OTE INTERNATIONAL SOLUTIONS S.A.

Financial statements for the year ended 31 December 2010 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

These financial statements were approved by the Board of Directors of OTE International Solutions SA on the 4th of February 2011 and are available online at the site www.oteglobe.gr

OTE INTERNATIONAL SOLUTIONS S.A.

Company Registration Number 46809/01AT/B/00/365

ZINONOS ELEATOU & AGISILAGOU 6-8, MAROUSI 151 23

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

CONTENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	01.01-31.12.2010	01.01-31.12.2009 RESTATED[1]
Turnover			
Income from data and international telephony services		235,132,851	198,668,411
Income from commissions		2,510,953	5,099,402
Total turnover		**237,643,804**	**203,767,813**
Charges from international telecommunications carriers		(194,548,502)	(167,731,900)
Gross profit		**43,095,302**	**36,035,913**
Other income	7	2,262,848	3,384,898
Employee expenses	8	(11,900,202)	(11,206,330)
Depreciation	13,14	(16,563,122)	(16,882,911)
Other expenses	9	(12,275,381)	(7,071,146)
Operating profit		**4,619,445**	**4,260,424**
Finance income	10	208,252	364,582
Finance expenses[1]	11	(152,049)	(129,337)
Foreign exchange differences		161,104	295,500
Profit before tax		**4,836,752**	**4,791,169**
Income tax	12	(1,819,541)	(2,338,884)
Profit for the year		**3,017,211**	**2,452,285**
Other comprehensive income			
Actuarial losses due to change in discount rate		(257,952)	(76,341)
Deferred tax on actuarial losses due to change in discount rate		51,590	15,268
Other comprehensive income / (loss) for the year	21	**(206,362)**	**(61,073)**
Total comprehensive income for the year		**2,810,849**	**2,391,212**

1 Restated amounts in 2009 due to change in accounting policy (Note 28)

The notes on pages 7 to 32 are an integral part of the financial statements.

The financial statements appearing on pages 7 to 32 were approved by the Board of Directors on the 4th of February 2011 and are signed on behalf of the Board of Directors by the following:

Chairman of the BoD	Managing Director	Financial Director	Head of the Accounting Dep.
Christos Katsaounis	Konstantinos Andreou	George Kiapokas	Andreas Galiatsatos
ID No AB 287811	ID No X 069599	ID No AH 453220	ID No AE 049899
			License A' Class No 0015278

OTE INTERNATIONAL SOLUTIONS S.A.
(amounts in Euro unless otherwise stated)

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2O10

		31 December		1 January
ASSETS	Notes	**2010**	**2009**	**2009**
			RESTATED[1]	**RESTATED[1]**
Non-current assets				
Property, plant and equipment	13	116,617,772	122,475,735	120,968,003
Intangible assets	14	1,710,720	2,972,867	3,743,757
Available for sale financial assets	15	906	906	906
Other non-current receivables	17	60,805,892	50,629,931	41,004,338
Deferred tax asset	16	7,428,044	7,819,477	9,813,463
Total non-current assets		**186,563,334**	**183,898,916**	**175,530,467**
Current assets				
Trade and other receivables	18	82,923,226	78,953,386	109,968,604
Income tax refundable		-	787,405	-
Cash and cash equivalents	19	11,167,921	13,079,364	12,009,615
Total current assets		**94,091,147**	**92,820,155**	**121,978,219**
TOTAL ASSETS		**280,654,481**	**276,719,071**	**297,508,686**
EQUITY AND LIABILITIES				
Equity				
Share capital	20	163,697,462	163,697,462	163,697,462
Other reserves	21	517,974	724,336	785,409
(Accumulated losses) / Retained earnings		(4,054,829)	(7,072,040)	(9,524,325)
Total equity		**160,160,607**	**157,349,758**	**154,958,546**
Long term liabilities				
Retirement benefit obligations	22	2,438,358	1,775,563	1,361,337
Other provisions		257,317	257,317	257,317
Total long term liabilities		**2,695,675**	**2,032,880**	**1,618,654**
Short term liabilities				
Suppliers	23	85,969,417	84,224,902	105,128,997
Deferred income		6,256,620	9,600,420	10,287,666
Income tax		265,383	-	91,884
Accruals and other short term liabilities	24	25,306,779	23,511,111	25,422,939
Total short term liabilities		**117,798,199**	**117,336,433**	**140,931,486**
Total liabilities		**120,493,874**	**119,369,313**	**142,550,140**
TOTAL EQUITY AND LIABILITIES		**280.654.481**	**276,719,071**	**297,508,686**

