OTE INTERNATIONAL SOLUTIONS S.A.

Financial Statements for the year ended on December 31, 2016, in accordance with the 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 February 8th, 2017 and are available online at www.oteglobe.gr

OTE INTERNATIONAL SOLUTIONS S.A.

General Electronic Commercial Registry (GEMI) Reg. No. 003886301000

Société Anonyme Registration No 46809/01AT/B/00/365

6-8 Zinonos Eleatou & Agisilaou Str, Maroussi 151 23

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OTE INTERNATIONAL SOLUTIONS S.A.
(Amounts in € Euro, unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	01.01-31.12.2016	01.01-31.12.2015
Turnover			
Income from international telephony and data services		340.787.455	315.557.979
Income from commissions		61.667	102.012
Total turnover		**340.849.122**	**315.659.991**
Charges from international telecommunication providers		(310.941.229)	(285.071.097)
Gross profit		**29.907.893**	**30.588.894**
Other income	6	2.876.440	3.829.586
Personnel expenses	7	(11.677.068)	(12.249.581)
Depreciations	12, 13	(9.727.367)	(9.711.642)
Other expenses	8	(4.986.976)	(4.996.989)
Operating profit / (loss)		**6.392.922**	**7.460.268**
Financial income	9	1.473.978	600.367
Financial expenses	10	(87.156)	(69.100)
Foreign exchange differences		505.739	(149.520)
Profits before income tax		**8.285.483**	**7.842.016**
Income Tax	11	(2.581.575)	(1.905.207)
Net profit for the financial year		**5.703.907**	**5.936.809**
Other comprehensive income / (losses)			
Actuarial (losses) / gains after tax	14, 21	(125.981)	176.104
Other comprehensive income / (losses) for the year		**(125.981)**	**176.104**
Total comprehensive income / (losses) for the year		**5.577.926**	**6.112.913**

The financial statements presented in pages 4 to 36 were approved by the Board of Directors on February 8, 2017 and are signed on behalf of the Board of Directors by the following persons:

BoD Chairman	CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	HEAD OF ACCOUNTING DEPARTMENT
KONSTANTINIDIS IOANNIS	ANDREOU KONSTANTINOS	KIAPOKAS GEORGIOS	GALIATSATOS ANDREAS
ID No. AM 046614	ID No. X 069599	ID No. AH 453220	ID No. AE 049899
			LICENSE No. CLASS A' 0015278

The notes in pages 7 to 36 constitute an integral part of the financial statements.

OTE INTERNATIONAL SOLUTIONS S.A.
(Amounts in € Euro, unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

		31 December	
ASSETS	**Notes**	**2016**	**2015**
Non-current assets			
Property, plant and equipment	12	86.896.293	87.427.841
Intangible assets	13	939.476	1.405.264
Other non-current assets	15	36.765.061	26.553.852
Loans and receivables	16	6.118.152	66.098.464
Total non current assets		**130.718.981**	**181.485.422**
Current assets			
Trade and other receivables	17	105.400.482	81.250.765
Income tax receivable		-	1.813.738
Loans and receivables	16	-	14.429.655
Cash and cash equivalents	18	89.333.676	16.551.712
Total current assets		**194.734.158**	**114.045.869**
TOTAL ASSETS		**325.453.139**	**295.531.291**
EQUITY AND LIABILITIES			
Equity attributed to shareholders			
Share capital	19	163.879.541	163.879.541
Other reserves	20	2.914.519	2.629.324
Retained earnings		39.471.097	34.178.367
Total Equity		**206.265.158**	**200.687.232**
Long term liabilities			
Provisions for personnel benefit obligations	21	1.519.781	1.225.286
Deferred income		4.244.266	3.207.470
Deferred tax liabilities	14	2.083.869	456.972
Total long term liabilities		**7.847.916**	**4.889.728**
Short term liabilities			
Trade payables	22	69.962.012	49.626.288
Deferred income		859.179	911.757
Income tax payable		959.371	-
Accruals and other current liabilities	23	39.559.502	39.416.287
Total short term liabilities		**111.340.065**	**89.954.331**
Total Liabilities		**119.187.981**	**94.844.058**
TOTAL EQUITY AND LIABILITIES		**325.453.139**	**295.531.291**

The notes in pages 7 to 36 constitute an integral part of the financial statements.

STATEMENT OF CASH FLOWS

	Notes	01.01-31.12.2016	01.01-31.12.2015
Profit /(Loss) before income tax		8.285.483	7.842.016
Adjustments for:			
Depreciations	12, 13	9.727.367	9.711.642
Foreign exchange differences		(505.739)	149.520
Income from unused provision amounts reversed		-	(180.941)
Financial income	9	(1.473.978)	(600.367)
Financial expenses	10	87.156	69.100
Provision for doubtful claims	8, 17	199.001	169.940
Provision for personnel compensation and paid benefits	7, 21	90.591	84.974
(Increase) in trade and other receivables before provision for impairment		(14.599.513)	(2.518.740)
(Decrease) in other provisions		-	(22.083)
Increase/(decrease) in suppliers		20.827.759	2.783.626
Increase / (Decrease) in deferred income		984.218	(505.122)
Increase in accruals and other short term liabilities		1.908.119	1.751.355
Increase / (Decrease) in other non-current assets		(10.211.209)	(4.428.608)
Income tax paid		(877)	(1.991)
Interest paid		(51.325)	(34.584)
Net cash flows from operating activities		**15.267.054**	**14.269.734**
Cash flows from investing activities			
Purchase of tangible and intangible fixed assets		(18.479.237)	(5.957.237)
Sales/disposals of tangible assets	12	-	3.622.628
Acquisition of loans and receivables	16	-	(80.471.702)
Maturity of loans and receivables	16	14.412.329	-
Repurchase of loans and receivables	16	60.059.373	-
Maturity of financial assets held to maturity		-	49.999.274
Interest received		1.416.582	579.977
Net cash flows from investing activities		**57.409.047**	**(32.227.060)**
Net decrease/ increase in cash and cash equivalents		**72.676.101**	**(17.957.326)**
Cash and cash equivalents on January 1	18	16.547.986	34.505.311
Cash and cash equivalents on December 31	18	**89.224.087**	**16.547.986**

The notes in pages 7 to 36 constitute an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	Retained earnings	Total Equity
Balance as of 01 January 2015	**163.879.541**	**2.332.483**	**28.362.295**	**194.574.319**
Net profit for the financial year	-	-	5.936.809	5.936.809
Other comprehensive income / (losses)			176.104	176.104
Statutory reserved formed based on Codified Law 2190/20		296.841	(296.841)	-
Balance as of 31 December 2015	**163.879.541**	**2.629.324**	**34.178.367**	**200.687.232**
Net profit for the financial year	-	-	5.703.907	5.703.907
Other comprehensive income / (losses)	-		(125.981)	(125.981)
Statutory reserved formed based on Codified Law 2190/20	-	285.195	(285.195)	-
Balance as of 31 December 2016	**163.879.541**	**2.914.519**	**39.471.097**	**206.265.158**

The notes in pages 7 to 36 constitute an integral part of the financial statements.

