OTE INTERNATIONAL SOLUTIONS S.A.

Financial statements for the year ended 31 December 2017 in line 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 6 February 2018 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 € unless otherwise stated)

Statement of comprehensive income

	Notes	01.01-31.12.2017	01.01-31.12.2016
Turnover			
Income from data and international telephony services		333.437.872	341.058.280
Income from commissions		37.221	61.667
Total turnover		**333.475.093**	**341.119.947**
Charges by international telecommunications providers		(300.815.356)	(311.094.035)
Gross profit		**32.659.737**	**30.025.911**
Other income	6	1.544.780	2.758.422
Personnel expenses	7	(10.104.406)	(11.677.068)
Costs related to voluntary leave schemes	21	(498.859)	-
Depreciation	12, 13	(10.195.352)	(9.727.367)
Other expenses	8	(5.121.424)	(4.986.976)
Operating profit / (losses)		**8.284.475**	**6.392.922**
Financial income	9	1.363.571	1.473.978
Financial expenses	10	(103.210)	(87.156)
Foreign exchange differences		(837.802)	505.739
Profit before income tax		**8.707.034**	**8.285.483**
Income tax	11	(3.192.760)	(2.581.575)
Net profit for the year		**5.514.274**	**5.703.907**
Other comprehensive income /(losses)			
Actuarial (losses) / gains after tax	14, 21	62.435	(125.981)
Other comprehensive income /(losses) for the year		**62.435**	**(125.981)**
Total comprehensive income /(losses) for the year		**5.576.710**	**5.577.926**

The financial statements presented on pages 3 to 34 were approved by the Board of Directors on the 6th of February 2018 and are signed on behalf of the Board of Directors by the following persons:

CHAIRMAN OF THE BoD	CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHIEF ACCOUNTANT
IOANNIS KONSTANTINIDIS	KONSTANTINOS ANDREOU	GEORGIOS KIAPOKAS	ANDREAS GALIATSATOS
ID No AM 046614	ID No X 069599	ID No AH 453220	ID No AE 049899
			Class A Accountant’s License No 0015278

The notes on pages 7 to 34 are an integral part of these financial statements.

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

Statement of financial position

		31 December	
ASSETS	**Notes**	**2017**	**2016**
Non-current assets			
Property, plant and equipment	12	85.465.439	86.896.293
Intangible assets	13	772.133	939.476
Other non-current receivables	15	40.447.188	36.765.061
Loans and receivables	16	10.038.901	6.118.152
Total non-current assets		**136.723.661**	**130.718.981**
Current assets			
Trade and other receivables	17	73.859.592	105.400.482
Loans and receivables	16	71.139.178	-
Cash and cash equivalents	18	20.700.863	89.333.676
Total current assets		**165.699.634**	**194.734.158**
TOTAL ASSETS		**302.423.294**	**325.453.139**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	19	163.879.541	163.879.541
Other reserves	20	3.190.233	2.914.519
Retained earnings		23.772.095	39.471.097
Total equity		**190.841.869**	**206.265.158**
Long-term liabilities			
Provisions for staff retirement benefits	21	1.293.896	1.519.781
Deferred income		8.218.553	4.244.266
Deferred tax liabilities	14	3.140.797	2.083.869
Total long-term liabilities		**12.653.246**	**7.847.916**
Short-term liabilities			
Trade payables	22	51.845.399	69.962.012
Deferred income		1.295.586	859.179
Income tax payable		1.616.248	959.371
Accruals and other short-term liabilities	23	23.170.947	39.559.502
Dividends payable		20.999.998	-
Total short-term liabilities		**98.928.179**	**111.340.065**
Total liabilities		**111.581.425**	**119.187.981**
TOTAL EQUITY AND LIABILITIES		**302.423.294**	**325.453.139**

The notes on pages 7 to 34 are an integral part of these financial statements.

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

Statement of cash flows

	Notes	01.01-31.12.2017	01.01-31.12.2016
Profit / (loss) before income tax		8.707.034	8.285.483
Adjustments for:			
Depreciation	12, 13	10.195.352	9.727.367
Foreign exchange differences		837.802	(505.739)
Financial income	9	(1.363.571)	(1.473.978)
Financial expenses	10	103.210	87.156
Provision for impairment of trade receivables	8, 17	209.563	199.001
Costs related to voluntary leave schemes	21	498.859	-
Provision for staff compensation and benefits paid		(116.955)	90.591
Decrease / (increase) in trade and other receivables before impairment		31.331.326	(14.599.513)
(Decrease) / increase in trade payables		(15.671.274)	20.827.759
Increase in deferred income		4.410.695	984.218
(Decrease) / Increase in accruals and other short-term liabilities		(16.522.418)	1.908.119
(Increase) in other non-current receivables		(3.682.127)	(10.211.209)
Payments for voluntary leave schemes	21	(542.953)	-
Income tax paid		(1.504.458)	(877)
Interest paid		(57.598)	(51.325)
Net cash flows from operating activities		**16.832.488**	**15.267.054**
Cash paid for investing activities			
Purchases of tangible and intangible assets		(11.903.085)	(18.479.237)
Sales / disposals of tangible assets	12	277	-
Acquisition of loans and receivables	16	(80.000.000)	-
Maturity of loans and receivables	16	-	14.412.329
Repurchase of loans and receivables	16	6.000.000	60.059.373
Interest received		303.644	1.416.582
Net cash flows from investing activities		**(85.599.165)**	**57.409.047**
Net (decrease)/ increase in cash and cash equivalents		**(68.766.676)**	**72.676.101**
Cash and cash equivalents on January 1	18	89.224.087	16.547.986
Cash and cash equivalents on December 31	18	**20.457.411**	**89.224.087**

The notes on pages 7 to 34 are an integral part of these financial statements.

