



**OTENET SOCIETE ANONYME
(OTENET S.A.)
TRADE REGISTER NUMBER.:35842/01AT/B/96/157/97**

**FINANCIAL STATEMENTS
(PARENT AND CONSOLIDATED)
ON DECEMBER 31, 2006
(In accordance with International Financial Reporting Standards)**

The attached Financial Statements were approved by OTENET S.A.'s Board of Directors on March 30, 2007 and have been published on the Internet in web address www.otenet.gr.

ΠΙΝΑΚΑΣ ΠΕΡΙΕΧΟΜΕΝΩΝ

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OTENET SOCIETE ANONYME (OTENET S.A.)

INCOME STATEMENTS (PARENT COMPANY AND CONSOLIDATED) FOR THE FINANCIAL YEARS THAT ENDED DECEMBER 31

	Notes	GROUP		COMPANY	
		2006	2005	2006	2005
<i>(Amounts in €)</i>					
Revenues					
Revenues (sales)	4	109.726.881,57	96.580.557,54	82.180.400,64	70.778.680,99
Other revenues	4	811.581,74	610.624,52	784.815,58	619.387,18
Operating revenues		<u>110.538.463,31</u>	<u>97.191.182,06</u>	<u>82.965.216,22</u>	<u>71.398.068,17</u>
Operating Expenses					
Cost of sales		(6.856.008,73)	(2.657.133,90)	(6.324.205,30)	(2.597.546,56)
Payroll and employee expenses	5	(21.641.695,11)	(17.956.042,30)	(18.995.935,26)	(15.532.490,82)
Depreciation and Amortization		(6.389.548,22)	(6.707.408,28)	(5.055.553,32)	(5.227.643,90)
Other operating expenses	6	(78.692.162,28)	(61.909.539,51)	(55.167.993,31)	(40.139.930,84)
Total operating expenses		<u>(113.579.414,34)</u>	<u>(89.230.123,99)</u>	<u>(85.543.687,19)</u>	<u>(63.497.612,12)</u>
Operating profits/ (losses)		<u>(3.040.951,03)</u>	<u>7.961.058,07</u>	<u>(2.578.470,97)</u>	<u>7.900.456,05</u>
FINANCIAL RESULTS					
Interest expense		(206.123,66)	(253.682,73)	(64.268,46)	(61.371,08)
Interest income		327.694,70	128.195,86	293.632,94	81.510,07
Total financial results		<u>121.571,04</u>	<u>(125.486,87)</u>	<u>229.364,48</u>	<u>20.138,99</u>
Profit/(loss) before tax		<u>(2.919.379,99)</u>	<u>7.835.571,20</u>	<u>(2.349.106,49)</u>	<u>7.920.595,04</u>
Income tax expense	24	(607.734,83)	(4.144.804,73)	(361.296,20)	(3.979.537,34)
Profits/ (losses) for the financial year		<u>(3.527.114,82)</u>	<u>3.690.766,47</u>	<u>(2.710.402,69)</u>	<u>3.941.057,70</u>
Attributable to					
Shareholders		(3.123.711,21)	4.176.193,61		
Minority interest		(403.403,61)	(485.427,14)		
		<u>(3.527.114,82)</u>	<u>3.690.766,47</u>		

Financial Statements on pages 1 to 34 were made according to International Financial Reporting Standards, as they have been adopted by European Union, and were approved by the Board of Directors on March 30, 2007 and were signed on behalf of it by:

THE CHAIRMAN OF THE BOARD OF DIRECTORS

THE CHIEF EXECUTIVE OFFICER

AIVAZIS IORDANIS
ID N.II 308566

DRAKOPOULOS HELIAS
ID.N. AB 521242

FINANCIAL DIRECTOR

ACCOUNTING DIRECTOR

THE MANAGEMENT ACCOUNTING SECTION
MANAGER

E. FILIPPOY-KLÖPFER
ID N. AE 063790

FOTIS CHRISTOU
ID.N. Σ 166726

ARETI P. KANAKI
ID N.. Ξ 145508

1ST CLASS LICENSE NUMBER 0004755 1ST CLASS LICENSE NUMBER 0009200

The attached notes on pages 6-34 are an integral part of these Financial Statements.

OTENET SOCIETE ANONYME (OTENET S.A.)

**BALANCE SHEET (PARENT COMPANY AND CONSOLIDATED)
ON DECEMBER 31**

(Amounts in €)

	Notes	<u>GROUP</u>		<u>COMPANY</u>	
		<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
ASSETS					
Non - Current Assets					
Fixed Tangible Assets	7	10.809.215,56	10.803.874,51	7.969.980,04	8.071.621,90
Goodwill	8	1.052.970,46	1.059.132,55	-	-
Intangible assets	9	4.715.242,78	4.886.500,78	3.465.424,64	3.463.945,30
Investments	10	88,04	88,04	4.617.243,06	4.617.243,06
Deferred tax assets	24	1.087.002,86	1.699.179,80	591.077,78	952.373,98
Other non current assets	11	416.929,82	554.383,62	399.014,59	537.336,39
Total Non - Current Assets		<u>18.081.449,52</u>	<u>19.003.159,30</u>	<u>17.042.740,11</u>	<u>17.642.520,63</u>
Current Assets					
Inventories	12	2.535.632,09	460.345,80	2.535.632,09	460.345,80
Accounts receivable	13	30.831.481,55	22.239.896,52	23.327.623,49	14.533.090,65
Other current assets	14	3.200.995,67	2.892.936,77	2.049.301,98	2.326.911,31
Cash and cash equivalents	15	10.543.069,01	6.473.975,11	9.859.102,09	5.666.016,93
Total current assets		<u>47.111.178,32</u>	<u>32.067.154,20</u>	<u>37.771.659,65</u>	<u>22.986.364,69</u>
TOTAL ASSETS		<u>65.192.627,84</u>	<u>51.070.313,50</u>	<u>54.814.399,76</u>	<u>40.628.885,32</u>
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	16	5.400.000,00	5.400.000,00	5.400.000,00	5.400.000,00
Share premium reserve		6.035.041,54	6.035.041,54	6.035.041,54	6.035.041,54
Legal Reserve	17	1.620.000,00	1.620.000,00	1.620.000,00	1.620.000,00
Foreign exchange reserve from subsidiaries	18	(84.826,88)	(75.644,83)	-	-
Retained earnings/(losses)		(1.427.554,47)	1.696.156,74	(208.421,19)	2.501.981,50
		11.542.660,19	14.675.553,45	12.846.620,35	15.557.023,04
Minority interest applying to Company's Shareholders		847.417,24	1.250.820,85	-	-
Total Shareholders' equity		<u>12.390.077,43</u>	<u>15.926.374,30</u>	<u>12.846.620,35</u>	<u>15.557.023,04</u>
Long-term liabilities					
Interest -bearing loans and borrowings	19	571.660,01	658.603,31	-	-
Employees' benefits	20	732.041,92	510.723,79	694.338,33	482.475,00
Other long-term liabilities	21	21.050,00	21.249,04	3.050,00	6.249,04
Total long-term liabilities		<u>1.324.751,93</u>	<u>1.190.576,14</u>	<u>697.388,33</u>	<u>488.724,04</u>
Current liabilities					
Accounts payable	22	40.496.561,67	23.638.406,14	32.739.658,45	15.196.602,81
Short-term borrowings	23	1.700.348,31	397.765,12	-	-
Current portion of long-term liabilities	19	74.195,78	63.886,66	-	-
Income taxes payable		-	2.108.656,74	-	2.107.179,84
Other current liabilities	25	9.206.692,72	7.744.648,40	8.530.732,63	7.279.355,59
Total current liabilities		<u>51.477.798,48</u>	<u>33.953.363,06</u>	<u>41.270.391,08</u>	<u>24.583.138,24</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		<u>65.192.627,84</u>	<u>51.070.313,50</u>	<u>54.814.399,76</u>	<u>40.628.885,32</u>

The attached notes on pages 6-34 are an integral part of these Financial Statements

OTENET SOCIETE ANONYME (OTENET S.A.)
STATEMENTS OF MOVEMENT IN SHAREHOLDER'S EQUITY (CONSOLIDATED)
FOR THE FINANCIAL YEAR ENDED DECEMBER 31

(Amounts in €)

	<u>Attributed to parent company's shareholders</u>							
	<u>Share Capital</u>	<u>Share premium reserve</u>	<u>Legal Reserve</u>	<u>Foreign Exchange differences</u>	<u>Retained losses</u>	<u>Total</u>	<u>Minority Interest</u>	<u>Total Equity</u>
Balance on January 1, 2005	5.400.000,00	6.035.041,54	1.400.000,00	(89.979,00)	(2.097.336,06)	10.647.726,48	1.572.453,26	12.220.179,74
Earnings 2005	-	-	-	-	4.176.193,61	4.176.193,61	(485.427,14)	3.690.766,47
Legal Reserve	-	-	220.000,00	-	(220.000,00)	-	-	-
Foreign Exchange Differences	-	-	-	14.334,17	-	14.334,17	-	14.334,17
Others	-	-	-	-	(162.700,81)	(162.700,81)	163.794,73	1093,92
Balance on December 31, 2005	<u>5.400.000,00</u>	<u>6.035.041,54</u>	<u>1.620.000,00</u>	<u>(75.644,83)</u>	<u>1.696.156,74</u>	<u>14.675.553,45</u>	<u>1.250.820,85</u>	<u>15.926.374,30</u>
Losses for the year	-	-	-	-	(3.123.711,21)	(3.123.711,21)	(403.403,61)	(3.527.114,82)
Foreign Exchange Differences	-	-	-	(9.182,05)	-	(9.182,05)	-	(9.182,05)
Balance on December 31, 2006	<u>5.400.000,00</u>	<u>6.035.041,54</u>	<u>1.620.000,00</u>	<u>(84.826,88)</u>	<u>(1.427.554,47)</u>	<u>11.542.660,19</u>	<u>847.417,24</u>	<u>12.390.077,43</u>

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OTENET SOCIETE ANONYME (OTENET S.A.)
STATEMENTS OF CHANGES IN EQUITY (PARENT)
FOR FINANCIAL YEAR ENDED AT DECEMBER 31

(Amounts in €)

	<u>Share Capital</u>	<u>Difference from issuing of par value shares</u>	<u>Legal Reserve</u>	<u>Retained losses</u>	<u>Total Equity</u>
Balance on January 1, 2005	5.400.000,00	6.035.041,54	1.400.000,00	(1.219.076,20)	11.615.965,34
Earnings	-	-	-	3.941.057,70	3.941.057,70
Legal Reserve	-	-	220.000,00	(220.000,00)	-
Balance on December 31, 2005	5.400.000,00	6.035.041,54	1.620.000,00	2.501.981,50	15.557.023,04
Losses for the year	-	-	-	(2.710.402,69)	(2.710.402,69)
Balance on December 31, 2006	5.400.000,00	6.035.041,54	1.620.000,00	(208.421,19)	12.846.620,35

The attached notes on pages 6-34 are an integral part of these Financial Statements

OTENET SOCIETE ANONYME (OTENET S.A.)