[1] Restated amounts in 2009 due to change in accounting policy (Note 28)
The notes on pages 7 to 32 are an integral part of the financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	01.01-31.12.2010	01.01-31.12.2009
Profit before tax		4,836,752	4,791,169
Adjustments for:			
Depreciation	13,14	16,563,122	16,882,911
Profit from the sale of property, plant and equipment	7,9	-	(4,775)
Interest income	10	(208,252)	(364,582)
Interest expense	11	152,049	129,337
Reversal of unused amounts of bad debt provision	18	(6,500)	(789,558)
Provision for doubtful receivables	18	5,085,359	128,629
Provision for retirement benefit obligations	8	327,392	278,848
(Increase) / Decrease in trade and other receivables before doubtful debt provision		(9.048.697)	31,676,147
Increase / (Decrease) in suppliers		5,567,473	(18,412,979)
(Decrease) in deferred income		(3,343,800)	(687,246)
Increase / (Decrease) in accruals and other short term liabilities		1.795.668	(1,965,592)
Increase in other non-current receivables		(10,175,961)	(9,625,593)
Income tax paid		(323,730)	(1,155,155)
Interest paid		(65,934)	(56,505)
Benefit paid		(8,664)	(13,795)
Net cash inflows / (outflows) from operating activities		**11,146,277**	**20,811,261**
Cash flows from investment activities			
Purchases of property, plant and equipment		(9,158,087)	(16,834,002)
Purchases of intangible assets		(284,930)	(815,854)
Proceeds from sale of property, plant and equipment		-	34,878
Interest received		208,252	364,582
Net cash flows used in investment activities		**(9,234,765)**	**(17,250,396)**
Increase in cash and cash equivalents		**1,911,512**	**3,560,865**
Cash and cash equivalents at 1 January		6,853,600	3,292,735
Cash and cash equivalents at 31 December	19	**8,765,112**	**6,853,600**

The notes on pages 7 to 32 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital	Other reserves	(Accumulated loss) / Retained earnings	Total equity
Balance at 1 January 2010	**163,697,462**	**835,979**	**(9,524,325)**	**155,009,116**
Restatement due to changes in accounting policy (Note 28)	-	(50,570)	-	(50,570)
Restated balance at 1 January 2009	**163,697,462**	**785,409**	**(9,524,325)**	**154,958,546**
Net profit for the year	-	-	2,452,285	2,452,285
Other comprehensive income/(loss)	-	(61,073)	**-**	(61,073)
Total comprehensive income / (loss)	**-**	**(61,073)**	**2,452,285**	**2,391,212**
Balance at 31 December 2009	**163,697,462**	**724,336**	**(7,072,040)**	**157,349,758**
Net profit for the year	-	-	3,017,211	3,017,211
Other comprehensive income/(loss)	-	(206,362)	**-**	(206,362)
Total comprehensive income / (loss)	**-**	**(206,362)**	**3,017,211**	**2,810,849**
Balance at 31 December 2010	**163,697,462**	**517,974**	**(4,054,829)**	**160,160,607**

The notes on pages 7 to 32 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General

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

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

2. Basis of presentation

2.1 Note on conformity

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

The financial statements were approved by the Board of Directors on 4 February 2011. These financial statements are subject to the approval of the annual general meeting of shareholders.

2.2 Basis for Valuation

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

2.3 Functional currency and presentation currency

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

2.4 Significant accounting estimates and judgements of Management

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

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

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

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

(c) Depreciation rates: The fixed assets of the Company are depreciated based on their estimated useful lives. These estimated useful lives are re-evaluated periodically to determine if they are still appropriate.

The actual useful lives of fixed assets may differ due to factors such as technological obsolescence and levels of maintenance.

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

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

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

3. Key accounting principles

The accounting principles outlined below have been applied with consistency for the periods presented in these financial statements except for the direct recognition of actuarial gains and losses in other comprehensive income (3.9b).

3.1 Transactions in foreign currency

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

3.2 Property, plant and equipment

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

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

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

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

When the carrying amount of the tangible assets exceeds their recoverable amount, the difference (impairment) is recorded immediately as an expense in the statement of comprehensive income. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

3.3 Impairment of assets

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

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

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

3.4 Intangible assets

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

	Estimated Useful Life
Software	3,3 years

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

3.5 Leases

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

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

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

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

3.6 Financial assets

The Company classifies its financial assets in the following categories:

(a) Available for sale financial assets
(b) Receivables

Purchases and sales of financial assets are recognized on the date of the transaction which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from investment have expired or have been 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 impairment. Following the sale or the impairment, any gains or losses will be transferred to the statement of comprehensive income.

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

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

(b) Receivables

The accounts receivable (short-term) are initially recognized at fair value. After initial recognition they are assessed at this value less any impairment which has occurred. At the date when the financial statements are drawn up, the recoverability of the accounts is assessed on the basis of historical and statistical data and a provision is made regarding any possible losses which may be quantified. The provision is evaluated and adjusted the results of which is reflected in the results of period. Any receivables that are considered not to be recoverable are written off. Any write off of such receivables is made through this provision.

3.7 Trade and other payables

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

3.8 Share capital

Share capital includes the value of issued ordinary shares.

