OTE INTERNATIONAL SOLUTIONS S.A.

Financial statements for the year ended 31 December 2012 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 2013 and are available online at the site www.oteglobe.gr

OTE INTERNATIONAL SOLUTIONS S.A.

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

Zinonos Eleatou & Agisilaou 6-8, Marousi 151 23

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

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

(amounts in Euro)

	Notes	01.01-31.12.2012	01.01-31.12.2011
Revenue			
Income from data and international telephony services		266,732,321	264,732,151
Income from commissions		603,441	756,487
Total revenue		**267,335,762**	**265,488,638**
Charges from international telecommunications carriers		(226,443,262)	(219,398,628)
Gross profit		**40,892,500**	**46,090,010**
Other income	7	4,561,811	3,256,777
Employee expenses	8	(11,638,983)	(12,370,742)
Depreciation	13,14	(8,506,218)	(13,774,599)
Other expenses	9	(8,376,495)	(7,727,753)
Operating profit before additional depreciation		**16,932,615**	**15,473,693**
Additional depreciation due to change in useful life	13	-	(17,427,061)
Operating profit / (loss)		**16,932,615**	**(1,953,368)**
Finance income	10	1,316,312	429,134
Finance cost	11	(95,262)	(153,917)
Foreign exchange differences		573,745	260,172
Profit / (Loss) before tax		**18.727,410**	**(1,417,979)**
Income tax	12	(3,882,203)	(782,978)
Profit / (Loss) for the year		**14,845,207**	**(2,200,957)**
Other comprehensive income			
Actuarial gains / (losses) due to change in discount rate	23	(332,995)	1,959,335
Deferred tax on actuarial gains / (losses) due to change in discount rate	16	66,599	(391,867)
Other comprehensive income for the year		**(266,396)**	**1,567,468**
Total comprehensive income for the year		**14,578,811**	**(633,489)**

The notes on pages 8 to 33 are an integral part of the financial statements. The financial statements appearing on pages 4 to 33 were approved by the Board of Directors on the 4th of February 2013 and are signed on behalf of the Board of Directors by the following:

CHAIRMAN OF THE BoD	MANAGING DIRECTOR	FINANCIAL DIRECTOR	HEAD ACCOUNTANT
KATSAOUNIS CHRISTOS	ANDREOU KONSTANTINOS	KIAPOKAS GEORGE	GALIATSATOS ANDREAS
ID No AB 278711	ID No X 069599	ID No AH 453220	ID No AE 049899
			License A' Class No 0015278

The notes on pages 8 to 33 are an integral part of the financial statements.

OTE INTERNATIONAL SOLUTIONS S.A.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2O12

(amounts in Euro)

		31 December	
ASSETS	**Notes**	**2012**	**2011**
Non-current assets			
Property, plant and equipment	13	92,636,461	93,352,723
Intangible assets	14	1,761,437	1,060,624
Available for sale financial assets	15	460	460
Other non-current receivables	17	32,170,474	56,668,564
Other financial assets	19	10,950,000	-
Deferred tax asset	16	7,855,923	9,347,779
Total non-current assets		**145,374,755**	**160,430,150**
Current assets			
Trade and other receivables	18	77,938,816	79,752,785
Other financial assets	19	40,201,587	30,165,716
Cash and cash equivalents	20	13,271,854	18,180,536
Total current assets		**131,412,257**	**128,099,037**
TOTAL ASSETS		**276,787,012**	**288,529,187**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	163,697,462	163,697,462
Other reserves	22	1,482,921	835,979
Retained earnings		8,925,546	(5,006,323)
Total equity		**174,105,929**	**159,527,118**
Long term liabilities			
Employee benefits obligation	23	1,281,304	922,838
Deferred income		2,972,097	-
Other provisions		831,685	884,367
Total long term liabilities		**5,085,086**	**1,807,205**
Short term liabilities			
Trade payables	24	68,311,388	94,065,843
Deferred income		1,323,128	5,202,494
Current tax liability		356,184	2,380,166
Accruals and other short term liabilities	25	27,605,297	25,546,361
Total short term liabilities		**97,595,997**	**127,194,864**
Total liabilities		**102,681,083**	**129,002,069**
TOTAL EQUITY AND LIABILITIES		**276,787,012**	**288,529,187**

The notes on pages 8 to 33 are an integral part of the financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

(amounts in Euro)

