OTE INTERNATIONAL SOLUTIONS S.A.

Financial Statements of the year ended on 31 December 2019 in line with the International Financial Reporting Standards (IFRS) as adopted by the European Union

The attached financial statements were approved by the Board of Directors of OTE International Solutions SA on 06 February 2020 and have been posted online at www.oteglobe.gr

OTE INTERNATIONAL SOLUTIONS S.A.

GEMI 003886301000

SA Reg. No. 46809/01AT/B/00/365

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

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

STATEMENT OF COMPREHENSIVE INCOME

	Notes	01.01-31.12.2019	01.01-31.12.2018[1]
Turnover			
Income from data and international telephony services		349.401.442	346.936.951
Income from commissions		6.356	24.059
Total turnover		**349.407.798**	**346.961.011**
Charges from international telecommunication providers		(309.943.208)	(315.381.155)
Gross profit		**39.464.590**	**31.579.856**
Other income	7	410.316	1.356.879
Personnel expenses	8	(9.198.622)	(9.012.016)
Other expenses	9	(4.068.437)	(5.418.013)
Adjusted operating earnings before extraordinary cost due termination of agreement with a related party and before financial and investing activities and depreciation		**26.607.847**	**18.506.705**
Non-regular cost due to a termination of an agreement with a related party	26	-	(974.487)
Depreciation & amortization	6, 13, 14	(21.573.403)	(10.510.184)
Operating earnings before financial and investing activities		**5.034.444**	**7.022.034**
Financial income	10	682.579	719.452
Financial costs	11	(1.521.629)	(218.723)
Foreign exchange differences		322.643	424.839
Earnings before tax		**4.518.036**	**7.947.602**
Income tax	12	(719.925)	(3.115.827)
Net profit for the year		**3.798.111**	**4.831.775**
Other comprehensive income			
Actuarial profit after taxes	15, 23	(105.298)	51.639
Other comprehensive income for the year		**(105.298)**	**51.639**
Total comprehensive income for the year		**3.692.813**	**4.883.414**

The financial statements presented on pages 3 to 37 were approved by the Board of Directors on the 6th of February 2020 and are signed on behalf of the Board of Directors by the following persons:

CHAIRMAN OF THE BoD	THE CEO	THE CFO	THE CHIEF ACCOUNTANT
IOANNIS KONSTANTINIDIS	KONSTANTINOS ANDREOU	GEORGIOS KIAPOKAS	ANDREAS GALIATSATOS
ID NO. AM 045614	ID No. X 069599	ID No. AH 453220	ID No. AE 049899
			Class A Accountant's License No 0015278

[1]The Company has applied IFRS 16 using the cumulative effect approach according to which comparative information cannot be restated. See note 6.
The notes on pages 7 to 37 constitute an integral part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION

		31 December	
ASSETS	Notes	2019	2018 [1]
Non-current assets			
Property, plant and equipment	13A	51.134.642	80.740.442
Intangible assets	14	574.067	493.841
Assets with right of use	13B	83.031.975	-
Other non-current receivables	16	992.784	35.892.345
Loans and receivables	18	-	10.012.519
Total non-current assets		**135.733.468**	**127.139.146**
Current assets			
Trade and other receivables	19	51.832.873	61.733.017
Contractual assets	17	12.975.384	9.596.528
Loans and receivables	18	10.126.164	10.038.901
Cash and cash equivalents	20	35.288.336	23.702.766
Total current assets		**110.222.757**	**105.071.212**
TOTAL ASSETS		**245.956.226**	**232.210.358**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	21	102.354.798	102.354.798
Other reserves	22	3.686.964	3.469.941
Retained earnings		31.916.827	28.413.920
Total equity		**137.958.590**	**134.238.659**
Long-term liabilities			
Provisions for staff compensation	23	1.628.840	1.405.159
Contractual obligations	17	24.139.420	25.038.003
Liabilities from leases	13B	21.900.022	-
Other long-term liabilities		220.351	237.727
Deferred tax liabilities	15	957.275	3.190.249
Total long-term liabilities		**48.845.908**	**29.871.137**
Short-term liabilities			
Trade payables	24	37.636.791	48.157.838
Contractual obligations	17	2.214.580	1.992.100
Liabilities from leases	13B	3.916.598	-
Income tax payable		1.022.933	367.471
Accruals and other short-term liabilities	25	14.360.825	17.583.153
Total short-term liabilities		**59.151.727**	**68.100.562**
Total liabilities		**107.997.635**	**97.971.699**
TOTAL EQUITY AND LIABILITIES		**245.956.225**	**232.210.358**

[1] The Company has applied IFRS 16 using the cumulative effect approach according to which comparative information cannot be restated. See note 6.

The notes on pages 7 to 37 constitute an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	01.01-31.12.2019	01.01-31.12.2018 [1]
Profit / (loss) before income tax		4.518.036	7.947.602
Adjustments for:			
Depreciation	6 13 14	21.573.403	10.510.184
Foreign exchange differences		(322.643)	(424.839)
Financial income	10	(682.579)	(719.452)
Financial costs	11	1.521.629	218.723
Provisions for bad debts	9, 19	33.016	411.116
Provision for stock option plan		27.118	38.119
Provision for staff compensation and benefits paid		40.608	79.828
Decrease in receivables		6.381.195	9.152.384
Increase / (Decrease) in liabilities (except leases)		(16.951.731)	13.315.731
Payments for voluntary redundancy plans	23	-	-
Income tax paid		(2.245.235)	(4.255.110)
Interest paid (except leases)		(44.548)	(194.959)
Lease interest paid	11	(1.452.954)	-
Net cash flows from operating activities		**12.395.315**	**36.079.328**
Net cash flows from investing activities			
Purchases of tangible and intangible assets		(6.223.561)	(12.717.566)
Acquisition of loans and receivables	18	-	(71.000.000)
Maturity of loans and receivables	18	10.000.000	70.000.000
Repurchase of loans and receivables	18	-	61.000.000
Interest received		607.834	1.846.111
Net cash flows from investing activities		**4.384.273**	**49.128.545**
Cash flows from financing activities			
Payments from share capital reduction	21	-	(61.524.742)
Dividends paid		-	(20.999.998)
Repayment of liabilities from leases		(5.124.909)	-
Net cash flows from financing activities		**(5.124.909)**	**(82.524.741)**
Net increase / decrease in cash and cash equivalents		**11.654.679**	**2.683.133**
Cash and cash equivalents on January 1	20	23.140.544	20.457.411
Cash and cash equivalents on December 31	20	**34.795.223**	**23.140.544**

[1]The Company has applied IFRS 16 using the cumulative effect approach according to which comparative information cannot be restated. See note 6.

The notes on pages 7 to 37 constitute an integral part of these financial statements.