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

3.9 Current and deferred income tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

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

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

3.10 Employee benefits

a) Defined contribution plans

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

b) Defined benefit plans

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

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

With effect from 1 January 2010, the Company changed the applicable accounting policy regarding the obligation for the employees' defined benefit plans and adopted the third available choice in accordance with IAS 19.93A, which allows for the direct recognition of actuarial gains and losses to equity. This treatment is an optional change of accounting policy (IAS 8.14). The Company considers that by recognizing actuarial gains and losses immediately in the period in which they occur, results in the financial statements providing reliable and more relevant information about the Company's financial position, since all provisions and liabilities are recognized. The corresponding prior year's comparative figures have been restated accordingly.

In addition, the finance cost resulting from the defined benefit plans will be classified in finance expenses rather than in "Defined benefit plans expenses", since its classification within finance expenses reflects more accurately the nature of this cost. The corresponding prior year's comparative figures have been restated accordingly.

3.11 Other provisions

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

3.12 Revenue recognition

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

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

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

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

(d) *Income from sale of capacity:* Income from the sale of capacity of overground or underground cables (irrevocable right of use "IRU") is recognised on a straight line basis over the duration of the contract.

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

3.13 Grants

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

3.14 Derecognition of Financial assets and liabilities

a. Financial assets: Financial assets (or a part of a financial asset or a part of a group of financial assets) are derecognised when:

- The rights for the flow of cash revenues have expired.

- The Company maintains the right in the flow of cash from the particular asset but has simultaneously undertaken an obligation to a third party to settle completely and without significant delay, under a contract of transfer.

- The company has transferred the right in the flow of cash from the particular asset while at the same time (1) has transferred substantially all related risks and rewards or (2) has not transferred substantially all related risks and rewards, but has transferred the control over the particular asset. Where the Company has transferred the rights to the cash inflows related to the asset but at the same time has not transferred substantially all related risks and rewards or the control over the particular asset, the asset is recognized to the extent of the Company's continuing involvement in the financial asset. The continuing involvement which has the form of a guarantee over the transferred asset is valued at the lower value between the initial value of the financial asset and the maximum amount that the Company may be called upon to repay. When the continuing involvement is in the form of a right to buy and / or sell a financial asset (including rights that are cash settled), the degree of continuing involvement is the value of the transferred asset the Company has the right to re-purchase, with the exception of financial assets measured at fair value, where the degree of continuing involvement of the Company is the lower of the fair value of the transferred asset and the price at which the right can be exercised.

b. Financial liabilities: Financial liabilities are derecognised when the relative obligation is waived, cancelled or expired. Where a financial liability is replaced by another from the same lender but with substantially different terms, or where the terms of an existing obligation have substantially been modified, the exchange or the modification is considered to be a settlement of the original financial liability and the recognition of a new financial liability, with the difference in the carrying amounts of the two obligations being taken to the statement of comprehensive income.

3.15 Cash and Cash equivalents

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

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

4. Financial risk management

General

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

- Credit risk

- Liquidity risk
- Market risk
- Capital management

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

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

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

Credit risk

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

a) Trade and other receivables

The exposure of the Company to credit risk is mainly affected by the peculiarities of each client. The demographic features of the Company's client base, including the risk of default in payments that is characteristic to the particular market and the country in which the customers operate, affect credit risk to a lesser extent. Approximately 3% of the income of the Company is generated from sales to a customer outside the Deutsche Telecom Group. However, a geographical concentration of credit risk is not observed.

The Company has put in force a credit policy based on which each new customer's creditworthiness is examined on an individual basis before offering the usual terms of payment (30 days). The assessment of customer creditworthiness includes the examination of bank resources and other relevant resources, where these exist. Credit limits are set for each customer in cases of delayed payment or in cases of weak creditworthiness. The Company generates income from Deutsche Telecom Group companies that account for approximately 48% of its annual income and consequently the credit risk on these receivables is low. In addition, approximately 42% relates mainly to large telecommunication providers, who are also suppliers to the Company through telephone traffic exchange and the risk of default of payments by these customers is minimal.

In monitoring the credit risk of the customers' base, they are not only grouped according to their credit characteristics, but also if they are Voice or Data customers and whether they are also suppliers. Trade and other receivables include solely wholesale customers of the Company.

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

b) Investments

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

c) Exposure to credit risk

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

	31 December	
	2010	**2009**
Available for sale financial assets	906	906
Customers	59,136,143	58,175,713
Cash and cash equivalents	11,167,921	13,079,364

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

		31 December	
	Note	**2010**	**2009**
Related party receivables	1	39,709,755	28,210,700
Customers that are simultaneously suppliers (net settlement of receivable/payable balance)	2	15,439,007	19,533,484
Other customers		12,811,415	14,176,704
Less: Provision for doubtful receivables	3	(8,824,034)	(3,745,175)
		59,136,143	**58,175,713**

1) Transactions with related parties account for 67% of total receivables and are not exposed to any credit risk. The Company considers the companies within the Deutsche Telecom Group as related parties.