**CASH FLOWS STATEMENTS (PARENT AND CONSOLIDATED)
FOR THE FINANCIAL YEARS THAT ENDED DECEMBER 31**

	GROUP		COMPANY	
	2006	2005	2006	2005
<i>(Amounts in €)</i>				
Cash flow from operating activities				
Profit/(losses) before taxes	<u>(2.919.379,99)</u>	<u>7.835.571,20</u>	<u>(2.349.106,49)</u>	<u>7.920.595,04</u>
Adjustments to:				
Depreciation	6.389.548,22	6.707.408,28	5.055.553,32	5.227.643,90
Provisions	521.016,96	643.680,61	331.863,33	622.834,00
Results (revenues, expenses, earnings and losses) of investment activities	<u>(315.131,66)</u>	<u>(137.166,25)</u>	<u>(203.256,29)</u>	<u>80,46</u>
Interest and other financial expenses	206.123,66	253.682,73	64.268,46	61.371,08
Plus/minus adaptations for changes in working capital related to operating activities:				
Inventory Increase/ (decrease)	(2.075.286,29)	(158.454,65)	(2.075.286,29)	(158.454,65)
Accounts receivable Increase/ (decrease)	(9.060.779,46)	(5.687.809,62)	(8.498.601,70)	(2.967.853,35)
Liabilities (Decrease)/ increase (except banks)	18.320.000,81	3.788.974,60	18.791.233,64	1.982.942,91
Minus:				
Interest expenses and bank charges	(206.123,66)	(155.876,88)	(64.268,46)	(61.371,08)
Income taxes payable	<u>(2.108.656,74)</u>	<u>(2.184.141,36)</u>	<u>(2.107.179,84)</u>	<u>(2.166.600,61)</u>
Net cash provided by operating activities	<u>8.751.331,85</u>	<u>10.905.868,66</u>	<u>8.945.219,68</u>	<u>10.461.187,70</u>
Cash flows from investing activities				
Acquiring subsidiaries, relevant companies, joint ventures and other investments	-	(199.079,66)	-	(207.248,30)
Acquiring tangible and intangible assets	(6.214.136,57)	(5.848.099,38)	(4.955.390,81)	(4.645.523,70)
Revenues from selling tangible and intangible assets	-	87.891,01	-	86.886,70
Interest income	305.949,61	116.419,38	203.256,29	81.444,07
Dividends income	-	66,00	-	66,00
Net cash provided by (used in) investing activities	<u>(5.908.186,96)</u>	<u>(5.842.802,65)</u>	<u>(4.752.134,52)</u>	<u>(4.684.375,23)</u>
Cash flows from financing activities				
Revenues from loans	1.312.892,31	-	-	-
Loan payments	<u>(86.943,30)</u>	<u>(3.567.227,80)</u>	-	<u>(3.500.000,00)</u>
Total cash used in financing activities	<u>1.225.949,01</u>	<u>(3.567.227,80)</u>	<u>-</u>	<u>(3.500.000,00)</u>
Net increase in cash and cash equivalents	4.069.093,90	1.495.838,21	4.193.085,16	2.276.812,47
Cash and cash equivalents at the beginning of the year	<u>6.473.975,11</u>	<u>4.978.136,90</u>	<u>5.666.016,93</u>	<u>3.389.204,46</u>
Cash and cash equivalents at the end of the year	<u>10.543.069,01</u>	<u>6.473.975,11</u>	<u>9.859.102,09</u>	<u>5.666.016,93</u>

The attached notes on pages 6-34 are an integral part of these Financial Statements

**OTENET SOCIETE ANONYME (OTENET S.A.) FINANCIAL STATEMENTS
(PARENT AND CONSOLIDATED) ON DECEMBER 31, 2006 AND 2005
(Amounts in € , unless otherwise stated)**

1. GROUP'S FORMATION AND OPERATIONS

OTENET Societe Anonyme (OTENET S.A.) is a Societe Anonyme operating and regulated by the codified provisions of Law 2190/20, providing Internet services, applications and solutions as well as IT & Telecommunications infrastructure over IP to end-users and corporations. OTENET S.A. (the Company) is a subsidiary of the Hellenic Telecommunications Organization (OTE) S.A. and was established in 1996 upon decision number 6729/96 of the Prefect of Athens (Official Gazette (F.E.K.) 2548/4-6-1996 Edition S.A.& L.L.C.) and operates under a general authorization scheme, in accordance to law 3431/2006 and the General Authorization Regulation (Decision 390/3, Official Gazette (FEK) 748/B/21-6-2006) of National Telecommunications and Post Commission (E.E.T.T.). Company's address: Kifissias Av. 109 & Sina, Maroussi Attiki, PC 15124.

The Company also participates in the share capital of its subsidiaries «VOICENET Societe Anonyme for providing telecoms services and infrastructures», «OTEnet (Cyprus) Ltd» and «OTEnet Telecommunications Ltd» in which controls their management and administration.

Company's subsidiary, "VOICENET Societe Anonyme for providing telecoms services and infrastructures", provides Voice Telephony services and operates under an Individual License scheme under law 3431/2006 (Decision 390/3, Official Gazette (FEK) 748/B/21-6-2006) of National Telecommunications and Post Commission (E.E.T.T.).

Attached parent and consolidated financial statements of December 31, 2006, were approved to be published upon decision of the Board of Directors' on March 30, 2007.

These statements are consolidated into OTE S.A. parent company participating with a 94,58% in OTENET S.A.'s share capital.

Number of employees in Company and Group amounted on December 31, 2006 to 420 and 506 respectively, while on December 31, 2005 employees in Company and Group were 371 and 443 respectively.

2. BASIS FOR FINANCIAL STATEMENTS' PREPARATION

- (a) **Basis for writing Financial Statements:** Attached Annual Parent and Consolidated Financial Statements (hereinafter "Financial Statements") were compiled under historical cost principal, and under the International Financial Reporting Standards", as adopted by the European Union.
- (b) **Operating currency:** Company has its data in Euro, which is the operating currency and currency of reference.
- (c) **Management's estimates:** The preparation of the Financial Statements in accordance with IFRS requires making an estimation and adopting assumptions which may influence the accounting balance of assets and liabilities and the necessary acknowledgement about possible claims and liabilities at the date of drawing up Financial Statements as well as the amounts of revenues and expenses during the accounting period. The use of the available information and the application of subjective opinion are inextricable elements for making an assessment. The real future results may differ from the above assessments, while any divergence may have a significant influence on Financial Statements.

**OTENET SOCIETE ANONYME (OTENET S.A.) FINANCIAL STATEMENTS
(PARENT AND CONSOLIDATED) ON DECEMBER 31, 2006 AND 2005
(Amounts in € , unless otherwise stated)**

3. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies that were adopted or followed for the filling of accompanying parent and consolidated financial statements under IFRS, are the following:

3.1. Principles of Consolidation and Investments: Consolidated Financial Statements include parent company's and controlled subsidiaries accounts. There is control when parent company has the strength to impose decisions regarding economic and business strategies of subsidiaries in order to gain from them. Financial Statements of subsidiaries are consolidated in full the same date and with the same accounting principles with parent's Financial Statements. Wherever is needed, the necessary entries are made in order to ensure the consistency with accounting principles followed. All intracompany balances and transactions as well as intracompany profits or losses are erased in consolidated Financial Statements. Subsidiaries' consolidation begins from the date that control is acquired and ends when control is transferred outside the Group. Acquiring subsidiaries is accounted with acquisition method according to which assets and liabilities of acquiring subsidiaries are valued at the day of the acquisition on their fair valuations.

On parent Financial Statements, participations in subsidiaries are valued on the acquiring cost decreased by any depreciation of participation value.

3.2. Foreign Currency Conversion: Transactions made in foreign currency convert to euros based on the official rate of the foreign currency on that day. At balance sheet day, claims and liabilities in foreign currencies convert to euros based on the official rate on the relevant day. Profit or loss from foreign exchange differences are included in income statements.

The functional currency of the Group's operations outside of Greece is the local country's foreign currency. Assets and liabilities are translated to EURO using exchange rates ruling the Balance Sheet date. All subsequent exchange differences are recognized as a separate component directly in Equity and are transferred in the Income Statement of the Group when the subsidiaries are sold .

3.3. Revenues and Expenses Acknowledgement: Revenues include fair value of sold goods and provided services, net after deducting taxes, discounts and returns, distributed fairly in the period they were provided.

Revenues are recognized as follows:

- **Equipment sales:** Equipment sales, reduced by the provided discounts, are acknowledged when goods are delivered to clients and goods are accepted from them and collection of the relevant claim is fairly guaranteed.

- **Sales of Services:** The income from provision of services is recorded based on the accrual basis principle and separate in the following basic categories:

- **Rates for use:** The rates for the use of Internet Services are acknowledged as revenues for the period of time they are provided.

- **Fixed monthly fees:** Revenues related to the fixed monthly fees are recognized in the month the telecommunications services are provided.

- **Prepaid time revenues:** The revenues are recognized on the basis of the month the telecommunications services are provided. The prepaid time revenues which refer to the posterior use are included in the revenues of the next year in the balance sheet. Unbilled

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(Amounts in € , unless otherwise stated)**

revenues, from the billing cycle date to the closing day of the financial year, are estimated on the basis of the telecoms traffic.

Revenues from the sale of pre-paid airtime cards and the pre-paid airtime, net of discounts allowed, included in the pre-paid services packages, are recognized based on usage. Discounts given represent the difference between the price of pre-paid cards and packages (consisting of handsets and pre-paid airtime) to the group's master dealers and the retail sale price to the end customers. Unused airtime is included in unbilled revenue in the balance sheet. Upon the expiration of pre-paid airtime cards, any unused airtime is recognized as income and recorded at the end of each month.

- **Revenues from project contracts:** Are recognized on the basis of the percentage of completion method.

- **Lease revenues:** When the risks and the benefits of the fixed assets leased are transferred to the lease holder, then the relevant contracts are characterized as financial leases. Their accounting management is the following:

In the cases of financial lease contracts, where the company operates as a lessor, the total amount of the leases provided by the lease contract is registered in the category of long-term claims and claims against the customers.

The difference between the present value (net investment) of the leases and the total amount of leases is recognized as non accrued interest and is abstracted from the claims.

The revenues from the leases decrease the total claim of leases, while the financial revenue is recognized on the basis of the accrued.

The claims from financial leases are being considered for depreciation of their value, according to the procedure valid for loans and the claims against customers.

- **Revenues from dividends:** Are acknowledged, at the time of collection from their stockholder.

- **Revenues from interests:** Are acknowledged when the interest is accrued (on the basis of the effective interest method).

- **Revenues from subsidies:** The Group receives subsidies from the European Union aiming at financing special projects in order to gain intangible and fixed assets. The subsidies are acknowledged when there is a reassurance that the subsidy is going to be collected and that all the relevant terms will apply.

The subsidies related to assets are acknowledged as revenues of the next financial years and are amortized according to the useful life of the relevant asset. The amortization of the subsidy is registered after the amortization of the assets is abstracted.

The subsidies referring to research expenses are acknowledged as revenues, during the financial years they take place.

3.4. Research and Development Expenses: The research and development expenses are registered in expenses as soon as they are made.

3.5. Forecasts: The forecasts are recognized when the Group has a present obligation (legal or constructive), as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be

**OTENET SOCIETE ANONYME (OTENET S.A.) FINANCIAL STATEMENTS
(PARENT AND CONSOLIDATED) ON DECEMBER 31, 2006 AND 2005
(Amounts in € , unless otherwise stated)**

made. If the effect is material, the forecasts are acknowledged by discounting at a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the liability. When the forecasts are made in advance, the increase of the forecast due to the passage of time, is recognized as a borrowing cost. The forecasts are reviewed at each balance sheet date and if it is no longer possible that there an outflow of resources will be required to settle the obligation, the forecasts are reserved. The forecasts are used only for the purpose for which they were originally recognized. Forecasts are not recognized fro future operation losses. Contingent assets and liabilities are not recognized in Financial Statements.

- 3.6. Fixed Tangible Assets:** The tangible fixed assets are presented in the acquisition cost, decreased by the subsidies received, plus the interests of the construction period, less the accumulated amortizations and the possible depreciations of their value.

The repairs and maintenance are registered in expenses as soon they are made. The cost of acquisition and the accumulated amortizations of tangible fixed assets sold or withdrawn, are transferred from the respective accounts by the time of sale or withdrawal and any profit or loss results is included in the results statement.

The accounting values of the tangible fixed assets are considered for depreciation, when there are indications that these values can not be recovered. If the accounting values exceed the estimated recoverable values, a depreciation loss is acknowledged and the fixed tangible assets are depreciated on their recoverable value. The recoverable value of the fixed tangible assets is the biggest one between a reasonable value, minus the required for the sale costs, and the value of their use.