	Notes	01.01-31.12.2012	01.01-31.12.2011
Profit / (Loss) before tax		18,727,410	(1,417,979)
Adjustments for:			
Depreciation	13, 14	8,506,218	13,774,599
Additional depreciation due to change in useful life	13	-	17,427,061
Income from government grants	13	-	(488,685)
Impairment of available-for-sale financial assets	15	-	446
Finance income	10	(1,316,312)	(429,134)
Finance costs	11	95,262	153,917
Reversal of provision for impairment of trade receivables	18	(75,002)	-
Provision for impairment of trade receivables	18	1,697,519	432,601
Employee benefits obligation	8	(23,809)	345,825
Decrease of trade and other receivables before provision for impairment		237,652	2,737,840
(Decrease) / Increase in other provisions		(52,683)	627,050
(Decrease) / Increase in trade payables		(25,754,455)	8,096,426
(Decrease) in deferred income		(907,270)	(1,054,126)
Increase in accruals and other short term liabilities		2,732,024	1,994,919
Decrease in other non-current receivables		24,498,090	4,137,328
Income tax paid		(4,347,729)	(1,463,966)
Interest paid		(45,982)	(55,927)
Net cash flows from operating activities		**23,970,933**	**44,818,195**
Cash flows from investing activities			
Purchases of property, plant and equipment	13	(8,482,721)	(6,773,635)
Purchases of intangible assets	14	(115,703)	(72,385)
Proceeds from the sale / disposal of property, plant and equipment		107,656	48,192
Purchases of financial assets		(140,991,106)	(29,998,778)
Proceeds from settlement of financial assets		120,047,010	-
Interest received		1,228,334	262,196
Net cash flows used in investing activities		**(28,206,530)**	**(36,534,410)**
Net increase in cash and cash equivalents		**(4,235,597)**	**8,283,785**
Cash and cash equivalents at 1 January	20	17,048,897	8,765,112
Cash and cash equivalents at 31 December	20	**12,813,300**	**17,048,897**

The notes on pages 8 to 33 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

(amounts in Euro)

	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2011	**163,697,462**	**835,979**	**(4,372,834)**	**160,160,607**
Net profit for the year	-	-	(2,200,957)	(2,200,957)
Other comprehensive income	-	-	1,567,468	1,567,468
Balance at 31 December 2011	**163,697,462**	**835,979**	**(5,006,323)**	**159,527,118**
Net profit for the year	-	-	14,845,207	14,845,207
Other comprehensive income	-	-	(266,396)	(266,396)
Statutory reserve per Codified Law 2190/1920	-	581,141	(581,141)	-
Reserve formed from the one-off payment of income tax	-	62,801	(62,801)	-
Balance at 31 December 2012	**163,697,462**	**1,482,921**	**8,925,546**	**147,105,929**

The notes on pages 8 to 33 are an integral part of the financial statements.

Notes to the Financial Statements

1. General

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

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

2. Basis of presentation

2.1 Statement of compliance

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

The financial statements were approved by the Board of Directors on 4th of February 2013. These financial statements are subject to the approval of the Annual General Meeting of Shareholders.

2.2 Basis for measurement

The financial statements have been prepared using the historical cost convention.

2.3 Going concern

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

2.4 Functional currency and presentation currency

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

2.5 Significant accounting estimates and judgements of Management

The estimates and judgements of Management are continuously reassessed and are based on historical data and expectations of future events which are considered reasonable under the circumstances.

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

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

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

(c) Depreciation rates: The fixed assets of the Company are depreciated based on their estimated useful lives. These estimated useful lives are re-evaluated periodically to determine if they are still appropriate. The actual useful lives of fixed assets may differ due to factors such as technological obsolescence and levels of maintenance.

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

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

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

3. Key accounting principles

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

3.1 Transactions in foreign currency

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

3.2 Property, plant and equipment

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

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

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

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

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

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

3.3 Impairment of non-financial assets

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

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

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

3.4 Intangible assets

Separately acquired intangible assets are shown at historical cost. Intangibles may have finite or indefinite useful lives. The cost of intangibles with a finite useful life is amortised over their estimated useful lives on a straight line basis. The cost of intangibles with an indefinite useful life is not amortised. Residual values are not recognised. The useful lives of intangibles are estimated on an annual basis as follows:

	Estimated Useful Life
Software	3,3 years

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

3.5 Leases

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

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

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

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

3.6 Financial assets

The Company classifies its financial assets in the following categories:

(a) Available for sale financial assets

This category includes non-derivatives that are either designated in this category or not classified in any of the other categories according to IAS 39.