Notes on the Financial Statements

1. General

OTE INTERNATIONAL SOLUTIONS S.A. (the "Company") is engaged in the provision of wholesale international voice and data services as well as the provision of integrated solutions and value added services. The Company is a wholly owned subsidiary of OTE S.A. (Hellenic Telecommunications Organization S.A) that consolidates the Company's financial statements under the company name "OTE INTERNATIONAL SOLUTIONS S.A." and the trade name "OTEGLOBE".

The Company operates in Greece and in various foreign countries. The address of its registered offices is 6-8 Zinonos Eleatou & Agisilaou Str., Municipality of Amaroussion, Attica Prefecture, Greece. The Company's website is www.oteglobe.gr.

2. Basis of financial statements 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 have been approved by the Board of Directors on February 8th, 2017. These financial statements are subject to final approval by the Annual General Shareholders Meeting.

2.2 Basis for measurement

The financial statements have been compiled based on the historic cost principle.

2.3 Going concern

These financial statements have been prepared on the basis of the going concern principle and do not contain any adjustments reflecting the potential future effect on its assets and liabilities with regard to their recoverability and reclassification in case the Company is not able to continue as a going concern in the foreseeable future.

2.4 Operating currency and presentation currency

The financial statements are presented in Euro, the Company's operating currency.

2.5 Significant accounting estimates and judgments by the management

Management estimates and judgments are continuously reviewed and based on historic data and expectations for future events deemed reasonable under the current circumstances.

The Company proceeds to estimates and assumptions as regards future events. Estimates and assumptions entailing a significant risk to bring about substantial adjustments in assets and liabilities book values in the next twelve months are reported below:

(a) Provisions for doubtful receivables*:* The Company's Management regularly reassesses the provision's adequacy concerning doubtful debts in correlation with its credit policy.

(b) Provision for income tax: The income tax provision based on IAS 12 is calculated by estimating the taxes to be paid to tax authorities and includes the current income tax for every financial year and provision for additional taxes and recognition of future tax benefits. The final income tax assessment may differ from the amounts that have been recognized in the financial statements.

(c) Depreciation rates: The Company's fixed assets of the Company are depreciated based on their residual useful life. These residual useful lives are periodically reassessed to determine whether they continue to be appropriate. The actual useful lives of fixed assets may differ due to factors such as technological innovation and maintenance programs.

(d) Impairment of property, plant and equipment: Property, plant and equipment are reviewed for impairment purposes when events or changes in the conditions illustrate that their book value may not be recoverable. For the purposes of determining value in use, the Management estimates the future cash flows from the asset or the cash flow generating unit and selects the appropriate discount rate to calculate the present value of future cash flows.

(e) Deferred tax assets: Deferred tax assets are recognized for all deductible temporary differences and the tax losses carried forward, to the extent that it is probable that future taxable income will be available to be used against the deductible temporary differences and the unused tax losses carried forward. The Company considers the existence of future taxable income and follows a continuing conservative tax planning strategy when estimating the recovery of deferred tax assets. The accounting estimates relating to the deferred tax assets require the Management to make assumptions about the timing of future events, such as the probability of future taxable income and the available tax planning options.

3. Key accounting principles

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

3.1 Transactions in foreign currency

Transactions in foreign currency are converted into the operating currency using the exchange rates applying on the transactions date. Profit and loss from foreign exchange translation differences arising from such transactions settlement during the financial year and from the conversion of monetary items denominated in foreign currency into applicable exchange rates on the balance sheet date are recognized in the profit or loss. Foreign currency translation differences from non-monetary items measured at their fair value are reported as part of the fair value and are therefore recognized where fair value differences are recognized.

3.2 Property, plant and equipment

Property, plant and equipment are measured at the historic acquisition cost less accumulated depreciations and any value impairment. The acquisition cost includes all expenses directly attributable to assets acquisition.

Subsequent costs are added to assets book value or are recorded as a separate asset only if a future economic benefits inflow to the Company is possible and the cost thereof can be measured reliably. Repair and maintenance cost is charged to the profit and loss during the financial period it is incurred.

Depreciation of property, plant and equipment is calculated with the straight line method using depreciation rates that approach the estimated useful lives of the assets. The depreciation rates used are as follows:

	Estimated useful life in years
Improvements on third party property	12
Machinery and technical installations	5 -18
Furniture and other equipment	3,3 -5

When tangible assets' book values exceed their recoverable value, the difference (impairment) is directly recognized as expense in profit and loss. Assets' residual value 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 property, plant and equipment sale/disposal, the difference between the proceeds and their book value is recognized in profit and loss.

3.3 Impairment of non-financial assets

Assets with undetermined useful life are not subject to depreciation (amortization) and are subject to impairment test annually or sooner, when certain events indicate that book value may not be recoverable. On the reporting date, the Company did not have any assets with undetermined useful life.

Depreciated assets are subject to impairment test of their value in case there are indications that their book value shall not be recovered. The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recorded as expenses in the profit or loss when they arise.

3.4 Intangible assets

Separately acquired intangible assets are recognized at acquisition cost. Intangible assets may have finite or indefinite useful lives. The cost of intangible assets with a finite useful life is amortized over their estimated useful lives with the straight line method. The cost of intangible assets with an indefinite useful life is not amortized. Residual values are not recognized. Intangible assets useful life is assessed annually as follows:

	Estimated useful life in years
Software	3,3 years

Any subsequent expenses on capitalized intangible assets are capitalized only when the future economic benefits, embodied in the respective asset, are increased. Any other costs are recognized as an expense when 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 a liability. In this case, the payment of rentals is separated between financial expenses (interest) and decrease of undertaken liability, if such have not been already paid. Financial expenses are recognized directly in profit or loss of the year.

Financial leases are recognized at the lowest amount between their fair value and the present value of the minimum lease payments on the lease's commencement date, less accumulated depreciations or impairment losses.

All other leases are considered to be operating leases, not being therefore posted on the Company's statement of financial position.

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

3.6 Financial assets

The financial assets are initially recognized at their fair value that usually consists in the acquisition cost less direct transaction costs, in cases of investments not measured at fair value through profit or loss. Financial assets include loans and receivables. The Company classifies financial assets at their initial recognition.
Loans and receivables are posteriorly measured at amortized cost using the effective rate method.

Offsetting financial assets and liabilities
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when the Company has a legally enforceable right to do so and there is an intention to offset on a net basis or recover the asset and settle the liability at the same time. The legally enforceable right should not depend on future events and should be exercised during the usual course of operations in case of default, insolvency or bankruptcy of the company or a counter party.