2) If the respective payable balance is taken into account for these customers, in their simultaneous role as suppliers, the maximum exposure on net receivables would reach to Euros 802,291.

3) The Company has a receivable of Euros 5 mln due from the customer VECTONE IRELAND for which has formed an equal provision, resulting in a Euros 5 mln loss in the statement of comprehensive income for the year.

d) Impairment losses

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

	31 December	
	2010	**2009**
Neither due nor impaired	27,865,891	36,563,203
Due 0-30 days	12,967,652	2,352,918
Due 31-60 days	8,387,136	3,768,892
Due 61+ days	9,915,464	15,490,700
	59,136,143	**58,175,713**

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

	31 December	
	2010	**2009**
Balance at 1 January	(3,745,175)	(4,406,104)
Provision for receivables impairment	(5,085,359)	(128,629)
Receivables written-off	-	-
Unused amounts reversed	6,500	789,558
Balance at 31 December	**(8,824,034)**	**(3,745,175)**

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

Liquidity risk

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

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

Set out below are the balances of financial liabilities:

	31 December	
	2010	**2009**
Payables to related parties	68,422,200	62,435,862
Suppliers that are simultaneously Customers (net settlement of receivable payable balance	13.261.770	11,016,073
Other suppliers	4,285,447	10,772,967
	85,969,417	**84,224,902**

The maturity of the Company's liabilities as at 31 December 2010 is in less than 1 year.

Market risk

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

a) Interest rate risk

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

b) Foreign exchange risk

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

Capital management

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

5. New standards and interpretations

5.1 The following new standards, amendments to standards and interpretations are mandatory for periods beginning 1 January 2010.

- IFRIC 17 "Distributions of non-cash assets to owners"
- IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement**"** - Hedging instruments
- IFRS 2 (Amendment) "Share-based Payment"
- IFRS 3 (Revised) "Business Combinations" and IAS 27 (Amended) "Consolidated and Separate Financial Statements"
- IFRS annual improvements (May 2008)
- IFRS annual improvements (April 2009)

5.2 The following new standards, amendments/revisions to the standards or interpretations have been issued but are not effective for accounting periods beginning 1 January 2010 and have not been early adopted by the Company:

- ***IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"*** *(effective for annual periods beginning on or after 1 July 2010)*
  This interpretation does not have an impact on the Company's financial statements.
- ***IFRIC 14 (Amendment) "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"*** *(effective for annual periods beginning on or after 1 January 2011)*
  This interpretation does not have an impact on the Company's financial statements.
- ***IFRS 9 "Financial Instruments" – Phase 1, classification and measurement*** *(effective for annual periods beginning on or after 1 January 2013)*
  This amendment has not yet been endorsed by the EU. This interpretation is not expected to have an impact on the Company's financial statements.
- ***IAS 32 (Amendment) "Financial Instruments: Classification of rights issues"*** *(effective for annual periods beginning on or after 1 February 2010)*
  This amendment is not expected to impact the Company's financial statements.
- ***IAS 24 (Revised) "Related Party Disclosures"*** *(effective for annual periods beginning on or after 1 January 2011)*

This amendment attempts to reduce disclosures of transactions between government-related entities and clarify related-party definition. More specifically, it removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities, clarifies and simplifies the definition of a related party and requires the disclosure not only of the relationships, transactions and outstanding balances between related parties, but of commitments as well in both the consolidated and the individual financial statements. The amendment has retrospective effect, while it allows its early adoption. This amendment is not expected to impact the Company's financial statements.

- **Amendment of IFRS 1 "Limited exemption from comparative IFRS 7 disclosures for first-time adopters"**
  Effective for accounting periods beginning on or after 1 July 2010. At 28 January 2010 the new amendment of IFRS 1 was announced according to which companies which are first-time adopters are exempt from the application of additional disclosures included in IFRS 7 amendment of 5 March 2009. The Company expects that this amendment will have no impact on its financial statements.

- **In May 2010 the IASB** announced a third set of amendments of IFRSs as part of the 2010 annual improvements project. The following amendments are effective from 1 July 2011 or later, while these can be earlier adopted. The amendments have not yet been endorsed by the EU. The Company currently examines the potential impact of these amendments on the financial statements.

  - IFRS 1 "First time adoption of IFRS"
  - IFRS 3 "Business Combinations"
  - IFRS 7 "Financial Instruments: Disclosures"
  - IAS 1 "Presentation of financial statements"
  - IAS 27 "Consolidated and separate financial statements"
  - IAS 34 "Interim financial reporting"
  - IFRIC 13 "Customer loyalty programs"

- **IFRS 7 (Amendment) "Financial instruments: Disclosures"**
  Effective for annual periods beginning on or after 1 July 2011**.** This amendment has not yet been endorsed by the EU. The Company expects this amendment to have no impact on its financial statements, except for possible additional disclosures.