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

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

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available for sale, such an indication would be the significant or prolonged decline in the fair value of the security below its cost. If evidence for impairment exists, the cumulative loss in equity, which is the difference between the acquisition cost and the fair value, will be recognised in profit or loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through profit or loss.

(b) Receivables

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

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

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

3.7 Cash and cash equivalents

The Company considers time deposits and other highly liquid deposits with an initial expiry period of less than three months as cash and cash equivalents. For cash flow statement purposes, cash and cash equivalents comprise cash in hand and deposits at banks, as well as cash time deposits and other highly liquid deposits as described above.

3.8 Trade and other payables

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

3.9 Share capital

Share capital includes the value of issued ordinary shares.

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

3.10 Current and deferred income tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

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

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

3.11 Employee benefits

a) Defined contribution plans

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

b) Defined benefit plans

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

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

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

3.12 Other provisions

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

3.13 Revenue recognition

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

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

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

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

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

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

3.14 Grants

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

3.15 Derecognition of financial assets and liabilities

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

- The contractual rights to the cash flows from the financial asset expire.

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

- The company has transferred the right to receive the cash flows from the particular asset while at the same time has either (1) transferred substantially all related risks and rewards or (2) has not transferred substantially all related risks and rewards, but has transferred the control over the particular asset. Where the Company has transferred the rights to the cash inflows related to the asset but at the same time has not transferred substantially all related risks and rewards or the control over the particular asset, the asset is recognized to the extent of the Company's continuing involvement in the financial asset. The continuing involvement, which has the form of guaranteeing the transferred asset, is valued at the lower of the amount of the financial asset and the maximum amount that the Company could be required to repay. When the continuing involvement takes the form of a written or purchased option (or both) on the transferred assets (including the form of a cash-settled option), the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except for the case of a written put option on an asset that is measured at fair value, where the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

4. Financial risk management

General

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

- Credit risk
- Liquidity risk
- Market risk

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

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

The risk management policy of the Company is applied in order to identify and analyse the risks the Company is exposed to, to set limits of risk 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 characteristics 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 Company's revenue is generated from sales to one customer outside the Deutsche Telecom Group. However, a geographical concentration of credit risk is not observed.

The Company has put in force a credit policy based on which each new customer's creditworthiness is examined on an individual basis before offering the usual terms of payment (30 days). The assessment of customer creditworthiness includes the examination of bank resources and other relevant resources, where these exist. Credit limits are set for each customer in cases of delayed payment or in cases of weak creditworthiness. The Company generates revenues from Deutsche Telecom Group companies that account for approximately 36% of its annual revenues and consequently the exposure to credit risk from these receivables is low. In addition, approximately 56% relates mainly to large international telecommunication providers, who are also suppliers to the Company through telephone traffic exchange and the risk of default of payments by these customers is minimal.

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

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

b) Investments

The Company limits its exposure to credit risk by investing only in bonds issued by companies within the OTE Group. The Company does not hold any listed securities.

c) Exposure to credit risk

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

	31 December	
	2012	**2011**
Available for sale financial assets	460	460
Trade receivables	61,173,455	64,043,236
Cash and cash equivalents	13,271,854	18,180,536

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

		31 December	
	Note	**2012**	**2011**
Related parties	1	24,695,459	26,885,736
Customers that are simultaneously suppliers (net settlement of receivable/payable balance)	2	32,358,947	33,889,175
Other customers		14,998,201	12,524,960
Less: Provision for impairment of receivables		(10,879,152)	(9,256,635)
		61,173,455	**64,043,236**

1) Transactions with related parties account for 40% of total receivables and are not exposed to any credit risk. The Company considers the companies within the Deutsche Telecom Group as related parties.

2) If the respective payable balance is taken into account for these customers, in their simultaneous role as suppliers, the maximum net receivable amount that could result from the net settlement of receivable-payable balance is Euro 2,818,161.

d) Impairment losses

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

	31 December	
	2012	**2011**
Neither past due nor impaired	33,156,937	29,994,830
Past due 0-30 days	7,331,291	3,840,692
Past due 31-60 days	1,978,942	5,135,852
Past due 61+ days	18,706,285	25,071,862
	61,173,455	**64,043,236**

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

	31 December	
	2012	**2011**
Balance at 1 January	(9,256,635)	(8,824,034)
Provision for impairment of receivables	(1,697,519)	(432,601)
Write-off of receivables	-	-
Unused amounts reversed	75,002	-
Balance at 31 December	**(10,879,152)**	**(9,256,635)**

The Company has created an equal provision on doubtful receivables. Based on historical records on delays in payments, the Company does not consider it necessary to make an impairment provision for receivables that are due for over 60 days, since a high percentage of these (Euro 10,327,329) relate to balances due from related parties, while the remaining balances are due from customers who have a healthy credit record to the Company.