Financial assets impairment
On each financial statements preparation date, the Company assesses whether a financial asset or a group of assets has been subject to book value impairment.

Should objective impairment indications exist of loans and receivables which are measured at unamortized cost, the impairment loss amount is calculated as the difference between the unamortized value of the asset and the present value of estimated future cash flows (not including unrealized credit losses). The cash flows are discounted by the financial asset's initial effective rate (the interest rate that had been calculated at initial recognition). The impairment amount is recognized in the P & L statement.

Derecognition of financial assets
Financial assets (or a part of a financial asset or a part of a group of financial assets) are derecognized when:

- the contractual rights to the cash inflows from the financial asset have expired,
- the Company reserves the right to the cash inflow from the specific financial asset, but at the same time has undertaken the obligation to pay the cash flows in full and without material delay to one or more recipients under a transfer arrangement, or
- 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 said financial asset. The continuing involvement, which has the form of guaranteeing the transferred asset, is valued at the lowest value between the initial balance of the financial asset and the maximum amount the Company could be required to repay. When the continuing involvement takes the form of call or/and put options on the asset (including the cash-settled options), the extent of the Company's continuing involvement is the value of the transferred asset the Company may repurchase, except for the case of a put option (including the cash-settled options) on an asset that is measured at fair values, where the extent of the Company's continuing involvement is limited to the lowest value between the fair value of the transferred asset and the exercise price of the option.

3.7 Cash and cash equivalents

The Group considers term deposits and other high liquidity investments with less than 3-month initial maturity as cash and cash equivalents. For the purpose of preparing the cash flow statement, cash and cash equivalents comprise cash in hand and at banks, as well as cash and cash equivalents, 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. Trade and other short-term payables are not interest bearing liabilities and are normally settled within 30-70 days.

3.9 Accounts receivable and bad debt provision

Accounts receivable are initially recognized at their fair value being at the same time the transaction value. They are posteriorly measured at their unamortized cost reduced by the amounts that are unlikely to be collected.

On every compilation date of financial statements, the collectability of accounts receivable is estimated separately per customer and a provision is formed for losses that may possibly occur and could be quantified. The formed provision is adjusted accordingly by charging the profit or loss of each financial year. Any write-offs from accounts receivable are realized through the provision being formed.

3.10 Share capital

Share capital represents the value of issued shares.

Costs directly attributable to the issue of shares (net of the respective income tax) are recognized in equity and are presented as a deduction from the proceeds.

3.11 Income tax (Current and Deferred)

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

The current income tax is calculated on the basis of the financial year's taxable income using the applicable tax rates.

Deferred income tax is calculated with the liability method on all temporary differences on the statement of financial position date between assets and liabilities book value and tax base, for financial reporting purposes.

The deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and the tax assets and tax losses carried forward, to the extent that it is probable that future taxable income will be available to be used against the deductible temporary differences and the unused tax credits and tax losses carried forward.

The deferred tax assets are reviewed on each financial position statement date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the utilization, in part or in whole, of the deferred tax assets.

Deferred tax assets and liabilities are calculated based on the tax rates that are expected to apply in the period when the asset will be realized or the liability will be settled, based on tax rates (and tax laws) that are in force or have been substantively enacted on the financial position statement date.

Deferred tax assets and liabilities are offset, if there is a legally enforceable right to offset current tax assets and liabilities and when the deferred taxes relate to the same taxation entity and authorities.

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

3.12. Employee benefits

a) Defined contribution plans

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

b) Defined benefit plans

The liabilities resulting from defined benefit plans to the personnel are calculated by discounting the expected future benefits value having become accrued on the financial position statement date. These liabilities are calculated on the basis of economical and actuarial assumptions using the actuarial valuation method of estimated liability units (Projected Unit Method).

The net cost for the period is recognized in profit or loss and consists of the present value of the benefits accrued in the reporting period, the interest cost on the future liability and the past service cost. Actuarial profits and losses are recognized in other comprehensive income. Unvested past service cost is recognized on a straight line basis over the average remaining period of service of employees who are expected to be granted these benefits.

Moreover, the financial cost resulting from the defined benefit plans will be posted in financial results rather than in “Defined benefit plan expenses”, since its classification under financial results reflects more accurately the nature of this cost.

3.13 Revenue recognition

Revenues include the fair value of revenue from services provision, net of Value Added Tax and discounts.

(a) *Provision of services*: Revenue from provision of services is recognized in the period when the services are rendered.

(b) *Income from connection charges or subscription fees:* Income from connection charges or subscription fees is recognized in the month when the telecommunication services are provided.

(c) *Income from sale of capacity:* Income from the sale of capacity of overground or underground cables (irrevocable right of use - "IRU") is recognized using the straight line method over the duration of the contract.

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

4. Financial risk management

4.1 Macroeconomic conditions in Greece

The macroeconomic and financial environment in Greece shows signs of stability; however, it still remains volatile. The capital controls that were imposed on the country on June 28, 2015 continue to exist despite some kind of easing since then. Capital controls had a short term impact on the Company's domestic activities; however, this has been normalized. Assuming that capital controls will continue only for a short period of time and that the agreed terms and conditions of the third bail-out plan shall be applied, no significant negative impact is anticipated on the Company's activities in Greece. Moreover, taking into consideration that total revenue comes from foreign clients (80%), the risk exposure is relatively small.

The volatile and uncertain macroeconomic and financial environment is not anticipated to negatively affect the operation, activity and financial position of the Company because a big part of its activities and transactions involve foreign counter parties. However, the Management is constantly estimating the situation and its possible impact in order to ensure that all necessary actions and initiatives are promptly taken to minimize any impact on the Company's domestic activities.

The Management is not in position to accurately predict the probable developments in the Greek economy, however they have assessed and concluded that there is no need for additional provisions for impairment of the Company's both financial and non-financial assets on December 31, 2016.

4.2 Financial risks

The Company is exposed to the following risks from the use of its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note provides information on the Company's exposure 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.

The Management is responsible for creating and supervising the Company's risk management framework.

The Company's risk management policy is applied to identify and analyze the risks the Company is exposed to, to set risk tolerance limits and to monitor these risks. The risk management policies and the related systems are regularly reviewed in order to incorporate any changes in market conditions and Company activities. The Company carries out training seminars, applies standards and monitors the compliance with policies set by the Company's Management in order to develop an effective overall control environment based on certain principles, in which all employees are aware of their roles and obligations.

4.2.1 Credit risk

Credit risk refers to the risk of Company loss if a customer or a third party, as a result of any financial transaction, fails to meet their contractual obligations; credit risk refers mostly to trade receivables and cash and cash equivalents.