Statement of changes in equity

	Share capital	Other reserves	Retained earnings/(losses)	Total equity
Balance on 01 January 2016	**163.879.541**	**2.629.324**	**34.178.367**	**200.687.232**
Net profit for the year	-	-	5.703.907	5.703.907
Other comprehensive income	-	-	(125.981)	(125.981)
Statutory reserve formed according to Codified Law 2190/20	-	285.195	(285.195)	-
Balance on 31 December 2016	**163.879.541**	**2.914.519**	**39.471.097**	**206.265.158**
Net profit for the year	-	-	5.514.274	5.514.274
Other comprehensive income	-	-	62.435	62.435
Dividends	-	-	(20.999.998)	(20.999.998)
Statutory reserve formed according to Codified Law 2190/20	-	275.714	(275.714)	-
Balance on 31 December 2017	**163.879.541**	**3.190.233**	**23.772.095**	**190.841.869**

The notes on pages 7 to 34 are an integral part of these financial statements.

Notes to 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. which 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 as well as in various foreign countries. The address of its registered offices is 6-8 Zinonos Eleatou & Agisilaou Str., Municipality of Amaroussion, Attica, Greece. The Company's online address 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 6 February 2018. These financial statements are subject to the approval of the Annual General Meeting of Shareholders.

2.2 Basis of measurement

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

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 regard to their recoverability and their reclassification in case the Company is not able 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 made by Management

Estimates and judgements made by management are continuously reviewed and are based on historic data and expectations for future events which are considered reasonable under the current circumstances.

The Company makes estimates and assumptions concerning the future. The estimates and assumptions 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 credit policy.

(b) Provision for income tax: The income tax provision according to 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 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 remaining useful lives. These remaining 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 obsolescence and levels of maintenance.

(d) Impairment of property, plant and equipment: Property, plant and equipment are tested for impairment whenever events or 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 in order to calculate the present value of future cash flows.

(e) Deferred tax assets: Deferred tax assets are recognised 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 utilised. The Company takes into consideration the existence of future taxable profit and follows a rather conservative tax planning strategy for the estimation of the utilisation of deferred tax assets. The accounting estimates relating to the deferred tax assets require Management to make assumptions with regard to the timing of future events, such as the probability of future taxable profits and the available tax planning options.

(f) Post-employment benefits: Obligations for Staff redundancy and retirement compensation are calculated at the discounted present value of future compensation benefits that have become accrued at the end of the financial year. Employee benefit obligations are estimated on the basis of financial and actuarial assumptions which require management to make assumptions 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 expenses of each period. The net total cost for the period comprises the present value of the current service cost, the interest cost on future obligation, the past service cost and the actuarial gains and losses. Staff redundancy and retirement compensation is not financed. Due to the long-term nature of these defined benefit plans, the assumptions are subject to a significant degree of uncertainty. Further details are provided in Note 21.

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 applying on 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 recognised in profit or loss for the year. Foreign currency translation differences from non-monetary items that are valued at their fair value are considered as part of the fair value of the latter and, as a result, are recorded as fair value differences.

3.2 Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and 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 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	5-18
Furniture and fittings	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. 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/disposal of property, plant and equipment, the difference between the proceeds and the assets' carrying amounts is recognised in profit or loss.

3.3 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are reviewed 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.

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

3.4.5 Intangible assets

Separately acquired intangible assets are recognised at acquisition 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 with the straight line method. 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 in years
Software	3.3 years

Any subsequent expenses with respect to intangible assets are recognised only when it is probable that future economic benefits will flow and they 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 expenses (interest) and decreasing the obligation that was undertaken. Finance expenses are recognised directly in profit or loss of the year.

Finance leases are recognised 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 less accumulated amortisation or impairment losses.

All other leases are considered to be operating leases, thus they are not included in the Company's statement of financial position.

The Irrevocable Rights of Use (IRUs) 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

Financial assets are recognised initially at their fair value, which is usually the acquisition cost plus direct transaction costs, in the 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 classified as depreciated cost later using the effective interest method.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Company holds a legally enforceable right and intends to settle the assets and liabilities in question on a net basis or realise the asset and settle the liability simultaneously. The legal right should not depend on future events and it should be possible to exercise it during the usual course of operations also in case of default, insolvency or bankruptcy of the Company or the counter party.

Impairment of financial assets
On each financial statement preparation date, the Company assesses the data on whether the value of a financial asset or a group of financial assets has been impaired.

If there are objective indications of impairment of loans and receivables which are measured at unamortised cost, the impairment loss amount is calculated as the difference between the unamortised value of the asset and the present value of estimated future cash flows (not including unrealized credit losses). The cash flows are discounted using the financial asset's initial effective rate (the interest rate that had been calculated at initial recognition). The impairment amount is recognized in profit or loss.

Derecognition of financial assets
Financial assets (or a part of a financial asset or a part of a group of similar financial assets, as the case may be) are derecognised when:

- the contractual rights to the cash inflows from the financial asset expire,
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the 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 recognised to the extent of the Company's continuing involvement in the financial asset. Continuing involvement, which takes 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 call and/or put options on the asset (including 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 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 Company considers time deposits and other highly liquid deposits with an initial maturity of less than three months as cash and cash equivalents. For cash flow statement purposes, cash and cash equivalents comprise cash in hand and 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 recognised 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 provision for doubtful debts

Trade receivables are initially recognised at their fair value which is equal to the transaction amount. Subsequently they are measured at amortised cost, less an allowance for any probable uncollectible amounts.