CHANGES IN EQUITY STATEMENT

	Share capital	Other reserves	(Losses)/Retained earnings	Total equity
Balance as at 01 January 2018[1]	**163.879.541**	**3.190.233**	**23.772.095**	**190.841.869**
Net profit for the year	-	-	4.831.775	4.831.775
Other comprehensive income /(losses)	-	-	51.639	51.639
Stock option plan		38.119	-	38.119
Share capital reduction	(61.524.742)	-	-	(61.524.742)
Statutory reserve formed according to Codified Law 2190/20	-	241.589	(241.589)	-
Balance as at 31 December 2018[1]	**102.354.798**	**3.469.941**	**28.413.920**	**134.238.659**
Net profit for the year	-	-	3.798.111	3.798.111
Other comprehensive income /(losses)	-	-	(105.298)	(105.298)
Stock option plan	-	27.118	-	27.118
Share capital reduction	-	-	-	-
Statutory reserve formed according to Codified Law 2190/20	-	189.906	(189.906)	-
Balance as at 31 December 2019	**102.354.798**	**3.686.964**	**31.916.828**	**137.958.590**

[1]The Company has applied IFRS 16 using the cumulative effect approach according to which comparative information cannot be restated. See note 6.
The notes on pages 7 to 37 constitute an integral part of the financial statements.

Notes to the Financial Statements

1. General

OTE INTERNATIONAL SOLUTIONS S.A. (the "Company") is active in the wholesale provision of international voice services, capacities, and the provision of integrated solutions and added value services. The Company is a wholly-owned subsidiary of the Hellenic Telecommunications Organisation S.A. (E), under which the financial statements are incorporated, with the registered name "OTE INTERNATIONAL SOLUTIONS S.A." and the distinctive title "OTEGLOBE".

The Company operates in Greece and in a number of countries abroad. The Company is registered in Greece, Prefecture of Attica, Municipality of Maroussi, 6-8 Zinonos Eleatou & Agisilaou Str. The company's website address is www.oteglobe.gr.

2. Basis for presentation of financial statements

2.1 Compliance note

The financial statements have been prepared 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 on 6 February 2020. They are subject to the final approval of the General Meeting of Shareholders.

2.2 Basis of assessment

The financial statements have been prepared based on the historical cost principle.

2.3 Going concern principle

The attached financial statements have been prepared on a going concern basis and do not include any adjustments that reflect potential future effects on assets and liabilities in relation to their recoverability and reclassification in case the Company is unable to continue as a going concern in the foreseeable future.

2.4 Functional currency and reporting currency

The financial statements are presented in Euro, which is the company's functional currency.

2.5 Critical accounting estimates and judgements of Management

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

The Company makes estimates and assumptions regarding the outcome of future events. Estimates and assumptions entailing a significant risk of causing material adjustments to the carrying amount of assets and liabilities in the next 12 months include the following:

(a) Provisions for bad debt: The Company's Management periodically reviews the adequacy of the provision for bad debt taking into account its credit policy.

(B) Provision for income tax: The income tax provision according to IAS 12 is calculated by estimating the taxes payable to tax authorities and includes the current income tax for each fiscal year, and provision for additional taxes and recognition of future tax benefits. The final settlement of income tax may differ from the relevant amounts entered in the financial statements.

(c) Depreciation rates: The Company's fixed assets are depreciated on the basis of their remaining useful lives. These remaining useful lives are reviewed periodically to determine whether they continue to be appropriate. The true useful lives of fixed assets may differ due to factors such as technological innovation and maintenance schedules.

(d) Impairment of property plant and equipment: Property, plant and equipment are tested for impairment purposes in case events or changes in circumstances indicate that the carrying amount may not be recoverable. For calculation of value in use, Management estimates the future cash flows from the asset or the cash 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 recognised for all deductible temporary differences and deferred tax losses, to the extent that it is probable there will be available taxable income which will be used against the deductible temporary differences and deferred unutilised losses. The Company takes into consideration the existence of future taxable income and follows a continuous conservative tax planning strategy when estimating the recovery of the deferred tax receivables. Accounting estimates related to deferred tax assets require Management to make assumptions relating to the time determination of future events, as well as the likelihood of the anticipated future taxable income and the available tax planning capabilities.

(f) Post-employment benefits: Liabilities 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. Liabilities for these benefits are calculated on the basis of financial and actuarial assumptions that require management to make assumptions related to discounting rates, salary increase percentages, mortality and incapacity rates, retirement ages and other factors. The changes to these basic assumptions may have a significant effect on the liability and the related expenses of each period. The net cost of the period consists of the present value of benefits which became accrued during the period, interest on the future liability, the vested cost of past service and the actuarial profits or losses. Staff redundancy and retirement compensation is not financed. Due to the long-term nature of these defined benefits programs, these assumptions are subject to a significant degree of uncertainty. Additional details are included in Note 23.

3. Key accounting policies

The accounting policies outlined below have been consistently applied for the fiscal years presented in these financial statements.

3.1 Transactions in foreign currency

Transactions in foreign currencies are translated into the functional currency at the exchange rates applicable on the date of the transactions. Profits and losses from foreign exchange differences resulting from the settlement of such transactions during the fiscal year and from conversion of currency assets expressed in foreign currency based on the exchange rates applicable as at the financial position statement date are reported in profit or loss. Foreign exchange differences from non-monetary items measured at fair value, are considered part of the fair value and are therefore reported in the same manner as the fair value differences.

3.2 Property, plant and equipment

Property, plant and equipment are presented in acquisition cost less accumulated depreciation and impairment. Acquisition cost includes all expenses directly connected to the acquisition of assets.

Subsequent costs increase the value of tangible assets or are recognised as a separate asset only if they are expected to cause future financial benefits to the Company and their cost can be measured reliably. The cost of repairs and maintenance is charged to profit and loss during the year incurred.

Depreciation of property plant and equipment is calculated on a straight line basis at rates that approach the useful life of the assets. The rates used are the following:

	Useful life years
Improvements to third-party property	12
Machinery & technical installations	5-18
Furniture and fittings	3.3-5

When the carrying amounts of tangible assets exceed their recoverable value, differences (impairment) are entered directly into profit or loss as an expense. The residual value and useful lives of fixed assets are reviewed at the end of each reporting period and are adjusted taking into consideration any new events and the market conditions in each case.

When tangible assets are sold/disposed, differences between the price obtained and their carrying amount are recognised in profit or loss.

3.3 Impairment of the value of non-financial assets

Assets with an indefinite useful life are not depreciated and are subject to annual or more frequent impairment testing when some events indicate that the carrying amount may not be recoverable. The Company had no assets with an undefined useful life on the financial position statement date.

Assets subject to depreciation are tested for impairment, when there are indications that their carrying amount will not be recovered. The recoverable value of an asset or cash generating unit is the higher of their value in use and their fair value less selling costs. To estimate the value in use, the estimated future cash flows are discounted at present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks associated with those assets.