The book value of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk on the financial position statement date was the following:

	31 December	
	2016	**2015**
Loans and receivables	6.118.152	80.528.119
Trade receivables	75.470.554	56.756.493
Cash and cash equivalents	89.333.676	16.551.712

(a) Loans and receivables

The Company limits its exposure to credit risks by investing only in OTE Group companies financial assets. The Company does not hold shares listed on financial markets.

b) Trade Receivables

The Company's exposure to credit risk is mainly affected by the characteristics of each customer. The demographic data of the Company's customer base, including the risk of default in payments that is a feature of this market and the country where customers operate, have a lower impact on credit risk.

The Company has established a credit policy whereby the creditworthiness of each customer is examined on individual basis prior to suggesting the usual terms of payment and invoicing (30 days). The assessment of creditworthiness carried out by the Company includes the examination of credit rating from banks and other credit rating sources, if available. Credit limits are set for each customer individually in cases of delayed payments or low creditworthiness.

In monitoring the credit risk arising from the customer base, customers are not grouped only by their credit characteristics, but also by the kind of services provided, i.e. voice or data services, and whether they are also suppliers. Customers include only wholesale customers of the Company.

Receivables from related companies stand at 37% (2015: 39%) of total receivables not involving exposure to credit risk. The Company considers the Deutsche Telekom Group companies as affiliated parties.

A percentage of 59% (2015: 58%) of trade receivables regards mainly large international telecommunications providers who are also Company vendors through telephone traffic and data exchange, and the risk of default of payments by these customers is minimal.

The Company recognizes impairment losses based on its estimates for losses concerning trade and other receivables and investments in securities. This impairment consists mainly of impairment losses deriving from specific high risk trade receivables.

c) Cash and cash equivalents

Cash and cash equivalents are not considered to involve high credit risk, because the Company holds accounts in financial institutions of high credit rating.

4.2.2 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's approach in liquidity management is to ensure as much as possible that sufficient liquidity will always be available to fulfill its obligations when they become due, under both usual and adverse conditions, without being subject to unacceptable losses or jeopardizing its reputation.

Given the fact that the Company's funding needs involve its operating activities and that the Company has not received loans from third parties, sufficient cash is available to cover its operating needs for a period of 60 days. Such policy does not take into consideration the relevant impact from extreme unforeseen conditions, such as natural disasters.

The balances of financial liabilities are outlined below:

	31 December	
	2016	**2015**
Amounts due to related parties	17.125.148	11.641.469
Suppliers	52.836.864	37.984.819
Other short term liabilities	4.256.552	6.871.284
	74.218.564	**56.497.572**

Other short-term liabilities include liabilities to social security organizations, other taxes and duties and other liabilities (Note 23).

4.2.3 Market risk

Market risk consists in the risk of cash flows that are related to financial instruments due to a change in currency exchange rates, interest rates and share prices. The purpose of managing market risk is to mitigate the Company's exposure to such risks in the context of acceptable parameters, optimizing yields at the same time.

a) Interest rate risk

The only interest-bearing financial instruments are bank sight deposits and investments in financial assets of OTE Group companies and for which any fluctuation presents minimal impact on the Company's cash and cash equivalents.

b) Currency risk

Currency risk involves the probability that the fair value of the cash flows of a financial instrument presents fluctuations due to changes in currency exchange rates. The main transaction currencies in the Company are Euro and USA dollar.

The Company minimizes its exposure to foreign exchange risk by maintaining a sight deposit account in USA dollar.

4.3 Capital Management

The Board of Directors policy is to maintain a strong capital base in order to preserve the level of trust of creditors and the market in the Company and to allow future development of Company activities. Moreover, the Board of Directors monitors the level dividends to shareholders of registered shares.

The Company manages the capital structure making adjustments in order to be harmonized with the changes in the economic environment. Aiming at capital structure preservation or adjustment, the Company may adjust the payable dividends amount to shareholders, return part of the capital to shareholders or issue new shares.

4.4 Fair value determination

The Company uses the following ranking for the measurement and disclosure of the fair value of financial instruments, based on the fair value estimation method used:

Level 1: fair values are determined based on published price quotations in active market.

Level 2: fair values are determined based on valuation techniques whose parameters have a significant impact on the recorded fair value and are supported by observable market data (directly or indirectly).

Level 3: fair values are determined based on valuation techniques whose parameters have a significant impact on the recorded fair value and are not supported by observable market data.

The fair value of cash and cash equivalents, customers, loans and receivables and suppliers approaches their book value. Loans and receivables are included in level 3.

5. New standards and interpretations:

New standards, amendments of standards and interpretations: In particular, new standards, amendments and interpretations have been issued, being obligatory for the accounting periods starting during or posteriorly to the current financial year. The Company estimate as to the impact and application of these new standards, amendments and interpretations is presented below.

Mandatory standards and interpretations for the current financial year

IAS 19 (Revised) (Amendment) ''Employee Benefits''

The narrow-scope amendment is applied for employee or third party contributions to defined benefit plans and simplifies the accounting of contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

IFRS 11 (Amendment) ''Joint Arrangements''

This amendment requires an investor to apply the purchase method when it acquires an interest in a joint operation (JO) that constitutes a 'business'.

IAS 16 and IAS 38 (Amendments) ''Clarification of Acceptable Methods of Depreciation and Amortisation''

This amendment clarifies that the use of revenue-based methods is not considered to be appropriate for the calculation of an asset's depreciation and amortization; it also clarifies that a revenue-based method is not considered to be an appropriate manifestation of consumption of the expected future economic benefits embodied in an intangible asset.

IAS 1 (Amendments) ''Disclosures''

The amendments clarify IAS 1 prescriptions related to the concepts of significance, aggregation and presentation of partial sums, the structure of financial statements and the disclosures of accounting policies.

Annual Improvements to IFRS 2012

The following amendments describe the most important changes in some IFRS as a result of IASB annual improvements program cycle 2010-12.

IFRS 2 ''Share-Based Payment''

The amendment clarifies the definition of ''vesting condition'' and clearly makes a distinction between the term ''performance condition'' and ''grant condition''.

IFRS 13 ''Fair Value Measurement''

The amendment clarifies that the standard does not exclude the possibility of short term assets and liabilities measurement in the amounts of invoices in cases the discounting impact is insignificant.

IAS 16 ''Tangible assets'' and IAS 38 ''Intangible assets''

Both standards were amended to clarify the way of dealing with the asset's book value prior to depreciations and accumulated depreciations when an economic entity follows the readjustment method.

IAS 24 ''Related Party Disclosures''

The standard was amended in order to include as a related party a company rendering basic administrative executive services to an economic entity or to its parent company.

Annual Improvements to IFRS 2014

The amendments outlined below describe the basic changes in two IFRS.

IFRS 7 ''Financial Instruments: Disclosures''

The amendment adds specific prescriptions to help the management to determine whether the terms of a servicing contract for a transfered asset constitute continuing involvement and clarifies that any additional disclosures required, based on the amendment of IFRS 7 ''Disclosures — Offsetting Financial Assets and Financial Liabilities'' are not required for all interim periods, unless it is required by IAS 34.

