	122,054,351
Income from commissions		22,400,798	40,906,091
Total turnover		**165,060,902**	**162,960,442**
Charges from international telecommunications carriers		(136,817,480)	(139,630,098)
Gross profit		**28,243,422**	**23,330,344**
Other income	7	2,506,879	1,841,928
Employee benefit expenses	8	(8,680,894)	(8,721,506)
Depreciation		(12,852,104)	(1,008,961)
Other operating expenses	9	(8,066,995)	(6,070,559)
Operating profit		**1,150,308**	**9,371,246**
Finance income	10	1,164,477	200,823
Finance expenses		(110,700)	(51,673)
Profit before tax		**2,204,085**	**9,520,396**
Income tax	11	(1,591,801)	2,840,504
Net profit for the period		**612,284**	**6,679,892**

		2007	2006
Earnings per shares in €			
Basic and adjusted	12	0,03	22,27

The notes on pages 7 to 26 are an integral part of the financial statements.

The financial statements appearing on pages 10 to 29 were approved by the Board of Directors on the 3rd of March 2008 and are signed for the Board of Directors by the following:

Chairman of the BOD	Managing Director	Financial Director	Head of the Accounting Dept.
Michael Tsamaz	Konstantinos Andreou	George Kiapokas	Andreas Galiatsatos
I.D. no AB 516212	I.D. no X 069599	I.D. no M 943692	I.D. no AE 049899
			LICENCE NO. A' CLASS 0015278

BALANCE SHEET AT 31 DECEMBER

(Amounts in EUROS)

ASSETS	Note:	2007	2006
Non-current assets			
Property, plant and equipment	13	144,813,099	7,098,022
Intangible assets	14	1,692,685	196,511
Available for sale investments	15	662,982	662,982
Deferred taxes	16	1,601,859	1,406,274
Other non-current assets	17	16,331,740	1,098,388
Total non-current assets		**165,102,365**	**10,462,177**
Current assets			
Customers and other receivables	18	88,016,717	59,597,074
Cash	19	39,113,845	7,547,819
Total current assets		**127,130,562**	**67,144,893**
Total assets		**292,232,927**	**77,607,070**
EQUITY AND LIABILITIES			
EQUITY			
Shareholder's Equity			
Share Capital	20	163,697,462	879,000
Reserves	21	752,979	752,979
Retained earnings		13,303,393	14,369,832
Total shareholder's equity		**177,753,834**	**16,001,811**
LIABILITIES			
Long-term liabilities			
Retirement benefit obligations.	22	832,978	405,694
Provisions for other liabilities and charges		159,101	-
Total long-term liabilities		**992,079**	**405,694**
Short-term liabilities			
Suppliers	23	91,891,353	36,342,017
Current income tax		(675,603)	1,909,414
Deferred income		7,225,875	4,430,414
Other obligations	24	15,045,389	18,517,720
Total Short-term liabilities		**113,487,014**	**61,199,565**
Total liabilities		**114,479,093**	**61,605,259**
Total Equity and Laibilities		**292,232,927**	**77,607,070**

The notes on pages 7 to 26 are an integral part of the financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER
(Amounts in EUROS)

	2007	2006
Net profit for the period	**612,284**	**6,679,892**
Adjustments for:		
Income tax	1,591,801	2,840,504
Depreciation	12,852,104	1,008,961
Profits from sale of Property, plant and equipment	(748)	(22)
Interest income	(761,148)	(70,242)
Interest expense	110,700	51,673
Other	(25,075)	-
Changes in working capital		
(Increase) in receivables	(28,419,643)	(9,931,427)
Increase/ (Decrease) in suppliers	52,887,098	(3,922,414)
Increase / (Decrease) in provisions and other obligations	(431,691)	14,307,724
Increase in retirement benefit obligations	427,284	50,325
Increase in other non current assets	(15,233,352)	(868,788)
Income tax paid	(4,372,402)	(3,258,923)
Operating cash flows	**19,237,212**	**6,887,263**
Cash flows from investment activities		
Absorption of international assets and international cable infrustructure segments	(136,615,613)	-
Purchases of property, plant and equipment	(13,660,108)	(388,511)
Purchases of intangible assets	(1,797,645)	(307,300)
Proceeds from sale of property, plant and equipment	10,759	665
Interest received	761,148	70,242
Interest paid	(110,700)	(51,673)
Net cash flows used in investment activities	**(151,412,159)**	**(676,577)**
Cash flows from financing activities		
Proceeds from the issuance of nominal shares for the absorption of the international assets and international cable infrustructure segments	132,818,465	-
Proceeds from the issuance of nominal shares	29,999,997	-
Dividends paid to shareholders	-	(2,500,000)
Sshare capital increase ex[enses	(1,678,724)	**-**
Net Cash flows from financing activities	**161,139,738**	**(2,500,000)**
Increase in cash - net	**28,964,791**	**3,710,686**
Cash at 1 January	6,818,382	3,107,696
Cash at 31 December (note 19)	**35,783,173**	**6,818,382**