On every financial statement preparation date the collectability of accounts receivable is calculated separately per customer, and a provision is formed for losses which may occur and which can be quantified. The provision formed is adjusted by charging the profit or loss of each financial year. Any write-offs from accounts receivable are carried out through the provision formed.

3.10 Share capital

Share capital includes the value of the issued ordinary shares.

Incremental costs directly attributable to the issue of new ordinary shares (net of tax) are recognised in equity and are presented as a deduction from the proceeds.

3.11 Current and deferred income tax

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

Current income tax is calculated on the year's taxable income using the income tax rate that applies to that financial year.

Deferred income tax is calculated using the liability method on all temporary differences that exist on the statement of financial position date between the carrying amounts of financial assets and liabilities and their tax base, for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

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

The carrying amounts of the deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the utilisation, in part or in whole, of the deferred tax asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled, based on tax rates (and tax 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 tax 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.

3.12 Employee benefits

a) Defined contribution plans

Obligations for contributions from defined contribution plans are recorded as an expense in profit or loss in 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 accrued 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 recognised in profit or loss and consists of the present value of the benefits accrued in the reporting period, 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 recognised on a straight line basis over the average remaining period of service 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 costs rather than in “Defined benefit plan expenses”, since its classification under finance costs reflects more accurately the nature of this cost.

3.13 Revenue recognition

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

(a) *Provision of services:* Income from provision of services is recognised in the period in which these are provided.

(b) *Income from connection charges or subscription fees:* Income from connection charges or subscription fees is recognised in the month in which 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 recognised on a straight line basis over the duration of the contract.

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

3.14 Dividends distribution

Dividends distributed to shareholders are recognised as a liability in the period in which they are approved by the General Meeting of shareholders.

4. Financial risk management

4.1 Macroeconomic conditions in Greece

The macroeconomic and financial environment in Greece shows signs of stabilisation, with uncertainty however still remaining. The capital controls initially 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 to apply 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 operations in Greece. Moreover, taking into consideration that total revenue comes mainly from foreign clients (80%), the risk exposure is relatively small.

The volatile and uncertain macroeconomic and financial environment in Greece is not expected to have a significant effect on the Company's operation, activities and financial position, as the majority of its activities and transactions are conducted with foreign counter parties. Despite this fact, Management regularly assesses the situation and its potential future impact, so as to ensure that all the necessary and feasible measures and actions are taken in order to minimise any potential impact on the Company's domestic operations.

Management is not in a position to predict with certainty the potential developments in the Greek economy; however they have assessed and concluded that there is no need for additional provisions for impairment of both the Company's financial and non-financial assets as at 31 December 2017.

4.2 Financial risks

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

- Credit risk
- Liquidity risk
- Market risk

This note provides information on the Company's exposure to each one of the above types of risks, the targets, the policies and the procedures it applies for measuring and managing risk, as well as information on capital management.

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

The Company implements its risk management policies in order to identify and analyse the risks the Company is exposed to, to set limits of risk tolerance and to monitor these risks. Risk management policies and 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 compliance with procedures set by the Company's Management in order to develop an effective overall environment of control 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 receivables from loans and receivables, trade receivables and cash and cash equivalents.

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

	31 December	
	2017	**2016**
Loans and receivables	81.178.079	6.118.152
Trade receivables	54.506.511	75.470.554
Cash and cash equivalents	20.700.863	89.333.676

a) Loans and receivables

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

b) Trade receivables

The Company's exposure 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 customers operate, have limited impact on credit risk.

According to the credit policy the Company has established, the creditworthiness of each new customer is examined on an individual basis before offering the usual terms of payment (30 days). The assessment of customers' creditworthiness includes the examination of credit ratings 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 customers' credit risk, customers are grouped not 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 21% (2016: 37%) of total receivables and do not include exposure to credit risk. The Company considers the companies within the Deutsche Telecom Group as related parties.

A percentage of 78% (2016: 59%) of trade receivables pertains mainly to large international telecommunications providers, who are also the Company's suppliers due to the exchange of telephone and data traffic, for which default risk is minimal.

The Company recognises impairment losses based on its estimates for losses concerning trade and other receivable balances and investments in securities. Impairment losses mainly comprise losses arising from the impairment of 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 manages liquidity risk by securing, to the extent possible, that there will always be sufficient liquidity for it to meet its financial obligations when these fall due, under normal but also adverse conditions, without suffering unacceptable losses or jeopardising the Company's reputation.

Given the fact that the Company's financing involves its operational activities and that the Company has not received loans from third parties, it ensures that sufficient cash is available 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	
	2017	**2016**
Amounts due to related parties	6.729.151	17.125.148
Trade payables	45.116.248	52.836.864
Other short-term liabilities	1.765.691	4.256.552
	53.611.090	**74.218.564**

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 Company's market risk management policy aims to control the Company's exposure to these risks by setting a framework of acceptable parameters and at the same time optimizing its returns.

a) Interest rate risk

The only interest-bearing financial instruments are the demand deposits and the investments in corporate bonds issued by OTE Group companies which have a minimal effect on the Company's cash and cash equivalents.

b) Currency risk

Currency risk is the risk that the fair values of the cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The main transaction currencies in the Company are the Euro and the USD.

The Company minimizes its exposure to currency risk by maintaining a demand deposit account in USD.

4.3 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 of Company activities. Management also monitors the amount of dividends payable to the Company's shareholders.

The Company manages its capital structure and makes any adjustments that are necessary in order to adapt to the changing economic environment. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

4.4 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 values are estimated based on quoted prices in active markets.