Amortization of Fixed Tangible Assets: The amortizations of fixed tangible assets are estimated with the method of fixed amortization, during the estimated life of the tangible assets, which is reconsidered on a periodical basis. The amortization ratios are the following:

	<u>Amortization Ratios</u>
Improvements in third parties' real estate	8%
Telecommunications equipment and facilities:	
• Telecommunications Network Equipment	6,67%-50%
• Air - conditioning	10%-33,33%
• Software	20%-100%
Means of Transportation	15-20%
Furniture and fixtures	20%-30%

Obligations for the withdrawal of fixed assets: The Group recognizes the costs related to the obligations for the withdrawal of fixed assets in the period when these are created at the degree a logical estimation of their value can be made. The relevant withdrawal costs are capitalized as part of the value of the acquired fixed assets and are amortized respectively.

- 3.7. Goodwill:** Goodwill is the difference between the acquisition price and the fair value of net assets of the acquired companies. Therefore, after its initial entry, the Goodwill is estimated on the acquisition cost minus the possible accumulated depreciation losses of its value. The loss resulting from depreciation of a goodwill is not allowed to be reversed afterwards. The goodwill resulting from acquisitions of subsidiaries is presented as an intangible asset.

- 3.8 Intangible assets:** The intangible assets acquired separately are acknowledged on their acquisition cost, while the intangible assets acquired through the acquisition of enterprises are acknowledged on their value at the date of acquisition. Afterwards, they are estimated in this amount, minus the accumulated amortizations and the possible accumulated losses of resulting

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from the depreciation of their value. The useful life of the intangible assets can be limited or unlimited. The cost of the intangible assets with limited useful life is amortized in the period of their estimated useful life, with the straight-line method. The cost of the intangible assets with unlimited useful life is not amortized. Residual values are not acknowledged. The useful life of the intangible assets are reviewed on an annual basis and any reformations will be applied in the future. The intangible assets are controlled for depreciation at least once a year at a parent level as well as at a cash flow level.

	<u>Amortization Ratios</u>
Software programs	20-100%
Signs	20%
Other intangible assets	20%-100%

- 3.9. Inventories:** Inventories are estimated at the lower price between the price of acquisition and the net liquid value. The acquisition price is estimated with the value of the average circulation. The net liquid value is not the estimated sales' price regarding the usual activities, minus the estimated costs for their completion and their estimated for a sale costs. In case of an increase of the net liquid value of an inventory depreciated, this inventory is reversed.
- 3.10. Accounts receivable – Forecast for doubtful debts:** The accounts receivable are acknowledged initially at their invoice value. Afterwards, they are estimated at that value which is decreased by the amounts for which there is a certainty that they will not be collected. During the period and the date of drawing up the Financial Statements, the collectability of the accounts receivable is estimated based on historical trends and statistical data, and a forecast is drawn up regarding the losses which will possibly take place and can be quantified. The forecast is readjusted with the charge of each period's results. Any deletions of claims from the accounts receivable are made through the forecast made. Claims that can not be collected are deleted.
- 3.11. Cash and Cash Equivalents:** For reasons of drawing up cash flow statements, the time deposits and the directly liquid and quarterly investments, are considered cash flow.
- 3.12. Borrowings:** The loans and borrowings taken are acknowledged initially on their value, which is adapted to the costs relevant to these transactions.
The costs of assumption, the legal and rest direct costs regarding the issuing of long-term loans reform the amount of the loans and are amortized in the results based on the method of the actual interest rate during the loan. The borrowing costs regarding the construction period of fixed assets and related to these, are capitalized on the fixed assets cost. All the other borrowing costs are registered in the results as soon as they are made.
- 3.13. Specific Contributions Programs:** The liabilities for contributions to programs of specific contributions are registered as expense in the results, during the time they took place. The liability is fulfilled with the payment of the specific contribution.
- 3.14. Programs of specific benefits for the staff:** The liabilities stemming from programs regarding specific benefits for the staff are estimated at the value of future benefits for the staff accrued at the date of balance sheet. These liabilities are estimated based on financial and actuarial assumptions. The net cost of the use is included in the results and consists of the present value of the benefits accrued at the date of the balance sheet, of the compounding of interest of the future liability, the consolidated cost of previous employment and the accrued profits or losses. The non consolidated cost of previous employment is estimated on the basis of the average rest employment of the staff which is about to receive the benefits.

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3.15. Long-term Receivables /Payables: Long-term receivables and payables which are interest free or have an interest rate lower than the current interest rates of the market, appear in their net value. The differences of discount appear as financial revenues/ expenses, in the results of each period.

3.16. Income Taxes: In these taxes is included the current income tax as well as the deferred taxes. Deferred taxes are the tax obligations or tax reductions related to the included in the current use profits or losses, which will be used for future uses. The deferred tax is registered in the Results Statement, except of the tax related to transactions registered directly in equity capitals, which in this case is registered directly and in a similar way in Equity Capitals.

The current taxes are estimated on the taxable income of the financial year, based on the present tax indexes, at the date of the balance sheet.

The deferred taxes refer to cases of temporary differences between the tax acknowledgement of the assets and liabilities and their acknowledgement for reasons of drawing up financial statements and are estimated based on tax ratios valid during the years when the assets are about to be recovered and the liabilities to be paid. The deferred tax claims are acknowledged for all deductible temporary differences and the tax losses at the extent that an adequate taxable income could cover the temporary differences. The value of the deferred tax claims is controlled at the date of balance sheet and reduced at the extent where no adequate taxable income, which could cover the Deferred tax claim, is foreseen.

3.17. Profits per Share: The basic and reduced profits per share are estimated dividing net profits into the number of shares of every financial year.

3.18. Dividends: The dividends distributed among the shareholders are presented as an obligation at a time –point when they are approved for distribution by the General Assembly of Shareholders.

3.19. Capital Growth Expenses: The capital growth expenses, minus the relevant tax benefit, are settled with the paid in surplus.

3.20. New standards and Interpretations

The Company applies the standards and their interpretations approved by the European Union and didn't adopt the following standards issued in 2006 :

- IFRS 7: *Publication of financial means*: Valid from 1st January 2007 and is not expected to influence the Company's net situation and performance.
- IFRS 8: *Operational sectors*: Valid from 1st January 2009 and is not expected to influence the Company's net situation and performance.
- Interpretation 7: *Hyperinflation of economy*: Valid from 1st of March 2006 and is not expected to influence the Company's net situation and performance.
- Interpretation 8: *Share grants*: Valid from 1st of March 2006 and is not expected to influence the Company's net situation and performance.
- Interpretation 9: *Consolidated derivatives*: Valid from the 1st of June 2006 and is not expected to influence the Company's net situation and performance.
- Interpretation 10: *Depreciation and intermediate situations*: Valid from the 1st of November 2006 and is not expected to influence the Company's net situation and performance.
- Interpretation 11: *Share grants to the Group*: Valid from the 1st of March 2007 and is not expected to influence the Company's net situation and performance.
- Interpretation 12: *Provision of services*: Valid from the 1st of January 2008 and is not expected to influence the Company's net situation and performance.

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4. TURNOVER– OTHER REVENUES

Turnover and other operational revenues include the following categories:

	GROUP		COMPANY	
	2006	2005	2006	2005
(i) Services				
Internet Services	69.793.595,49	57.437.059,05	67.304.871,40	55.664.876,38
Telephony	24.196.338,07	23.955.223,14		-
	<u>93.989.933,56</u>	<u>81.392.282,19</u>	<u>67.304.871,40</u>	<u>55.664.876,38</u>
(ii) Equipment sales	<u>10.330.239,79</u>	<u>3.257.986,98</u>	<u>9.782.468,67</u>	<u>3.257.986,98</u>
(iii) Other revenues				
Prepaid cards	2.038.275,68	2.773.878,03	1.724.628,03	2.699.407,29
Other revenues & provision of services	3.368.432,54	9.156.410,34	3.368.432,54	9.156.410,34
	<u>5.406.708,22</u>	<u>11.930.288,37</u>	<u>5.093.060,57</u>	<u>11.855.817,63</u>
Revenues	<u>109.726.881,57</u>	<u>96.580.557,54</u>	<u>82.180.400,64</u>	<u>70.778.680,99</u>
Other subsidies	126.861,70	128.008,00	122.016,59	128.008,00
Revenues from secondary services	608.934,54	460.938,18	587.015,49	491.379,18
Rents	75.785,50	21.678,34	75.783,50	-
Total other revenues	<u>811.581,74</u>	<u>610.624,52</u>	<u>784.815,58</u>	<u>619.387,18</u>
Operating revenues	<u>110.538.463,31</u>	<u>97.191.182,06</u>	<u>82.965.216,22</u>	<u>71.398.068,17</u>

5. STAFF WAGES AND EXPENSES

Staff wages and expenses are the following:

	GROUP		COMPANY	
	2006	2005	2006	2005
Regular wages of the staff	15.678.455,66	13.764.413,37	13.468.773,61	11.757.818,75
Subsequent wages and expenses	1.869.257,03	833.200,56	1.840.827,03	809.646,56
Employer's contribution	3.870.410,68	3.169.678,37	3.472.217,88	2.792.191,51
Staff dismissal – retirement indemnities	2.253,41	-	2.253,41	-
Forecast of staff indemnities	221.318,33	188.750,00	211.863,33	172.834,00
Total	<u>21.641.695,11</u>	<u>17.956.042,30</u>	<u>18.995.935,26</u>	<u>15.532.490,82</u>

6. OTHER OPERATIONAL EXPENSES

Other operational expenses are analyzed as follows:

GROUP	COMPANY
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	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Services and fees	19.408.648,94	15.716.348,73	17.195.239,58	13.588.367,68
Telecommunications				
Services cost	37.617.389,18	30.912.995,10	23.694.803,95	15.392.971,97
Third Party utilities	9.669.610,09	7.115.469,86	3.584.782,80	4.154.452,71
Taxes - fees	470.359,64	406.596,65	244.015,46	205.201,90
Advertising costs	9.091.757,02	4.695.357,72	8.710.557,89	4.695.357,72
Various expenses	2.134.698,58	2.612.771,45	1.618.593,63	1.653.578,86
Forecast for doubtful debts	299.698,83	450.000,00	120.000,00	450.000,00
Total	<u>78.692.162,28</u>	<u>61.909.539,51</u>	<u>55.167.993,31</u>	<u>40.139.930,84</u>

7. FIXED TANGIBLE ASSETS

The fixed tangible assets are the following:

GROUP

	Improvements in third parties' real estate	Telecommunications equipment	Transportation means	Furniture and fixtures	Total
ACQUISITION VALUE					
Balance 1 st January 2005	522.254,27	30.122.064,48	83.524,86	4.217.923,74	34.945.767,35
Additions	241,25	3.375.298,70	72.193,22	787.771,68	4.235.504,85
Sales – Reductions – Withdrawals	-	(1.037.605,76)	(8.342,73)	(324.474,93)	(1.370.423,42)
Balance 31 st December 2005	<u>522.495,52</u>	<u>32.459.757,42</u>	<u>147.375,35</u>	<u>4.681.220,49</u>	<u>37.810.848,78</u>
Balance 1 st January 2006	522.495,52	32.459.757,42	147.375,35	4.681.220,49	37.810.848,78
Additions	-	4.334.146,79	8.526,69	226.889,11	4.569.562,59
Sales – Reductions – Withdrawals	(186,33)	-	-	(1.188,55)	(1.374,88)
Transfers	-	(1.695,06)	-	1.695,06	0,00
Balance 31 st December 2006	<u>522.309,19</u>	<u>36.792.209,15</u>	<u>155.902,04</u>	<u>4.908.616,11</u>	<u>42.379.036,49</u>
DEPRECIATIONS					
Accumulated Depreciations 1 st January 2005	502.291,84	19.532.485,37	33.852,06	2.611.894,34	22.680.523,61
Depreciations	715,93	4.355.817,71	22.982,60	849.959,76	5.229.476,00
Depreciations of Additions from the acquisition of Subsidiaries	-	194,94	-	9.296,73	9.491,67
Depreciations of Sales – Reductions – Withdrawals	-	(581.196,84)	(6.845,25)	(324.474,92)	(912.517,01)
Accumulated depreciations 31 st December 2005	<u>503.007,77</u>	<u>23.307.301,18</u>	<u>49.989,41</u>	<u>3.146.675,91</u>	<u>27.006.974,27</u>
Accumulated depreciations 1 st January 2006	503.007,77	23.307.301,18	49.989,41	3.146.675,91	27.006.974,27
Depreciations	-	3.900.777,68	27.400,04	635.885,40	4.564.063,12
Depreciations of Sales – Reductions – Withdrawals	(27,92)	-	-	(1.188,54)	(1.216,46)
Transfers	-	(144,71)	-	144,71	0,00
Accumulated depreciations on 31 st December 2006	<u>502.979,85</u>	<u>27.207.934,15</u>	<u>77.389,45</u>	<u>3.781.517,48</u>	<u>31.569.820,93</u>