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

3.4 Intangible assets

Intangible assets acquired separately are recognised at acquisition cost. The useful life of intangible assets may be limited or unlimited. The cost of intangible assets with a limited useful life is depreciated during their estimated useful life period with the straight-line depreciation method. The cost of intangible assets with an unlimited useful life is not depreciated. No residual values are recognised. The useful life of intangible assets is assessed on an annual basis as follows:

	Useful life years
Software	3.3 years

Subsequent costs on capitalised intangible assets are capitalised only when there is an increase of future financial benefits, which are incorporated in the specific asset where they are reported. All other costs are charged to expenses when made.

3.5 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. The Company classifies financial assets at their initial recognition.

Offsetting Financial Assets and Financial Liabilities
Financial assets and liabilities are offset and the net amount is presented in the financial position statement only when the Company has this legal right and intends to settle the amounts on a net basis or to 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. 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 rights on the cash flows have expired;
- the Company reserves the right on the cash flows from the specific asset but, at the same time, has assumed the obligation of paying them to third parties without significant delay, in the form of a transfer agreement, or
- the Company has transferred the right on cash flows from the specific asset, or (a) has substantially transferred all risks and benefits from or (b) has not substantially transferred all risks and benefits, but has transferred control of the specific asset.

When the Company has transferred the rights on the inflow of cash resources from the specific asset, but, at the same time, has not substantially transferred all risks and benefits or control of the specific asset, then the asset is recognised to the degree of the continued participation of the Company in this asset. The continued participation, which has the form of a guarantee on the asset transferred is valued at the lowest value between the initial balance of the item and the maximum amount which the Company may be called upon to pay. When the continuing participation takes the form of call and/or put option 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.

3.6 Cash and cash equivalents

The Company treats time deposits and other high-liquidity investments with an initial maturity shorter than three months as cash and cash equivalents. For the purposes of preparation of the cash flow statement, cash and cash equivalents consist of cash and bank deposits, as well as cash and cash equivalents as defined below.

3.7 Trade and other payables

Trade and other payable balances are recognised at cost that coincides with the fair value of the future payment for the purchase of goods and services rendered. Trade and other short-term liabilities are not interest-bearing accounts and are normally settled within 30-70 days.

3.8 Accounts receivable and provision for doubtful debts

Accounts receivable are initially recognised at their fair value, which is also the transaction value. They are later measured at their net book cost less any amounts likely to not be collected.
The provision formed is adjusted by charging the profit or loss of each financial year. Any write-offs of accounts receivable are realised through the provision that is formed.

3.9 Share capital

Share capital represents the value of the issued shares.

Direct costs incurred for the issuing of shares are presented (except the relevant income tax) in capital less the issue proceeds.

3.10 Income tax (current and deferred)

The income tax expense for the year consists of current and deferred tax. Income tax is entered in profit or loss, except for the case where it concerns items entered directly in other comprehensive income, in which case it is entered 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 deferred tax receivables and tax losses, to the extent that it is probable there will be available taxable income which will be used against the deductible temporary differences and the deferred unutilised taxable discount rights and deferred unutilised losses.

Deferred tax assets are assessed on each financial position statement date and are reduced to the extent where it is no longer considered likely that there will be sufficient taxable profits to allow use of part or all deferred income tax assets.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled, and are 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 when there is a legal right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax entity and same tax authorities.

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

3.11 Employee benefits

a) Defined contribution plans

Liabilities for contributions to 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 liabilities arising from defined benefit plans for the personnel are calculated at the discounted value of the future benefits to the personnel which have become accrued on the financial position statement date. These liabilities are calculated 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 on the future obligation and the vested cost of past service. 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 benefits.

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

3.12 Revenue recognition

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

(a) Provision of services: Income from provision of services is recognised during 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 were provided.

(c) *Income from sale of capacity:* Income from the sale of capacity on 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.

The income recognition period is in accordance with IFRS 15.

3.13 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- Capital controls

The macroeconomic and financial environment in Greece is showing signs that is steadily regaining its stability, as demonstrated by the successful completion of the third program and the publication of the third evaluation report on the country's progress, in the framework of the enhanced surveillance of the European Commission, on 5 June 2019. The capital controls initially imposed on the country on 28 June 2015 were withdrawn after a legislative provision that entered into force on 1 September 2019 and entailed the full lifting of the capital controls. Moreover, taking into consideration that total revenues come mainly from foreign clients (around 85%), the risk exposure is relatively small.

Management continuously assesses the possible impact of any changes to the macroeconomic and financial environment in Greece in order to assure that all necessary actions and measures are taken to minimise any impact on the Company's activities in Greece. Management cannot accurately predict the developments in the Greek economy, however, based on its assessment, it has concluded that no additional provisions will be required for impairment of the Company's financial and non-financial assets as on 31 December 2019.

Brexit

The Company is evaluating the impact from the United Kingdom's withdrawal from the European Union (Brexit) and is taking measures to minimise any effects. Based on the analysis to date, Brexit is not anticipated to have a negative effect on the Company's operations.

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 types of risk, the targets, the policies and the procedures it applies for measuring and managing risk, as well as 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 specific principles, in which all employees are aware of their roles and obligations.

4.2.1 Credit risk

Credit risk refers to the risk of loss for the Company 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 financial position statement date was the following:

	31 December	
	2019	**2018**
Loans and receivables	10.126.164	20.051.420
Trade receivables	45.798.986	52.404.946
Cash and cash equivalents	35.288.336	23.702.766

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. The Company assesses credit risk in accordance with the established policies and procedures and the appropriate provision for impairment is recognised.

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 creditworthiness assessment carried out by the Company 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 42% (2018: 24%) 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 57% (2018: 72%) 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 recognizes impairment losses based on its estimates for losses relating to trade and other receivables and investments in securities.

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 a high credit rating.

4.2.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle its financial liabilities 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 both normal and adverse conditions, without suffering unacceptable losses or jeopardising the Company's reputation.

Given the fact that the Company's financing needs involve 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 for financial liabilities:

	31 December	
	2019	**2018**
Amounts due to related parties	7.300.077	8.241.906
Trade payables	30.336.715	39.915.932
Other short-term liabilities	2.029.406	3.154.140
	39.666.197	**51.311.978**

Other short-term liabilities include liabilities to social security organizations, other taxes and duties and other liabilities (Note 25).

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 sight deposits and the investments in financial instruments issued by OTE Group companies with a fluctuation that has 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 sight deposit account in USD.

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. The Board of Directors also monitors the level of dividends payable to shareholders of registered shares.

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 measurement

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, amendments to standards and interpretations: There are no new standards, amendments to standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2019. The Company's estimate regarding the effect from the application of the new standards, amendments and interpretations is described below.