The notes on pages 7 to 26 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 2006	**879,000**	**462,178**	**10,480,740**	**11,821,918**
Net profit for the year	-	-	6,679,892	**6,679,892**
Transfer to Reserves	-	290,801	(290,801)	**-**
Dividends	-	-	(2,500,000)	**(2,500,000)**
Other adjustments	-	-	1	**1**
Balance 31st December 2006	**879,000**	**752,979**	**14,369,832**	**16,001,811**
Share capital increase	162,818,462	-	-	**162,818,462**
Expenses for the share capital increase		-	(1,678,724)	**(1,678,724)**
Net profit for the year	-	-	612,284	**612,284**
Other adjustments	-	-	1	**1**
Balance 31st December 2007	**163,697,462**	**752,979**	**13,303,393**	**177,753,834**

The notes on pages 7 to 26 are an integral part of the financial statements.

NOTES ON 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 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 address of its registered office is 217A Kifisias Ave, municipality of Amarousion, Attiki, Greece. 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 3 March 2008.

2.2 Basis for Valuation

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

2.3 Functional currency and presentation currency

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

2.4 Significant accounting estimates and judgements of Management

The estimates and judgements of Management are continuously 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 have a significant risk of causing substantial adjustments to the carrying amounts of assets and liabilities in the next 12 months include impairment of receivables, the final tax payable that will result from the tax audit and the deferred tax provsion for the period.

3. Key accounting principles

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

3.1 Transactions in foreign currency

Transactions in foreign currencies are converted to the functional currency according to the rate that 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 Property, plant and equipment

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

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

Land is not depreciated. Depreciation of the other elements of property, plant and equipment are calculated on a straight line basis over the estimated usefull lives of the assets as follows:

	Estimated useful life in years
- Buildings	12 years
- Machinery and Technical Installations	5 and 15 years
- Furniture and other equipment	3,3 -6,6 years

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

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

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 carrying amount. The recoverable amount of an asset or of a cash generating unit is the greater of its value in use and its fair value less costs to sell Value in use is based on future estimated cash flows discounted to present value using a pre-tax rate that reflects current market conditions of the time value of money as well as the specific risks associated with the asset.

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

3.4 Intangible assets

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

	Estimated useful life in years
- Software	3-4 years

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 divided between financing expenses (interest) and decreasing the obligation that was undertaken. Financing expenses are recorded directly in the income statement.

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

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

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

3.6 Financial assets

The Company's investments are allocated to the following categories:
(a) Available for sale financial assets
(b) Receivables,
(c) Cash

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

(a) Available for sale financial assets

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

Subsequently available for sale financial assets are assessed at their fair value and the related gain or loss is recorded as equity reserves until these assets are sold or suffer an impairment. Following the sale or the impairment any gains or losses will be transferred to the income statement. Any impairment losses recognized in the income statement may not be reversed.

Realised and unrealised gains or losses that arise from changes in the fair value of the financial assets are recongised in the income statement in the period in which they incur.

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

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

(b) Receivables

The accounts receivable (short-term) are initially recognized at their fair value. After initial recognition 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.

(c) **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 been recorded in the Company's bank account.