IAS 19 ''Benefits to employees''

The amendment clarifies that, when the discount rate is determined for retirement benefits liabilities, the important parameter is the currency of liabilities denomination and not the country where they arise.

Standards and Interpretations being mandatory for posterior periods

IFRS 9 ''Financial instruments'' and posterior amendments to IFRS 9 and IFRS 7 (applying in the annual accounting periods starting on or post January 1, 2018)

IFRS 9 replaces the provisions of IAS 39 regarding the classification and measurement of financial assets and financial liabilities and also includes a model for expected credit losses substituting the current model of incurred credit losses. IFRS 9 introduces an approach of hedge accounting based on principles to overhaul the current model under IAS 39 dealing with its inconsistencies and weaknesses. The Company is in the process of estimating IFRS 9 impact on its financial statements.

IFRS 15 ''Revenue from Contracts with Customers'' (It applies to annual accounting periods starting on or post January 01, 2018).

IFRS 15 was issued in May 2014. The model's purpose is to provide a single, comprehensible income recognition model out of all contracts with customers in order to improve comparability between companies of the same sector, different sectors and different capital markets. It includes the principles an entity should apply to determine the measurement of revenue and the time of their recognition. The basic principle is that an economic entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company is in the process of estimating IFRS 15 impact on its financial statements.

IFRS 16 ''Leases'' (It applies to annual accounting periods starting on or post January 01, 2019).

IFRS 16 was issued in January 2016 and supersedes IAS 17. The standard's purpose is to ensure that lessees and lessors provide useful information faithfully presenting the substance of transactions involving leases. IFRS 16 introduces a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases with a term of more than 12 months or unless the underlying asset is of low value. IFRS 16 approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors continue to classify leases as operating or finance, adopting a different accounting treatment for every type of lease. The Company is in the process of estimating IFRS 16 impact on its financial statements. This Standard has not been yet adopted by the European Union.

IAS 12 (Amendments)''Recognition of deferred tax assets for unrealized losses''(it applies to annual periods beginning on or post January 1st 2017)

The amendments clarify the accounting for recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value. The amendments have not been adopted by the European Union.

IAS 7 (Amendments) ''Disclosures''(it applies to annual accounting periods beginning on or post January 1st 2017)

The amendments introduce mandatory disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments have not been adopted by the European Union.

IFRS 2 (Amendments)''Classification and Measurement of Share-based Payment Transactions''(it applies to annual periods beginning on or post January 1st 2018)

This amendment clarifies the classification and measurement of share-based payment transactions and are cash-settled; it also provides clarification on the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. In addition, amendments introduce an exception to IFRS 2 principles, whereby a payment transaction should be accounted for as if it would be a fully equity-settled transaction, in case the employer is required to withhold the tax due from share-based payments and to settle it with the tax authority on behalf of the employees. The amendments have not been adopted by the European Union.

IFRIC 22 ''Foreign Currency Transactions and Advance Consideration'' (It applies to annual accounting periods starting on or post January 01, 2018).

The Interpretation provides guidance on how to determine the transaction date, when applying the standard regarding transactions in foreign currency, IAS 21. The Interpretation is applied when an entity either pays or collects an advance consideration for contracts denominated in a foreign currency. This Interpretation has not been yet adopted by the European Union.

6. Other income

Other income is analyzed as follows:

	31 December	
	2016	**2015**
Other income from services rendered	2.328.935	3.074.709
Income from unused provision amounts reversed	-	180.941
Other	547.505	573.936
Total	**2.876.440**	**3.829.586**

7. Personnel expenses

Personnel expenses are analyzed as follows:

	31 December	
	2016	**2015**
Salaries and wages	(9.249.790)	(9.397.174)
Employers contributions (Note 21)	(2.277.748)	(2.480.595)
Defined-benefit plans income / (expenses) (Note 21)	(149.531)	(371.812)
Total	**(11.677.068)**	**(12.249.581)**

The average employee headcount in 2016 was 164, while in 2015 it was 157.

8. Other expenses

Other expenses are analyzed as follows:

	31 December	
	2016	**2015**
Repairs and maintenance expenses	(198.462)	(135.120)
Rents from operating leases	(885.197)	(900.103)
Impairment loss for doubtful receivables (Note 17)	(199.001)	(169.940)
Third party fees and commissions	(1.503.910)	(1.657.110)
Expenses from taxes-fees	(42.337)	(95.319)
Withholding taxes abroad	(235.001)	(213.774)
Telecommunication, postal, transport & shared expenses	(439.609)	(543.944)
Travel expenses	(541.057)	(530.306)
Promotion, marketing & advertising expenses	(595.275)	(475.965)
Stationary and consumables	(53.398)	(38.375)
Insurance premiums	(192.103)	(143.816)
Other	(101.628)	(93.216)
Total	**(4.986.976)**	**(4.996.989)**

9. Financial income

Financial income is analyzed as follows:

	31 December	
	2016	**2015**
Interest income	892	817
Interest income from securities to related parties (Note 24)	1.473.085	599.550
Total	**1.473.978**	**600.367**

10. Financial expenses

Financial expenses are analyzed as follows:

	31 December	
	2016	**2015**
Bank expenses	(46.986)	(34.584)
Other financial expenses	(13.704)	(4.608)
Interest cost on employee benefits obligation (Note 21)	(26.466)	(29.908)
Total	**(87.156)**	**(69.100)**

11. Income Tax

Pursuant to the Greek tax law, the applicable tax rate for Greek sociétés anonymes was 29% for financial years 2016 and 2015.
The provision for income tax presented in the statement of total comprehensive income is analyzed as follows:

	31 December	
	2016	**2015**
Current Income tax	(903.221)	(1.430)
Deferred income tax	(1.678.354)	(1.903.777)
Total provision for income taxes recognized in profit or loss	**(2.581.575)**	**(1.905.207)**

The matching of the provision for the income tax amount determined by the application of the Greek tax rate with the profits before tax is summarized as follows:

	31 December	
	2016	**2015**
Profit /(Loss) before income tax	8.285.483	7.842.016
Income taxes income/ (expense) calculated based on the current tax rate (2016, 2015: 29%)	(2.402.790)	(2.274.185)
Tax effect of expenses not deductible for tax purposes	(435.358)	(577.483)
Tax effect from income tax rates increase	-	292.651
Use of tax losses from previous financial years	284.935	662.861
Other	(28.362)	(9.051)
Income taxes income / (expense) recognized on profit or loss	**(2.581.575)**	**(1.905.207)**

The Greek tax law and its relevant provisions are subject to interpretations by the tax authorities. Income tax returns 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 returns and books of accounts and based on their audits finalize the related tax obligations. Tax losses, to the extent they are recognized by the tax authorities, may be used to offset profits of the five subsequent fiscal years following the fiscal year they are realized.