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Net Book Value 31st December 2005	19.487,75	9.152.456,24	97.385,94	1.534.544,58	10.803.874,51
Net Book Value 31st December 2006	19.329,34	9.584.275,00	78.512,59	1.127.098,63	10.809.215,56

COMPANY

	Improvements in third parties real estates	Telecommunications equipment	Transportation means	Furniture and fixtures	Total
ACQUISITION VALUE					
Balance 1 st January 2005	499.573,11	25.064.767,03	14.735,62	3.433.156,09	29.012.231,85
Additions	-	2.908.322,43	4.050,00	668.210,44	3.580.582,87
Sales – Reductions – Withdrawals	-	(1.037.605,76)	(1.803,93)	(324.474,93)	(1.363.884,62)
Balance 31 st December 2005	499.573,11	26.935.483,70	16.981,69	3.776.891,60	31.228.930,10
Balance 1 st January 2006	499.573,11	26.935.483,70	16.981,69	3.776.891,60	31.228.930,10
Additions	-	3.278.460,66	-	346.603,50	3.625.064,16
Sales – Reductions – Withdrawals	-	(1.695,06)	-	1.695,06	-
Transfers	-	-	-	(1.188,55)	(1.188,55)
Balance 31 st December 2006	499.573,11	30.212.249,30	16.981,69	4.124.001,61	34.852.805,71
DEPRECIATIONS					
Accumulated Depreciations 1 st January 2005	499.572,72	17.128.612,03	9.582,59	2.250.285,58	19.888.052,92
Depreciations	-	3.482.582,55	1.800,33	682.239,83	4.166.622,71
Depreciations of Additions from the acquisition of Subsidiaries	-	194,94	-	9.296,73	9.491,67
Depreciations of Sales – Reductions – Withdrawals	-	(581.196,84)	(1.187,34)	(324.474,92)	(906.859,10)
Accumulated depreciations on 31st December 2005	499.572,72	20.030.192,68	10.195,58	2.617.347,22	23.157.308,20
Accumulated Depreciations 1 st January 2006	499.572,72	20.030.192,68	10.195,58	2.617.347,22	23.157.308,20
Depreciations	-	3.138.188,00	1.131,28	582.484,75	3.721.804,03
Depreciations of Additions from the acquisition of Subsidiaries	-	194,94	-	4.707,04	4.901,98
Transfers	-	(144,71)	-	144,71	-
Depreciations of Sales – Reductions – Withdrawals	-	-	-	(1.188,54)	(1.188,54)
Accumulated depreciations 31 st December 2006	499.572,72	23.168.430,91	11.326,86	3.203.495,18	26.882.825,67
Net Book Value 31st December 2005	0,39	6.905.291,02	6.786,11	1.159.544,38	8.071.621,90
Net Book Value 31st December 2006	0,39	7.043.818,39	5.654,83	920.506,43	7.969.980,04

There are no encumbrances on fixed tangible assets.

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8. GOODWILL

The Goodwill included in the Consolidated Financial Statements is the following:

<u>ACQUISITION VALUE</u>	Amount
Balance 1 st January 2005	1.093.414,71
Foreign exchange differences	8.989,61
Impairment losses	<u>(43.271,77)</u>
Balance 31 st December 2005	1.059.132,55
Balance 1 st January 2006	1.059.132,55
Foreign exchange differences	6.162,09
Impairment losses	<u>(12.324,18)</u>
Balance 31 st December 2006	<u>1.052.970,46</u>

The exchange differences during the periods are owed to the estimation of the OTEnet Telecommunications Ltd. Goodwill with the current exchange rate, at the end of each period The Company examines goodwill annually, taking into consideration the future cash flows and the market's conditions, in order to proceed to necessary estimated changes, when such a need appears. According to the company's recent estimations there was an impairment of 12.324,18 Euros, registered in financial results' account.

9. INTANGIBLE ASSETS

The intangible assets are the following:

GROUP

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	Software Programs	Signs	Other intangible assets	Total
ACQUISITION VALUE				
Acquisition Value 1 st January 2005	6.807.271,15	3.675,00	2.057.647,24	8.868.593,39
Additions	1.132.757,86	-	495.632,73	1.628.390,59
Sales – Reductions – Withdrawals	(360.000,00)	-	-	(360.000,00)
Acquisition 31 st December 2005	7.580.029,01	3.675,00	2.553.279,97	10.136.983,98
Acquisition Value 1 st January 2006	7.580.029,01	3.675,00	2.553.279,97	10.136.983,98
Acquisitions	1.114.310,25	-	531.638,61	1.645.948,86
Acquisition 31 st December 2006	8.694.339,26	3.675,00	3.084.918,58	11.782.932,84
AMORTIZATIONS				
Accumulated amortizations 1 st January 2005	2.819.859,73	1.884,16	1.016.287,56	3.838.031,45
Amortizations	1.059.491,49	735,00	377.007,91	1.437.234,40
Amortizations of additions from the acquisition of subsidiaries	931,64	-	-	931,64
Amortizations of Sales – Reductions – Withdrawals	(25.714,29)	-	-	(25.714,29)
Accumulated amortizations 31 st December 2005	3.854.568,57	2.619,16	1.393.295,47	5.250.483,20
Accumulated amortizations 1 st January 2006	3.854.568,57	2.619,16	1.393.295,47	5.250.483,20
Amortizations	1.314.949,47	675,83	501.581,56	1.817.206,86
Accumulated amortizations 31 st December 2006	5.169.518,04	3.294,99	1.894.877,03	7.067.690,06
Net Book Value 31st December 2005	3.725.460,44	1.055,84	1.159.984,50	4.886.500,78
Net Book Value 31st December 2006	3.524.821,22	380,01	1.190.041,55	4.715.242,78

COMPANY

	Software Programs	Signs	Other intangible assets	Total
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ACQUISITION VALUE				
Acquisition value 1 st January 2005	6.207.827,77	3.675,00	1.105.179,69	7.316.682,46
Additions	1.044.982,83	-	19.958,00	1.064.940,83
Sales – Reductions – Withdrawals	(360.000,00)	-	-	(360.000,00)
Acquisition Value 31 st December 2005	6.892.810,60	3.675,00	1.125.137,69	8.021.623,29
Acquisition Value 1 st January 2006	6.892.810,60	3.675,00	1.125.137,69	8.021.623,29
Additions	1.003.276,88	-	327.049,77	1.330.326,65
Acquisition Value 31 st December 2006	7.896.087,48	3.675,00	1.452.187,46	9.351.949,94
AMORTIZATIONS				
Accumulated amortizations 1 st January 2005	2.668.777,78	1.884,16	861.200,82	3.531.862,76
Amortizations	931.434,80	735,00	118.428,08	1.050.597,88
Amortizations of additions from the acquisition of subsidiaries	931,64	-	-	931,64
Amortizations of Sales – Reductions – Withdrawals	(25.714,29)	-	-	(25.714,29)
Accumulated amortizations 31 st December 2005	3.575.429,93	2.619,16	979.628,90	4.557.677,99
Accumulated amortizations 1 st January 2006	3.575.429,93	2.619,16	979.628,90	4.557.677,99
Amortizations	1.143.557,15	675,83	184.614,03	1.328.847,31
Accumulated amortizations 31 st December 2006	4.718.987,08	3.294,99	1.164.243,23	5.886.525,30
Net Book Value 31st December 2004	3.317.380,67	1.055,84	145.508,79	3.463.945,30
Net Book Value 31st December 2005	3.177.100,40	380,01	287.944,23	3.465.424,64

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10. INVESTMENTS

The Financial Statements include the simple Financial Statements of the Company as well as of the VOICENET S.A. SERVICES AND INFRASTRUCTURE PROVIDER and OTENET (CYPRUS) Ltd.

VOICENET S.A. SERVICES AND INFRASTRUCTURE PROVIDER is a company providing voice services, founded in August 1998, headquartered in Athens. The Company participates in VOICENET S.A. SERVICES AND INFRASTRUCTURE PROVIDER with a percentage of 84,07% and SANYO HOLDING with a percentage of 15,93%.

OTENet (CYPRUS) Ltd provides through its subsidiary OTENet Telecommunications Ltd integrated telecommunications IP services, satisfying the needs of small, medium and big Cypriot and multinational enterprises headquartered in Cyprus. It was founded in November 2000 in Cyprus. The Company participates in OTENet (CYPRUS) Ltd with a percentage of 60%, GERMANOS S.A. with a percentage of 20% and Cyprus Trading Corporation Ltd. with a percentage of 20%.

The participations are the following:

	GROUP		SUBSIDIARY	
	2006	2005	2006	2005
(a) Participations in subsidiaries	-	-	4.617.155,02	4.617.155,02
(b) Other participations	88,04	88,04	88,04	88,04
Total	88,04	88,04	4.617.243,06	4.617.243,06

The Company's participations in subsidiaries are the following:

	Participation Value	
	2006	2005
• VOICENET S.A. TELECOM SERVICES & INFRASTRUCTURE PROVIDER	2.727.406,71	2.727.406,71
• OTENet (Cyprus) Ltd	1.571.195,52	1.571.195,52
• OTENet Telecommunications Ltd	318.552,79	318.552,79
Total	4.617.155,02	4.617.155,02

The other participations concern INFOTE, where the company has 0,1% of the share capital. Due to the small value it wasn't consolidated in the financial statements. There was no modification of the company's participations within 2006.

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11. OTHER NON CURRENT ASSETS

The rest non current assets are the following:

	GROUP		COMPANY	
	2006	2005	2006	2005
Rest guarantees for buildings	303.366,14	303.927,08	294.986,99	295.547,93
Rest guarantees for cars	63.276,96	46.004,26	54.890,96	38.486,26
Other guarantees	1.150,08	1.150,08	-	-
Long – term claims of financial leases	49.136,64	203.302,20	49.136,64	203.302,20
Total	416.929,82	554.383,62	399.014,59	537.336,39

The Company leases equipment with a three year financial lease.

FINANCIAL CLAIMS	GROUP		COMPANY	
	2006	2005	2006	2005
Financial claims				
Collected				
Of a year	154.165,56	135.096,77	154.165,56	135.096,77
From one to five years	49.136,64	203.302,20	49.136,64	203.302,20
Total of financial claims	203.302,20	338.398,97	203.302,20	338.398,97

The above figures are included in Accounts Receivable.