Level 2: fair values are estimated with valuation techniques in which all significant inputs are observable market data (either directly or indirectly).

Level 3: fair values are estimated with valuation techniques in which one or more of the significant inputs are not based on observable market data.

The fair value of cash and cash equivalents, of trade receivables, of loans and receivables and of trade payables approaches their carrying values. Loans and receivables are included in Level 3.

5. New standards and interpretations

New standards, interpretations and amendments: Certain new standards, amendments to standards and interpretations have been issued that are mandatory for periods beginning on or after 1.1.2017. The Group'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>

IAS 7 (Amendments) "Disclosure initiative"

These amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 (Amendments) "Recognition of deferred tax assets for unrealised losses"

These amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

<u>Standards and Interpretations effective for subsequent periods</u>

IFRS 9 "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2018)

IFRS 9 replaces the guidance in IAS 39 which deals with the classification and measurement of financial assets and financial liabilities and it also includes an expected credit losses model that replaces the incurred loss impairment model used today. IFRS 9 establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The standard is not expected to have a significant effect on the Company. The Company evaluated its financial assets, and the area requiring closer examination whether the new standard would affect it was that of trade and other receivables. The analysis concluded that no significant impact is expected from adoption of the standard.

IFRS 9 (Amendments) "Prepayment features with negative compensation" (effective for annual periods beginning on or after 1 January 2019)

The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met - instead of at fair value through profit or loss. Early adoption of the amendments by the Company is not possible, as they have not yet been endorsed by the EU.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 01 January 2018)

IFRS 15 was issued in May 2014. The objective of the standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognised. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard is not expected to have a significant impact on the Company, due to the nature of the services which the Company provides. The revenue is recognised at the time it is provided either in the case of voice services revenues or in the case of revenues from sales of data and capacity.

IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019)

IFRS 16 was issued in January 2016 and supersedes IAS 17. The objective of the standard is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify their leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is in the process of assessing the impact of IFRS 16. Since the analysis of its application is under way and more accurate data will become available, the effect will be disclosed in the next financial statements.

IFRS 17 “Insurance contracts” (effective for annual periods beginning on or after 1 January 2021)

IFRS 17 was issued in May 2017 and supersedes IFRS 4. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of the standard is to ensure that an entity provides relevant information that faithfully represents those contracts. The new standard solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values instead of historical cost. The standard has not yet been endorsed by the EU.

IFRS 2 (Amendments) “Classification and measurement of shared-based payment transactions” (effective for annual periods beginning on or after 1 January 2018)

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority. These amendments have not yet been endorsed by the EU.

IFRS 4 (Amendments) “Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts” (effective for annual periods beginning on or after 1 January 2018)

The amendments introduce two approaches. The amended standard will: a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard—IAS 39.

IAS 40 (Amendments) “Transfers of investment property” (effective for annual periods beginning on or after 1 January 2018)

The amendments clarified that to transfer to or from investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition and the change must be supported by evidence. These amendments have not yet been endorsed by the EU.

IAS 28 (Amendments) “Long-term interests in associates and joint ventures” (effective for annual periods beginning on or after 1 January 2019)

The amendments clarify that companies account for long-term interests in an associate or joint venture —to which the equity method is not applied— using IFRS 9. These amendments have not yet been endorsed by the EU.

IFRIC 22 "Foreign currency transactions and advance consideration" (effective for annual periods beginning on or after 1 January 2018)

The interpretation provides guidance on how to determine the date of the transaction when applying the standard to foreign currency transactions, IAS 21. The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. This interpretation has not yet been endorsed by the EU.

IFRIC 23 "Uncertainty over income tax treatments" (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. IFRIC 23 applies to all aspects of income tax accounting where there is such uncertainty, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. This Interpretation has not yet been endorsed by the EU.

Annual improvements to IFRS (2014 – 2016 Cycle)

The amendments set out below describe the key changes to two IFRS. These amendments have not yet been endorsed by the EU.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendment clarified that the disclosure requirements of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information. The amendment is effective for annual periods beginning on or after 1 January 2017.

IAS 28 "Investments in associates and joint ventures"

The amendments clarified that when venture capital organisations, mutual funds, unit trusts and similar entities use the election to measure their investments in associates or joint ventures at fair value through profit or loss (FVTPL), this election should be made separately for each associate or joint venture at initial recognition. The amendment is effective for annual periods beginning on or after 01 January 2018.

Annual Improvements to IFRS (2015 – 2017 Cycle) (effective for annual periods beginning on or after 1 January 2019)

The amendments set out below include changes to four IFRS. These amendments have not yet been endorsed by the EU.

IFRS 3 "Business combinations"

The amendments clarify that a company remeasures its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 "Joint arrangements"

The amendments clarify that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 "Income taxes"

The amendments clarify that a company accounts for all income tax consequences of dividend payments in the same way.

IAS 23 "Borrowing costs"

The amendments clarify that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

6. Other income

Other income is broken down as follows:

	31 December	
	2017	**2016**
Other income from services rendered	656.368	2.328.935
Other	888.412	429.486
Total	**1.544.780**	**2.758.422**

7. Employee benefit expenses

Employee benefit expenses are broken down as follows:

	31 December	
	2017	**2016**
Salaries and wages	(8.293.996)	(9.249.790)
Employer's contributions (Note 21)	(1.877.505)	(2.277.748)
Income / (Expenses) of defined benefit plans	65.524	(149.531)
Income from subsidies	1.571	-
Total	**(10.104.406)**	**(11.677.068)**

The average employee headcount in 2017 was 145, whereas in 2016 it was 164.