3.7 Share Capital

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

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

3.8 Income tax

The income tax charge 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 for the period, based on the tax rates that apply at the balance sheet date. Deferred income tax is calculated using the liability method on the temporary difference that arises between the tax base and the accounting base of the assets and liabilities. 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 to 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.

3.9 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

Liabilities 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.

3.10 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.

3.11 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.

(a) Provision of Services: The income from the provision of services is recognized at the time when they were provided.
(b) Income from connection fees or fixed (network service) 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 overground or underground cables (irrevocable right of use “IRU”) is recognised on a straight line basis over the duration of the contract.
(e) Income from interest: Income from interest is recognized when the interest becomes payable (using the effective inetrest rate method).

3.12 Earnings per share

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

3.13 Government grants

Grants relating to property, plant and equipment appear as a deduction in the cost of the asset and are recognised in the income statement over the expected life of the related asset.

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. It provides information on the targets, the policies and the procedures that are applied for measuring and managing these risks as well as information on capital management.

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

The risk management policy of the Company is aim to identify and analyse the risks to which the Company is exposed to, to set limits of tollerance and to monitor the risks identified. 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 placed 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 fails to meet his contractual obligations and it mostly relates to receivables from customers and available for sale securities.

Customers and other receivables

The exposure of the Company to credit risk is mainly affected by the peculiarities of each client. The demographic features of the Company’s client base, including the risk of default in payments that is characteristic to the particular market and the country in which the customers operate, affect credit risk to a lesser extent. Approximately 6% of the income of the Company arises from sales to non-OTE Group customers. 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 sources, where these exist. Credit limits are set for each customer where delays in payment occur.

The Company has receivables from other Group companies that amount to approximately 55% of its annual income and consequently the credit risk on these receivables is low. In addition, approximately 30% of these balances concern mostly large telecommunication providers, who are also suppliers to the Company through telephone traffic exchange., The risk of default of payments of these customers is minimal.

More than 50% of customers of the Company have been dealing with the Company for over four years. In monitoring the credit risk of these customers, they are grouped not only according to their credit characteristics, but also if they are Voice or Data customers and whether they are also suppliers. Customers and other receivables only comprise wholesale customers

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.

Investments

The company limits its exposure to credit risk by investing only in short term deposits which are exposed to minimal interest rate fluctuations, because of their short term nature, The Company does not possess listed securities, but possesses securities of an overseas company that is part of the OTE Group. The Company estimates the (fair) value of this investmentby using the financial information of this company.

Exposure to credit risk

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

	Carrying amount	
(amounts in Euros)	**2007**	**2006**
Available for sale financial assets	662,982	662,982
Customers and other receivables (prior to impairment provision)	89,917,170	63,372,033
Cash and cash equivalents	39,113,845	7,547,819

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

(amounts in Euros)	Note	Carrying amount 2007	2006
OTE Group customers	1	67,503,644	34,181,124
Customers that are simultaneously			
Suppliers (net settlement of receivable/			
payable balance)	2	11,314,752	18,621,105
Other customers	3	11,098,774	10,569,804
		89,917,170	**63,372,033**

1) Transactions with related companies amount to 75% of total receivables and are not exposed to credit risk.

2) If the respective payable balance is taken into account for these customers, in their simultaneous role as suppliers, the maximum exposure on net receivables would amount to €1.237.146.

3) The highest trade receivable balance in this category relates to a customer with a balance of €1.892.603 or accounting for 17% of this category.

Impairment losses

The aging of other receivables at the Balance sheet date was as follows:

(Amounts in Euros)	Carrying amount 2007	2006
Not due	72,259,186	38,014,476
0-30 days	4,776,345	7,177,505
31-60 days	1,425,520	2,034,228
61+ days	7,646,200	12,229,906
Doubtful balances	3,809,919	3,915,918
	89,917,170	**63,372,033**

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

(Amounts in Euros)	Carrying amount 2007	2006
Balance at 1 January	(3,915,918)	(1,759,723)
Provision for receivables impairment	(267,923)	(2,156,195)
Receivables written off	373,922	-
Balance at 31 December	**(3,809,919)**	**(3,915,918)**

The Company has created a provision on the doubtful balances. Based on historical records on delays in payment, the Company does not consider it necessary to make an impairment provision for receivables that are due for over 60 days, since the largest percentage of these (78%) concern balances due from related parties, and the remaining balances are due from customers who have a healthy credit record.