12. INVENTORIES

	GROUP		COMPANY	
	2006	2005	2006	2005
Merchandise	2.478.722,01	437.387,16	2.478.722,01	437.387,16
Consumables	56.910,08	22.958,64	56.910,08	22.958,64
Total	2.535.632,09	460.345,80	2.535.632,09	460.345,80

13. ACCOUNTS RECEIVABLE

The demands from accounts receivable are the following:

	GROUP		COMPANY	
	2006	2005	2006	2005
Customers	32.386.908,88	22.807.497,55	25.281.215,80	16.420.795,43
Accrued unbilled revenues	1.568.474,71	2.538.327,36	690.508,27	854.094,60
	33.955.383,59	25.345.824,91	25.971.724,07	17.274.890,03
Minus				
Forecasts for doubtful debts	(3.123.902,04)	(3.105.928,39)	(2.644.100,58)	(2.741.799,38)
Total	30.831.481,55	22.239.896,52	23.327.623,49	14.533.090,65

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The forecast regarding doubtful debts is the following:

	<u>GROUP</u>	<u>COMPANY</u>
Balance of 1 st January 2005	2.740.136,81	2.354.973,23
Additional to the year	474.411,51	450.000,00
Write off	(108.619,93)	(63.173,85)
Balance of 31st December 2005	<u>3.105.928,39</u>	<u>2.741.799,38</u>
Balance 1 st January 2006	3.105.928,39	2.741.799,38
Additional to the year	299.698,83	120.000,00
Write off	(281.725,18)	(217.698,80)
Balance of 31st December 2006	<u>3.123.902,04</u>	<u>2.644.100,58</u>

14. OTHER CURRENT ASSETS

Other current assets are the following:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Advance payment of income tax	1.247.664,68	1.247.664,68	1.247.664,68	1.247.664,68
Accounts regarding the management of advance payments and credits	30.597,84	121.816,95	30.597,84	121.816,95
Expenses of next financial years	485.210,51	786.353,14	463.209,03	775.067,13
Advance payments to providers	170.336,56	7.967,62	158.110,02	531,04
Various debtors	1.245.252,01	727.307,58	149.720,41	181.831,51
Advance payments & loans to the staff	21.934,07	1.826,80	-	-
Total	<u>3.200.995,67</u>	<u>2.892.936,77</u>	<u>2.049.301,98</u>	<u>2.326.911,31</u>

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are the following:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>31/12/2006</u>	<u>31/12/2005</u>	<u>31/12/2006</u>	<u>31/12/2005</u>
Cash in hand	9.655,28	6.588,32	8.854,88	6.228,73
Short term bank deposits	10.533.413,73	6.467.386,79	9.850.247,21	5.659.788,20
Total	<u>10.543.069,01</u>	<u>6.473.975,11</u>	<u>9.859.102,09</u>	<u>5.666.016,93</u>

16. SHARE CAPITAL

The Company's Share Capital on the 31st of December 2006 is 5.400 Euros divided in 1.800.000 shares of nominal value of 3 euros each, while the respective paid-in Surplus is 6.035 Euros.

The company's share structure on December 31, 2006 is the following: OTE main share holder with 94,58%, Democritus University of Thrace with 2,17%, Institute of Communication and Computer Systems of National Technical University of Athens with 1,39%, Academic Research Computer Technology Institute of University of Patras with 1,13% and Athens University of Economics and Business with 0,73%.

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17. LEGAL RESERVE

Under Greek Corporate Law, corporations are required to transfer a minimum of 5% of their annual net profit shown in their statutory books to a legal reserve, until such reserve equals 1/3 of the outstanding Share Capital. As at December 31, 2006, this reserve amounted to Euro 1.620.000. This legal reserve cannot be distributed to shareholders. The Company's legal reserve on December 31, 2006 equaled 1/3 of its Share Capital.

18. FOREIGN EXCHANGE DIFFERENCES FROM SUBSIDIARIES

The foreign exchange differences resulting from the conversion of the Financial Statements of the consolidated companies outside Greece OTEnet (CYPRUS) Ltd and OTENET Telecommunications Ltd are presented directly at the Group's equity capitals.

19. LONG –TERM DEBT

The Group's long –term debt is:

	<u>2006</u>	<u>2005</u>
(a) Bank loans	628.839,19	697.687,88
(b) Other loans	17.016,60	24.802,09
TOTAL LOANS	<u>645.855,79</u>	<u>722.489,97</u>
<i>Paid off</i>		
Within a year		
(a) Bank loans	62.184,37	53.257,19
(b) Other loans	12.011,41	10.629,47
Short –term total of long-term debts	<u>74.195,78</u>	<u>63.886,66</u>
From one to five years		
(a) Bank loans	566.654,82	644.430,69
(b) Other loans	5005,19	14.172,62
Total long –term debts	<u>571.660,01</u>	<u>658.603,31</u>
TOTAL DEBTS	<u>645.855,79</u>	<u>722.489,97</u>

Loan of £ 144.558,00 to OTENET Telecommunications Limited paid off in equal quarterly amounts of £ 4.060 each and is subject to interest of 5,75% annually.

Loan of £ 219.037,00 to OTENET CYPRUS LTD paid off in equal quarterly amounts until 2011 and is subject to interest of 5,8% annually.

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20. BENEFITS TO THE EMPLOYEES

The Company's employees are covered with one among a range of pension funds supported by the Greek State.

Reserve for Staff Retirement Indemnities

Under the Greek labor law, employees are entitled to termination payments in the event of dismissal or retirement with the amount of payment varying in relation to the employee's compensation, length of service and manner of termination (dismissal or retirement).

The provisions and liability for such retirement indemnities have been accounted for in the accompanying condensed parent company and consolidated financial statements in accordance with IAS 19 and are based on an independent actuarial study.

The components of the staff retirement indemnity expense are as follows:

	GROUP		COMPANY	
	2006	2005	2006	2005
Current Value of financial liability	821.550,96	510.723,79	783.847,37	482.475,00
Non acknowledged actuarial damage	(89.509,04)	-	(89.509,04)	-
Liability registered in balance sheet	732.041,92	510.723,79	694.338,33	482.475,00
Current Occupation Cost	192.725,73	170.971,53	183.270,93	155.056,00
Interest on liability	25.173,62	16.756,00	25.173,62	16.756,00
Acknowledgement of actuarial damage	5.672,19	1.022,00	5.672,19	1.022,00
Total Expenses registered in Results	223.571,54	188.749,53	214.116,74	172.834,00
Alterations in net registered in the Balance Sheet liability				
Net liability at the beginning of the financial year	510.723,79	321.974,26	482.475,00	309.641,00
Benefits paid by the employer	(2.253,41)	-	(2.253,41)	-
Total expenses registered in the Results.	223.571,54	188.749,53	214.116,74	172.834,00
Net liability registered in the Balance Sheet	732.041,92	510.723,79	694.338,33	482.475,00
Present value of liability at the beginning of the year.	510.723,79	321.974,26	482.475,00	309.641,00
Current service cost	192.725,73	170.971,53	183.270,93	155.056,00
Interest on liability	25.173,62	16.756,00	25.173,62	16.756,00
Benefits paid by the employer	(2.253,41)	-	(2.253,41)	-
Actuarial damage	5.672,19	1.022,00	5.672,19	1.022,00
Current liability value at the end of the financial year	732.041,92	510.723,79	694.338,33	482.475,00

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The assumptions underlying the actuarial valuation, in percentages, of staff retirement indemnities are as follows:

	<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>
Inflation	2,0%	2,5%
Discount rate	4,4%	4,5%
Assumed rate of increase in future compensation levels	4,5%	4,5%

21. OTHER LONG-TERM LIABILITIES

Other long-term liabilities are the following :

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Rent guarantee	3.050,00	3.050,00	3.050,00	3.050,00
Customer guarantee	18.000,00	15.000,00	-	-
Other forecasts	-	3.199,04	-	3.199,04
Total	21.050,00	21.249,04	3.050,00	6.249,04

22. ACCOUNTS PAYABLE

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Accounts payable	36.288.411,24	19.859.060,36	29.329.615,51	13.607.159,75
Accrued Expenses of the financial year	4.208.150,43	3.779.345,78	3.410.042,94	1.589.443,06
Total	40.496.561,67	23.638.406,14	32.739.658,45	15.196.602,81

23. SHORT -TERM BORROWINGS

Short-term borrowings represent draw-downs under various lines of credit maintained by the Group with several banks. The weighted average interest rates on short-term borrowings for the years ended 31 December 2006 and 2005, was approximately 4.35%.

24. INCOME TAXES

In accordance with the Greek tax regulations, the income tax rate through December 31, 2004, was 35%. Based on Law 3296/2004 will be reduced to 32% in 2005, 29% in 2006 and 25% in 2007 and onwards.

Greek tax regulations and the relevant clauses are subject to interpretations from tax authorities. Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time as the tax authorities examine the returns and the records of the tax payer and a final assessment is issued. Tax losses, in the range that are recognized from the greek tax authorities, can be carried forward against taxable profits for a period of five years from the year they are generated.

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Under Greek tax regulations, an income tax advance of each year's current income tax liability is paid to the tax authorities. Such advance is then netted off with the following year's income tax liability. Any excess advance amounts are refunded to the companies following a tax examination.

The parent company and its subsidiaries have not been audited by the tax authorities as described below. Therefore, their liabilities for these financial years are not final yet:

<u>Name of the company</u>	<u>UNAUDITED TAX YEARS</u>
• OTENET	From 2004
• VOICENET A.E.	From 2004
• OTEnet (KYIIPOΣ) Ltd	From 2000
• OTEnet Telecommunications Ltd	From 2001

Income taxes reflected in the accompanying income statements are analyzed as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current taxes	-	(2.115.105,71)	-	(2.115.105,71)
Deferred taxes	(607.734,83)	(843.080,02)	(361.296,20)	(677.812,63)
Tax audit differences from previous financial years	-	(1.186.619,00)	-	(1.186.619,00)
Total tax	(607.734,83)	(4.144.804,73)	(361.296,20)	(3.979.537,34)

The reconciliation of income taxes included in the income statements to the amount determined by the application of the Greek statutory tax rate (2006: 29%, 2005: 32%), to the profit before tax is summarized as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Profits/ (losses) before tax	(2.919.379,99)	7.835.571,20	(2.349.106,49)	7.920.595,04
Statutory tax rate	29%	32%	29%	32%
	(846.620,20)	2.507.382,78	(681.240,88)	2.534.590,41
Tax influence of revenues/ expenses non deducted	360.793,18	159.806,48	319.944,68	159.806,48
Other tax adjustments	(121.907,81)	290.996,47	-	98.521,45
Tax audit difference of the previous financial years	-	1.186.619,00	-	1.186.619,00
Income taxes	(607,734,83)	4.144.804,73	(361.296,20)	3.979.537,34

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Deferred taxes are the following:

	COMPANY		
	1st JANUARY 2005	Results acknowledgement	31st DECEMBER 2005
Intangible assets tax readjustment	520,318.57	(169,546.96)	350,771.61
Tax readjustments of tangible assets	1,111,587.60	(502,942.79)	608,644.81
Investment grants	(13,403.60)	(18,135.04)	(31,538.64)
Deletion of tax free reserve of the merged subsidiary	(19,074.04)	1,788.19	(17,285.85)
Deferred loss tax	99,085.12	(99,085.12)	0.00
Staff compensation forecast	(68,327.04)	208,244.79	139,917.75
Deferred tax in customers' account	-	(39,178.06)	(39,178.06)
Others	-	(58,957.64)	(58,957.64)
Total of Deferred taxes	1,630,186.61	(677,812.63)	952,373.98
	1st January 2006	Results acknowledgement	31st December 2006
Intangible assets tax readjustment	350,771.61	(265,944.17)	84,827.44
Tax readjustments of tangible assets	608,644.81	(183,063.41)	425,581.40
Investment grants	(31,538.64)	4,350.15	(27,188.49)
Deletion of tax free reserve of the merged subsidiary	(17,285.85)	2,384.25	(14,901.60)
Staff compensation forecast	139,917.75	33,666.83	173,584.58
Deferred tax in customers' account	(39,178.06)	636.67	(38,541.39)
Others	(58,957.64)	46,673.48	(12,284.16)
Total of deferred taxes	952,373.98	(361,296.20)	591,077.78

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	GROUP		
	1st January 2005	Results acknowledgement	31st December 2005
Intangible assets	550,803.81	(192,632.50)	358,171.31
Tangible assets	1,170,108.61	(499,099.01)	671,009.60
Investment grants	(13,403.60)	(18,135.04)	(31,538.64)
Deletion of tax free reserve of the merged subsidiary	(19,074.04)	1,788.19	(17,285.85)
Deferred loss tax	733,302.97	(52,593.25)	680,709.72
Staff compensation forecast	103,031.76	43,948.19	146,979.95
Deferred tax in Suppliers' account	90,506.52	(90,506.52)	0.00
Deferred tax in Customers' account	-	(39,178.06)	(39,178.06)
Tax discounts granted	(10,841.96)	111.36	(10,730.60)
Others	(68,327.04)	9.369,41	(58,957.63)
Total of Deferred taxes	2,536,107.03	(836,927.23)	1,699,179.80

	1st January 2006	Results acknowledgement	31st December 2006
	Intangible assets	358,171.31	(290,595.88)
Tangible assets	671,009.60	(228,596.63)	442,412.97
Investments granted	(31,538.64)	4,350.15	(27,188.49)
Deletion of tax free reserve of the merged subsidiary	(17,285.85)	2,384.25	(14,901.60)
Deferred loss tax	680,709.74	(193,790.12)	486,919.62
Staff compensation forecast	146,979.95	36,030.53	183,010.48
Deferred tax in Customers' account	(39,178.06)	636.67	(38,541.39)
Tax discounts granted	(10,730.60)	10,730.60	-
Others	(58,957.63)	46,673.49	(12,284.14)
Total of Deferred taxes	1,699,179.80	(612,176.94)	1,087,002.86

The difference between the change of the Deferred tax claim and the amount registered in the results of 4.442,11 Euros (2005: 6.152,79) is owed to the amounts registered in net situation.

