OTE INTERNATIONAL SOLUTIONS S.A.

Financial statements for the year ended 31 December 2013 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

These financial statements were approved by the Board of Directors of OTE International Solutions SA on the 6th of February 2014 and are available online at the site www.oteglobe.gr

OTE INTERNATIONAL SOLUTIONS S.A.

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

Zinonos Eleatou & Agisilaou 6-8, Marousi 151 23

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

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OTE INTERNATIONAL SOLUTIONS S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(amounts in Euro)

	Notes	01.01-31.12.2013	01.01-31.12.2012
Revenue			
Income from data and international telephony services		281,881,915	266,732,321
Income from commissions		267,234	603,441
Total revenue		**282,149,149**	**267,335,762**
Charges from international telecommunications carriers		(246,203,613)	(227,855,125)
Gross profit		**35,945,536**	**39,480,637**
Other income	7	3,911,856	4,561,811
Employee expenses	8	(11,773,777)	(11,638,983)
Depreciation	13,14	(9,431,568)	(8,506,218)
Other expenses	9	(5,053,195)	(6,964,632)
Operating profit/(loss)		**13,598,853**	**16,932,615**
Finance income	10	2,051,283	1,316,312
Finance cost	11	(85,323)	(95,262)
Foreign exchange differences		939,934	573,745
Profit / (Loss) before tax		**16,504,747**	**18,727,410**
Income tax	12	(2,783,496)	(3,882,203)
Profit / (Loss) for the year		**13,721,251**	**14,845,207**
Other comprehensive income			
Actuarial gains / (losses) due to change in discount rate	23	310,712	(332,995)
Deferred tax on actuarial gains / (losses) due to change in discount rate	16	(154,514)	66,599
Other comprehensive income for the year		**156,198**	**(266,396)**
Total comprehensive income for the year		**13,877,449**	**14,578,811**

The notes on pages 7 to 36 are an integral part of the financial statements. The financial statements appearing on pages 3 to 36 were approved by the Board of Directors on the 6th of February 2014 and are signed on behalf of the Board of Directors by the following:

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

The notes on pages 7 to 36 are an integral part of the financial statements.

OTE INTERNATIONAL SOLUTIONS S.A.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013

(amounts in Euro)

ASSETS	Notes	31 December 2013	31 December 2012
Non-current assets			
Property, plant and equipment	13	84,840,694	92,636,461
Intangible assets	14	2,363,974	1,761,437
Available for sale financial assets	15	-	460
Other non-current receivables	17	31,084,799	32,170,474
Other financial assets	19	-	10,950,000
Deferred tax asset	16	5,214,396	7,855,923
Total non-current assets		**123,503,863**	**145,374,755**
Current assets			
Trade and other receivables	18	87,511,141	75,780,574
Income tax receivable		1,786,393	-
Other financial assets	19	45,046,009	40,201,587
Cash and cash equivalents	20	28,440,497	13,271,854
Total current assets		**162,784,040**	**129,254,015**
TOTAL ASSETS		**286,287,903**	**274,628,770**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	163,857,378	163,697,462
Other reserves	22	2,036,431	1,482,921
Retained earnings		22,116,932	8,925,546
Total equity		**188,010,741**	**174,105,929**
Long term liabilities			
Employee benefits obligation	23	1,060,487	1,281,304
Deferred income		3,961,386	2,972,097
Other provisions		231,685	831,685
Total long term liabilities		**5,253,558**	**5,085,086**
Short term liabilities			
Trade payables	24	65,231,778	68,300,723
Deferred income		1,207,327	1,323,128
Current tax liability		-	356,184
Accruals and other short term liabilities	25	26,584,499	25,457,720
Total short term liabilities		**93,023,604**	**95,437,755**
Total liabilities		**98,277,162**	**100,522,841**
TOTAL EQUITY AND LIABILITIES		**286,287,903**	**274,628,770**

The notes on pages 7 to 36 are an integral part of the financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

(amounts in Euro)