- **IAS 12 (Amendment) "Income taxes: Recoverability of assets"**
  Effective for annual periods beginning on or after 1 January 2012. This amendment has not yet been endorsed by the EU. The Company expects this amendment to have no impact on its financial statements.

- **IFRS 1 (Amendment) "Severe hyperinflation and removal of fixed dates for first-time adopters"**
  Effective for annual periods beginning on or after 1 July 2011. This amendment has not yet been endorsed by the EU. The Company expects this amendment to have no impact on its financial statements.

6. Fair value estimation

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

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

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

7. Other income

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

	2010	**2009**
Income from the provision of services to third parties	2,232,118	2,357,350
Profit from sale of tangible assets	-	26,947
Other	30,730	1,000,601
Total	**2,262,848**	**3,384,898**

8. Employee benefit expense

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

	2010	**2009**
Salaries and wages	(8,881,042)	(8,222,346)
Defined contribution plans expenses (Note 22)	(2,632,309)	(2,568,439)
Employee training expenses	(47,047)	(101,056)
Defined benefit plans expenses (Note 22)	(327,392)	(278,848)
Other expenses	(12,412)	(35,641)
Total	**(11,900,202)**	**(11,206,330)**

The average number of employees in 2010 was 163, while in 2009 it was 158.

9. Other expenses

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

	2010	2009
Repairs and maintenance	(179,268)	(185,502)
Operating leases	(2,430,787)	(1,803,411)
Provision for doubtful debts (Note 18)	(5,085,359)	(128,629)
Third party fees and commissions	(2,565,225)	(2,147,509)
Taxes and duties	(20,805)	(20,458)
Withholding taxes	(137,678)	(999,841)
Electricity, telecommunications and transportation	(504,019)	(579,769)
Travel expenses	(613,833)	(568,945)
Promotion, marketing and advertising	(478,685)	(417,783)
Consumables	(62,352)	(55,262)
Losses from sale of tangible assets	-	(22,172)
Other	(197,370)	(141,865)
Total	**(12,275,381)**	**(7,071,146)**

The Company has a receivable of Euros 5 mln due from the customer VECTONE IRELAND Limited for which has formed an equal provision, resulting in a Euros 5 mln loss in the statement of comprehensive income for the year (Note 18).

10. Finance income

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

	2010	2009
Interest income	208,252	364,582
Total	**208,252**	**364,582**

11. Finance expenses

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

	31 December	
	2010	2009
Bank charges	(65,934)	(56,505)
Interest cost on retirement benefit obligation (Note 22)	(86,115)	(72,832)
Total	**(152,049)**	**(129,337)**

12. Income tax

According to the Greek tax legislation, applicable tax rate for Greek companies is 24% and 25% for 2001 and 2009 respectively.

The provision for income tax presented in the financial statements is analysed as follows:

	2010	**2009**
Current income tax	(1,026,370)	(58,169)
Deferred tax (Note 16)	(443,023)	(2,009,254)
Special income tax contribution	(350,148)	(271,461)
Total income tax expense per statement of comprehensive income	**(1,819,541)**	**(2,338,884)**

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

	2010	**2009**
Profit before tax	4,836,752	4,791,169
Tax expense calculated based on current tax rates (2010:24%; 2009: 25%)	(1,160,820)	(1,197,792)
Tax on expenses not deductible for tax purposes	(535,910)	(804,464)
Special income tax contribution	(350,148)	(271,461)
Tax impact due to reduction in tax rates	227,337	(65,167)
Total income tax expense per statement of comprehensive income	**(1,819,541)**	**(2,338,884)**

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

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

The Company has not been tax audited for the fiscal years from 2007 to 2010.

13. Property, plant and equipment

	Buildings	Machinery and technical installations	Furniture and fixtures	Assets under construction	Total
Cost:					
Balance at 1 January 2009	801,242	255,662,566	2,077,321	-	258,541,129
Additions	555	4,475,233	181,965	12,176,249	16,834,002
Transfer from assets under construction	-	6,960,592	-	(6,960,592)	-
Sales / Write-offs	(6,512)	(1,785,885)	-	-	(1,792,397)
Balance at 31 December 2009	**795,285**	**265,312,506**	**2,259,286**	**5,215,657**	**273,582,734**
Additions	-	2,754,817	177,682	6,225,588	9,158,087
Sales / Write-offs	-	(1,408,469)	(171,146)	-	(1,579,615)
Transfer from assets under construction (Note 14)	-	1,610,657	-	(1,675,657)	(65,000)
Balance at 31 December 2010	**795,285**	**268,269,511**	**2,265,822**	**9,765,588**	**281,096,206**
Accumulated depreciation:					
Balance at 1 January 2009	**79,006**	**136,125,448**	**1,368,672**	**-**	**137,573,126**
Depreciation	66,216	14,834,629	395,322	-	15,296,167
Sales / Write-offs	(6,512)	(1,755,782)	-	-	(1,762,294)
Balance at 31 December 2009	**138,710**	**149,204,295**	**1,763,994**	**-**	**151,106,999**
Depreciation	66,247	14,577,585	307,213	-	14,951,045
Write-offs	-	(1,408,466)	(171,144)	-	(1,579,610)
Balance at 31 December 2010	**204,957**	**162,373,414**	**1,900,063**	**-**	**164,478,434**
Net book value:					
Balance at 31 December 2010	**590,328**	**105,896,097**	**365,759**	**9,765,588**	**116,617,772**
Balance at 31 December 2009	**656,575**	**116,108,211**	**495,292**	**5,215,657**	**122,475,735**