25. OTHER CURRENT LIABILITIES

Other current liabilities are the following:

	GROUP		COMPANY	
	2006	2005	2006	2005
Customer advances	12.836,96	3.839,36	12.836,96	3.839,36
Revenues of the next year	6.043.332,66	4.400.784,01	5.584.617,92	4.178.341,12
Insurance Organizations	944.960,36	775.228,26	870.295,58	703.339,64
Other taxes payable	588.069,93	2.002.711,52	505.006,91	1.898.476,29
Various creditors	157.721,08	153.105,86	98.203,53	86.379,79
Current liabilities against related party transactions	1.459.771,73	402.742,45	1.459.771,73	402.742,45
Markets under settlement	0,00	6.236,94	-	6.236,94
Total	9.206.692,72	7.744.648,40	8.530.732,63	

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7.279.355, 59

26. RELATED PARTY TRANSACTIONS

The **Company's** revenues and expenses with the consolidated subsidiaries are:

	<u>2006</u>		<u>2005</u>	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Voicenet S.A.	397.344,54	364.026,53	607.135,80	758.471,70
OTENET Telecommunications Ltd	73.628,70	38.302,15	93.364,90	55.390,60
Total	<u>470.973,24</u>	<u>402.328,68</u>	<u>700.500,70</u>	<u>813.862,30</u>

The receivables and payables of the **Company** with its consolidated subsidiaries are:

	<u>2006</u>		<u>2005</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
Voicenet S.A.	49.251,09	59.305,90	184.555,53	107.157,40
OTENET Telecommunications Ltd	92.794,09	6.495,70	87.264,21	-
Total	<u>142.045,18</u>	<u>65.801,60</u>	<u>271.819,74</u>	<u>107.157,40</u>

The revenues and expenses of the **Company** with the connected OTE Group companies are:

	<u>2006</u>		<u>2005</u>	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
OTE	55.312.775,52	26.580.353,06	43.616.015,90	18.280.570,20
COSMOTE	952.186,25	533.046,57	975.790,60	534.546,80
HELLASCOM	10.631,78	-	18.642,30	-
OTEPLUS	3.086,60	-	4.763,70	-
OTE GLOBE	2.832,08	4.687.992,00	1.227,60	4.814.318,60
OTESAT-MARITEL	21.415,67	23.022,53	21.393,80	114.365,40
COSMO-ONE HELLAS MARKET SITE	55.225,44	61.150,08	68.052,10	53.670,80
OTE ESTATE	132.308,80	399.846,00	171.410,40	380.496,50
OTE CATALOGUE INFORMATION	473.944,43	-	499.310,80	21.273,50
OTE INTERNATIONAL INVESTMENTS	14.808,60	-	11.097,50	-
GERMANOS S.A.	907.304,46	844.453,44	-	-
HELLAS SAT S.A.	1.078,80	-	1.794,70	-
Total	<u>57.887.598,43</u>	<u>33.129.863,68</u>	<u>45.389.499,40</u>	<u>24.199.241,80</u>

The **Company's** receivables and payables with OTE Group connected companies are:

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	2006		2005	
	Receivable	Payable	Receivable	Payable
OTE	16.594.942,82	14.682.428,31	7.613.864,07	4.822.667,80
COSMOTE	332.205,57	229.980,58	215.419,57	103.091,00
HELLASCOM	-	-	1.731,41	-
OTEPLUS	106,98	-	221,11	-
OTE GLOBE	486,04	1.142.400,00	-	955.170,20
OTESAT-MARITEL	6.363,91	-	21.161,23	12.228,30
COSMO-ONE HELLAS				
MARKET SITE	10.942,30	12.128,10	16.811,79	4.874,10
OTE ESTATE	14.410,78	101.845,45	63.200,31	32.781,00
OTE CATALOGUE				
INFORMATION	253.920,96	-	305.708,74	25.235,70
OTE INTERNATIONAL				
INVESTMENTS	7.998,94	-	1.403,10	-
HELLAS SAT S.A.	213,96	-	106,90	-
GERMANOS S.A.	467.218,33	1.114.556,86	-	-
OTE INSURANCE S.A.	-	-	-	-
Total	17.688.810,59	17.283.339,30	8.239.628,23	5.956.048,10

The revenues and expenses of the **Group** with the relevant OTE Group companies are:

	2006		2005	
	Revenues	Expenses	Revenues	Expenses
OTE	56.630.584,51	32.584.372,79	44.179.532,10	24.881.665,80
COSMOTE	952.433,08	1.091.574,45	975.790,60	931.618,70
HELLASCOM	10.631,78	-	18.642,30	-
OTEPLUS	3.086,60	-	4.763,70	-
OTE GLOBE	579.057,23	8.706.766,55	364.566,20	7.518.850,20
OTESAT-MARITEL	167.737,88	23.022,53	165.631,90	114.365,40
COSMO-ONE HELLAS				
MARKET SITE	55.225,44	61.150,08	68.052,14	53.670,80
OTE ESTATE	132.308,80	399.846,00	171.410,40	380.496,50
OTE CATALOGUE				
INFORMATION	506.632,15	650,00	499.310,80	25.523,50
OTE				
INTERNATIONAL				
INVESTMENTS	14.808,60	-	11.097,50	-
GERMANOS S.A.	907.304,46	844.453,44	-	-
HELLAS SAT S.A.	1.078,80	-	1.794,70	-
Total	59.960.889,33	43.711.835,84	46.460.592,34	33.906.190,90

The receivables and payables of the Group with the connected companies of the OTE Group are:

	2006		2005	
	Group Receivable	Group Payable	Group Receivable	Group Payable
OTE	16.993.250,71	16.013.910,86	7.671.279,52	8.186.554,20
COSMOTE	332.417,34	366.617,27	215.419,57	195.670,00
HELLASCOM	-	-	1.731,41	-
OTEPLUS	106,98	-	221,11	-
OTE GLOBE	672.623,22	3.210.607,09	236.153,57	2.307.638,10

**OTENET SOCIETE ANONYME (OTENET S.A.) FINANCIAL STATEMENTS
(PARENT AND CONSOLIDATED) ON DECEMBER 31, 2006 AND 2005
(Amounts in € , unless otherwise stated)**

OTESAT-MARITEL	46.441,44	-	60.947,44	12.228,30
COSMO-ONE HELLAS MARKET SITE	10.942,30	12.128,10	16.811,79	4.874,10
OTE ESTATE	14.410,78	101.845,45	63.200,31	32.781,00
OTE CATALOGUE INFORMATION	291.213,40	4.741,73	305.708,74	36.163,00
OTE INTERNATIONAL INVESTMENTS	7.998,94	-	1.403,10	-
HELLAS SAT S.A.	213,96		106,90	-
GERMANOS S.A.	467.218,33	1.114.556,86	-	-
OTE INSURANCE S.A.	-	-	-	-
Total	<u>18.836.837,40</u>	<u>20.824.407,37</u>	<u>8.572.983,46</u>	<u>10.775.908,70</u>

Major transactions of the Company with its subsidiaries are the following:

a. VOICENET S.A.

- i. VOICENET bills the Company for use of its circuits.
- ii. The Company bills VOICENET for INTERNET services.

b. OTENET Telecommunications Ltd

OTENET Telecommunications Ltd bills the Company for telecom services.

Major transactions with the rest of OTE Group companies are:

a. OTE

- i. OTE bills the Company for leasing its circuits.
- ii. OTE bills the Company for the payroll of its detached employees to the Company.
- iii. OTE bills the Company for operating expenses for the use of its buildings.
- iv. OTE sells Internet services and other products for the Company. It also collects the relevant amounts on behalf of the Company. Total revenues from billing customers are given to the Company, which issues an invoice for that. OTE, also, takes a commission on the revenues that has billed on behalf of the Company.

b. COSMOTE

- i. COSMOTE bills the Company for the payroll of its detached employees to the Company.
- ii. COSMOTE bills the Company for participating in advertising expenses (co-ads).
- iii. The Company bills COSMOTE for INTERNET services.

c. OTEGLOBE

OTEGLOBE bills the Company for using its circuits.

d. OTESAT-MARITEL

- i. OTESAT-MARITEL bills the Company for building leasing.
- ii. OTESAT-MARITEL bills the Company for selling DU&ONDSL.

e. OTE-ESTATE

**OTENET SOCIETE ANONYME (OTENET S.A.) FINANCIAL STATEMENTS
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(Amounts in € , unless otherwise stated)**

- i. OTE-ESTATE bills the Company for exchanges leases.
- ii. The Company bills OTE-ESTATE for INTERNET services.

f. COSMO-ONE HELLAS MARKET SITE

COSMO-ONE HELLAS MARKET SITE bills the company for its online purchases.

g. INFOTE

INFOTE bills the Company for participating in advertising campaigns.
The Company bills INFOTE for INTERNET services.

h. ΓΕΡΜΑΝΟΣ S.A.

i. Germanos S.A. sells Internet services and other products on behalf of the Company. It also collects the relevant amounts on behalf of the Company. Total revenues from billing customers are rendered to the Company which issues an invoice for that. Moreover, GERMANOS S.A. takes a commission on the revenues that has billed on behalf of the Company.

Compensations for Board of Directors members of the Group companies, which were charged on the year 2006 results, were 74.448,94 euros, of which 50.380,21 euros were about the Company.

27. CONTINGENT LIABILITIES & COMMITMENTS

a) Legal Issues

The most important pending legal issues on December 31, 2006 are the following:

OTENET versus third parties

- OTENET versus TIMEAPPLY Ltd: Pending lawsuit for cancellation of the patent of Timeapply before the Multimember Court of first instance. It will be discussed on 18th of April 2007. There is no possibility of a negative result.
- OTENET versus D.MARINOY and HUB S.A.: Pending lawsuit of malfeasance before the Multimember Court of first instance for 81.000 Euros for compensation and moral damage from issuing of bad cheques which OTENET didn't collect. It is about to be discussed on 10th of October 2007. There is a good possibility of negative result. There was a relevant forecast on previous years and a tax reform has been made.
- OTENET versus HUB S.A. and D.MARINOY: pending lawsuit for compensation before the Multimember Court of first instance of 904.043,80 Euros after the cancellation of bankruptcy of HUB S.A. according to 620/2004 decision of the Multimember Court of first instance. It will be discussed on 19th of September 2007. HUB has no assets. There is a good possibility of negative result. There was a relevant forecast on previous years and a tax reform.
- According to 12278/06 payment order of One-member court of first instance, 01 PLIROFORIKI S.A. was ordered to pay to OTENET the amount of 163.286,19 Euros plus interests and expenses due to its debt acknowledged through private contract. Its assets are uncertain. There was a forecast on previous years and a tax reform.