	Notes	01.01-31.12.2013	01.01-31.12.2012
Profit / (Loss) before tax		16,504,747	18,727,410
Adjustments for:			
Depreciation	13, 14	9,431,568	8,506,218
Foreign exchange differences		(939,934)	(573,745)
Income from unused provisions		(412,663)	(52,683)
Impairment of available-for-sale financial assets	15	460	-
Finance income	10	(2,051,283)	(1,316,312)
Finance costs	11	85,323	95,262
Reversal of provision for impairment of trade receivables	18	(521,337)	(75,002)
Provision for impairment of trade receivables	18	48,587	1,697,519
Employee benefits obligation	8	40,693	(23,809)
Decrease of trade and other receivables before provision for impairment	18	(11,242,528)	237,652
(Decrease) in trade payables		(2,129,011)	(25,180,710)
Increase/(Decrease) in deferred income and other provisions		686,152	(907,270)
Increase in accruals and other short term liabilities		1,496,774	2,732,024
Decrease in other non-current receivables	17	1,085,676	24,498,090
Income tax paid		(2,411,697)	(4,347,729)
Interest paid		(36,121)	(45,982)
Net cash flows from operating activities		**9,635,406**	**23,970,933**
Cash flows from investing activities			
Purchases of property, plant and equipment	13	(2,214,424)	(8,482,721)
Purchases of intangible assets	14	(24,207)	(115,703)
Proceeds from the sale / disposal of property, plant and equipment	13	294	107,656
Purchases of financial assets	19	(51,999,128)	(140,991,106)
Proceeds from settlement of financial assets	19	57,942,346	120,047,010
Interest received		2,198,350	1,228,334
Net cash flows from investing activities		**5,903,231**	**(28,206,530)**
Net increase in cash and cash equivalents		**15,538,637**	**(4,235,597)**
Cash and cash equivalents at 1 January	20	12,813,300	17,048,897
Cash and cash equivalents at 31 December	20	**28,351,937**	**12,813,300**

The notes on pages 7 to 36 are an integral part of the financial statements

OTE INTERNATIONAL SOLUTIONS S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(amounts in Euro)

	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2012	**163,697,462**	**835,979**	**(5,006,323)**	**159,527,119**
Net profit for the year	-	-	14,845,207	14,845,207
Other comprehensive income/(loss)	-	-	(266,396)	(266,396)
Statutory reserve per Codified Law 2190/1920	-	584,141	(584,141)	-
Reserve formed from the one-off payment of income tax	-	62,801	(62,801)	-
Balance at 31 December 2012	**163,697,462**	**1,482,921**	**8,925,546**	**174,105,930**
Net profit for the year	-	-	13,721,251	13,721,251
Other comprehensive income/(loss)	-		156,198	156,198
Partial capitalisation of tax free reserves	159,916	(159,916)		-
Statutory reserve per Codified Law 2190/1920	-	686,063	(686,063)	-
Reserve formed from the one-off payment of income tax	-	27,362		27,362
Balance at 31 December 2013	**163,857,378**	**2,036,431**	**22,116,932**	**188,010,741**

The notes on pages 7 to 36 are an integral part of these financial statements.

Notes to the Financial Statements

1. General

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

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

2. Basis of presentation

2.1 Statement of compliance

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

The financial statements were approved by the Board of Directors on 6th of February 2014. These financial statements are subject to the approval of the Annual General Meeting of Shareholders.

2.2 Basis for measurement

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

2.3 Going concern

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

2.4 Functional currency and presentation currency

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

2.5 Significant accounting estimates and judgements of Management

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 judgements that have a significant risk of causing substantial adjustments to the carrying amounts of assets and liabilities in the next 12 months include the following:

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

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

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

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

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

(f) Post-employment benefits: Employee benefits obligation is calculated on the basis of financial and actuarial assumptions which require Management to provide estimates for the discount rate, the salary increase rate, the rates of employee mortality and disability, the retirement age and other factors. Changes in these basic assumptions may have a significant impact on the liability and the corresponding costs of each period. The net total cost for the period comprise the present value of the current service cost, the interest cost on future obligation, the past service cost and the actuarial gains and losses. The employee retirement compensation and the Youth Fund contributions are not funded. Due to the long term nature of these defined benefit plans, the assumptions are subject to significant degree of uncertainty. Additional details are provided in Note 23.

3. Key accounting principles

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

3.1 Transactions in foreign currency

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

3.2 Property, plant and equipment

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

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

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

	Estimated Useful Life in years
Buildings	12
Machinery and technical installations	3.3-15
Furniture and other equipment	3.3-5

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

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

3.3 Impairment of non-financial assets

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

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

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

3.4 Intangible assets

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

	Estimated Useful Life
Software	3.3 years

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

3.5 Leases

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

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

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

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

3.6 Financial assets

The Company classifies its financial assets in the following categories:

(a) Available for sale financial assets

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

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

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

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

(b) Receivables

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

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

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

3.7 Cash and cash equivalents

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

3.8 Trade and other payables

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

3.9 Share capital

Share capital includes the value of issued ordinary shares.