Liquidity risk

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

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

Set out below are the balances of financial liabilities:

	31 December	
	2012	**2011**
Payables to related parties	33,359,518	60,465,704
Suppliers that are simultaneously Customers (net settlement of receivable-payable balance)	21,345,434	27,821,993
Other suppliers	13,606,436	5,778,146
	68,311,388	**94,065,843**

Market risk

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

a) Interest rate risk

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

b) Foreign exchange risk

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

c) Price risk

The Company is not exposed to such risk.

Capital management

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

5. New standards and interpretations

New standards, amendments to standards and interpretations:

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

<u>Standards and Interpretations effective for the current financial year</u>

IFRS 7 (Amendment) "Financial Instruments: Disclosures" – transfers of financial assets

This amendment sets out disclosure requirements for transferred financial assets not derecognised in their entirety as well as on transferred financial assets derecognised in their entirety but in which the reporting entity has continuing involvement. It also provides guidance on applying the disclosure requirements. This amendment does not affect the Company's financial statements.

<u>Standards and Interpretations effective from periods beginning on or after 1 January 2013</u>

IFRS 9 "Financial Instruments" <u>(effective for annual periods beginning on or after 1 January 2015)</u>

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

IAS 12 (Amendment) "Income Taxes" <u>(Effective for annual periods beginning on or after 1 January 2013)</u>

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

IFRS 13 "Fair Value Measurement" <u>(Effective for annual periods beginning on or after 1 January 2013)</u>

IFRS 13 provides new guidance on fair value measurement and disclosure requirements. These requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Disclosure requirements are enhanced and apply to all assets and liabilities measured at fair value, not just financial ones.

IFRIC 20 "Stripping costs in the production phase of a surface mine" <u>(Effective for annual periods beginning on or after 1 January 2013)</u>

This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. IFRIC 20 applies only to stripping costs that are incurred in surface mining activity during the production phase of the mine, while it does not address underground mining activity or oil and natural gas activity.

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

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

IAS 19 (Amendment) "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013)

This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits (eliminates the corridor approach) and to the disclosures for all employee benefits. The key changes relate mainly to recognition of actuarial gains and losses, recognition of past service cost / curtailment, measurement of pension expense, disclosure requirements, treatment of expenses and taxes relating to employee benefit plans and distinction between "short-term" and "other long-term" benefits.

IFRS 7 (Amendment) "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 January 2013)

The IASB has published this amendment to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

IAS 32 (Amendment) "Financial Instruments: Presentation" (effective for annual periods beginning on or after 1 January 2014)

This amendment to the application guidance in IAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

Group of standards on consolidation and joint arrangements (effective for annual periods beginning on or after 1 January 2014)

The IASB has published five new standards on consolidation and joint arrangements: IFRS 10, IFRS 11, IFRS 12, IAS 27 (amendment) and IAS 28 (amendment). These standards are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted only if the entire "package" of five standards is adopted at the same time. The Company is in the process of assessing the impact of the new standards on its consolidated financial statements. The main provisions are as follows:

IFRS 10 "Consolidated Financial Statements"

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

IFRS 11 "Joint Arrangements"

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

IFRS 12 "Disclosure of Interests in Other Entities"

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

IAS 27 (Amendment) "Separate Financial Statements"

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

IAS 28 (Amendment) "Investments in Associates and Joint Ventures"

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

IFRS 10, IFRS 11 and IFRS 12 (Amendment) "Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance" (effective for annual periods beginning on or after 1 January 2013)

The amendment to the transition requirements in IFRSs 10, 11 and 12 clarifies the transition guidance in IFRS 10 and limits the requirements to provide comparative information for IFRS 12 disclosures only to the period that immediately precedes the first annual period of IFRS 12 application. Comparative disclosures are not required for interests in unconsolidated structured entities. These amendments have not yet been endorsed by the EU.

IFRS 10, IFRS 12 and IAS 27 (Amendment) "Investment entities" (effective for annual periods beginning on or after 1 January 2014)

The amendment to IFRS 10 defines an investment entity and introduces an exception from consolidation. Many funds and similar entities that qualify as investment entities will be exempt from consolidating most of their subsidiaries, which will be accounted for at fair value through profit or loss, although controlled. The amendments to IFRS 12 introduce disclosures that an investment entity needs to make. These amendments have not yet been endorsed by the EU.