The accounts for the provision for receivables and available for sale assets are used for recording impairment losses except in cases where the Company does not have any expectations for recovery of these balances. In such cases, these are written off directly against the financial asset.

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 usual but also difficult conditions, without suffering unacceptable losses or setting the Company's reputation in danger.

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

Set out below are the balances of financial liabilities, including interest payable.

31-12-07

Amounts in Euros	Carrying amount	Contractual cash flows
OTE Group suppliers	65,400,570	65,400,570
Suppliers that are simultaneously Customers (net settlement of receivable/payable balance)	17,702,932	17,702,932
Other suppliers	8,787,851	8,787,851
	91,891,353	91,891,353

31-12-06

Amounts in Euros	Carrying amount	Contractual cash flows
OTE Group suppliers	16,498,260	16,498,260
Suppliers that are simultaneously Customers (net settlement of receivable/payable balance)	17,609,591	17,609,591
Other suppliers	2,234,166	2,234,166
	36,342,017	36,342,017

The maturity of the Company's liabilities as at 31 December 2007 is in less than 1 year.

Market risk

Market risk comprises the risk of changes in the price of the services offered, currency exchange rates, interest rates, and share prices, that are likely to affect the Company's results or the value of its financial assets. The company's market risk management policy aims to control the Company's exposure to these risks by setting a frame of acceptable parametres, and simultaneously optimising its returns.

Interest rate risks
The only interest-bearing balances are bank balances.

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

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

5 New standards and interpretations that have not yet been adopted

A number of new standards, amendments to existing standards and interpretations do not apply to the year ended 31 December 2007, and have not therefore been applied in the preparation of these financial statements.

- IFRS 8 - Operating Segments
  This standard introduces the 'management approach' for segment reporting. IFRS 8, compulsory for the 2009 financial statements of the Company, will require disclosure of segmental information based on internal reporting which is regularly reviewed by the entity's chief operating decision maker with an aim of evaluating the results of each segment and allocating the Company's assets to these segments.

- IAS 23 – Borrowing Costs
  The revised IAS 23 removes the option of immediately recognising borrowing costs as an expense and requires reporting entities to capitalise borrowing costs that directly relate to the purchase, construction or production of an asset that meets the recognition criteria.

- IFRIC 11 - IFRS 2: Group and Treasury share transactions
  This interpretation requires where a payment is based on the value of shares of an entity which receives goods or services in return of its treasury shares, to be recorded as payments that are determined based on the value of the shares and are equity-settled, irrespective of how these shares were acquired.

- IFRIC 12 - Service Concession Arrangements
  This interpretation provides guidance on certain recognition and measurement issues that arise in recording service concession arrangements between the public sector and private entities. IFRIC 12, compulsory for 2008, is not expected to have an impact on the Company's financial statements.

- IFRIC 13 – Customer Loyalty Programmes
  This interpretation clarifies the accounting treatment for entities that grant, or otherwise participate in customer loyalty programmes. This interpretation refers to customer loyalty programmes based on which customers may redeem their award credits for free or discounted goods or services. IFRIC 13, compulsory for financial years ending in 2009, is not expected to have any impact on the financial statements of the Company.

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation applies to defined benefit plans and clarifies when refunds or reductions in future contributions should be regarded as available, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability.