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

3.10 Current and deferred income tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

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

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

3.11 Employee benefits

a) Defined contribution plans

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

b) Defined benefit plans

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

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

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

3.12 Other provisions

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

3.13 Revenue recognition

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

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

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

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

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

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

3.14 Grants

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

3.15 Derecognition of financial assets and liabilities

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

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

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

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

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

4. Financial risk management

General

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

Credit risk

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

a) Trade and other receivables

The exposure of the Company to credit risk is mainly affected by the characteristics of each client. The demographic features of the Company's client base, including the risk of default in payments that is characteristic to the particular market and the country in which the customers operate, affect credit risk to a lesser extent.

The Company has put in force a credit policy based on which each new customer's creditworthiness is examined on an individual basis before offering the usual terms of payment (30 days). The assessment of customer creditworthiness includes the examination of bank resources and other relevant resources, where these exist. Credit limits are set for each customer in cases of delayed payment or in cases of weak creditworthiness. The Company generates revenues from Deutsche Telecom Group companies that account for approximately 26% of its annual revenues and consequently the exposure to credit risk from these receivables is low. In addition, approximately 69% relates mainly to large international telecommunication providers, who are also suppliers to the Company through telephone traffic exchange and the risk of default of payments by these customers is minimal.

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

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

b) Investments

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

c) Exposure to credit risk

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

	31 December 2013	31 December 2012
Available for sale financial assets	-	460
Trade receivables	65,228,818	59,025,878
Cash and cash equivalents	28,440,497	13,271,854

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

	Note	31 December 2013	31 December 2012
Related parties	1	22,314,272	24,695,459
Customers that are simultaneously suppliers (net settlement of receivable/payable balance)	2	42,699,586	30,303,189
Other customers		10,621,363	14,906,382
Less: Provision for impairment of receivables		(10,406,403)	(10,879,152)
		65,228,818	**59,025,878**

1) Transactions with related parties account for 34% of total receivables and are not exposed to any credit risk. The Company considers the companies within the Deutsche Telecom Group as related parties.

2) If the respective payable balance is taken into account for these customers, in their simultaneous role as suppliers, the maximum net receivable amount that could result from the net settlement of receivable-payable balance is Euro 2.266.850.

d) Impairment losses

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

	31 December 2013	31 December 2012
Neither past due nor impaired	37,454,912	31,009,361
Past due 0-30 days not impaired	4,212,228	7,331,291
Past due 31-60 days not impaired	1,793,613	1,978,942
Past due 61+ days not impaired	21,768,065	18,706,284
	65,228,818	**59,025,878**

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

	31 December	
	2013	**2012**
Balance at 1 January	(10,879,152)	(9,256,635)
Provision for impairment of receivables	(48,587)	(1,697,519)
Unused amounts reversed	521,337	75,002
Balance at 31 December	**(10,406,403)**	**(10,879,152)**

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

Liquidity risk

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

Given the fact that the Company's funding involves its operational activities and the fact that the company has not received loans from third parties, it has sufficient cash to cover its operational needs for a period of 60 days. This policy does not take into account the relative effect from rare events that cannot be predicted, such as natural disasters.

Set out below are the balances of financial liabilities:

	31 December	
	2013	**2012**
Amounts due to related parties	19,944,629	33,350,335
Suppliers that are simultaneously Customers (net settlement of receivable-payable balance)	42,705,619	21,345,134
Other suppliers	2,581,529	13,605,254
	65,231,778	**68,300,723**

Market risk

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

a) Interest rate risk

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

b) Foreign exchange risk

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

c) Price risk

The Company is not exposed to such risk.

Capital management

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

5. New standards and interpretations

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

Standards and Interpretations effective for the current financial year

IAS 1 (Amendment) "Presentation of Financial Statements"

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

IAS 19 (Amendment) "Employee Benefits"

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

IAS 12 (Amendment) “Income Taxes”

The amendment to IAS 12 provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 “Investment Property”.

IFRS 13 “Fair Value Measurement”

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

IFRS 7 (Amendment) “Financial Instruments: Disclosures”

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

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

The amendments set out below describe the key changes to IFRSs following the publication in May 2012 of the results of the IASB’s annual improvements project.