Amendments to standards that form part of the IASB's 2011 annual improvements project

The amendments set out below describe the key changes to IFRSs following the publication in May 2012 of the results of the IASB's annual improvements project. These amendments are effective for annual periods beginning on or after 1 January 2013 and have not yet been endorsed by the EU.

IAS 1 "Presentation of financial statements"

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either (a) as required by IAS 8 "Accounting policies, changes in accounting estimates and errors" or (b) voluntarily.

IAS 16 "Property, plant and equipment"

The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment, i.e. when they are used for more than one period.

IAS 32 "Financial instruments: Presentation"

The amendment clarifies that income tax related to distributions is recognised in the income statement and income tax related to the costs of equity transactions is recognised in equity, in accordance with IAS 12.

IAS 34, 'Interim financial reporting'

The amendment clarifies the disclosure requirements for segment assets and liabilities in interim financial statements, in line with the requirements of IFRS 8 "Operating segments".

6. Fair value estimation

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

7. Other income

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

	31 December	
	2012	**2011**
Income from the provision of services to third parties	2,928,256	2,310,069
Profit from sale of tangible assets	4,187	1,340
Profit from write-off of trade payable balance	1,470,317	-
Income from VAT reimbursement	4,245	390,379
Other	154,806	554,989
Total	**4,561,811**	**3,256,777**

8. Employee benefit expense

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

	31 December	
	2012	**2011**
Salaries and wages	(9,102,174)	(9,399,592)
Defined contribution plans expenses (Note 23)	(2,680,500)	(2,684,932)
Employee training expenses	(170,400)	(1,400)
Defined benefit plans income/(expenses) (Note 23)	23,809	(345,825)
Income from subsidies	290,282	61,007
Total	**(11,638,983)**	**(12,370,742)**

The average number of employees in 2012 was 160, while in 2011 was 162.

9. Other expenses

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

	31 December	
	2012	**2011**
Repairs and maintenance	(153,462)	(276,675)
Operating leases	(2,447,800)	(2,434,599)
Provision for impairment of receivables (Note 18)	(1,697,519)	(432,601)
Third party fees and commissions	(1,940,922)	(2,756,878)
Taxes and duties	(32,167)	(22,914)
Withholding taxes abroad	(138,327)	(98,400)
Telecommunication, postal, transport and communal expenses	(592,336)	(560,158)
Travel expenses	(588,779)	(491,266)
Promotion, marketing and advertising expenses	(497,542)	(416,087)
Stationary and consumables	(35,096)	(46,789)
Other	(252,545)	(191,386)
Total	**(8,376,495)**	**(7,727,753)**

10. Finance income

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

	31 December	
	2012	**2011**
Interest income	65,585	262,196
Interest income from financial assets due from related parties (Note 26)	1,250,727	166,938
Total	**1,316,312**	**429,134**

11. Finance cost

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

	31 December	
	2012	**2011**
Bank charges	(45,553)	(55,729)
Other finance costs	(429)	-
Impairment in investment in Hellas Sat SA	-	(198)
Interest cost on employee benefits obligation (Note 23)	(49,280)	(97,990)
Total	**(95,262)**	**(153,917)**

12. Income tax

According to the Greek tax legislation, the applicable tax rate for Greek SA companies is 20% for the financial years 2012 and 2011.
The provision for income tax presented in the financial statements is analysed as follows:

	31 December	
	2012	**2011**
Current income tax	(2,323,748)	(2,874,957)
Deferred tax (Note 16)	(1,558,455)	2,092,264
Special income tax contribution	-	(285)
Total income tax expense recognised in profit or loss	**(3,882,203)**	**(782,978)**

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

	31 December	
	2012	**2011**
Profit / (Loss) before tax	18,727,409	(1,417,979)
Tax income / (expense) calculated based on current tax rates (2012: 20%, 2011: 20%)	(3,745,482)	283,596
Tax on expenses not deductible for tax purposes	(136,721)	(388,365)
Special income tax contribution	-	(285)
Tax impact due to reduction in tax rates	-	(677,924)
Total income tax recognised in profit or loss	**(3,882,203)**	**(782,978)**

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

The Company has not been tax audited for the financial year 2010. Pursuant to Law 3943/2011 and the relevant Ministerial Decision, the financial years 2011 and 2012 have been tax audited by the statutory auditor of the Company.