Third parties versus OTENET

**OTENET SOCIETE ANONYME (OTENET S.A.) FINANCIAL STATEMENTS
(PARENT AND CONSOLIDATED) ON DECEMBER 31, 2006 AND 2005
(Amounts in € , unless otherwise stated)**

- TIMEAPPLY Ltd versus OTENET: Pending lawsuit of compensation before the Multimember Court of first instance for 17.320.000 Euros for losses and moral damage of TIMEAPPLY due to violation of patent. It will be discussed on 6th of December 2007. There is no possibility of negative result.
- TIMEAPPLY Ltd versus OTENET: Pending lawsuit before the Multimember Court of first instance for the amount of 68.400.000 Euros due to violation of 4948/9-7-2004 decision of insurance measures. It will be discussed on 8th of March 2007. There is no serious possibility of a negative result.
- MANOLAKOS versus OTENET S.A., ALTEC S.A., TELEDOME, FORTHNET: appeal for the disappearance of 6102/29-9-2004 decision of Multimember Court of first instance overruling the lawsuit of H.Manolakos for interdiction of the distribution of Let's NET card by OTENET due to violation of patent. There is a verbal compromise between Mr. Manolakos who renounced the legal documents and his right and OTENET, which renounced the adjudicated judicial expenses of the amount of 3.600 Euros. There is no serious possibility of a negative result.
- Through 934/06 decision of Maroussi Justice of the Peace, the lawsuit filed by 30 employees of OTENET for a compensation of 70.719,29 Euros for working on Sundays, was overruled. There is no serious possibility of a negative result.
- Through 260/29-1-2007 decision of One-member court of first instance, the lawsuits of Saidou, Kolonia and Chatzipetrou, claiming they are connected to OTENET with an open-end contract and asking from the Company to hire them at the position, specialization and with the wages Law anticipates, were overruled. There is no serious possibility of a negative result.
- Through 4933/2006 decision of the Court of Appeal, the appeal of Aggelos Papapetrou, former CEO of "TRAVEL.GR by OTENET, Societe Anonyme of Tourist Products and Services through Internet" was overruled. His lawsuit of 6.7.2004 versus OTENET S.A. as successor due to the merger of the above company TRAVEL.GR by OTEnet was also overruled. Through the above lawsuit the prosecutor demanded that TRAVEL.GR by OTEnet (now OTENET) pay him the amount of 114.165,42 Euros plus interests, for the presumed bonus owed. Aggelos Papapetrou appealed before High Court versus the decision of the Court of Appeal on 3rd of January 2007. It will be discussed on 11th of December 2007. There is no serious possibility of a negative result.

The Company didn't make a forecast about the above pending issues, because the administration and the Department of Legal Issues estimates that the claim of the above issues versus the Company is unfounded and must be dismissed and that their result is uncertain.

b) Commitments

Building rents

The Group has signed trade lease agreements for the lease of buildings, offices and nodes. These agreements have average duration of 6 to 12 years with the possibility of renewal. The future commitments based on the already signed contracts regarding the lease of buildings on December 31, 2006 are the following:

	<u>GROUP</u>	<u>COMPANY</u>
	<u>2006</u>	<u>2006</u>
Within a year	2.133.012,00	2.052.613,00
From one to five years	8.688.911,00	8.439.918,00
More than five years	7.674.137,00	7.637.888,00
Total	18.496.060,00	18.130.419,00

Guarantees

The Group issues letters of guarantee to third parties. At the table below can be seen the analysis of the letters of guarantee as formed on December 31, 2006 and 2005 :

**OTENET SOCIETE ANONYME (OTENET S.A.) FINANCIAL STATEMENTS
(PARENT AND CONSOLIDATED) ON DECEMBER 31, 2006 AND 2005
(Amounts in € , unless otherwise stated)**

	GROUP		COMPANY	
	2006	2005	2006	2005
Contract Bond	3.128.961,45	2.450.829,74	1.681.961,45	1.050.829,74
Advance payment guarantee	2.580.250,13	241.950,90	2.580.250,13	241.950,90
Participation guarantee	2.018.471,65	211.292,50	2.018.471,65	209.292,50
Good performance	-	45.000,00	-	-
Total	7.727.683,23	2.949.073,14	6.280.683,23	1.502.073,14

c) Tax issues

As stated in note 24, the Company is possibly liable to pay additional taxes and penalties that can be imposed by tax authorities. The Company's tax obligations have not been examined by tax authorities for the financial years which ended on December 31, 2006, 2005 and 2004, consequently they have not been finalized. The result of the tax inspections can not be foreseen at this point and therefore no forecast has been made on Financial Statements on this matter.

28. FINANCIAL RISK MANAGEMENT

Interest Rate Risk

Regarding long-term liabilities where interest rate is not floating, the Administration observes on a permanent basis, the interest rate floatings and evaluates the need to take relevant measures in order to counterbalance the risks resulting from them.

Liquidity Risk

Liquidity risk is managed through the maintenance of sufficient cash and the availability of funding through an adequate amount of credit facilities.

Concentration of Credit Risk

Financial assets that potentially subject the Group to concentrations of credit risk are trade accounts receivable. Due to the large volume and diversity of the Group's customer base, concentrations of credit risk with respect to trade accounts receivable are limited.

Foreign Exchange Risk

Foreign exchange risk arises from the Group's operations in Cyprus. These countries have experienced significant fluctuations of their currencies against the Euro.

Part of the Group's product purchases is made in U.S. dollars. The immediate payment of these suppliers decreases foreign exchange risk. The Group, according to a firm policy, doesn't buy foreign exchange in advance and doesn't sign contracts of foreign exchange payment with counterparties. The amount in foreign currency included in the Company's balance sheet on 31st December 2006 amounts at \$ 2.437.690,03, that is 1.846.452,69 Euros, and is included in the Suppliers' account. Group includes also the amount of 1.583.646,94 CYP, that is 2.738.925,87 Euros, regarding the Customers' account and 366.112,92 CYP, that is 633.194,26 Euros, regarding cash equivalents.



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Independent Auditor's Report

To the Shareholders of OTENET S.A.

Report on Financial Statements

We have audited the attached Financial Statements and Consolidated Financial Statements (the "Financial Statements") of OTENET S.A. (the "Company") which comprise the balance sheet, parent and consolidated, as at 31 December 2006, and the income statements, parent company and consolidated, statements of changes in equity and cash flow statements for the financial year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Management Responsibility for Financial Statements

The Company's Management has the responsibility of drawing up and publishing the Financial Statements, according to the IFRS, as adopted by the European Union. This responsibility includes the planning, application and internal auditing of financial statements free of significant inaccuracies, owed to fraud or mistake. It also includes the choice and application of appropriate accounting policies and estimations according to the situation.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance to Greek Auditing Standards, which are aligned with the International Standards of Auditing. These Standards demand our compliance to moral principles, planning and auditing in order to ensure that financial statements are free of significant inaccuracies. Auditing includes procedures for the accumulation of auditing evidence regarding the amounts and figures included in financial statements. The procedures are selected according to the auditor's judgment and include the estimation of the risk of inaccuracy in financial statements, due to fraud or mistake. Auditor takes into account the internal auditing system, regarding the drawing up and publishing of financial statements, aiming at the planning of auditing procedures appropriate to the situation and not at expressing an opinion about the effectiveness of the Company's internal auditing system. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe the auditing evidence we have gathered are sufficient and appropriate for drawing up an auditing conclusion.

Opinion

In our opinion, the accompanying Financial Statements give a true and fair view, of the parent and consolidated financial position of the Company as of 31 December 2006, its financial performance, parent and consolidated, and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that have been adopted by the European Union.

Important Matter



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Without qualifying our opinion we draw attention to note 24 to the Financial Statements, that explains that the tax obligations of the Company and its subsidiaries for certain years have not yet been audited by the tax authorities for the financial years 2004 to 2006, and accordingly their tax obligations for those years are not considered final. The outcome of the tax audits can not presently be determined.

Report on other legal and regulatory matters

The Board of Directors' Report is consistent with the attached Financial Statements.

Athens, April 2, 2007

KPMG Kyriacou Certified Auditors S.A.

Nikolaos Vouniseas
Certified Auditor Accountant
A.M. SOEL 18701

**BOARD OF DIRECTORS' REPORT OF OTENET S.A.
ON THE PARENT AND CONSOLIDATED FINANCIAL STATEMENTS AS OF 31
DECEMBER 2006**

The Board of Directors' current report of the "OTENET Societe Anonyme" (OTENET S.A. or the Company), was prepared in accordance with article 136 of the Codified Law 2190/1920 and refers to the Annual Parent and Consolidated Financial Statements as of 31 December 2006 and for the year that ended. The above mentioned Financial Statements have been prepared in accordance with the International Financial Reporting Standards (I.F.R.S.).

OTENET S.A. (www.otenet.gr), an Internet provider and services company, was founded in 1996 as an initiative of Hellenic Telecom Organisation and is its cornerstone in its new technologies' business strategy.

OTENET is active in providing Access and Internet Services, Voice and Data Telecom Services based on Internet Protocol (IP) as well as Internet Applications for Integrated Business Systems with value added services and Systems and Applications Hosting Services based on multiple technologies.

2006 was a year in which OTENET preserved its leading role in Internet broadband access services market and strengthened its place in providing integrated telecom & IT services.

In 2006, special emphasis has been given to the development broadband access and value added services as well as to providing systems integration services to companies and organizations. In this context, OTENET provides high level consulting services as well as professional services like managed services, S.L.A.s, maintenance contracts, design services, security services, implementing network and applications services and more.

OTENET has certified partnerships with top vendors in network products and software. Specifically, OTENET has the following certifications:

- Cisco Systems Silver Certified Partner
- HP preferred partner
- Microsoft Certified Partner
- Member of the Oracle Partner Network

These certifications are strengthening OTENET's business solutions with ultimate target to provide comprehensive solutions to its clients.

A. 2006 ACHIEVEMENTS

OTENET is offering products and services addressed to home users, free lancers, companies and private and public organizations.

Analytically the most important services' categories of OTENET are:

- **Internet access services:** Dial up (OTENET PSTN, ISDN), ADSL (OTENET OnDSL Kit, Home, Office, Economy, Student) connections, OTENET Pass, OTENET Leased Lines for businesses.
- **Complementary access services:** Dial up Roaming (OTENET Roam All Over), PC and e-mail protection and security services (OTENET Security Kit), Web based PIM services (OTENET Tools), voice service via permanent Internet connection (OTENET OnVoice), remote surveillance service (OTENET OnDSL Live Camera).

- **Prepaid cards:** Internet & telephony (OTENET Smile+Web), Internet (OTENET Internet Card), wireless access to Wireless Hot Spots (OTENET OnWireless).
- **Network services:** VPN implementation (OTENET MPLS IP-VPNs, OTENET VPDNs), OTENET Wireless LAN.
- **Systems and Applications Hosting Services:** In this area, OTENET has developed two Data Centers (Athens and Thessaloniki) providing web hosting services (OTENET Web Hosting), hardware hosting (OTENET Co-location – OTENET Disaster Recovery Services), equipment outsourcing (OTENET Dedicated Servers), Domain Name registration (OTENET Domain Names), Internet Audio-Video streaming (OTENET Streaming Services).
- **Application Development Services:** OTENET offers the whole lifecycle of developing a comprehensive solution (Web Sites and Portals, Corporate Portals, Business Applications), starting from the study, the design –both operational as well as aesthetical- the applications' development, as well as the necessary maintenance services.
- **Online Advertising Services:** Advertising campaign planning in the whole network of OTENET's sites & portals with the option of using targeting filters, providing consulting services, making banners, on-line track of the campaign, reporting for the campaign.
- **Comprehensive Business Value Added Solutions:**
 - ✓ **Designing & Implementing networking infrastructure (LAN, INTRANET, EXTRANET, INTERNET) & Applications** – Project management, implementation and migration studies, provisioning of the right hardware (servers, routers, firewalls, switches, pc's etc) with the option of direct selling or leasing, installation and customization of hardware and software, quality control of project deliveries, changes management, organizing and doing training
 - ✓ **Support Services (Surveillance, Network, Systems & Applications Management)** – 24h Help Desk, **network monitoring** and **managed network services**, surveillance and systems and applications management, such as back-up, mail servers, firewalls (**managed services**), maintenance contracts with fixed times regarding restoration of a problem, guaranties regarding the level of provided services (**SLAs**), monthly reports such as usage statistics technical problems, etc. (**reporting**)
 - ✓ **Professional Services** (Consulting services for improving business procedures in areas such as **Business Continuity Planning, Information Security Consulting, Capacity Planning**).
- **OTENET Portals:** OTENET has developed and operates a series of sites/portals either general purpose like www.otenet.gr or special such as:
 - Tourism - www.travel.gr
 - Financial information – www.marketeye.gr
 - Driving issues – www.2x4.gr
 - Broadband portal (together with OTE) – www.zuper.gr: During 2006, broadband content portal **Zuper.gr** was completed together with OTE and its daily operation is without any problems, while registered users have reached 20.000 and unique visitors were 500.000 at the end of 2006.