Standards and Interpretations mandatory for the current period

IFRS 16 “Leases”

IFRS 16 was published in January of 2016, to replace IAS 17. The purpose of the standard is to ensure that lessees and lessors provide useful information that fairly presents the essence of the transactions related to leases. IFRS 16 introduces a single accounting model from the lessee's side, which requires the lessee to recognise assets and liabilities for all lease contracts with a term of more than 12 months, unless the underlying asset is of low value. As regards the accounting handling by the lessor, IFRS 16 essentially incorporates the requirements of IAS 17. Consequently, the lessor shall continue to classify each lease as an operating lease or a finance lease and account differently for each type of contract. The effect from the implementation of the standard to the Company is described in note 6.

IFRS 9 (Amendments) “Prepayment features with negative compensation”

The amendments enable companies, if they meet a specific condition, to measure prepayable financial assets and negative compensation at amortised cost or at fair value through other comprehensive income instead of fair value through profit or loss.

IAS 28 (Amendments) "Long-term interests in Associates and Joint Ventures"

The amendments provide clarifications that entities must account for long-term interests in an associate or joint venture to which the equity method does not apply, based on IFRS 9.

IFRIC 23 "Uncertainty over Income Tax Treatments"

The interpretation provides explanations on the recognition and measurement of current and deferred income taxes when there is uncertainty about the tax treatment of certain items. IFRIC 23 applies to all aspects of income tax accounting when there is such uncertainty, including taxable profit/loss, the tax base of assets and liabilities, tax profits and tax damages and tax rates.

IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement"

The amendments lay down how entities must define pension costs when changes are made to defined benefit pension plans.

Annual Improvements to IFRS (2015– 2017 Cycle)

The amendments presented below describe the key changes to four IFRSs:

IFRS 3 Business Combinations'

The amendments provide clarification on how an entity re-measures the percentage previously held in a jointly controlled activity when it acquires control of that undertaking.

IFRS 11"Joint Arrangements"

The amendments provide clarification on how an entity should not re-measure the percentage previously held in a jointly controlled activity when it acquires joint control of that undertaking.

IAS 12 "Income Taxes"

The amendments provide clarification on how an entity should account for all consequences of dividend payments on income tax, doing so in the same way.

IAS 23 "Borrowing costs"

The amendments provide clarification on how an entity treats as part of its general borrowing any loan specifically taken out to develop an asset when that asset is ready for the use for which it was intended or for sale.

Standards and Interpretations mandatory for later accounting periods

IFRS 17 "Insurance contracts" (effective for annual periods beginning on or after 01 January 2021)

IFRS 17 was published in May of 2017, to replace 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 resolves the comparability problems which IFRS 4 had created since it requires consistent accounting for all insurance policies. Insurance liabilities will be measured at present values and not at historic cost. The standard has not yet been adopted by the European Union.

IFRS 3 (Amendments) "Business Combinations" (effective for annual accounting periods beginning on or after 1 January 2020)

The new definition focuses on the meaning of the performance of a business in the form of provision of goods and services to customers in contrast to the previous definition which focused on performances in the form of dividends, lower cost or other economic benefit to investors and other parties. The amendments have not yet been adopted by the European Union.

IAS 1 and IAS 8 (Amendments) "Definition of material" (effective for annual accounting periods beginning on or after 1 January 2020)

The amendments provide clarification on the definition of material and how it must be used, completing the definition with guidelines which were provided up to now in other points of the IFRS. Moreover, the clarifications accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistently implemented in all IFRS.

IFRS 9, IAS 39 and IFRS 7 (Amendments) "Interest rate benchmark reform" (effective for annual accounting periods beginning on or after 1 January 2020)

The amendments change certain requirements for hedge accounting to provide relief from potential effects of the uncertainty to be caused by the interest rate benchmark reform. Also, the amendments require companies to provide additional information to investors regarding their hedging relationships that are directly affected by these uncertainties.

6. Changes in accounting policies

IFRS 16 “Leases”

The Company implemented, for the first time, IFRS 16 “Leases”, which replaced the provisions of IAS 17 and sets out the principles for recognition, measurement, presentation and disclosures in relation to leases. The standard is mandatory for accounting periods beginning on or after 1 January 2019. IFRS 16 has a significant effect on the Company’s financial statements, particularly all assets and liabilities, profit or loss, net cash flows from operating activities, net cash flows from financing activities and the presentation of the financial position.

The new requirements affect the Company as a lessee, mainly in relation to the leases of telecommunications infrastructures, vehicles and buildings used for administrative or technical purposes.

The Company has not retrospectively applied the new standard to every prior period, but has taken the modified retrospective approach. According to this approach, comparative information cannot be restated. During transition to IFRS 16, liabilities arising from existing operating leases are discounted using the relevant discount interest rate (incremental borrowing rate) and are recognised as liabilities from leases. The rights of use of assets on 1 January 2019 are recognised at an amount that is equal to the liability from leases, adjusted by any prepaid or accrued lease payment amount.

The most important policies and practical expedients applied are:

The assets with right of use and liabilities from leases will be presented separately in the financial position statement. The recognition, measurement and disclosure requirements of IFRS 16 were applied in full to short-term leases and low value leases. The Company used the practical expedient not to separate the non-lease components from the lease components and therefore treated each lease component and any non-lease related components as a single lease, on condition that they remain unchanged.

Also, at the first implementation of IFRS 16, the Company applied the following policies and practical expedients:

To determine the duration of the lease, the knowledge gained has been used in cases where the payment of penalties for termination of the lease or other economic factor imply that any rights for extension or termination of the lease will be exercised. The Company chose to apply the new definition of lease not only to contracts entered into (or modified) on or after 1 January 2019, but to apply it to all existing contracts on the date of initial implementation.

The new definition of leases does not have a significant effect on the Company as a lessor.

The following tables summarise the effect of the adoption of IFRS 16 on the Company's financial position statements on 1 January 2019 for each of the affected components:

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

ASSETS	Book value IAS 17 2018 31/12/2018	IFRS 16 Adjustments	IFRS 16 Reclassifications	Book value IFRS 16 2018 1/1/2019
Non-current assets				
Property, plant and equipment	80.740.442		(24.768.056)	55.972.386
Intangible assets	493.841			493.841
Assets with right of use	-	26.893.956	60.702.351	87.596.307
Other long-term receivables	35.892.345		(34.333.436)	1.558.909
Loans and receivables	10.012.519			10.012.519
Total non-current assets	**127.139.146**	**26.893.956**	**1.600.859**	**155.633.962**
Current assets				
Trade and other receivables	61.733.017		(1.600.859)	60.132.157
Contractual assets	9.596.528			9.596.528
Loans and receivables	10.038.901			10.038.901
Cash and cash equivalents	23.702.766			23.702.766
Total current assets	**105.071.212**	**-**	**(1.600.859)**	**103.470.352**
TOTAL ASSETS	**232.210.358**	**26.893.956**	**(0)**	**259.104.314**
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	102.354.798			102.354.798
Other reserves	3.469.941			3.469.941
Retained earnings	28.413.920	-		28.413.920
Total equity	**134.238.659**	**-**	**-**	**134.238.659**
Long-term liabilities				
Provisions for staff compensation	1.405.159			1.405.159
Contractual obligations	25.038.003			25.038.003
Liabilities from leases	-	21.293.299		21.293.299
Other long-term liabilities	237.727			237.727
Deferred tax liabilities	3.190.249	-		3.190.249
Total long-term liabilities	**29.871.137**	**21.293.299**	**-**	**51.164.436**
Short-term liabilities				
Trade payables	48.157.838			48.157.838
Contractual obligations	1.992.100			1.992.100
Liabilities from leases	-	5.600.657		5.600.657
Income tax payable	367.471			367.471
Accruals and other short-term liabilities	17.583.153			17.583.153
Total short-term liabilities	**68.100.562**	**5.600.657**	**-**	**73.701.219**
Total liabilities	**97.971.699**	**26.893.956**	**-**	**124.865.655**
TOTAL EQUITY AND LIABILITIES	**232.210.358**	**26.893.956**	**-**	**259.104.314**

The reconciliation between receivables from operating leases on 31 December and the liabilities from leases recognised on 1 January 2019, is set out below:

Commitments from operating leases as at 31 December 2018	35.317.706
Changes arising from evaluation of rights for extension or termination of the lease	0
Changes arising from practical expedient not to separate non-lease components from lease components	0
Liabilities from leases on 01 January 2019, not discounted	**35.317.706**
Discounting	-8.423.750
Liabilities from operating leases as at 01 January 2019	**26.893.956**

If the interest rate implied in the lease cannot be easily determined, the discount rate used to measure financial assets with right of use and liabilities from leases is the incremental borrowing rate of the OTE Group. The Group's incremental borrowing rate is determined by using a risk free interest rate related to maturities for a period of up to 36 years, which are increased by the Group's estimated credit risk spread and are adjusted with a liquidity risk premium.

7. Other income

Other income is broken down as follows:

	31 December	
	2019	**2018**
Other income from services rendered	63.780	115.673
Income from VAT return	26.828	262.587
Other	319.708	978.619
Total	**410.316**	**1.356.879**

8. Personnel expenses

Personnel expenses are broken down as follows:

	31 December	
	2019	**2018**
Salaries and wages	(7.273.920)	(7.176.892)
Employer's contributions (Note 23)	(1.870.594)	(1.854.369)
Income / (Expenses) of defined benefit plans	(54.108)	(79.828)
Income from subsidies	-	99.073
Total	**(9.198.622)**	**(9.012.016)**

The average employee headcount in 2019 was 140, whereas in 2018 it was 139.

9. Other expenses

Other expenses are broken down as follows:

	31 December	
	2019	**2018**
Rents based on operating leases	-	(795.171)
Impairment loss for bad debts (Note 19)	(33.016)	(411.116)
Third party fees and commissions	(1.868.387)	(2.204.811)
Expenses from taxes-duties	(67.497)	(21.644)
Taxes withheld abroad	(116.311)	(292.205)
Telecommunications, postal, transport & shared expenses	(293.604)	(315.989)
Travel expenses	(485.262)	(545.373)
Promotion, marketing, exhibition & display expenses	(795.915)	(565.435)
Expenses for multiple print-outs, stationary and consumables	(47.253)	(43.820)
Insurance premiums	(214.789)	(202.207)
Other	(146.402)	(20.241)
Total	**(4.068.437)**	**(5.418.013)**

10. Financial income

Financial income is broken down as follows:

	31 December	
	2019	**2018**
Interest income	232.225	147.926
Income from interest of securities to related parties (Note 26)	450.354	571.526
Total	**682.579**	**719.452**

11. Financial costs

Financial expenses are broken down as follows:

	31 December	
	2019	**2018**
Bank expenses	(42.662)	(57.503)
Interest on the liability from leases (Note 6)	(1.452.954)	-
Other financial costs	(439)	(5.189)
Financial costs from related parties (Note 26)	-	(133.000)
Financial cost of staff compensation (Note 23)	(25.574)	(23.031)
Total	**(1.521.629)**	**(218.723)**

12. Income tax

According to the Greek tax laws, the applicable tax rate for Greek SA companies was 24% for financial year 2019, based on the recent amendments to the Tax laws made with Law 4646/12.12.29, whereas for financial year 2018 it was 29%.

The provision for income taxes appearing in the comprehensive income statement is broken down as follows:

	31 December	
	2019	**2018**
Current income tax	(2.900.698)	(3.006.332)
Deferred income tax	2.180.773	(109.495)
Total provision for income taxes recognised in profit or loss	**(719.925)**	**(3.115.827)**

The reconciliation of the provision for the amount of income tax determined by the application of the Greek tax rate on earnings before tax is summarised as follows:

	31 December	
	2019	**2018**
Profit / (loss) before income tax	4.518.036	7.947.602
Income taxes (Income) / expense calculated based on the current tax rate (2019: 24%, 2018: 29%)	(1.084.329)	(2.304.805)
Tax effect of expenses not deductible for tax purposes	(258.099)	(785.694)
Tax effect due to change of tax rates	215.135	191.357
Other	407.367	(216.686)
Income taxes income/(expenses) recognised in profit or loss	**(719.925)**	**(3.115.828)**

The Greek tax laws and related provisions are subject to interpretation by the tax authorities. Income tax statements are submitted to the tax authorities on an annual basis, but 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. Tax losses, to the extent that these are recognised by the taxation authorities, can be used to offset profits for the next five years after the accounting period to which they relate.