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 quoted market prices 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)	**2007**	**2006**
Profits from sale of tangible assets sales	748	- -
Profits from the provision of services to third parties	1,965,789	1,548,820
Other	540,342	293.108
Total	**2,506,879**	**1,841,928**

8. Employee benefit expenses

(amounts in euros)	**2007**	**2006**
Salaries and wages	6,046,448	6,185,727
Social security expenses	2,103,664	1,678,411
Employee termination benefits	46,157	782,862
Employee training income/ expenses	27,270	2,425
Personnel retirement compensation provisions	427,284	50,325
Other expenses	30,071	21,756
Total	**8,680,894**	**8,721,506**

The average workforce size was 135 in 2007 and 113 in 2006

9. Other operational expenses

(amounts in euros)	2007	2006
Maintenance and repairs expenses	414,744	108,464
Operating leases	1,343,248	831,748
Provision for doubtful debts	1,494,682	2,423,602
Third party remuneration and commissions	3,149,754	1,528,569
Tax and duties payable	49,331	119,532
Expenses for electricity, telecommunications and transportation	424,602	297,553
Travel expenses	434,009	330,868
Expenses for promotions, advertising, exhibitions and displays	536,779	279,416
Expenses for office supplies and consumables	77,157	49,913
Expenses for tender participations	-	5,077
Expenses for donations and sponsorships	50,000	-
Other	92,689	95,817
Total	**8,066,995**	**6,070,559**

10. Finance income / (expenses), net

(amounts in euros)	2007	2006
Interest income	761,148	70,242
Net profits / (losses) from foreign exchange differences	403,329	130,581
Total	**1,164,477**	**200,823**

11. Taxes

(amounts in euros)	2007	2006
Current tax	1,787,386	3,768,832
Deferred tax (note 16)	(195,585)	(928,328)
Total	**1,591,801**	**2,840,504**

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:

		2007		2006
Profit before taxes		**2,204,085**		**9,520,396**
Tax calculated on the basis of current tax coefficients upon profits	**25%**	**551,021**	**29.0%**	**2,760,915**
Tax on expenses which are not deductible for the purposes of taxation	**57%**	1,257,848	**0.4%**	38,883
Other	**(10%)**	(217,068)	**0.4%**	40,706
Taxes	**72%**	**1,591,801**	**30%**	**2,840,504**

Based on Law 3296/2004 the profit taxation coefficient was 29% at 31/12/06 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, to the degree that they are recognized by the tax authorities may be used to offset profits for the five following fiscal years after the fiscal year to which they refer.

The Company has not been tax audited for the fiscal years from 2002 to 2007.

12. Earnings per share

(amounts in euros)	2007	2006
Basic and adjusted earnings per share (€ per share)		
Net profit for the period	612,284	6,679,892
Average weighted number of shares	21,747,449	300,000
Basic and adjusted earnings per share	**0,03**	**22,27**

Weighted average number of shares 2007

		Issued shares	No. of shares
1 January 2007	Balance at the beginning of period		300.000
30 July 2007	Increase in the number of shares	45.330.534	45.630.534
8 October 2007	Increase by payment of cash	10.238.907	55.869.441
	Balance at 31 December 2007		**55.869.441**
	Weighted average number of shares in 2007		**21.747.449**

13. Property, plant and equipment

(amounts in euros)

	Buildings	Machinery and Technical Installatioins	Furniture and vessels	Assets under construction	Total
Acquisition value					
Balance 1st January 2007	442,708	9,482,504	1,203,181		11,128,393
Fixed assets of the international operations segment at 31/3/07		207,934,723		5,155,420	213,090,143
Additions relating to the absorbed segment		5,155,420		(5,155,420)	-
Additions	780,600	11,038,148	745,135	1,096,225	13,660,108
Sales/ Writie offs	-	-	(10,759)		(10,759)
Grants received through the absorption	-	(4,919,962)	-		(4,919,962)
Balance 31st December 2007	**1,223,308**	**228,690,833**	**1,937,557**	**1,096,225**	**232,947,923**
Accumulated depreciation					
Balance 1st January 2007	42,478	3,199,815	788,078		4,030,371
Accumulated depreciation of the international operations segment at 31/3/07		74,044,352			74,044,352
Depreciation	92,123	12,142,590	291,491		12,526,204
Sales/ Writie offs	-	-	(539)		(539)
Grants received through the absorption	-	(2,465,564)	-		(2,465,564)
Balance 31st December 2007	**134,601**	**86,921,193**	**1,079,030**		**88,134,824**
Net book value 31st December 2007	**1,088,707**	**141,769,640**	**858,527**	**1,096,225**	**144,813,099**
Net book value 31st December 2006	**400,230**	**6,282,689**	**415,103**	**-**	**7,098,022**

There are no liens on the fixed assets. Assets under construction relate to technical installations and are expected to be completed in 2008.