The Company has not been tax audited for the financial year 2010. The tax audit for the financial years 2011-2015 has been carried out by the company's statutory auditors, pursuant to para. 5, article 82, L. 2239/94 and article 65A of Law 4174/13. The tax audit for the financial year 2016 is already being carried out by the company's statutory auditors. Upon completion of the tax audit, the Management does not anticipate significant tax liabilities to arise beyond the ones recorded and reflected in the financial statements.

12. Property, plant and equipment

	Improvements of Buildings	Machinery and Technical Installations	Furniture and fittings	Assets under construction	Total
Acquisition Cost:					
Balance on January 1, 2015	**795.285**	**231.736.655**	**2.840.220**	**5.259.599**	**240.631.761**
Additions	-	27.901	137.610	18.973.500	19.139.011
Disposals/Write-offs	-	(4.954.399)	-	-	(4.954.399)
Transfers from assets under construction (Note 13)	-	1.054.952	61.148	(1.761.536)	(645.437)
Balance on December 31, 2015	**795.285**	**227.865.109**	**3.038.978**	**22.471.563**	**254.170.936**
Additions		1.836.221	21.482	6.808.096	8.665.799
Disposals/Write-offs	-	(1.850.049)	-	-	(1.850.049)
Transfers from assets under construction (Note 13)	-	22.040.622	69.333	(22.380.542)	(270.587)
Balance on December 31, 2016	**795.285**	**249.891.903**	**3.129.793**	**6.899.117**	**260.716.098**
Accumulated depreciation:					
Balance on January 1, 2015	**469.945**	**156.576.163**	**2.555.791**	**-**	**159.601.898**
Depreciation for the year	66.247	8.219.772	186.948	-	8.472.967
Disposals/Write-offs	-	(1.331.770)	-	-	(1.331.770)
Balance on December 31, 2015	**536.192**	**163.464.165**	**2.742.739**	**-**	**166.743.095**
Depreciation for the year	66.248	8.683.669	176.842	-	8.926.758
Disposals/Write-offs	-	(1.850.048)	-	-	(1.850.048)
Balance on December 31, 2016	**602.440**	**170.297.785**	**2.919.581**	**-**	**173.819.805**
Net Book Value					
Balance on December 31, 2016	**192.845**	**79.594.117**	**210.212**	**6.899.117**	**86.896.293**
Balance on December 31, 2015	**259.093**	**64.400.944**	**296.239**	**22.471.563**	**87.427.841**

There are no liens attached to the fixed assets.

13. Intangible assets

	Software
Acquisition Cost:	
Balance on January 1, 2015	**11.505.792**
Additions	272.410
Transfers from assets under construction (Note 12)	645.437
Balance on December 31, 2015	**12.423.639**
Additions	64.233
Transfers from assets under construction (Note 12)	270.587
Balance on December 31, 2016	**12.758.460**
Accumulated depreciations:	
Balance on January 1, 2015	**9.779.699**
Amortization for the year	1.238.676
Balance on December 31, 2015	**11.018.375**
Amortization for the year	800.610
Balance on December 31, 2016	**11.818.984**
Net Book Value	
Balance on December 31, 2016	**939.476**
Balance on December 31, 2015	**1.405.264**

14. Deferred tax assets / (liabilities)

	Retirement benefit obligation	Trade receivables	Property, plant and equipment	Expenses provisions	Other	Tax losses	Total
Balance on January 1, 2015	**366.792**	**2.750.022**	**(1.959.291)**	**52.786**	**(643.446)**	**1.004.170**	**1.571.032**
Recognized in comprehensive income statement	112.769	363.403	(1.528.451)	(52.786)	(20.467)	(778.244)	**(1.903.777)**
(Charged)/Credited to equity	(124.228)	-	-	-	-	-	**(124.228)**
Balance, December 31, 2015	**355.333**	**3.113.425**	**(3.487.742)**	**-**	**(663.913)**	**225.926**	**(456.972)**
Recognized in comprehensive income statement	33.946	57.642	(1.544.017)			(225.926)	**(1.678.354)**
(Charged)/Credited to equity	51.457						**51.457**
Balance, on December 31, 2016	**440.736**	**3.171.067**	**(5.031.759)**	**-**	**(663.913)**	**-**	**(2.083.869)**

15. Other non-current assets

	31 December	
	2016	**2015**
Guarantees to suppliers	202.078	202.078
Guarantees for car leases	19.472	18.555
Guarantees to third parties	10.000	10.000
Prepaid expenses	6.675	4.847
Long term leasing expense (8-year)	2.636.430	2.431.888
Long term leasing expense (15-year)	33.890.407	23.886.485
	36.765.061	**26.553.852**

16. Loans and receivables

	31 December	
	2016	**2015**
Bond issued by OTE Plc with maturity in 12/2016 and 2,71% interest rate	-	14.429.655
Deed poll by OTE Plc with maturity in 2021	6.118.152	53.200.000
Deed poll by OTE Plc with maturity in 2021 (initial currency in USD)	-	12.898.464
	6.118.152	**80.528.119**

Deed polls' yield is defined based on the reinvestment of securities purchased by OTE Plc in companies inside and outside the Group. In 2016, the amount in Euro credited to the P & L statement stood at € 1.102.740 (2015: € 39.091).

Following an agreement at OTE Group level, the company proceeded to repurchase (liquidation) of € 61.081.893; this amount regards a Deed poll with maturity in 2021 and includes their nominal value plus accrued interest until their liquidation date.

	31 December	
	2016	**2015**
Current assets	-	14.429.655
Non-current assets	6.118.152	66.098.464
	6.118.152	**80.528.119**

The movement in loans and receivables is analyzed as follows:

	31 December	
	2016	**2015**
Balance on January 1	**80.528.119**	-
Additions	-	80.545.095
Repurchase/mature of loans and receiveables	(75.629.478)	-
Credited in the P & L statement (Note 9)	1.473.085	56.417
Foreign exchange differences	(253.575)	(73.393)
Balance on December 31	**6.118.152**	**80.528.119**

17. Trade and other receivables

	31 December	
	2016	**2015**
Trade receivables	86.405.268	67.492.441
Less: Impairment provision	(10.934.714)	(10.735.948)
Net trade receivables	**75.470.554**	**56.756.493**
Accrued income	25.776.759	20.637.357
Other receivables	4.153.170	3.856.914
Total	**105.400.482**	**81.250.765**

The movement in impairment provision for trade receivables is the following:

	2016	**2015**
Balance on January 1	**(10.735.948)**	**(10.577.008)**
Recognized impairment loss (Note 8)	(199.001)	(169.940)
Reversal of provision for impairment of trade receivables	235	11.000
Balance on December 31	**(10.934.714)**	**(10.735.948)**

The maturity following impairment of trade balances on the financial position statement date was the following:

	31 December	
	2016	**2015**
Neither past due nor impaired	41.128.349	32.013.255
0-30 days past due but not impaired	6.600.510	3.900.613
31-60 days past due but not impaired	6.492.119	2.834.282
61+ days past due but not impaired	21.249.576	18.008.343
	75.470.554	**56.756.493**

Total due and non-impaired receivables amounting to € 34.342.205 (2015: € 24.743.238), regard in their vast majority, by 99,41% (2015: 99,53%), customers belonging to the Company's affiliated parties as well as customers being at the same time suppliers to the Company through telephone traffic and data exchange. Therefore, the risk of default in payments is minimal.