IAS 1 “Presentation of financial statements”

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

IAS 16 “Property, plant and equipment”

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

IAS 32 “Financial instruments: Presentation”

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

Standards and Interpretations effective for periods beginning on or after 1 January 2014

IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2015)

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

IFRS 9 “Financial Instruments: Hedge accounting and amendments to IFRS 9, IFRS7 and IAS 39” (effective for annual periods beginning on or after 1 January 2015)

The IASB has published IFRS 9 Hedge Accounting, the third phase of its replacement of IAS 39 which establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The second amendment requires changes in the fair value of an entity's debt attributable to changes in an entity's own credit risk to be recognised in other comprehensive income and the third amendment is the removal of the mandatory effective date of IFRS 9. These amendments have not yet been endorsed by the EU.

IFRS 7 (Amendment) "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 January 2015)

The amendment requires additional disclosures on transition from IAS 39 to IFRS 9. The amendment has not yet been endorsed by the EU.

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

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

IAS 36 (Amendment) "Recoverable amount disclosures for non-financial assets" (effective for annual periods beginning on or after 1 January 2014)

This amendment requires: a) disclosure of the recoverable amount of an asset or cash generating unit (CGU) when an impairment loss has been recognised or reversed and b) detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. Also, it removes the requirement to disclose recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment.

IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014)

This interpretation sets out the accounting for an obligation to pay a levy imposed by government that is not income tax. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy (one of the criteria for the recognition of a liability according to IAS 37) is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation could result in recognition of a liability later than today, particularly in connection with levies that are triggered by circumstances on a specific date. This interpretation has not yet been endorsed by the EU.

IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement" (effective for annual periods beginning on or after 1 January 2014)

This amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulations, if specific conditions are met.

IAS 19R (Amendment) "Employee Benefits" (effective for annual periods beginning on or after 1 July 2014)

These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans and simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. These amendments have not yet been endorsed by the EU.

Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after 1 July 2014)

The amendments set out below describe the key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The improvements have not yet been endorsed by the EU.

IFRS 2 "Share-based payment"

The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

IFRS 3 "Business combinations"

The amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 "Financial instruments: Presentation". It also clarifies that all non-equity contingent consideration, both financial and non-financial, is measured at fair value through profit or loss.

IFRS 8 "Operating segments"

The amendment requires disclosure of the judgements made by management in aggregating operating segments.

IFRS 13 "Fair value measurement"

The amendment clarifies that the standard does not remove the ability to measure short-term receivables and payables at invoice amounts in cases where the impact of not discounting is immaterial.

IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 "Related party disclosures"

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Annual Improvements to IFRSs 2013 (effective for annual periods beginning on or after 1 July 2014)

The amendments set out below describe the key changes to four IFRSs following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project. The improvements have not yet been endorsed by the EU.

IFRS 3 "Business combinations"

This amendment clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11 in the financial statements of the joint arrangement itself.

IAS 40 "Investment property"

The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive.

IFRS 1 "First-time adoption of International Financial Reporting Standards"

The amendment clarifies that a first-time adopter can use either the old or the new version of a revised standard when early adoption is permitted.

6. Fair value estimation

The Company uses the following hierarchy for the measurement and disclosure of the fair value of financial instruments, based on the fair value estimation method used:
Level 1: fair value is estimated based on quoted prices in active markets.
Level 2: fair value is estimated with valuation techniques at which all significant inputs are observable market data either directly or indirectly.
Level 3: fair value is estimated with valuation techniques at which one or more of the significant inputs is not based on observable market data.

7. Other income

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

	31 December	
	2013	**2012**
Income from the provision of services to third parties	2,968,515	2,928,256
Profit from sale of tangible assets	-	4,187
Profit from write-off of trade payable balance	-	1,470,317
Income from VAT reimbursement	-	4,245
Other	943,341	154,806
Total	**3,911,856**	**4,561,811**

8. Employee benefit expense

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

	31 December	
	2013	**2012**
Salaries and wages	(9,265,029)	(9,102,174)
Defined contribution plans expenses (Note 23)	(2,464,915)	(2,680,500)
Employee training expenses	(3,140)	(170,400)
Defined benefit plans income/(expenses) (Note 23)	(40,693)	23,809
Income from subsidies	-	290,282
Total	**(11,773,777)**	**(11,638,983)**

The average number of employees in 2013 was 160 the same as in 2012.