On 31 March 2007, the Company acquired the segment related to the international operations and cable systems. In return, the Company increased its share capital with the issue of 45.330.534 ordinary shares of a total value of €132.818.465, which represents the fair value at the date of exchange.

The assets acquired from the absorbed segment are depreciated based on their useful lives.

As the transaction involved significant amounts, these have been presented on the face of the Cash flow statement.

14. Intangible assets

(amounts in euros)

	Software
Acquisition value:	
Balance 1st January 2007	**758,920**
Assets of the international operations segment at 31/3/07	121,100
Additions	1,797,645
Balance 31st December 2007	**2,677,665**
Accumulated depreciation	
Balance 1st January 2007	**562,409**
Accumulated depreciation of the international operations segment at 31/3/07	24,220
Depreciation	398,351
Balance 31st December 2007	**984,980**
Net book value 31st December 2007	**1,692,685**
Net book value 31st December 2006	196,511

15. Available for sale investments

The financial items that are available for sale include the following:
(Amounts in Euros)

Non listed participation titles	% Share	**2007**	**2006**
OTEnet Telecommunications Ltd	15,00%	662,677	662,677
Hellas Sat S.A.	0,01%	305	305
		662,982	**662,982**

The investments are presented at acquisition value since they are not listed on a stock exchange.

16. Deferred tax asset

(Amounts in Euros)

	Balance 1 January 2006	**Income statement charge**	**Balance at 31 December 2006**	**Income statement charge**	**Balance at 31 December 2007**
Retirement benefit obligation	88.842	12.582	101.424	106.820	208.244
Provision for bad debts	390.801	539.049	929.850	22.630	952.480
Depreciation	-	-	-	(58.278)	(58.278)
Employee bonuses		375.000	375.000	(45.294)	329.706
Other	(1.697)	1.697	-	169.707	169.707
Total	**477.946**	**928.328**	**1.406.274**	**195.585**	**1.601.859**

17. Other non current assets

	2007	2006
Guarantees to suppliers	113,961	113,961
Guarantees for building leases	186,608	94,440
Guarantees for car leases	30,006	21,404
Guarantees to the PPC	1,054	1,054
Prepaid expenses	1,384,379	867,529
Long-term leasing expense	14,615,732	-
Σύνολο	**16,331,740**	**1,098,388**

The Long term leasing expense relates to the purchase of national capacity IRU for €15.107.040 for a term of 15 years.

18. Customers and other receivables

(amounts in euros)

	2007	2006
Customers	89,917,170	63,372,033
Less: Impairment provisions	(3,809,919)	(3,915,918)
Trade receivables (net)	**86,107,251**	**59,456,115**
Income receivable	1,551,631	-
Other receivables	357,835	140,959
Total	**88,016,717**	**59,597,074**

The movement in the provision for impairment of receivables is as follows:		
Balance 1st of January	**(3,915,918)**	**(1,759,723)**
Provision for receivables impairment	(267,923)	(2,156,195)
Receivables written off	373,922	-
Balance 31st of December	**(3,809,919)**	**(3,915,918)**

19. Cash and cash equivalents

(amounts in euros)

	2007	2006
Cash on hand and at banks	5,783,173	6,818,382
Short-term Bank Deposits	30,000,000	-
Sight account-management of international OTE telephony traffic	3,330,672	729,437
Total	**39,113,845**	**7,547,819**

The sight account refers to an account for the management of OTE's International Telephony Traffic by the Company.

The effective weighted average interest rate with respect to cash on hand and at banks was 3% and 1.75% for 2007 and 2006 respectively and the effective weighted average interest rate with respect to short-term bank deposits was 5.33% for 2007.