8. Other expenses

Other expenses are broken down as follows:

	31 December	
	2017	**2016**
Repair and maintenance expenses	(173.543)	(198.462)
Rents based on operating leases	(816.381)	(885.197)
Impairment loss for doubtful debts (Note 17)	(209.563)	(199.001)
Third party fees and commissions	(1.799.776)	(1.503.910)
Expenses from taxes-duties	(21.646)	(42.337)
Taxes withheld abroad	(269.834)	(235.001)
Telecommunications, postal, transport & shared expenses	(314.928)	(439.609)
Travel expenses	(555.759)	(541.057)
Promotion, marketing, exhibition & display expenses	(600.315)	(595.275)
Expenses for multiple print-outs stationary and consumables	(56.455)	(53.398)
Insurance premiums	(209.698)	(192.103)
Other	(93.525)	(101.628)
Total	**(5.121.424)**	**(4.986.976)**

9. Finance income

Finance income is broken down as follows:

	31 December	
	2017	**2016**
Interest income	626	892
Income from interest of securities to related parties (Note 24)	1.362.945	1.473.085
Total	**1.363.571**	**1.473.978**

10. Finance expenses

Finance expenses are broken down as follows:

	31 December	
	2017	**2016**
Bank expenses	(57.598)	(46.986)
Other financial expenses	(22.511)	(13.704)
Financial cost of staff compensation (Note 21)	(23.101)	(26.466)
Total	**(103.210)**	**(87.156)**

11. Income tax

According to the Greek tax legislation, the applicable tax rate for Greek SA companies is 29% for financial years 2017 and 2016.
The provision for income tax presented in the statement of financial position is broken down as follows:

	31 December	
	2017	**2016**
Current income tax	(2.161.334)	(903.221)
Deferred income tax	(1.031.426)	(1.678.354)
Total provision for income taxes recognised in profit or loss	**(3.192.760)**	**(2.581.575)**

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

	31 December	
	2017	**2016**
Profit / (loss) before income tax	8.707.034	8.285.483
Income taxes (Income) / expense calculated based on the current tax rate (2017, 2016: 29%)	(2.525.040)	(2.402.790)
Tax effect of expenses not deductible for tax purposes	(791.066)	(435.358)
Use of tax losses from previous financial years	-	284.935
Other	123.347	(28.362)
Income taxes income/(expenses) recognised in profit or loss	**(3.192.760)**	**(2.581.575)**

The Greek tax laws and related regulations are subject to interpretation 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 finalise the related tax obligations. Tax losses, to the degree that they are recognised by the tax authorities, may be used to offset taxable profits for the five fiscal years following the fiscal year when these are incurred.

12. Property, plant and equipment

	Improvements of Buildings	Machinery and Technical Installations	Furniture and fittings	Assets under construction	Total
Acquisition cost:					
As at 01 January 2016	**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
Decreases	-	(1.850.049)	-	-	(1.850.049)
Transfers from assets under construction (Note 13)	-	22.040.622	69.333	(22.380.542)	(270.587)
As at 31 December 2016	**795.285**	**249.891.903**	**3.129.793**	**6.899.117**	**260.716.098**
Additions	-	1.560.815	118.759	6.650.213	8.329.787
Decreases	-	(372.332)	-	-	(372.332)
Transfers from assets under construction (Note 13)	-	2.535.870	68.266	(2.754.152)	(150.016)
As at 31 December 2017	**795.285**	**253.616.256**	**3.316.817**	**10.795.178**	**268.523.538**
Accumulated depreciations:					
As at 01 January 2016	**536.192**	**163.464.165**	**2.742.739**	**-**	**166.743.095**
Fiscal year depreciation-amortisation	66.248	8.683.669	176.842	-	8.926.758
Decreases	-	(1.850.048)	-	-	(1.850.048)
As at 31 December 2016	**602.440**	**170.297.785**	**2.919.581**	**-**	**173.819.805**
Fiscal year depreciation-amortisation	66.247	9.376.886	167.214	-	9.610.347
Decreases	-	(372.055)	-	-	(372.055)
As at 31 December 2017	**668.687**	**179.302.616**	**3.086.795**	**-**	**183.058.098**
Undepreciated values:					
As at 31 December 2017	**126.598**	**74.313.641**	**230.022**	**10.795.178**	**85.465.439**
As at 31 December 2016	**192.845**	**79.594.117**	**210.212**	**6.899.117**	**86.896.293**

There are no liens attached to the fixed assets.

13. Intangible assets

	Software
Acquisition cost:	
As at 01 January 2016	**12.423.639**
Additions	64.233
Transfers from assets under construction (Note 12)	270.587
As at 31 December 2016	**12.758.460**
Additions	267.647
Transfers from assets under construction (Note 12)	150.016
As at 31 December 2017	**13.176.122**
Accumulated depreciations:	
As at 01 January 2016	**11.018.375**
Fiscal year depreciation-amortisation	800.610
As at 31 December 2016	**11.818.984**
Fiscal year depreciation-amortisation	585.005
As at 31 December 2017	**12.403.989**
Undepreciated values:	
As at 31 December 2017	**772.133**
As at 31 December 2016	**939.476**