9. Other expenses

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

	31 December	
	2013	**2012**
Repairs and maintenance	(134,936)	(153,462)
Operating leases	(1,010,184)	(1,035,937)
Provision for impairment of receivables (Note 18)	(48,587)	(1,697,519)
Third party fees and commissions	(2,013,588)	(1,940,922)
Taxes and duties	(44,022)	(32,167)
Withholding taxes abroad	-	(138,327)
Telecommunication, postal, transport and communal expenses	(552,627)	(592,336)
Travel expenses	(524,001)	(588,779)
Promotion, marketing and advertising expenses	(502,613)	(497,542)
Stationary and consumables	(41,351)	(35,096)
Other	(181,286)	(252,545)
TOTAL	**(5,053,195)**	**(6,964,632)**

10. Finance income

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

	31 December	
	2013	**2012**
Interest income	17,988	65,585
Interest income from financial assets due from related parties (Note 26)	2,033,294	1,250,727
Total	**2,051,283**	**1,316,312**

11. Finance expenses

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

	31 December	
	2013	**2012**
Bank charges	(34,438)	(45,553)
Other finance costs	(1,683)	(429)
Impairment of investment in Hellas Sat SA	-	-
Interest cost on employee benefits obligation (Note 23)	(49,202)	(49,280)
Total	**(85,323)**	**(95,262)**

12. Income tax

According to the Greek tax legislation, the applicable tax rate for Greek SA companies is 26% for financial year 2013 and 20% for financial year 2012.
The provision for income tax presented in the financial statements is analysed as follows:

	31 December	
	2013	**2012**
Current income tax	(296,483)	(2,323,748)
Deferred tax (Note 16)	(2,487,013)	(1,558,455)
Total income tax expense recognised in profit or loss	**(2,783,496)**	**(3,882,203)**

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

	31 December	
	2013	**2012**
Profit / (Loss) before tax	16,504,747	18,727,409
Tax (income) / expense calculated based on current tax rates (2013: 26%, 2012: 20%)	(4,291,234)	(3,745,482)
Tax on expenses not deductible for tax purposes	3,864,515	(136,721)
Effect from increase in tax rates	(2,356,777)	-
Total income tax recognised in profit or loss	**(2,783,496)**	**(3,882,203)**

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

The Company has not been tax audited for the financial year 2010. Pursuant to Law 3943/2011 and the relevant Ministerial Decision, the financial years 2011, 2012 and 2013 have been tax audited by the statutory auditor of the Company.

13. Property, plant and equipment

	Buildings	Machinery and technical installations	Furniture and fixtures	Assets under construction	Total
Cost:					
Balance at 1 January 2012	795,285	272,111,756	2,335,035	11,922,205	287,164,282
Additions	-	5,023,939	93,857	3,364,925	8,482,721
Transfer from assets under construction	-	6,353,372	69,126	(7,812,291)	(1,389,792)
Sales / Write-offs	-	(111,162)	(14,284)	(23,720)	(149,166)
Balance at 31 December 2012	**795,285**	**283,377,905**	**2,483,734**	**7,451,119**	**294,108,045**
Additions	-	74,426	22,007	2,117,991	2,214,424
Sales / Write-offs	-	(19,011,604)	(27,312)	-	(19,038,916)
Transfer from assets under construction (note 14)	-	5,368,784	126,516	(7,329,247)	(1,833,948)
Balance at 31 December 2013	**795,285**	**269,809,510**	**2,604,945**	**2,239,863**	**275,449,605**
Accumulated depreciation:					
Balance at 1 January 2012	**271,204**	**191,466,255**	**2,074,101**	**-**	**193,811,559**
Depreciation	66,247	7,448,028	187,259	-	7,701,535
Sales / Write-offs	-	(27,542)	(13,968)	-	(41,510)
Balance at 31 December 2012	**337,451**	**198,886,740**	**2,247,393**	**-**	**201,471,583**
Depreciation	66,247	7,945,944	163,759	-	8,175,950
Sales / Write-offs		(19,011,604)	(27,017)	-	(19,038,621)
Balance at 31 December 2013	**403,698**	**187,821,079**	**2,384,135**	**-**	**190,608,912**
Net book value:					
Balance at 31 December 2013	**391,587**	**81,988,431**	**220,810**	**2,239,863**	**84,840,694**
Balance at 31 December 2012	457,834	84,491,165	236,343	7,451,119	92,636,461

There are no liens attached to the fixed assets.