18. Cash and cash equivalents

	31 December	
	2016	**2015**
Cash at bank and in hand	89.224.087	16.547.986
Sight deposit account-management of OTE international telephony traffic	109.589	3.727
Total	**89.333.676**	**16.551.712**

The sight deposit account is for the management of OTE's International Telephony Traffic by the Company and it is not included in the cash equivalents in the statement of cash flows.

19. Share capital

The Company's share capital on December 31, 2016 and 2015 stood at € 163.879.541 and is divided into 55.931.584 common shares of € 2,93 (in absolute amount) nominal value each share.

	Number of shares	Share capital value
Balance on January 1, 2015	**55.931.584**	**163.879.541**
Balance on December 31, 2015	**55.931.584**	**163.879.541**
Balance on December 31, 2016	**55.931.584**	**163.879.541**

20. Other reserves

	Statutory reserve	Special reserves	Untaxed reserves	Other reserves	Total
Balance on January 1, 2015	**2.288.640**	**1.414**	**42.429**	**-**	**2.332.483**
Statutory reserved formed based on Codified Law 2190/20	296.841	-	-	-	296.841
Balance on December 31, 2015	**2.585.481**	**1.414**	**42.429**	**-**	**2.629.324**
Statutory reserved formed based on Codified Law 2190/20	285.195				285.195
Balance on December 31, 2016	**2.870.676**	**1.414**	**42.429**	**-**	**2.914.519**

Statutory reserve: According to the Greek corporate law, companies are bound to 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: It regards the conversion of share capital from Drachmas into Euro.

Tax-free reserves: Based on previous special provisions of Law 2238/1994, the Company had formed certain earnings and income items for which no taxation was foreseen, provided that they were not distributed and that they were kept in a designated reserve account.

Pursuant to the new provisions of the Income Taxation Code, L. 4172/2013, article 72, para.12 & 13 dated 01/01/2014 the formation of new untaxed reserves in the Company's books is not any longer allowed, while a separate taxation was foreseen on existing reserves with a 15% tax rate, provided that the decision by the General Meeting for their distribution or recapitalization would be taken by 31.12.2013 or with a 19% tax rate rate (or by offsetting tax losses) if the above decision was taken as of 1.1.2014 onwards.

However, the above provisions did not pertain to reserves formed from income which was subject to special tax, such as interest on deposits (Ministerial Circular POL 1007/2014) and thus such reserves continue being measured under the company's equity as tax-free reserves.

21. Provisions for personnel retirement benefits

The movement of the net liability is the following:

a) **Pension benefits:** the Company's employees are covered by one of the various Greek state supported pension funds. Each employee is required to pay an amount out of his/her monthly salary, with the Company also contributing a sum to the fund. Upon retirement, the fund is responsible to pay employees' pensions. Therefore, the enterprise does not have any legal or constructive obligation to pay future benefits upon the retirement of employees. The contributions to the insurance funds for the years ended on December 31, 2016 & 2015 stood at € 2.277.748 and € 2.480.595 respectively (Note 7).

b) **Employee retirement and termination benefits**: based on the Greek labor law, employees and workers are entitled to compensation in case of redundancy or retirement; the payment amount is calculated on the basis of an employee's or worker's remuneration, previous working experience and the way of labor relation termination (redundancy or retirement). Employees or workers who resign or are dismissed for a reason are not entitled to a 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, based on the local practice, such schemes are not funded. The Company charges in the profit or loss the accrued benefits in every period with a respective increase of the retirement liability. The retirement benefits paid in every period are debited against this liability.

	31 December	
	2016	**2015**
Net liability at the beginning of the year	**1.225.286**	**1.410.736**
Actuarial losses / (profits)	177.438	(300.332)
Benefits paid	(58.940)	(286.838)
Expense recognized in profit or loss (Note 7, 10)	175.997	401.720
Net liability at the end of the year	**1.519.781**	**1.225.286**

The analyses of the above amounts and the key assumptions used for calculating the liability's present value in the end of the financial year, are presented below:

	31 December	
	2016	**2015**
Net liability at the beginning of the year	**1.225.286**	**1.410.736**
Actuarial losses / (profits)	177.438	(300.332)
Benefits paid	(58.940)	(286.838)
Expense recognized in profit or loss (Note 7, 10)	175.997	401.720
Net liability at the end of the year	**1.519.781**	**1.225.286**

	31 December	
	2016	**2015**
Present value of unfunded liabilities	1.519.781	1.225.286
Net liability in the financial position statement	**1.519.781**	**1.225.286**
Components of net cost of employee retirement benefits for the period:		
Current service cost	94.331	112.637
Financial cost	26.466	29.908
Reductions / settlements / service termination costs	55.200	259.175
Total recognition in profit or loss	**175.997**	**401.720**

	31 December	
	2016	**2015**
Reconciliation of employee benefits obligation:		
Net liability at the beginning of the year	**1.225.286**	**1.410.736**
Current service cost (Note 7)	94.331	112.637
Financial cost (Note 10)	26.466	29.908
Benefits paid	(58.940)	(286.838)
Reductions / settlements / service termination costs	55.200	259.175
Actuarial losses / (profits)	177.438	(300.332)
Present liability at the end of the year	**1.519.781**	**1.225.286**

Discount rate	1,52%	2,16%
Future salaries increases	2017: 0.00%	2016 -2017 0.00%
	2018+ 1.00%	2018+ 1.00%
Average duration of future employment (in years)	18,01	19,80
Inflation	1,00%	1,00%

If the discount rate used in valuation was 0.5% higher on 31/12/2016, then the liability of defined benefits for personnel retirement would be decreased for the Company by circa 8,4%.

22. Trade payables

	31 December	
	2016	**2015**
Trade payables	52.836.864	37.984.819
Amounts due to related parties (Note 24)	17.125.148	11.641.469
Total	**69.962.012**	**49.626.288**

Trade payables are not interest bearing accounts and are normally settled within 30-70 days.