14. Deferred tax assets/(liabilities)

	Compensation to staff due to retirement	Trade receivables	Tangible assets	Other	Tax losses	Total
On 1 January 2016	**355.333**	**3.113.425**	**(3.487.742)**	**(663.913)**	**225.926**	**(456.972)**
Recognised in comprehensive income statement	33.946	57.642	(1.544.017)		(225.926)	**(1.678.354)**
(Charge) / Credit to equity	51.457	-	-	-	-	**51.457**
Balance, 31 December 2016	**440.736**	**3.171.067**	**(5.031.759)**	**(663.913)**	**-**	**(2.083.869)**
Recognised in comprehensive income statement	(40.005)	59.773	(1.051.194)	-	-	**(1.031.426)**
(Charge) / Credit to equity	(25.502)	-	-	-	-	**(25.502)**
Balance, 31 December 2017	**375.230**	**3.230.840**	**(6.082.953)**	**(663.913)**	**-**	**(3.140.797)**

15. Other non-current receivables

	31 December	
	2017	**2016**
Guarantees to suppliers	201.562	202.078
Guarantees for car leases	22.944	19.472
Guarantees to third parties	10.000	10.000
Prepaid expenses	6.518	6.675
Long-term leasing expense (8 years)	1.114.779	2.636.430
Long-term leasing expense (15 years)	39.091.386	33.890.407
	40.447.188	**36.765.061**

16. Loans and receivables

	31 December	
	2017	**2016**
Bond issued by OTE Plc with maturity on 01/2018 with 1.98% interest rate	71.139.178	-
Bond issued by OTE Plc with maturity on 11/2019 with 2.491% interest rate	10.038.901	-
Deed poll of OTE Plc with maturity in 2021	-	6.118.152
	81.178.079	**6.118.152**

Following an agreement at OTE Group level, the company proceeded to the repurchase (liquidation) of €6.177.444, which relates to a Deed poll with maturity in 2021 and includes their nominal value plus accrued interest until the liquidation date.

	31 December	
	2017	**2016**
Current assets	71.139.178	-
Non-current assets	10.038.901	6.118.152
	81.178.079	**6.118.152**

The movement in loans and receivables is broken down as follows:

	31 December	
	2017	**2016**
Balance, 1 January	**6.118.152**	**80.528.119**
Additions	80.000.000	-
Decreases	(6.303.018)	(75.629.478)
Credited in profit and loss statement (Note 9)	1.362.945	1.473.085
Foreign exchange differences	-	(253.575)
Balance, 31 December	**81.178.079**	**6.118.152**

17. Trade and other receivables

	31 December	
	2017	**2016**
Trade receivables	65.647.339	86.405.268
Less: Impairment loss	(11.140.829)	(10.934.714)
Net trade receivables	**54.506.511**	**75.470.554**
Accrued income	14.922.197	25.776.759
Other receivables	4.430.885	4.153.170
Total	**73.859.592**	**105.400.482**

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

	2017	**2016**
Balance, 1 January	**(10.934.714)**	**(10.735.948)**
Recognised impairment loss (Note 8)	(209.563)	(199.001)
Income from bad debt provisions not used	3.448	235
Balance, 31 December	**(11.140.829)**	**(10.934.714)**

The ageing of receivables that were not impaired on the balance sheet date was as follows:

	31 December	
	2017	**2016**
Not past due and not impaired	32.952.101	41.128.349
0-30 days past due but not impaired	5.260.205	6.600.510
31-60 days past due but not impaired	5.094.908	6.492.119
61+ days past due but not impaired	11.199.298	21.249.576
	54.506.511	**75.470.554**

Total due and non-impaired receivables amounting to EUR 21,554,411 (2016: EUR 34,342,205), pertain in their vast majority, by 99.42% (2016: 99.41%), companies belonging to the Company's related parties as well as customers which are suppliers of the Company as well, due to call and data exchange. Therefore, the risk of default is minimal.

18. Cash and cash equivalents

	31 December	
	2017	**2016**
Cast in hand and at banks	20.457.411	89.224.087
Sight account - management of OTE international telephony traffic	243.452	109.589
Total	**20.700.863**	**89.333.676**

The sight account is an account used by the Company to manage the International Telephony Traffic of OTE and it is not include in cash and cash equivalents in the statement of cash flows.

19. Share capital

The Company's share capital at 31 December 2017 and 2016, amounted to €163,879,541, divided into 55,931,584 ordinary shares of €2.93 (absolute amount) nominal value each.

	Number of shares	Value of share capital
Balance on 01 January 2016	**55.931.584**	**163.879.541**
Balance on 31 December 2016	**55.931.584**	**163.879.541**
Balance on 31 December 2017	**55.931.584**	**163.879.541**

20. Other reserves

	Statutory reserve	Special reserves	Untaxed reserves	Total
Balance on 01 January 2016	**2.585.481**	**1.414**	**42.429**	**2.629.324**
Formation of statutory reserve according to Codified Law 2190/20	285.195	-	-	285.195
Balance of 31 December 2016	**2.870.676**	**1.414**	**42.429**	**2.914.519**
Formation of statutory reserve according to Codified Law 2190/20	275.714	-	-	275.714
Balance on 31 December 2017	**3.146.390**	**1.414**	**42.429**	**3.190.233**

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 previous special provisions of Law 2238/1994, the Company had formed certain earnings and income items that were not taxed, provided that they were not distributed and that they were kept in a designated reserve account.

Based on the new provisions of Income Tax Law 4172/2013 article 72, par. 12 & 13, effective from 1 January 2014, the formation of new tax-free reserves is no longer permitted, while a special tax was imposed on existing reserves with a 15% tax rate if the General Meeting's decision for their distribution or capitalisation was taken until 31 December 2013 or a 19% tax rate (or by offsetting tax losses) if the above decision was taken from 1 January 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 therefore such reserves continue to be presented in the company's equity as tax-free reserves.