14. Intangible assets

	Software
Cost:	
Balance at 1 January 2012	7,515,279
Additions	115,703
Transfer from assets under construction	1,389,793
Balance at 31 December 2012	**9,020,775**
Additions	24,207
Transfer from assets under construction	1,833,948
Balance at 31 December 2013	**10,878,930**
Accumulated depreciation:	
Balance at 1 January 2012	6,454,655
Depreciation	804,683
Balance at 31 December 2012	**7,259,338**
Depreciation	1,255,618
Balance at 31 December 2013	**8,514,956**
Net book value:	
Balance at 31 December 2013	**2,363,974**
Balance at 31 December 2012	1,761,437

15. Available for sale financial assets

	31 December	
	2013	**2012**
Balance 1 January	**460**	**460**
Share capital reduction	(460)	-
Balance at 31 December	**-**	**460**

16. Deferred tax assets / (liabilities)

	Employee benefits obligation	Customers	Property, plant and equipment	Expenses provision	Other	Total
Balance at 1 January 2012	**184,568**	**1,851,327**	**7,111,744**	**426,336**	**(226,196)**	**9,347,779**
Recognised in profit or loss	5,094	327,561	(1,772,113)	198,721	(317,717)	**(1,558,455)**
Charge / (Credit) to equity	66,599	-	-	-	-	**66,599**
Other movements	-	-	-	-	-	-
Balance at 31 December 2012	**256,261**	**2,178,888**	**5,339,631**	**625,057**	**(543,913)**	**7,855,923**
Recognised in profit or loss	19,466	526,777	(2,572,588)	(340,668)	(120,000)	**(2,487,013)**
Charge / (Credit) to equity	(154,514)					**(154,514)**
Other movements						-
Balance at 31 December 2013	**121,213**	**2,705,665**	**2,767,043**	**284,389**	**(663,913)**	**5,214,396**

17. Other non-current receivables

	31 December	
	2013	**2012**
Guarantees to suppliers	202,078	219,624
Guarantees for car leases	12,933	8,512
Guarantees to third parties	10,000	10,000
Prepaid expenses	9,595	24,182
Long term leasing expense (8-year)	3,741,718	4,296,494
Long term leasing expense (15-year)	27,108,475	27,611,664
	31,084,799	**32,170,474**

18. Trade and other receivables

	31 December	
	2013	**2012**
Customers	75,635,221	69,905,030
Less: Impairment provision	(10,406,402)	(10,879,152)
Trade receivables (net)	**65,228,818**	**59,025,878**
Income receivable	18,390,478	11,097,148
Other receivables	3,891,845	5,657,548
Total	**87,511,141**	**75,780,574**

The movement in the provision for impairment of receivables is as follows:	**2013**	**2012**
Balance 1 January	**(10,879,152)**	**(9,256,635)**
Provision for impairment of receivables (Note 9)	(48,587)	(1,697,519)
Unused amounts reversed	521,337	75,002
Balance 31 December	**(10,406,402)**	**(10,879,152)**

19. Other financial assets

	31 December	
Non listed securities	**2013**	**2012**
Debenture OTE Plc – short term maturity	45,046,009	40,201,587
Other loan notes OTE Plc – long term maturity	-	10,950,000
	45,046,009	**51,151,587**

The amount comprises non listed debentures issued by the company OTE Plc (related party), which were purchased directly from OTE Plc (the issuer) and are measured at amortised cost using the effective interest method.
The short term securities mature in November 2014 and are considered to bear no risk.

The movement in other financial assets is:

	31 December	
	2013	**2012**
Balance at 1 January 2012	51,151,587	30,165,716
Acquisition of debentures	51,999,128	140,991,106
Debentures expired	(60,138,000)	(121,257,000)
Credit in profit or loss	2,033,294	1,251,765
Balance at 31 December 2013	**45,046,009**	**51,151,587**

20. Cash and cash equivalents

	31 December	
	2013	**2012**
Cash on hand and at banks	28,351,937	12,813,300
Current account-management of international telephony traffic for OTE	88,560	458,554
Total	**28,440,497**	**13,271,854**

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

	2013	**2012**
Διαθέσιμα στο ταμείο και σε τράπεζζες	1.00%	1.00%

21. Share capital

	Number of shares	**Ordinary shares**
Balance on 1 January 2013	**55,869,441**	**163,697,462**
Partial capitalisation of tax free reserves	54,579	159,916
Balance on 31 December 2013	**55,924,020**	**163,857,379**
Balance on 1 January 2013	**55,869,441**	**163,697,462**
Balance on 31 December 2013	**55,924,020**	**163,857,379**