23. Accruals and other short term liabilities

Other liabilities are analyzed as follows:

	31 December	
	2016	**2015**
Accrued expenses for telecommunication services	29.612.642	27.605.890
Other accrued expenses	5.622.699	4.502.912
Social Security	462.325	463.162
Customers' Advances	67.610	436.201
Other taxes and duties	3.779.058	6.401.638
Other	15.168	6.484
Total	**39.559.502**	**39.416.287**

24. Transactions with related parties

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

i) Sales and purchases of goods and services

	31 December	
	2016	**2015**
Sales of services (turnover):		
To OTE Group parent company	56.214.022	54.541.778
To other related parties	10.107.686	13.101.561
	66.321.708	**67.643.339**
Other income from services rendered		
To OTE Group parent company	2.328.935	3.072.310
	2.328.935	**3.072.310**
Purchases of services:		
From OTE Group parent company	13.700.067	12.919.723
From other related parties	19.246.599	20.459.584
	32.946.666	**33.379.307**
Purchases of fixed assets:		
From OTE Group parent company	575.490	15.061.426
	575.490	**15.061.426**

Transactions with related partied have been conducted under commercial terms and conditions.
Transactions with related parties regard mainly telecommunications services.

ii) Benefits to the Management

	2016	**2015**
Salaries & other short term employment benefits	1.593.755	1.537.126
Other long term benefits	142.830	94.051
	1.736.584	**1.631.177**

iii) Balances at the end of the period from the sales-purchases of goods/services

Receivables from related parties:

	31 December	
	2016	**2015**
Trade receivables		
From OTE Group parent company	17.920.961	15.874.493
From other related parties	9.865.423	6.317.030
	27.786.383	**22.191.523**
Other receivables		
From OTE Group parent company	1.057.778	967.048
From other related parties	683.513	785.242
	1.741.292	**1.752.290**

Non-current receivables from related parties		
From OTE Group parent company	4.037.309	3.916.699
From other related parties	2.052.416	2.309.603
	6.089.725	**6.226.302**
Non-current financial assets		
Loans and receivables from related party (Note 16)	6.118.152	66.098.464
	6.118.152	**66.098.464**
Current financial assets		
Loans and receivables from related party (Note 16)	-	14.429.655
	-	**14.429.655**
Total receivables from related parties	**41.735.551**	**110.698.235**

Payables to related parties:

	31 December	
	2016	**2015**
Amounts due to related parties (Note 22)		
To OTE Group parent company	3.798.082	5.042.982
To other related parties	13.327.066	6.598.487
	17.125.148	**11.641.469**
Other liabilities		
To OTE Group parent company	24.343	187.042
To other related parties	2.094.619	4.847.269
	2.118.962	**5.034.311**
Total payables to related parties	**19.244.110**	**16.675.780**

iv) Interest income from financial assets

	31 December	
	2016	**2015**
Financial income		
From other related parties (Notes 9,16)	1.473.085	599.550
	1.473.085	**599.550**

25. Contingent liabilities/assets

- *Legal issues*

The Company faces (and respectively preserves) various claims and court cases arising in the context of its usual business activity, involving mainly companies as litigants with which it had transactions and conflicts.

Based on the opinion of its legal consultants, the Management believes that the final settlement of these issues did not have within 2016 nor is it expected to have in the future significant impact on the Company's financial position.

- *Tax issues*

As mentioned in Note 11, the Company may be liable for additional taxes and sanctions that may be possibly imposed by tax authorities.

The company's tax liabilities have not been audited by fiscal authorities for the financial year from 2010.
For the financial years 2011, 2012 and 2013, all Greek Sociétés Anonymes and Limited Liability Companies, required to present annual audited financial statements, are bound to be granted an ''Annual Certificate'', as stipulated in para 5, article 82, L. 2238/1994, issued following a tax audit carried out by the same Certified Auditor or audit firm auditing the annual financial statements. Upon completion of the tax audit, the Certified Auditor or the audit firm issues a 'Tax Compliance Report' and submits it electronically to the Finance Ministry within ten days since the deadline for the approval of the company's balance sheet by the General Shareholders Meeting. Out of the enterprises that have been audited by Certified Auditors and audit firms on the application of tax provisions and a Tax Compliance Report has been issued without reservation, then no full tax audit is carried out for the financial year for which this Report was issued, except for the cases of selecting an assumption, based on risk analysis criteria or in case the Head of the audit service takes knowledge of any data or indications for breaches or additional information, or exceptionally, based on other criteria, which are determined by the Secretary General and are not disclosed. For these financial years, the Annual Certificate is issued without adjustments as regards the tax expense and the respective tax provision, as reflected in the annual financial statements.

For the financial years 2014,2015 and 2016, the aforementioned provisions regarding the 'Tax Certificate' were replaced by article 65a, L.N 4174/2013, due to the abrogation of L.2238/94. Under the new provisions, the tax certificate practice still applies, as above, with the only difference that these financial years are not considered tax audited.

For the financial year 2014 and 2015, the tax certificate issued by the company's statutory auditors did not include any remarks, while for the year 2016, the tax audit for the issuance of a tax certificate is still under way by PricewaterhouseCoopers S.A. Upon completion of the tax audit, the Management does not anticipate significant tax liabilities to arise beyond the ones recorded and reflected in the financial statements.

- *Letters of guarantee*

The Company obtains letters of guarantee from third parties for good performance and grants letters of guarantee to its customers for good performance of its services. On December 31, 2016 and 2015, the amount of letters of guarantee from third parties stands at € 53,285.97 and of the ones provided to customers at € 0 on December 31, 2016 and at € 132.431,20 on December 31, 2015.

26. Operating leases

The Company's liabilities from rents regard mainly the building it is housed and the car rentals for its personnel. The minimum future lease payments for these operating leases are the following:

Building lease payments	31 December	
	2016	**2015**
Up to 1 year	608.272	596.345
From 1 to 5 years	1.401.039	1.871.530
More than 5 years	-	137.781
Total	**2.009.310**	**2.605.655**

Car lease payments	31 December	
	2016	**2015**
Up to 1 year	194.766	210.490
From 1 to 5 years	361.458	225.618
Total	**556.224**	**436.109**

27. Events after the reporting period

There are no events after the reporting 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 Audit of the Financial Statements

We have audited the accompanying financial statements of the Company "OTE INTERNATIONAL SOLUTIONS S.A.", consisting of the statement of financial position as of 31 December 2016, 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 which have been transposed into Greek Law (GG/B'/2848/23.10.2012). 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 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 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 2016, its 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

Taking into consideration that management is responsible for the preparation of the Board of Directors' Report according to provisions of paragraph 5 article 2 of Law 4336/2015 (part B), we note the following:

a) In our opinion, the Board of Directors' Report has been prepared in accordance with the legal requirements of article 43a of the Codified Law 2190/1920 and its content is consistent with the accompanying financial statements for the year ended 31/12/2016.

b) Based on the knowledge we obtained from our audit for the Company OTE INTERNATIONAL SOLUTIONS S.A. and its environment, we have not identified any material misstatement to the Board of Directors' Report.

Athens, 10 February 2017

pwc

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Certified Public Accountant
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