21. Provisions for employee benefit obligations

The movement of the net liability is as follows:

a) **Pension benefits**: The employees of the Company are covered by one of the various pension funds supported by the Greek state. Each employee is required to contribute an amount from their monthly salary to the fund, with the Company also contributing a relevant amount. Upon retirement, the fund is responsible for the payment of pensions to employees. Thus, the enterprise does not have any legal or constructive obligation to pay future benefits upon the retirement of employees. The contributions to the funds for the years ended 31 December 2017 and 2016 amounted to EUR 1,877,505 and EUR 2,277,748 respectively (Note 7).

b) **Employee retirement and termination benefits**: According to the Greek labour law, employees are entitled to compensation in case of termination of employment or retirement, the amount of which is calculated based on the employee's salary, the years of service and the way in which the employment is terminated (redundancy or retirement). Employees who resign or are dismissed for a reason 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 charges provisions for accrued benefits in profit or loss in every period with a respective increase of the retirement liability. The retirement benefits paid during the period are debited against this obligation.

c) **Voluntary leave schemes** In 2017 the OTE group implemented a voluntary leave scheme. The cost of this scheme that applies to Company employees amounted to €498,859.24. The costs related to voluntary leave schemes contain the cost of incentives offered to employees for participating in the scheme and are included in profit and loss in item "Costs related to voluntary leave schemes". The amounts paid during 2017 for the voluntary leave schemes were €542,952.67 and are included in the statement of cash flows in item "Payments of voluntary leave schemes". The cost for the Company related to employees working at the Company or the Group was €1,390,605.89 for the Company. The net cost that affected the Company was €498,859.24.

	31 December	
	2017	**2016**
Net liability at beginning of year	**1.519.781**	**1.225.286**
Actuarial losses / (gains)	(87.937)	177.438
Payments of compensations	(1.473.590)	(58.940)
Expense recognised in results	1.335.642	175.997
Net liability at end of year	**1.293.896**	**1.519.781**

The break-down of the above amounts and the main assumptions used to calculate the present value of the liability at the end of the year, are given below:

Components of net cost	31 December	
of retirement benefits of the period:	**2017**	**2016**
Service cost	95.051	94.331
Financial cost	23.101	26.466
Effect of employment termination benefit	1.217.490	55.200
Total charge to profit or loss (items "Personnel Expenses" and "Costs related to voluntary leave schemes"	**1.335.642**	**175.997**

	31 December	
	2017	**2016**
Reconciliation of benefit liabilities:		
Net liability at beginning of year	**1.519.781**	**1.225.286**
Service cost	95.051	94.331
Financial cost (Note 10)	23.101	26.466
Payments of compensations	(1.473.590)	(58.940)
Effect of employment termination benefit	1.217.490	55.200
Actuarial losses / (gains)	(87.937)	177.438
Present value of liability at end of year	**1.293.896**	**1.519.781**

Discount Rate	1.78	1.52
Future salary increases	2018: 2019+ 1.00%	2017: 2018+ 1.00%
Average duration of future employment (in years)	17.5	18.0
Inflation	1.00	1.00

If the discount rate used on 31/12/2017 in the valuation was 0.5% higher, the defined benefit obligation for staff retirement indemnities of the Company would decrease by about 8.1%.

22. Trade payables

	31 December	
	2017	**2016**
Amounts due to related parties	44.474.112	52.836.864
Amounts due to related parties (Note 24)	6.729.151	17.125.148
Total	**51.203.263**	**69.962.012**

Trade payables do not bear interest and are normally settled within 30-70 days.

23. Accruals and other short-term liabilities

Other liabilities are broken down as follows:

	31 December	
	2017	**2016**
Accrued expenses for telecommunication services	17.185.177	29.612.642
Other accrued expenses	4.386.623	5.622.699
Social Security	364.125	462.325
Customer advances	475.593	67.610
Other taxes & duties	1.388.541	3.779.058
Other	13.025	15.168
Total	**23.813.083**	**39.559.502**

24. Transactions with related parties

The Company considers the following to be related parties: OTE S.A. and its subsidiaries, Deutsche Telekom and its subsidiaries and the members of the Board of Directors.

i) Sales and purchases of goods and services

	31 December	
	2017	**2016**
Sales of services (turnover):		
To OTE Group parent company	54.551.724	56.214.022
To other related parties	10.908.934	10.107.686
	65.460.658	**66.321.708**
Other income from services rendered		
To OTE Group parent company	1.507.093	2.328.935
	1.507.093	**2.328.935**
Purchases of services:		
From OTE Group parent company	13.443.014	13.700.067
From other related parties	11.072.372	19,246,599
	24.515.386	**32.946.666**
Purchases of fixed assets:		
From OTE Group parent company	1.599.834	575.490
	1.599.834	**575.490**

Transactions with related parties were subject to commercial terms and conditions.
Transactions with related parties concern mainly telecommunication services.

ii) Benefits to Management

	2017	**2016**
Salaries and other short-term employment benefits	1.636.696	1.593.755
Other long-term benefits	147.229	142.830
	1.783.925	**1.736.584**

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

Receivables from related parties:

	31 December	
	2017	**2016**
Trade receivables		
From OTE Group parent company	5.747.542	17.920.961
From other related parties	5.661.391	9.865.423
	11.408.932	**27.786.383**
Other Receivables		
From OTE Group parent company	679.728	1.057.778
From other related parties	868.946	683.513
	1.548.674	**1.741.292**
Non-current receivables from related parties		
From OTE Group parent company	2.378.302	4.037.309
From other related parties	1.805.294	2.052.416
	4.183.596	**6.089.725**
Non-current financial assets		
Loans and receivables from related party (Note 16)	10.038.901	6.118.152
	10.038.901	**6.118.152**
Current financial assets		
Loans and receivables from related party (Note 16)	71.139.178	-
	71.139.178	**-**
Total receivables from related parties	**98.319.281**	**41.735.551**