22. Other reserves

	Statutory reserve	**Special reserves**	**Tax-free reserves**	**Other reserves**	**Total**
Balance at 31 December 2012	**1,250,942**	**1,411**	**167,767**	**62,801**	**1,482,921**
Statutory reserve per Codified Law 2190/1920	686,063				686,063
Tax free reserves held for capitalisation				27,362	27,362
Partial capitalisation of tax free reserves			(97,117)	(62,801)	(159,918)
Difference from roundings		3			3
Balance at 31 December 2013	**1,937,005**	**1,414**	**70,650**	**27,362**	**2,036,431**

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 profits items that were not taxed, provided that they were not distributed and they were maintained in a particular reserve account.
Based on new provisions of Income Tax Law 4172/2013 article 72, par. 12 & 13, with effect from 01/01/2014 the formation of new tax free reserves is no longer permitted, while tax is imposed on existing reserves (15% for the year 2013 and 19% for the year 2014) with exhaustion of the tax liability for these reserves.
The Company decided on 30/12/2013, following the resolution of the Extraordinary General Meeting of Shareholders, the capitalization of the reserves formed until 31/12/2012. For the remaining reserves that have not been capitalized until 31/12/2013 amounting to Euro 27,362.33, the imposed tax would be Euro 5,198.84.

23. Employee benefits obligation

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

a) **Retirement**: The employees of the Company are covered by one of the various retirement funds supported from the Greek state. Each employee is required to contribute an amount from his monthly wage to the fund, with the Company also contributing an amount. Upon retirement, the fund is responsible for the payment of pensions to employees. Thus, the entity 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 2013 and 2012 amounted to Euro 2,464,915 and Euro 2,680,500 respectively (Note 8).

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

	31 December	
	2013	**2012**
Obligation at the beginning of the year	**1,281,304**	**922,838**
Actuarial losses / (gains)	(310,712)	332,995
Expense recognized in profit or loss (Note 8, 11)	89,895	25,471
Obligation at the end of the year	**1,060,487**	**1,281,304**

An international firm of independent actuaries has carried out the actuarial analysis in respect of the Company's retirement benefit obligations. The details and the basic assumptions used in the actuarial study at 31 December 2013 and 2012 for the Company are as follows:

	31 December 2013	31 December 2012
Present value of unfunded obligation	1,060,487	1,281,304
Net liability in the statement of financial position	**1,060,487**	**1,281,304**
Components of net cost of employee benefits for the period:		
Current service cost	112,861	118,963
Interest cost	49,202	49,280
Curtailment /settlement /termination costs	(72,168)	
Recognition of past service cost	-	(142,772)
Total recognized in profit or loss	**89,895**	**25,471**

	31 December 2013	31 December 2012
Reconciliation of employee benefits obligation:		
Net liability at the beginning of the year	**1,281,304**	**922,838**
Current service cost	112,861	118,963
Interest cost (Note 11)	49,202	49,280
Benefits paid		
Cost of additional benefits		
Curtailment /settlement /termination costs	(72,168)	
Recognition of past service cost	-	(142,772)
Actuarial losses / (gains)	(310,712)	332,995
Net liability at the end of the year	**1,060,487**	**1,281,304**

	2013	2012
Discount rate	3.77%	3.84%
Future salary increases	2.00%	3.00%
Average future employment (in years)	21.31	21.6

24. Trade payables

	31 December	
	2013	**2012**
Trade payables	45,287,148	34,950,388
Amounts due to related parties	19,944,629	33,350,335
Total	**65,231,778**	**68,300,723**

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

25. Accruals and other short term liabilities

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

	31 December	
	2013	**2012**
Accrued expenses for telecommunication services	19,493,613	13,226,665
Other accrued expenses	3,918,202	4,107,244
Insurance and pension contributions payable	510,914	496,765
Customers advances	79,919	280,286
Other taxes and duties	2,441,134	7,001,196
Other	140,718	345,564
Total	**26,584,499**	**25,457,721**

26. Transactions with related parties

i) Sales and purchases of goods and services

	31 December	
	2013	**2012**
Sales of services:		
To the Parent of OTE Group	59,447,593	74,214,633
To other related parties	17,328,691	23,865,895
	76,776,284	**98,080,528**
Purchases of services:		
From the Parent of OTE Group	12,987,556	25,036,709
From other related parties	25,485,382	45,106,439
	38,472,938	**70,143,148**
Purchases of fixed assets:		
From the Parent of OTE Group	15,960	4,966,468
	15,960	**4,966,468**

Transactions with related parties have been conducted under terms and conditions that are on an arm's length basis.