13. Assets

A) Property, plant and equipment

	Improvements to buildings	Machinery & technical installations	Furniture and fittings	Assets under constructions	Total
Acquisition cost:					
As at 01 January 2018	**795.285**	**253.616.256**	**3.316.817**	**10.795.178**	**268.523.538**
Additions	-	1.952.993	57.461	3.407.602	5.418.056
Decreases	-	(389.391)	(69.405)	-	(458.796)
Transfers from assets under construction (Note 14)	-	11.487.627	-	(11.632.601)	(144.975)
As at 31 December 2018	**795.285**	**266.667.485**	**3.304.873**	**2.570.179**	**273.337.823**
Effect from implementation of IFRS 16 (Note 6)		(39.875.656)			(39.875.656)
Adjusted balance at opening as at 01/01/2019	**795.285**	**226.791.828**	**3.304.873**	**2.570.179**	**233.462.167**
Additions	20.865	138.691	44.939	7.754.383	7.958.878
Decreases	-	-	-	-	-
Transfers from assets under construction (Note 14)		5.246.232	166.911	(5.623.477)	(210.335)
As at 31 December 2019	**816.150**	**232.176.751**	**3.516.723**	**4.701.085**	**241.210.710**
Accumulated depreciations:					
As at 01 January 2018	**668.687**	**179.302.616**	**3.086.795**	**-**	**183.058.098**
Fiscal year depreciation-amortisation	66.247	9.808.147	123.683	-	9.998.077
Decreases	-	(389.391)	(69.404)	-	(458.795)
Income from subsidies					-
As at 31 December 2018	**734.934**	**188.721.372**	**3.141.074**	**-**	**192.597.381**
Effect from implementation of IFRS 16 (Note 6)		(15.107.600)			(15.107.600)
Adjusted balance at opening as at 01/01/2019	**734.934**	**173.613.772**	**3.141.074**	**-**	**177.489.781**
Fiscal year depreciation-amortisation	65.507	12.379.567	141.213	-	12.586.287
Decreases	-	-	-	-	-
As at 31 December 2019	**800.441**	**185.993.339**	**3.282.287**	**-**	**190.076.068**
Undepreciated values:					
As at 31 December 2019	**15.709**	**46.183.412**	**234.436**	**4.701.084,70**	**51.134.642**
As at 31 December 2018	**60.351**	**77.946.113**	**163.799**	**2.570.179**	**80.740.442**

There are no liens on the fixed assets.

Following a relevant decision of the Company's Management, the remaining Useful Economic Life of the assets related to telecommunications equipment was revalued, and this category was depreciated at 8 years. This step brought an extra charge to the depreciations of property, plant and equipment of 4,820,866.

B) Assets with right of use

The assets with right of use on 31 December 2019 are set out below:

Right of use	**01/01/2019**	**31/12/2019**
Assets with right of use - buildings	17.042.485	15.953.670
Assets with right of use - telecom infrastructure	70.192.615	66.740.637
Assets with right of use - means of transport	361.207	337.669
Total	**87.596.307**	**83.031.975**

The depreciations of the assets with right of use on 31 December 2019 are set out below:

Accumulated depreciations	**31/12/2019**
Assets with right of use - buildings	2.983.757
Assets with right of use - telecom infrastructure	5.493.371
Assets with right of use - means of transport	177.101
Total	**8.654.229**

The Company's depreciations include depreciations for assets with right of use, related to lease contracts with related parties, of €1,938,188.

Liabilities from leases on 31 December 2019 are set out below:

Liabilities from leases	**01/01/2019**	**31/12/2019**
Short-term	5.600.657	3.916.598
Long-term	21.293.299	21.900.022
Total	**26.893.956**	**25.816.621**

Interest on the liability from leases on 31 December 2019 is set out below:

Accumulated interest	**31/12/2019**
Assets with right of use - buildings	900.901
Assets with right of use - telecom infrastructure	533.958
Assets with right of use - means of transport	18.095
Total	**1.452.954**

Interest from the Company's lease liabilities includes interest from related parties of €389,461.

The additions of fixed assets during 2019 which are subject to the **IFRS 16** standard are set out below:

	Accumulated additions 31/12/2019
Assets with right of use - buildings	2.009.165
Assets with right of use - telecom infrastructure	2.071.639
Assets with right of use - means of transport	188.436
Total	**4.269.239**

14. Intangible assets

	Software
Acquisition cost:	
As at 01 January 2018	**13.176.122**
Additions	88.840
Decreases	(56.226)
Transfers from assets under construction (Note 13)	144.975
As at 31 December 2018	**13.353.712**
Additions	202.780
Decreases	-
Transfers from assets under construction (Note 13)	210.334
As at 31 December 2019	**13.766.825**
Accumulated depreciations:	
As at 01 January 2018	**12.403.989**
Fiscal year depreciation-amortisation	512.107
Decreases	(56.226)
As at 31 December 2018	**12.859.871**
Fiscal year depreciation-amortisation	332.887
Decreases	-
As at 31 December 2019	**13.192.758**
Undepreciated values:	
As at 31 December 2019	**574.067**
As at 31 December 2018	**493.841**

15. Deferred tax receivables / (liabilities)

	Retirement compensation	Trade receivables	Property, plant and equipment	Provisions for expenses	Other	Employee benefits	Total
As at 01 January 2018	**375.230**	**3.230.840**	**(6.082.953)**	**-**	**(663.913)**	**-**	**(3.140.797)**
Entry in statement of comprehensive income	(83.983)	(623.097)	588.055	-	-	9.530	**(109.495)**
(Charge) / Credit to equity	60.043	-	-	-	-	-	**60.043**
Balance as at 31 December 2018	**351.290**	**2.607.743**	**(5.494.897)**	**-**	**(663.913)**	**9.530**	**(3.190.249)**
Entry in statement of comprehensive income	(12.569)	(152.073)	2.291.633	(49.215)	-	102.997	**2.180.773**
(Charge) / Credit to equity	52.201	-	-	-	-	-	**52.201**
Balance as at 31 December 2019	**390.922**	**2.455.670**	**(3.203.265)**	**(49.215)**	**(663.913)**	**112.527**	**(957.275)**

A significant part in the change of the deferred tax in the fixed asset category is due to the effect from implementation of IFRS 16.

16. Other long-term receivables

	31 December	
	2019	**2018**
Guarantees to suppliers	199.370	199.370
Guarantees for car leases	29.687	29.767
Guarantees to third parties	10.000	10.000
Prepaid expenses	-	4.374
Long-term leasing expense (8 years)	447.496	640.508
Long-term leasing expense (15 years)	306.231	35.008.326
	992.784	**35.892.345**

Long-term leasing expenses (15 years) are reduced mainly due to their transfer to assets with right of use, according to IFRS 16. Specifically, the reclassification amount is €34,333,436 (Note 6).

17. Contract Balances

According to IFRS 15, the following assets and liabilities arise:

Contractual assets

	31 December	
	2019	**2018**
Short-term part	12.975.384	9.596.528
	12.975.384	**9.596.528**

The contractual assets are the following:

	31 December	
	2019	**2018**
Balance, 1 January	9.596.528	14.922.197
Balance, 31 December	**12.975.384**	**9.596.528**

Contractual obligations

	31 December	
	2019	**2018**
Short-term part	2.214.580	1.992.100
Long-term part	24.139.420	25.038.003
	26.354.000	**27.030.103**

The change to the contractual liabilities is broken down as follows:

	31 December	
	2019	**2018**
Balance, 1 January	27.030.103	9.514.140
Additions	1.513.049	18.857.923
Decreases	-	(46.371)
Transfer to profit or loss	(2.189.152)	(1.295.589)
Balance, 31 December	**26.354.000**	**27.030.103**