Liabilities to related parties:

	31 December	
	2017	**2016**
Amounts due to related parties (Note 22)		
To OTE Group parent company	2.407.552	3.798.082
To other related parties	4.321.599	13.327.066
	6.729.151	**17.125.148**
Other liabilities		
To OTE Group parent company	114.527	24.343
To other related parties	2.136.609	2.094.619
	2.251.137	**2.118.962**

Dividends payable		
To OTE Group parent company	20.999.989	-
To other related parties	9	-
	20.999.998	**-**
Total liabilities to related parties	**29.980.286**	**19.244.110**

iv) Interest income from financial assets

	31 December	
	2017	**2016**
Financial income		
From other related parties (Notes 9, 16)	1.362.945	1.473.085
	1.362.945	**1.473.085**

25. Contingent liabilities/assets

- *Legal issues*

The company faces (and respectively maintains) certain claims and legal actions in the ordinary course of its business, the opposite parties being mainly companies with which it carried out transactions and respective disputes arose.
Management believes, based on the opinion of its legal consultants that the final settlement of these matters did not have any significant impact on the Company’s financial position within 2017 nor is it expected to have in the future.

- *Tax issues*

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

Profits or losses declared for tax purposes remain temporarily pending until the fiscal authorities audit the taxpayer’s tax returns and books. The respective tax liabilities are finalised upon completion of these audits. As a result the company may be liable for additional taxes and penalties that may be imposed by the fiscal authorities in case of a tax audit.

The Company's tax liabilities have not been audited by the fiscal authorities for the financial years 2010 and 2011. However, according to decision No. 1738/2017 of the Plenary Session of the Council of State, that held that the continuous extensions of the limitation period for tax cases are unconstitutional, the right of the Tax Administration to issue an estimated or corrective administrative tax assessment up to financial year 2011 is time-barred. Only when specific reasons apply, e.g. supplementary information or failure to submit a statement, can the time limitation of these financial years be extended to ten (10) or fifteen (15) years respectively.

For financial years 2012 and 2013, all Greek Sociétés Anonymes and Limited Liability Companies required to prepare audited statutory financial statements were required to obtain an “Annual Tax Certificate” pursuant to paragraph 5 of Article 82 of Law 2238/1994. The tax audit must be conducted and the Annual Tax Certificate must be issued by the same statutory auditor or audit firm auditing the statutory financial statements. Upon completion of the tax audit, the statutory auditor or audit firm must issue a "Tax Compliance Report" for the Company which will subsequently be submitted electronically to the Ministry of Finance by the statutory auditor or audit firm, within ten days from the date of approval of the financial statements by the General Meeting of Shareholders. As regards companies that have been audited by statutory auditors and audit firms as regards compliance with tax provisions, and a Tax Compliance Report without qualification has been issued then, in principle, no tax audit is carried out for the financial year this Report was issued for, save for selected cases, based on risk analysis criteria (Article 80 Law 3842/2010). For these financial years the Annual Certificate has been issued without qualification and adjustments as regards the tax expense and the corresponding tax provision, as these are reflected in the annual financial statements.

An audit order was issued for financial year 2012 for the Company, which has not been completed to date. For financial years 2014, 2015 and 2016, the above provisions pertaining to the "Annual Tax Certificate" were superseded by article 65a of Law 4174/2013, due to the repeal of Law 2238/94. The tax certificate institution according to the above continues to exist under the new provisions, with these financial years however not considered as having been tax audited. Moreover, for years 2016 and onwards, the issue of the tax certificate is optional and not mandatory.

As regards financial years 2014, 2015 and 2016, the tax certificate issued by the Company's statutory auditors was without notes, whereas for financial year 2017, the tax audit for the issue of the tax certificate is under way by PricewaterhouseCoopers S.A. Management does not expect any significant tax liabilities upon completion of the tax audit other than those recorded and presented in the financial statements.

- *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. On 31 December 2017 the amount of guarantees from third parties stands at EUR 13,285.97 (31 December 2016: EUR 53,285.97) and of those granted to customers at EUR 0 on 31 December 2016 and 2015.

26. Operating leases

The Company's liabilities from operating leases relate mainly to the building it occupies as well as the cars leases for its employees. The minimum future lease payments for these operating leases are:

Building lease payments	**31 December**	
	2017	**2016**
Up to 1 year	512.182	608.272
From 1 to 5 years	671.544	1.401.039
Total	**1.183.727**	**2.009.310**

Car lease payments	**31 December**	
	2017	**2016**
Up to 1 year	173.701	194.766
From 1 to 5 years	327.638	361.458
Total	**501.339**	**556.224**

27. Events after the reporting period

The dividends recognised as a liability on 31.12.2017 in the "Statement of Financial Position" were paid in January 2017 (EUR 20,999,998).
No events occurred after the date of the statement of financial position which need to be corrected or disclosed in the financial statements.

Below is a 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 OTE International Solutions S.A. which comprise the statement of financial position as of 31 December 2017, the statement of comprehensive income, statement of changes in equity and cash flow statement 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 with the statutory requirements of Codified Law 2190/1920, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated 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 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 financial statements present fairly, in all material respects, the financial position of the OTE International Solutions S.A. as of December 31, 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union and comply with the statutory requirements of Codified Law 2190/1920.

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 articles 43a and 107A of the Codified Law 2190/1920 and the content of the Board of Directors' report is consistent with the accompanying financial statements for the year ended 31/12/2017.

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, 9 February 2018

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