13. Property, plant and equipment

	Buildings	Machinery and technical installations	Furniture and fixtures	Assets under construction	Total
Cost:					
Balance at 1 January 2011	795,285	268,269,511	2,265,822	9,765,588	281,096,206
Additions	-	502,162	103,974	6,167,500	6,773,635
Transfer from assets under construction	-	3,391,821	-	(3,972,750)	(580,930)
Sales / Write-offs	-	(51,738)	(34,762)	(38,132)	(124,631)
Balance at 31 December 2011	**795,285**	**272,111,756**	**2,335,035**	**11,922,205**	**287,164,282**
Additions	-	5,023,939	93,857	3,364,925	8,482,721
Sales / Write-offs	-	(111,162)	(14,284)	(23,720)	(149,166)
Transfer from assets under construction (Note 14)	-	6,353,372	69,126	(7,812,291)	(1,389,792)
Balance at 31 December 2012	**795,285**	**283,377,905**	**2,483,734**	**7,451,119**	**294,108,045**
Accumulated depreciation:					
Balance at 1 January 2011	**204,957**	**162,373,414**	**1,900,063**	-	**164,478,434**
Depreciation	66,247	12,196,829	208,113	-	12,471,188
Depreciation due to change in useful life	-	17,427,061	-	-	17,427,061
Sales / Write-offs	-	(42,364)	(34,074)	-	(76,438)
Income from government grants	-	(488,685)	-		(488,685)
Balance at 31 December 2011	**271,204**	**191,466,255**	**2,074,101**	**-**	**193,811,559**
Depreciation	66,247	7,448,028	187,259	-	7,701,535
Sales	-	(27,542)	(13,968)	-	(41,510)
Balance at 31 December 2012	**337,451**	**198,886,740**	**2,247,393**	**-**	**201,471,584**
Net book value:					
Balance at 31 December 2012	**457,834**	**84,491,165**	**236,343**	**7,451,119**	**92,636,461**
Balance at 31 December 2011	524,081	80,645,503	260,934	11,922,205	93,352,723

There are no liens attached to the fixed assets.

14. Intangible assets

	Software
Cost:	
Balance at 1 January 2011	6,861,964
Additions	72,385
Transfer from assets under construction	580,930
Balance at 31 December 2011	**7,515,279**
Additions	115,703
Transfer from assets under construction	1,389,793
Balance at 31 December 2012	**9,020,775**
Accumulated depreciation:	
Balance at 1 January 2011	5,151,244
Depreciation	1,303,411
Balance at 31 December 2011	**6,454,655**
Depreciation	804,683
Balance at 31 December 2012	**7,259,338**
Net Book Value:	
Balance at 31 December 2012	**1,761,437**
Balance at 31 December 2011	1,060,624

15. Available for sale financial assets

	31 December	
	2012	2011
Balance 1 January	**460**	**906**
Share capital reduction	-	(446)
Balance 31 December	**460**	**460**

16. Deferred tax assets / (liabilities)

	Employee benefits obligation	Customers	Property, plant and equipment	Expenses provision	Other	Total
Balance at 1 January 2011	**487,672**	**1,764,807**	**4,797,657**	**545,746**	**(167,838)**	**7,428,044**
Recognised in profit or loss	88,763	86,520	2,314,087	(119,410)	(277,696)	**2,092,264**
Charge / (Credit) to equity	(391,867)	-	-	-	-	**(391,867)**
Other movements	-	-	-	-	219,338	**219,338**
Balance at 31 December 2011	**184,568**	**1,851,327**	**7,111,744**	**426,336**	**(226,196)**	**9,347,779**
Recognised in profit or loss	5,094	327,561	(1,772,113)	198,721	(317,717)	**(1,558,455)**
Charge / (Credit) to equity	66,599	-	-	-	-	**66,599**
Other movements	-	-	-	-	-	**-**
Balance at 31 December 2012	**256,261**	**2,178,888**	**5,339,631**	**625,057**	**(543,913)**	**7,855,923**

17. Other non-current assets

	31 December	
	2012	**2011**
Guarantees to suppliers	219,623	219,851
Guarantees for car leases	8,511	40,466
Guarantees to third parties	10,000	10,000
Prepaid expenses	24,182	26,463
Long term leasing expense (8-year)	4,296,494	4,650,046
Long term leasing expense (15-year)	27,611,664	51,016,356
Other long term customer receivables	-	705,382
	32,170,474	**56,668,564**

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

18. Trade and other receivables

	31 December	
	2012	**2011**
Customers	72,052,607	73,299,871
Less: Impairment provision	(10,879,152)	(9,256,635)
Trade receivables (net)	**61,173,455**	**64,043,236**
Income receivable	11,097,148	9,935,276
Other receivables	5,668,213	5,774,273
Total	**77,938,816**	**79,752,785**