Transactions with related parties relate mainly to telecommunications services.

ii) Key Management Personnel compensations

	2013	2012
Salaries and other short term employee benefits	1,606,039	1,605,114
Other long term benefits	84,817	288,303
	1,690,857	**1,893,417**

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

Short term receivables from related parties:

	31 December	
	2013	**2012**
Customers		
From the Parent of OTE Group	18,827,876	21,833,653
From other related parties	3,486,396	2,861,806
	22,314,272	**24,695,459**
Other receivables		
From the Parent of OTE Group	4,205,515	4,540,465
From other related parties	1,096,504	1,380,348
	5,302,019	**5,920,813**
Long term receivables from related parties		
From the Parent of OTE Group	27,615,815	28,311,843
From other related parties	2,940,247	3,269,281
	30,556,062	**31,581,124**
Receivables from financial assets		
From other related party	45,046,009	51,151,587
	45,046,009	**51,151,587**
Total receivables from related parties	**103,218,362**	**113,348,983**

Payables to related parties:

Short term payables to related parties:

	31 December	
	2013	**2012**
Amounts due to related parties		
To the Parent of OTE Group	14,192,345	27,975,802
To other related parties	5,752,284	5,374,533
	19,944,629	**33,350,335**
Other payables		
To the Parent of OTE Group	539,470	932,602
To other related parties	2,476,401	3,543,308
	3,015,871	**4,475,909**
Total payables to related parties	**22,960,500**	**37,826,244**

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

	31 December	
	2013	**2012**
Finance income		
From other related parties (Note 10)	2,033,294	1,250,727
	2,033,294	**1,250,727**

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

27. Contingent liabilities / assets

- *Legal issues*

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

- *Tax issues*

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

- *Letters of guarantee*

The Company obtains letters of guarantee from third parties for good performance and provides letters of guarantee to its customers for good performance for the services it renders. At 31 December 2013 the amount of guarantees from third parties amount to Euro 40,000 (31 December 2012: Euro 90,000) whereas guarantees provided by the Company to customers amount to Euro 132,431.20 (31 December 2012: Euro 787,031.20).

28. Operating leases

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

Building rentals	**31 December**	
	2013	**2012**
Up to 1 year	585,514	713,271
Between 1 and 5 years	2,442,471	3,060,862
More than 5 years	794,123	1,767,700
Total	**3,822,108**	**5,541,833**

Car rentals	**31 December**	
	2013	**2012**
Up to 1 year	249,633	228,334
Between 1 and 5 years	227,425	266,872
Total	**477,058**	**495,206**

29. Reclassifications

In the note 24 "Trade payables" in 2012, the amount of Euro 10,665 has been reclassified from note 18 "Trade and other receivables".
In the note 25 "Accruals and other short term liabilities" in 2012, the amount of Euro 2,147,756 has been reclassified from note 18 "Trade and other receivables".
In the Statement of Comprehensive Income in 2012, the amount of Euro 1,411,863 has been reclassified from note 9 "Other expenses" to the line "Charges from international telecommunications carriers".
In the Cash Flow Statement in 2012, the amount of Euro 573,545 has been reclassified from the line "(Decrease) / Increase in trade payables» to the line "Foreign exchange differences".
In the Cash Flow Statement in 2012, the amount of Euro 52,683 has been reclassified from the line "Increase / (Decrease) in deferred income and other provisions" to the line "Income from unused provisions".

Reclassifications were made in order amounts to be similar and comparable to the respective current period amounts.

30. Events after the reporting period

There are no events after the reporting period that require adjustment or disclosure in the financial statements.

[Translation from the original text in Greek]

Independent Auditor's Report

To the Shareholders of OTE INTERNATIONAL SOLUTIONS S.A.

Report on the Financial Statements

We have audited the accompanying financial statements of OTE INTERNATIONAL SOLUTIONS S.A., which comprise the statement of financial position as of 31 December 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of OTE INTERNATIONAL SOLUTIONS S.A. as of 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

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

Athens, 7 February 2014

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