18. Loans and receivables

	31 December	
	2019	**2018**
Bond issued by OTE Plc with maturity on 11/2019 with 2.491% interest rate	-	10.038.901
Bond issued by OTE Plc with maturity on 06/2020 with 1.5138% interest rate	10.126.164	10.012.519
	10.126.164	**20.051.420**

	31 December	
	2019	2018
Current assets	10.126.164	10.038.901
Non-current assets	-	10.012.519
	10.126.164	**20.051.420**

The change to the loans and receivables is broken down as follows:

	31 December	
	2019	2018
Balance, 1 January	**20.051.420**	**81.178.079**
Additions	-	71.000.000
Decreases	(10.375.610)	(132.698.185)
Credited in profit and loss statement (Note 10)	450.354	571.526
Balance, 31 December	**10.126.164**	**20.051.420**

19. Trade and other receivables

	31 December	
	2019	2018
Trade receivables	56.030.947	62.835.918
Less: Impairment loss	(10.231.960)	(10.430.973)
Net trade receivables	**45.798.988**	**52.404.945**
Other receivables	6.033.885	9.328.071
Total	**51.832.873**	**61.733.017**

According to IFRS 16, an amount of €1,600,859 was moved to 1.1.2019 from other receivables to assets with right of use (Note 6).

	2019	2018
Balance, 1 January	**(10.430.973)**	**(11.140.829)**
Recognised impairment loss (Note 9)	(33.016)	(411.116)
Write-offs for bad debts	-	1.120.948
Income from bad debt provisions not used	232.029	24
Balance, 31 December	**(10.231.960)**	**(10.430.973)**

Maturity, after impairment of the other customers on the financial position statement date, was:

	31 December	
	2019	**2018**
Not past due and not impaired	32.385.602	27.045.530
0-30 days past due but not impaired	6.801.616	7.401.567
31-60 days past due but not impaired	1.662.808	5.431.746
61+ days past due but not impaired	4.948.962	12.526.103
	45.798.988	**52.404.945**

Total due and non-impaired receivables amounting to € 13,413,386 (2018: € 25,359,415), pertain in their vast majority, by 99.73% (2018: 96.73%), 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.

20. Cash and cash equivalents

	31 December	
	2019	**2018**
Cash in hand and at banks	34.795.241	23.140.544
Sight account - management of OTE international telephony traffic	493.095	562.222
Total	**35.288.336**	**23.702.766**

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

21. Share capital

	Number of shares	**Share capital value**
Balance as at 01 January 2018	**55.931.584**	**163.879.541**
Share capital reduction	-	(61.524.742)
Balance as at 31 December 2018	**55.931.584**	**102.354.798**
Balance as at 31 December 2019	**55.931.584**	**102.354.798**

An Extraordinary Self-convened Universal General Meeting of the company's shareholders was held on 18 April 2018, which approved the reduction of the company's share capital by €61,524,742.40 through reduction of the nominal value of the share and return of this amount to shareholders. More specifically, it approved the reduction of the share price from €2.93 to €1.83, without changing the number of shares.
The General Meeting approved the reduction of the share capital taking into account the company's existing liquidity, which under current circumstances is not deemed necessary in its entirety for the company's operation and to serve its needs.

22. Other reserves

	Statutory reserve	Special reserves	Untaxed reserves	Other reserves	Total
Balance as at 01 January 2018	**3.146.390**	**1.414**	**42.429**	**-**	**3.190.233**
Statutory reserve formed according to Codified Law 2190/20	241.589	-	-		241.589
Stock option plan	-	-	-	38.119	38.119
Balance on 31 December 2018	**3.387.979**	**1.414**	**42.429**	**38.119**	**3.469.941**
Statutory reserve formed according to Codified Law 2190/20	189.906	-	-	-	189.906
Stock option plan	-	-	-	27.118	27.118
Balance on 31 December 2019	**3.577.884**	**1.414**	**42.429**	**65.237**	**3.686.964**

Statutory Reserve: Under Greek company law (Article 158 of Law 4548/2018), companies are required to withhold 5% of their annual net earnings after tax to form the statutory reserve, until the balance of its statutory reserve is equal to or reaches at least 1/3 of the share capital. This reserve is not available for distribution but may be used to stem losses.

Special reserves: Concerns the translation of the share capital from drachmas into euro.

Untaxed reserves: The Company, based on older special provisions of Law 2238/1994 had formed specific profit and revenues items for which there was no tax obligation, provided they were to be distributed and entered in a specific reserve account.

According to 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 in the Company's books is no longer permitted, while a special tax was imposed on already 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.

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 are presented in the company's equity as tax-free reserves.

23. Provisions for staff compensation

The movement of the net liability can be seen below:

a) **Pension**: The Company's employees 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 the employees. Thus, the Company has no legal or presumed obligation to pay future benefits upon the retirement of employees. The contributions to the funds for the years ended 31 December 2019 and 2018 amounted to EUR 1,870,594 and EUR 1,854,369 respectively (Note 8).

b) **Employee retirement and termination benefits**: According to Greek labour law, employees and workers 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 relationship was terminated (redundancy or retirement). Employees who resign or are dismissed for a reason are not entitled to compensation. The compensation payable in case of retirement is equal to 40% of the sum that would be payable for redundancy without cause. These plans are not funded in Greece, according to the local practice. 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 liability.

	31 December	
	2019	**2018**
Net liability at beginning of year	**1.405.159**	**1.293.896**
Actuarial losses / (gains)	157.499	8.404
Payments of compensations	(13.500)	-
Expense recognised in results	79.682	102.859
Net liability at end of year	**1.628.840**	**1.405.159**

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:	**2019**	**2018**
Cost of service	73.647	79.828
Financial cost	25.574	23.031
Effect of employment termination benefit	(19.539)	-
Total charge to profit or loss	**79.682**	**102.859**

Reconciliation of benefit liabilities:		
Net liability at beginning of year	**1.405.159**	**1.293.896**
Cost of service	73.647	79.828
Financial cost (Note 11)	25.574	23.031
Payments of compensations	(13.500)	-
Effect of employment termination benefit	(19.539)	-
Actuarial losses / (gains)	157.499	8.404
Present value of liability at end of year	**1.628.840**	**1.405.159**

Discount Rate	1,08%	1,82%
Future salary increases	1,00%	1,00%
Average duration of future employment (in years)	15,79	16,68
Inflation	1,50%	1,50%

If the discount rate used in the valuation was 0.5% higher on 31/12/2019, the defined benefit liability for Staff redundancy and retirement compensation would be decreased by approximately 7.7% for the Company.

24. Trade payables

	31 December	
	2019	2018
Amounts due to third parties	30.336.715	39.915.932
Amounts due to related parties (Note 26)	7.300.077	8.241.906
Total	**37.636.791**	**48.157.838**

Trade payables are not interest-bearing accounts and are usually settled in 30-70 days.