The movement in the provision for impairment of receivables is as follows:	**2012**	**2011**
Balance at 1 January	**(9,256,635)**	**(8,824,034)**
Provision for impairment of receivables (Note 9)	(1,697,519)	(432,601)
Unused amounts reversed	75,002	-
Balance at 31 December	**(10,879,152)**	**(9,256,635)**

19. Other financial assets

	31 December	
Non listed securities	**2012**	**2011**
Debenture OTE Plc – short term maturity	40,201,587	30,165,716
Other loan notes OTE Plc – long term maturity	10,950,000	-
	51,151,587	**30,165,716**

The amount comprises non listed debentures issued by the company OTE Plc (related party), which were purchased directly from OTE Plc (the issuer) and are measured at amortised cost using the effective interest method.
The short term securities mature in October 2013 and are considered to bear no risk.

20. Cash and cash equivalents

	31 December	
	2012	**2011**
Cash on hand and at banks	12,813,300	17,048,897
Current account-management of international telephony traffic for OTE	458,554	1,131,639
Total	**13,271,854**	**18,180,536**

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:

	2012	**2011**
Cash on hand and at banks	1.00%	1.00%

21. Share capital

	Number of shares	Ordinary shares
Balance at 1 January 2012	**55,869,441**	**163,697,462**
Balance at 31 December 2012	**55,869,441**	**163,697,462**
Balance at 1 January 2011	**55,869,441**	**163,697,462**
Balance at 31 December 2011	**55,869,441**	**163,697,462**

22. Other reserves

	Statutory reserve	Special reserves	Tax-free reserves	Other reserves	Total
Balance at 31 December 2011	**666,801**	**1,411**	**167,767**	**-**	**835,979**
Statutory reserve per Codified Law 2190/1920	584,141	-	-	-	584,141
Reserve formed from the one-off payment of income tax	-	-	-	62,801	62,801
Balance at 31 December 2012	**1,250,942**	**1,411**	**167,767**	**62,801**	**1,482,921**

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

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

Tax-free reserves: Based on special provisions of the Greek tax legislation certain earnings and profits items are not taxed provided that they are not distributed and they are maintained in a particular reserve account. In the event that these reserves are distributed or capitalized they will be taxed at the tax rate on that date. Based on the tax rates applicable on 31 December 2012 the amount of tax that would arise would be Euros 33,553 (31 December 2011: 33,553).

23. Employee benefits obligation

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 2012 and 2011 amounted to Euro 2,680,500 and Euro 2,684,932 respectively (Note 8).

b) **Personnel retirement compensation**: According to the Greek labour law, employees are entitled to compensation in case of redundancy or retirement, the amount of which is calculated on the basis of the employee's salary, the years of service and the way in which the employment was terminated (redundancy or retirement). Employees that resign or are dismissed for a cause are not entitled to receive compensation. The compensation payable in case of retirement is equal to 40% of the sum that would be payable for redundancy without a cause. In Greece according to the local practice, these plans are not funded. The Company recognizes in profit or loss the current service cost for the period with an equal increase in the retirement benefit obligation. The benefits paid for retirement during the period are debited against this obligation.

	31 December	
	2012	**2011**
Obligation at the beginning of the year	**922,838**	**2,438,358**
Actuarial losses / (gains)	332,995	(1,959,335)
Expense recognized in profit or loss (Note 8, 11)	25,471	443,815
Obligation at the end of the year	**1,281,304**	**922,838**

An international firm of independent actuaries has carried out the actuarial analysis in respect of the Company's retirement benefit obligations. The details and the basic assumptions used in the actuarial study at 31 December 2012 and 2011 for the Company are as follows:

	31 December	
	2012	**2011**
Present value of unfunded obligation	1,281,304	922,838
Net liability in the statement of financial position	**1,281,304**	**922,838**
Components of net cost of employee benefits for the period:		
Current service cost	118,963	345,825
Interest cost	49,280	97,990
Recognition of past service cost	(142,772)	-
Total recognized in the statement of comprehensive income	**25,471**	**443,815**

	31 December	
	2012	**2011**
Reconciliation of employee benefits obligation:		
Net liability at the beginning of the year	**922,838**	**2,438,358**
Current service cost	118,963	345,825
Interest cost (Note 11)	49,280	97,990
Benefits paid		-
Cost of additional benefits		-
Recognition of past service cost	(142,772)	-
Actuarial (gains) / losses	332,995	(1,959,335)
Net liability at the end of the year	**1,281,304**	**922,838**
Discount rate	3.84%	5.34%
Future salary increases	3.00%	3.00%
Average future employment (in years)	21.6	22.6