There are no liens attached to the fixed assets.

Furthermore, the depreciation charge for 2010 for Machinery and Technical Installations was reduced by Euros 194,274 as a result of subsidies related to these assets that were written off.

14. Intangible assets

	Software
Cost:	
Balance at 1 January 2009	5,696,180
Additions	815,854
Balance at 31 December 2009	**6,512,034**
Additions	284,930
Transfer from assets under construction (Note 13)	65,000
Balance at 31 December 2010	**6,861,964**
Accumulated depreciation:	
Balance at 1 January 2009	1,952,423
Depreciation	1,586,744
Balance at 31 December 2009	**3,539,167**
Depreciation	1,612,077
Balance at 31 December 2010	**5,151,244**
Net Book Value:	
Balance at 31 December 2010	**1,710,720**
Balance at 31 December 2009	**2,972,867**

15. Available for sale financial assets

Available for sale financial assets include the following:

		31 December	
Non listed securities	% Share	**2010**	**2009**
Hellas Sat A.E.	0.01%	906	906
		906	**906**

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

16. Deferred tax asset

	Retirement benefit obligation	Customers	Property, plant and equipment	Expenses provision	Other	Total
Balance at 1 January 2009	**272,267**	**959,381**	**7,054,400**	**1,425,613**	**101,802**	**9,813,463**
Charge to the Statement of comprehensive income	67,577	(210,346)	(1,419,927)	(457,906)	11,348	**(2,009,254)**
Debit / (Credit) to equity	15,268	-	-	-	-	**15,268**
Balance at 31 December 2009	**355,112**	**749,035**	**5,634,473**	**967,707**	**113,150**	**7,819,477**
Charge to the Statement of comprehensive income	80,970	1,015,772	(836,816)	(421,961)	(280,988)	**(443,023)**
Debit / (Credit) to equity	51,590	-	-	-	-	**51,590**
Balance at 31 December 2010	**487,672**	**1,764,807**	**4,797,657**	**545,746**	**(167,838)**	**7,428,044**

17. Other non-current assets

	31 December	
	2010	**2009**
Guarantees to suppliers	220,679	213,849
Guarantees for car leases	38,869	42,910
Prepaid expenses	69,407	146,939
Long term leasing expense (3-year)	34,149	-
Long term leasing expense (8-year)	6,174,149	7,505,024
Long term leasing expense (15-year)	52,827,632	40,606,733
Other long term customer receivables	1,441,007	2,114,476
Total	**60,805,892**	**50,629,931**

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

18. Trade and other receivables

	31 December	
	2010	**2009**
Customers	67,960,177	61,920,888
Less: Impairment provision	(8,824,034)	(3,745,175)
Trade receivables (net)	**59,136,143**	**58,175,713**
Income receivables	16,174,135	14,140,675
Other receivables	7,612,948	6,636,998
Total	**82,923,226**	**78,953,386**

The movement in the provision for impairment of receivables is as follows:	2010	2009
Balance at 1 January	**(3,745,175)**	**(4,406,104)**
Provision for receivables impairment (Note 9)	(5,085,359)	(128,629)
Unused amounts reversed	6,500	789,558
Balance at 31 December	**(8,824,034)**	**(3,745,175)**

19. Cash and cash equivalents

	31 December	
	2010	**2009**
Cash on hand and at banks	8,765,112	6,853,600
Current account-management of international telephony traffic for OTE	2,402,809	6,225,764
Total	**11,167,921**	**13,079,364**

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

The effective weighted average rate was:

	2010	2009
Cash on hand and at banks	1.50%	2.00%

20. Share capital

	Number of shares	Ordinary shares
Balance at 1 January 2010	**55,869,441**	**163,697,462**
Balance at 31 December 2010	**55,869,441**	**163,697,462**
Balance at 1 January 2009	**55,869,441**	**163,697,462**
Balance at 31 December 2009	**55,869,441**	**163,697,462**

21. Other reserves

	Statutory reserve	Special reserves	Untaxed reserves	Actuarial losses	Total
Balance at 1 January 2009	**666,801**	**1,411**	**167,767**	**-**	**835,979**
Restatement due to change in accounting policy (Note 28)	-	-	-	(50,570)	(50,570)
Decrease in reserves	-	-	-	(61,073)	(61,073)
Balance at 31 December 2009	**666,801**	**1,411**	**167,767**	**(111,643)**	**724,336**
Decrease in reserves	-	-	-	(206,362)	(206,362)
Balance at 31 December 2010	**666,801**	**1,411**	**167,767**	**(318,005)**	**517,974**

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

Special reserves: This refers to the conversion of the share capital from Drachmas to Euros.