20. Share Capital

(Amounts in Euros)

	No. of shares	Ordinary shares
Balance at 1 January 2007	**300.000**	**879.000**
Increase in share capital for the acquisition of the segment	45.330.534	132.818.465
Increase in share capital	10.238.907	29.999.997
Balance at 31 December 2007	**55.869.441**	**163.697.462**
Balance at 1 January 2006	**300.000**	**879.000**
Balance at 31 December 2006	**300.000**	**879.000**

During 2007, there were two share capital increases. The first increase related to the absorption of the International assets and international cable infrustructure from OTE (contribution in kind) on 30 July 2007 as well as an increase by payment of cash on 8 October 2007. With the spin off of the segment, the increase in share capital amounted to €132.818.465 comprising 45.330.534 ordinary shares of a nominal value of €2,93 each. The second increase, through cash payments amounted to €29.999.997 being the equivalent of 10.238.907 ordinary shares of a nominal value of €2,93 each.

21. Reserves

(amounts in euros)	Statutory reserve	Special reserves	Untaxed reserves	**Total**
Balance at 1 January 2007	583,801	1,411	167,767	**752,979**
Balance at 31 December 2007	583,801	1,411	167,767	**752,979**
Balance at 31 December 2006	583,801	1,411	167,767	**752,979**

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 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. Based on the tax rates applicable on 31 December 2007, the amount of tax that would arise would be €41.942.

22. Personnel retirement compensation provisions

(amounts in euros)	**2007**	**2006**
The amounts that have been entered in the operation results statement are as follows:		
Current employment cost	369,811	813,252
Interest cost	39,417	17,923
Recognition of actuarial losses	18,056	2,013
Total included in employee benefits expense	**427,284**	**833,188**
Change of the obligation in the balance sheet		
Balance 1st January	**405,694**	**355,369**
Amount charged to the Income statement	427,284	50,325
Balance 31st December	**832,978**	**405,694**
The main actuarial assumptions that were used for accounting purposes are the following:		
Discount rate	4.80%	4.20%
Future salary increases	7.00%	7.00%
Average future employment (in years)	24.58	24.31

23. Suppliers

(amounts in euros)

	2007	**2006**
Suppliers	82,402,244	35,612,054
Obligations to employees	47,927	5,886
Amounts owed to related parties (note 25)	9,441,182	724,077
Total	**91,891,353**	**36,342,017**

24. Other obligations

(amounts in euros)

	2007	**2006**
Insurance and pension contributions payable	462,290	314,870
Period Expenses - Accrued	10,161,068	16,379,339
Customers advances	21,099	86,078
Other taxes and fees	2,229,085	692,145
Other	2,171,847	1,045,288
Balance at 31st December 2007	**15,045,389**	**18,517,720**

25. Transactions with related parties

(amounts in euros)

	2007	2006
i) Sales and purchases of goods and services		
Sales of services		
To the parent company	80,250,910	94,965,619
To other related parties	21,407,795	17,963,381
	101,658,705	**112,929,000**
Purchases of services		
From the parent company	39,770,683	69,978,030
From other related parties	42,559,400	30,786,417
	82,330,083	**100,764,447**

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

	2007	2006
ii) Key Management compensation		
Salaries and other short term employee benefits	1,125,963	967,152
Other long term benefits	323,160	228,189
	1,499,123	**1,195,341**
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	73,169,819	27,327,428
From other related parties	10,154,360	6,853,697
	83,324,179	**34,181,125**
Obligations to related parties		
To the parent company	49,349,151	10,444,791
To other related parties	20,035,067	15,199,134
	69,384,218	**25,643,925**

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

26. Contingent liabilies and obligations

a) Legal issues

The Company faces various claims and court cases arising in the ordinary course of business. Management believes that, based on the opinions obtained by the legal advisers, the final settlement of these cases is not expected to have a material effect on the financila position of the Company. There are no significant pending 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 2007 therefore they have not become final. The outcome of tax audits cannot be predicted at this stage.

27. Operating leases

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

National Capacity leases	
Up to 1 year	1,007,136
From 1 to 5 years	4,028,544
From 5 years and more	9,580,051
Total	14,615,731

Building leases	
Up to 1 year	537,923
From 1 to 5 years	2,428,508
From 5 years and more	5,310,480
Total	8,276,911

Car leases	
Up to 1 year	220,736
From 1 to 5 years	481,976
Total	702,712

[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