24. Trade payables

	31 December	
	2012	**2011**
Suppliers	34,951,870	33,600,139
Amounts due to related parties	33,359,518	60,465,704
Total	**68,311,388**	**94,065,843**

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

25. Accruals and other short term liabilities

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

	31 December	
	2012	**2011**
Accrued expenses for telecommunication services	13,226,665	11,793,839
Other accrued expenses	4,107,244	8,626,073
Insurance and pension contributions payable	496,765	511,995
Customers advances	2,427,862	2,335,068
Other taxes and duties	7,001,196	2,185,185
Other	345,565	94,201
Total	**27,605,297**	**25,546,361**

26. Related party transactions

i) Sales and purchases of goods and services

	31 December	
	2012	**2011**
Sales of services:		
To the Parent of OTE Group	74,214,633	76,806,047
To other related parties	23,865,895	28,755,967
	98,080,528	**105,562,014**
Purchases of services:		
From the Parent of OTE Group	25,036,709	31,363,568
From other related parties	45,106,439	55,401,908
	70,143,148	**86,765,476**
Purchases of fixed assets:		
From the Parent of OTE Group	4,966,468	4,101
	4,966,468	**4,101**

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

ii) Key Management Personnel compensations

	2012	**2011**
Salaries and other short term employee benefits	1,605,114	1,782,097
Other long term benefits	288,303	305,106
	1,893,417	**2,087,203**

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

Short term receivables from related parties:

	31 December	
	2012	**2011**
Customers		
From the Parent of OTE Group	21,833,653	22,233,450
From other related parties	2,861,806	4,652,286
	24,695,459	**26,885,736**
Other receivables		
From the Parent of OTE Group	4,540,465	6,974,832
From other related parties	1,380,348	1,629,488
	5,920,813	**8,604,319**
Long term receivables from related parties		
From the Parent of OTE Group	28,311,843	51,708,150
From other related parties	3,269,281	3,598,314
	31,581,124	**55,306,464**
Receivables from financial assets		
From other related party	51,151,587	30,165,716
	51,151,587	**30,165,716**
Total receivables from related parties	**113,348,983**	**120,962,235**

Payables to related parties:

Short term payables to related parties:

	31 December	
	2012	**2011**
Amounts due to related parties		
To the Parent of OTE Group	27,984,985	55,045,878
To other related parties	5,374,533	5,419,826
	33,359,518	**60,465,704**
Other payables		
To the Parent of OTE Group	932,602	2,650,460
To other related parties	3,543,307	5,022,257
	4,475,909	**7,672,717**
Total payables to related parties	**37,835,427**	**68,138,421**

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

	31 December	
	2012	**2011**
Finance income		
From other related parties (Note 10)	1,250,727	166,938
	1,250,727	**166,938**

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

27. Contingent liabilities / assets

- *Legal issues*

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

- *Tax issues*

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

- *Letters of guarantee*

The Company obtains letters of guarantee from third parties for good performance and provides letters of guarantee to its customers for good performance for the services it renders. At 31 December 2012 the amount of guarantees from third parties amount to Euros 90,000 (31 December 2011: Euros 40,000) whereas guarantees provided by the Company amount to Euros 787,031.20 (31 December 2011: Euros 787,031.20).

28. Operating leases

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

Building rentals	**31 December**	
	2012	**2011**
Up to 1 year	713,271	692,496
From 1 to 5 years	3,060,862	2,972,958
More than 5 years	1,767,700	2,585,867
Total	**5,541,833**	**6,251,321**

Car rentals	**31 December**	
	2012	**2011**
Up to 1 year	228,334	194,948
From 1 to 5 years	266,872	217,332
Total	**495,206**	**412,280**

29. Events after the reporting period

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

[Translation from the original text in Greek]

Independent Auditor's Report

To the Shareholders of OTE INTERNATIONAL SOLUTIONS S.A.

Report on the Financial Statements

We have audited the accompanying financial statements of OTE INTERNATIONAL SOLUTIONS S.A., which comprise the statement of financial position as of 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of OTE INTERNATIONAL SOLUTIONS S.A. as of 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

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

Athens, 4 February 2013

PricewaterhouseCoopers SA
Certified Public Accountants
268 Kifissias Avenue, 152 32 Athens
SOEL Reg. No 113

Marios Psaltis
SOEL Reg. No. 38081