25. Accruals and other short-term liabilities

Other liabilities are broken down as follows:

	31 December	
	2019	2018
Accrued expenses for telecommunication services	8.779.321	11.742.633
Other accrued expenses	3.161.367	2.462.664
Social Security	341.616	342.773
Customer advances	390.731	223.716
Other taxes & duties	1.684.222	2.811.291
Other	3.568	76
Total	**14.360.825**	**17.583.153**

26. 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	
	2019	2018
Sales of services (turnover):		
To OTE Group parent company	43.202.079	48.304.539
To other related parties	10.832.287	11.672.427
	54.034.366	**59.976.966**
Other income from services rendered		
To OTE Group parent company	63.780	115.673
	63.780	**115.673**

Purchases of services:		
From OTE Group parent company	11.101.739	15.116.770
From other related parties	7.451.969	10.385.212
Extraordinary cost from Telekom Albania	-	811.969
	18.553.708	**26.313.951**
Purchases of fixed assets:		
From OTE Group parent company	1.043.164	2.152.613
	1.043.164	**2.152.613**
New leases during financial year		
From OTE Group parent company	863.878	-
From other related parties	-	-
	863.878	**-**

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

The extraordinary cost for Telecom Albania pertains mainly to a cost from the early termination of a long-term lease contract in view of the upcoming sale of Telekom Albania by the OTE Group.
The total cost arising due to this termination is €974,487 (€811,969 from Telekom Albania and €162,518 due to service-related taxes withheld abroad).

ii) Benefits to Management

	2019	**2018**
Salaries and other short-term employment benefits	1.599.556	1.581.722
Other long-term benefits	228.638	216.342
	1.828.194	**1.798.064**

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

Receivables from related parties:

	31 December	
	2019	**2018**
Trade receivables		
From OTE Group parent company	15.872.423	8.999.169
From other related parties	3.466.304	3.490.360
	19.338.727	**12.489.529**
Other receivables		
From OTE Group parent company	298.290	585.742
From other related parties	439.278	531.333
	737.568	**1.117.076**

Non-current receivables from related parties		
From OTE Group parent company	594.144	1.766.673
From other related parties	10.066	904.066
	604.210	**2.670.739**
Non-current financial assets		
Loans and receivables from a related party (Note 18)	-	10.012.519
	-	**10.012.519**
Short-term assets		
Loans and receivables from a related party (Note 18)	10.126.164	10.038.901
	10.126.164	**10.038.901**
Total receivables from related parties	**30.806.668**	**36.328.763**

Liabilities to related parties:

	31 December	
	2019	**2018**
Amounts due to related parties (Note 24)		
To OTE Group parent company	4.159.417	4.787.795
To other related parties	3.140.659	3.454.111
	7.300.077	**8.241.906**
Accruals and other liabilities		
To OTE Group parent company	6.132.036	(204.629)
To other related parties	1.114.286	1.108.527
	7.246.322	**903.898**
Total liabilities to related parties	**14.546.398**	**9.145.804**

iv) Interest income from financial assets

	31 December	
	2019	**2018**
Financial income		
From other related parties (Notes 10, 18)	450.354	571.526
	450.354	**571.526**

	31 December	
	2019	**2018**
Financial costs (Note 11)		
From OTE Group parent company	352.897	-
From other related parties	36.564	133.000
	389.461	**133.000**

In the framework of the adoption of IFRS 16, the Company's liabilities from leases with related parties (which are included in iii) Other Company liabilities to related parties) are broken down as follows:

	31 December	
	2019	**2018**
Liabilities from leases		
To OTE Group parent company	6.192.784	-
To other related parties	573.967	-
	6.766.750	**-**

The Company's depreciations include depreciations for assets with right of use, related to lease contracts with related parties, of €1,938,188.

Moreover, the Company's financial costs include interest on the liability from leases of an amount of €389,461 (included in table iv) Financial expenses).

27. Contingent liabilities / receivables

- *Legal issues*

The company is the target (and has respectively filed) certain claims and legal actions in the normal course of its business, the other parties being mostly companies with which it carried out transactions and respective disputes arose.
Management views, 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 in 2019 nor is it expected to have any in the future.

- *Tax issues*

As stated in Note 12, the Company is potentially liable for additional taxes and penalties that may be imposed by the tax 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 up to financial year 2013 have become final because the right of the Tax Administration to issue an estimated or corrective administrative tax assessment up to financial year 2013 has become 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.

Financial years 2014 and onwards are not considered as having been audited, regardless of the fact that the company was receiving an unqualified tax certificate by its statutory auditors according to Article 65a Law 4174/2013.

For financial year 2019, the tax audit for the issue of the tax certificate is under way by PricewaterhouseCoopers S.A. Upon completion of the tax audit, Management does not expect significant tax liabilities to emerge beyond those recorded and presented in the financial statements.

- *Letters of guarantee*

The Company receives letters of guarantee from third parties for the good performance of the projects and provides letters of guarantee to its customers for the good performance of the services it provides. On 31 December 2019 and 2018, the amount of letters of guarantee from third parties amounted to €13.285,97 and from those provided to customers to €0 on 31 December 2019 and 2018.

28. Post-statement Events

No events occurred after the date of the statement of financial position which need to be corrected or disclosed in the financial statements.

Independent auditor's report

To the Shareholders of "OTE International Solutions SA"

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of OTE International Solutions SA (Company) which comprise the statement of financial position as of 31 December 2019, the statements of comprehensive income, changes in equity and cash flow statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as at 31 December 2019, their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union and comply with the statutory requirements of Law 4548/2018**.**

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), as they have been transposed into Greek Law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

During our audit we remained independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that has been transposed into Greek Law, and the ethical requirements of Law 4449/2017, that are relevant to the audit of the financial statements in Greece. We have fulfilled our other ethical responsibilities in accordance with Law 4449/2017, and the requirements of the IESBA Code.

Other Information

The members of the Board of Directors are responsible for the Other Information. The Other Information is the Board of Directors Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the Other Information and except to the extent otherwise explicitly stated in this section of our Report, we do not express an audit opinion or other form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information identified above and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Board of Directors Report, we considered whether the Board of Directors Report includes the disclosures required by Law 4548/2018.

Based on the work undertaken in the course of our audit, in our opinion:

- The information given in the the Board of Directors' Report for the year ended at 31 December 2019 is consistent with the financial statements,
- The Board of Directors' Report has been prepared in accordance with the legal requirements of articles 150 and 153 of Law 4548/2018.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Board of Directors' Report. We have nothing to report in this respect.

Responsibilities of Board of Directors and those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, as adopted by the European Union and comply with the requirements of Law 4548/2018, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that have been transposed into Greek Law, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

With respect to the Board of Directors Report, the procedures we performed are described in the "Other Information" section of our report.

Athens, 17 February 2020

The Certified Auditor Accountant

PricewaterhouseCoopers S.A.
Certified Public Accountants
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