Untaxed reserves: Based on special provisions of the Greek tax legislation certain earnings and profits items are not taxed provided that they are not distributed and they are maintained in a particular reserve account. In the event that these reserves are distributed or capitalized they will be taxed at the tax rate on that date. Based on the tax rates applicable on 31 December 2010 the amount of tax that would arise would be Euros 40,264 (31 December 2009: 41,942).

22. Retirement benefit obligations

The movement of obligation in the statement of financial position is as follows:

a) **Retirement**: The employees of the Company are covered by one of the various retirement funds supported from the Greek state. Each employee is required to contribute an amount from his monthly wage to the fund, with the Company also contributing an amount. Upon retirement, the fund is responsible for the payment of pensions to employees. Thus, the enterprise does not have any obligation to pay future benefits upon the retirement of employees. The contributions to the funds for the years ending 31 December 2010 and 2009 amounted to € 2,632,309 and € 2,568,439 respectively (Note 8).

b) **Personnel retirement compensation**: According to the Greek labour law, employees have a right to compensation in the event of redundancy or retirement with the amount of the payment being calculated based on the employee's salary, years of service and on the way in which the employment was terminated (redundancy or retirement). Employees that resign or are dismissed for a cause do not have a right to compensation. The compensation payable in the event of retirement is equal to 40% of the sum that would be payable for redundancy without a cause. In Greece according to the local practice, these programs are not funded. The Company charges the income statement with the benefits that crystallise in each period with corresponding increase in the retirement obligation. The payments of benefits that are made in each period are debited against this obligation.

	31 December	
	2010	**2009 RESTATED[1]**
Obligation at 1 January	**1,775,563**	**1,361,337**
Benefits paid	(8,664)	(13,795)
Actuarial losses	257,952	76,341
Expense recognized in the statement of comprehensive income (Note 8 , 11)	413,507	351,680
Obligation at 31 December	**2,438,358**	**1,775,563**

[1] Restated amounts in 2009 due to a change in accounting policy (Note 28)

An international firm of independent actuaries has carried out the calculation in respect of the Company's retirement benefit obligations. The details and the basic assumptions used in the actuarial study at 31 December 2010 and 2009 for the Company are as follows:

	31 December	
	2010	**2009**
		RESTATED[1]
Present value of unfunded obligations	2,438,358	1,775,563
Net liability in the statement of financial position	**2,438,358**	**1,775,563**
Components of cost of retirement for the period		
Current service cost	326,888	266,835
Interest cost	86,115	72,832
Recognition of past service cost	-	9,482
Regular charge to the statement of comprehensive income	413,003	349,149
Cost of additional benefits	504	2,531
Total charge in the statement of comprehensive income	**413,507**	**351,680**

	31 December	
	2010	**2009**
		RESTATED[1]
Reconciliation of retirement benefit obligation:		
Balance at 1 January	**1,775,563**	**1,361,337**
Current service cost	326,888	266,835
Interest cost (Note 11)	86,115	72,832
Benefits paid	(8,664)	(13,795)
Cost of additional benefits	504	2,531
Past service cost	-	9,482
Actuarial losses	257,952	76,341
Balance at 31 December	**2,438,358**	**1,775,563**
Discount rate	4.30%	4.85%
Future salary increases	7.00%	7.00%
Average future employment (in years)	24.2	23.7

[1] Restated amounts in 2009 due to a change in accounting policy (Note 28)

23. Suppliers

	31 December 2010	31 December 2009
Suppliers	17,547,217	21,789,040
Amounts due to related parties	68,422,200	62,435,862
Total	**85,969,417**	**84,224,902**

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

24. Accruals and other short term liabilities

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

	31 December 2010	31 December 2009
Accrued expenses for telecommunication services	16,475,373	17,511,353
Other accrued expenses	6,989,519	2,938,331
Insurance and pension contributions payable	521,060	508,907
Customers advances	32,029	194,633
Other taxes and duties	752,610	1,804,719
Other	536,188	553,168
Total	**25,306,779**	**23,511,111**

25. Related party transactions

i) Sales and purchases of goods and services

	31 December 2010	31 December 2009
Sales of services:		
To the Parent company OTE	86,307,599	86,734,597
To other related parties	30,737,348	25,700,918
	117,044,947	**112,435,515**
Purchases of services:		
From the Parent company OTE	41,116,758	33,708,674
From other related parties	57,467,391	60,379,009
	98,584,149	**94,087,683**
Purchases of fixed assets:		
From the Parent company OTE	43,141	247,654
	43,141	**247,654**

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

ii) Key Management compensations

	2010	2009
Salaries and other short term employee benefits	1,578,963	1,395,060
Other long term benefits	320,898	310,103
	1,899,861	**1,705,163**

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

Short term receivables from related parties:

	31 December 2010	31 December 2009
Customers		
From the Parent company OTE	34,478,249	18,494,493
From other related parties	5,231,506	9,716,207
	39,709,755	**28,210,700**
Other receivables		
From the Parent company OTE	7,143,028	9,603,056
From other related parties	2,154,018	1,332,710
	9,297,046	**10,935,766**
Long term receivables from related parties		
From the Parent company OTE	54,681,665	43,429,633
From other related parties	3,961,496	4,682,125
	58,643,161	**48,111,758**
Total receivables from related parties	**107,649,962**	**87,258,224**

Payables to related parties:

Short term payables to related parties:

	31 December	
Amounts due to related parties	**2010**	**2009**
To the Parent company OTE	62,166,110	45,016,509
To other related parties	6,256,090	17,419,353
	68,422,200	**62,435,862**
Other payables		
To the Parent company OTE	2,622,020	3,479,902
To other related parties	7,195,470	6,324,425
	9,817,490	**9,804,327**
Total payables to related parties	**78,239,690**	**72,240,189**

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

26. Contingent liabilities / assets

- *Legal issues*

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

- *Tax issues*

As it is mentioned in note 12, the Company may be liable for additional taxes and penalties which may be imposed by the tax authorities. The tax obligations of the Company have not been examined by the tax authorities for the fiscal years from 2007 to 2010 therefore they have not become final. The outcome of tax audits cannot be predicted at this stage

- *Letters of guarantee*

The Company obtains letters of guarantee from third parties for good performance and likewise provides letters of guarantee to its customers for good performance for the services it renders. At 31 December 2010 the amount of guarantees from third parties amount to Euros 754,650 (31 December 2009: Euros 1,264,938) whereas guarantees provided by the Company amount to Euros 743,045 (31 December 2009: Euros 753,045).

27. Operating leases

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

Building rentals	31 December	
	2010	2009
Up to 1 year	574,992	578,007
From 1 to 5 years	2,477,719	2,490,711
More than 5 years	2,606,599	3,368,943
Total	**5,659,310**	**6,437,661**

Car rentals	31 December	
	2010	2009
Up to 1 year	195,866	201,704
From 1 to 5 years	129,856	164,285
Total	**325,722**	**365,989**

28. Change in accounting policy

With effect from 1 January 2010, the Company changed the applicable accounting policy regarding the obligation for the employees' defined benefit plans and adopted the third available choice in accordance with IAS 19.93A, which allows for the direct recognition of actuarial gains and losses to equity. This treatment is an optional change of accounting policy (IAS 8.14). The Company considers that by recognizing actuarial gains and losses immediately in the period in which they occur, results in the financial statements providing reliable and more relevant information about the Company's financial position, since all provisions and liabilities are recognized. The corresponding prior year's comparative figures have been restated accordingly.

In addition, the finance cost resulting from the defined benefit plans will be classified in finance expenses rather than in "Defined benefit plans expenses", since its classification within finance expenses reflects more accurately the nature of this cost. The corresponding prior year's comparative figures have been restated accordingly.

The impact of the change in the accounting policy on profits after tax, on equity and on the relevant provisions of prior year is analysed below:

PROFIT AFTER TAX

The change of the accounting policy had no impact on the net profit of the year 2009.

EQUITY	31 December	
	2009	2008
Equity before the change in accounting policy	157,461,401	155,009,116
Allocation of unrecognized actuarial gains / (losses) in equity	(139,553)	(63,212)
Change in deferred tax asset recognized in equity	27,910	12,642
Equity after the change in accounting policy	**157,349,758**	**154,958,546**

RETIREMENT BENEFIT OBLIGATION

	2009
Obligation before the change in accounting policy	1,636,010
Allocation of unrecognized actuarial gains / (losses) in equity	139,553
Obligation after the change in accounting policy	**1,775,563**

In the Statement of comprehensive income for the year 2009, amount of Euros 72,832 included in "Employee benefit expenses" was reclassified to "Finance expenses".

29. Events after the reporting period

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

[Translation from the original text in Greek]

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 statement of financial position as at 31 December 2010, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and 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

We verified the consistency and the correspondence of the content of the Report of the Board of Directors with the accompanying financial statements, under the legal frame of the articles 43a and 37 of c.L. 2190/1920.

Athens, 4 February 2011

The Certified Public Accountant Auditor

CHRISTOS PELENTRIDIS
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