At the end of 2006, OTENET had almost 53% of the whole ADSL market (retail, wholesale and LLU) while based on market research, its market share in Internet home connections of any type (Dial up, ADSL cards, etc) was 46%.

In systems integration area, OTENET strengthened its position during 2006 by achieving a 40% sales increase in comparison to 2005.

OTENET increased significantly its customer base reaching, on 31/12/2006, at 528.000 active consumer products and services connections. In these connections are included all OTENET dial up and OTENET OnDSL HOME, ECoNomy and KIT connections, as well as prepaid cards for time-based access to the Internet. Active business connections of the company – leased lines, OTENET OFFICE GATE, OTENET OnDSL OFFICE and hosting services-reached 18.500. The above connections present an increase, in comparison to 2005, of 28% in consumer and 32% in business connections respectively.

The respective numbers for the previous years were 413.000 active consumer connections and 14.000 business services connections in 2005 and 317.000 and 9.950 respectively in 2004.

During 2006, OTENET Portal reached 735.000 unique visitors in a month, becoming the second most popular site in Greek Internet. From its redesign in September 2005 till the end of 2006, OTENET portal had a 68% visitors' increase. This way, OTENET has strengthened its leading role in Internet services market.

Finally, another fact showing the company's growth is that in 2006, OTENET's Customer Care Center answered more than 2.000.000 phone calls and 56.500 e-mails from clients.

OTENET excelled also in the Yearly Competition **CRM Grand Prix 2006** which was about measuring the providing quality of service in big Greek Customer Contact Centers, OTENET's Customer Care Center took the 1st prize for providing the best phone support between all Greek Internet companies.

By organizing the contest **OTENET – Innovation 2006**, OTENET aims at promoting innovations as well contributing to the expansion of Internet use. Both targets concern OTENET, who is continuously looking for ways to dynamically promote Internet in the Greek market, by showing and rewarding innovative ideas.

This action, which is under the auspices of the General Secretariat for Information Society, started in June 2006 and is going to be concluded in March, 2007. Essentially, it is a Nationwide Contest giving the opportunity to everyone who uses the Internet (aged 18+) to present innovative and creative ideas.

Contest was well received from Greek people as the number of proposals reached 2.622.

- **Products & Services developed during 2006**

More than 22 products were developed, either new or improved version of existing products, such as:

OTENET OnDSL Live Camera: A product for remote surveillance that streams live audio and video through Internet.

OTENET Pass: Implementation Pay As You Go (PAYG) service in cooperation with OTE.

OTENET OnDSL Kit Student 768: Package of ADSL access to the Internet for students, in combination with hardware (ADSL USB Modem), via DIODOS project.

OTENET OnDSL Wireless Kit Student 768: Package of ADSL access to the Internet for students, in combination with hardware (ADSL Wireless Router / Modem), via DIODOS project.

OTENET OnDSL Kit Student 1024: Package of ADSL access to the Internet for students, in combination with hardware (ADSL USB Modem), via DIODOS project.

OTENET OnDSL Wireless Wireless Kit Student 1024: Package of ADSL access to the Internet for students, in combination with hardware (ADSL Wireless Router / Modem), via DIODOS project.

Conn-X for Best Students 768: In cooperation with OTE, the Conn-X is given away for free to the best students through DIODOS project

OTENET Office Space Rental: Service for using space and infrastructure / office services in OTENET's Data Center.

OTENET Security Kit (Parental Control): Parental control feature added in the existing OTENET Security Kit service.

OTENET Security Kit (Antispyware): Antispyware feature added in the existing OTENET Security Kit service.

Domains.gr with Greek characters: Registration services for domain .GR URLs with Greek characters (e.g. στενέτ.gr).

Domains.eu: Registration services for domain .EU URL's.

OTENET Shared SSL: creation of a SSL certifications provisioning service in web pages that are hosted by OTENET through common infrastructure/certification keys.

MPLS VPN Wholesale: MPLS VPN product for wholesale sale to OTE.

ADSL Speed Upgrades: Nominal speeds were doubled in all ADSL products of OTENET.

OTENET Tools: Visual redesign of OTENET's WebMail service and at the same time addition of new services and change of technological infrastructure.

OTENET Corporate Mail upgrade + mail & SMS quotas: Distribution lists, SMS and mail quotas, domain aliases, rich text editor, print mail feature.

- **2006 Large Projects**

Network connections of DSL VPN points and supply, installation and maintenance of active Cisco equipment for transmitting data & voice to the following customers:

General Bank – Galaxis – Atlantik – Syzeuxis – Arista – Dia – BSB – OEK - Euroiaponiki – OPAD – BMW

Sarakakis: Cisco equipment maintenance contract Cisco and Servers – migration from an IP VPN network to a MPLS IP VPN.

ATE: Cisco equipment.

OPAP: Equipment and network management software (NMS) supply, installation and settings of that equipment, in cooperation with OTE for 5500 CPEs (Customer Premises Equipments)

EUROVISION: A 100M leased line for Internet access as well as supply, installation and settings of Cisco equipment and on site support of the network infrastructure of the contest.

Internet applications of web sites – internet portals - intranet portals for the following clients:

Blue Star Ferries – OPAP – Alico – KEDKE – EUROBANK – Genera Bank – Hellenic Petroleum – Iaso – Leto – Vatopedio Monastery

Zuper.gr: Creation of a broadband content portal for OTE group with music, games, mobile downloads (ringtones, wallpapers etc), music videoclips and movie trailers.

Cisco Silver Partner / Cisco Shared Support Partner: OTENET was certified as a Cisco Silver Partner and signed a contract with Cisco which gives OTENET the status of a Cisco Shared Support Partner.

- **Network and technology issues**

In order to handle effectively the business and technical challenges in electronic communications market, OTENET planned and implemented a flexible architecture which offers flexibility for the creation of new services and the possibility of adaptation to the continuous changing market structure and business models, offering the opportunity to take advantage of the IP technologies' cost curve features.

Operational functionality:

- OTENET IP network availability: 99.964% (includes OTE pairs availability)
 - DNS: 100%
 - Directory (LDAP) :100%
 - Email: 99.994%
 - Hosting: 99.990%
- Regarding network problem management, a structural procedure for managing and solving problems was implemented, supported from the problem management system.
- Average time of repair (MTTR) for problems under the control of OTENET was estimated at 28 min and 48 sec.
 - 83,79% of the problems lasted less than 15 min, while only 7,58% of the problems lasted more than 60 min.
- The Company managed effectively OTE's IP network (IP CORE, OKSYA II, IP access), IP Δίκτυο OTENET, IP Sizefixis and achieved:

- 85% reduction in management cost per ADSL user from 0.27€ in January 2006 to 0.04 € in September 2006
 - 42% reduction in network cost per ADSL user (from 5 € to 2.9 €) and that despite doubling speeds
 - 34% reduction in per kbps cost (from 0,158 € to 0,104 €) for leased / VPN clients.
- In the context of cooperation with the design team of OTE's IP network, OTENET's design team participated actively in:
- Defining the 3-year plan of IP CORE network development.
 - Defining the architecture of the Metro Ethernet network in Athens and rural areas.
 - Designing and implementing (in cooperation with OTE) the network infrastructure for the IPTV trial.
- Designing and implementing a new analytical model for defining cost of network services.
- Updating of the 3-year OTENET network development plan and participating in the equivalent plan for OTE's IP core.
- Development of declassification solution.
- Tripling international bandwidth (2 -> 6Gbps) diminishing at the same time the total cost by 2.5%.
- Designing and implementing scalable cost-efficient solution for handling hundreds of thousands DSL users (implementing Cisco 10K LNS, OSPF optimization, LAN Koletti re-eng)
- Redesign of AAA service with the use of open source & OTEnet developed components which offered improved reliability and no more double logins.
- Designing and implementation of a comprehensive platform (based on open source components) for providing a VoIP service for DSL users. An extended trial has been activated.
- Search for DPI (Deep Packet Inspection) & traffic analysis solutions for DSL traffic. Successful trials based on Cisco solution (SCE) prepared production deployment which will be concluded in 2007.
- MPLS, IP-VPN solutions provision with a differentiated QoS and SLA.
- MPLS VPN networks in «Sizefxis»
 - MPLS VPN network in «GENERAL BAN»

Systems & Services unit is managing the design and implementation of all hardware not only for the company's mechanized accounting needs as well as for the systems of service production to clients. It also implements projects regarding basic OTENET services and takes part in system integration projects of clients. For 2006, unit actions include:

- Extension of Directory, Mail infrastructure in order to correspond to the significant increase of the ADSL subscriber base
- Redesign of AAA services, whitepages and VoIP infrastructure.
- Evolution of Service Delivery platform by designing, developing and introducing OTENET tools and OnDSL Live Camera applications.
- In cooperation with OTE, creation of a pilot TV over ADSL platform, while at the same time a contest for pilot implementation of a full IPTV solution took place.

- Transferring the majority of systems and services support action to the Datacenter. As a result, in 2006 Systems & Services units handled 40% less trouble tickets than in 2005.
- Internet provision services for Sizefix project without any breach in SLA and active participation in other projects regarding systems and applications integration.

Aiming at the better service of company needs, there was a reengineering of Business Operations Systems Support (BSS/OSS) by forming support teams for operations, design, product development and infrastructure development. This unit is occupied mainly with the internal IT company needs.

Support teams resulted in:

- Increasing by 37% the client support requests that were processed in 2006 in comparison to 2005.
- Reducing by 60% client support requests that were on hold on a daily basis.
- Reducing by 18% billing cycle, while the number of bills increased on 31/12/2006 by 316%, in comparison to 31/12/2005.
- Developing 22 new services with a rate of 1,8 services per month, achieving 57% in comparison to the number of services developed in 2005.
- Making changes in 7 existing services as well as changes in commercial policies.
- Implementing control and collection mechanisms (dunning), which led to collecting due debts of 620,000 euros.
- Developing an application for registering ADSL connection applications which led to a reduction of the average registration time of a ADSL connection application by 37%.
- Developing a customer call management application where 5000 calls are registered every day, reducing the number of customers recalls by 27% on a yearly basis.

Data Center unit follows -on a 24 hour basis- systems operation, guaranteeing high services availability and quick solutions to requests/problems of clients. In 2006 Data Center unit upgrades its role as the main IT systems support unit absorbing by 90% the operational role and work of System & Services unit. This project corresponded to 40% of Systems & Services unit capabilities for 2005. Transfer was made through personnel training and recording and improving procedures. The following basic points of Datacenter project in 2006 are worth mentioning.

- Continuous and without failure IT infrastructure in Data Center with 100% availability.
- Upgrade its productive role in dealing problems, by solving 6,970 tickets, 61.6% more compared to 2005.
- Problem Management procedure implementation and application, saving 8 human working days per month.
- Consolidation of hardware maintenance contracts to a single supplier through a contest procedure that resulted in maintenance cost reduction of 9.1% in comparison to the budget. (budgeted 613,000 € -> actual 557,000 €)

- **Corporate Social Responsibility Actions**

The necessity for a more organized offer of OTENET –both company and employees – has led to the creation of a Corporate Social Responsibility program called, "OTENET. You and me together".

Trying to extend program perspectives, OTENET included to it the OTENET Innovation Contest, Innovation 2006, aiming at promoting innovation and Internet use.

In this context, company has given money to buy the technology equipment for the Athens Medical School lab which is researching –through innovative methods- liver regeneration at a cellular as well as a molecular level.

OTENET CSR actions in other areas are:

Market

OTENET offers better prices for its products to people with special needs, while offers 50% reduction in web hosting services to all NGOs.

Society

N.G.O. (Non Governmental Organization) "ARSIS": OTENET comes closer to young people with problematic past, by creating and equipping with the latest technology (PCs, Internet, projectors) a place that could become their special place of creation, entertainment and communication.

"You and me together...for the child". OTENET supports foundations that host children with social problems and special needs.

"DIODOS" project: OTENET supported state initiative to provide free Internet access to students.

Sponsorship of Greek Student Knowledge Contest (Lysias 2006)

Environment

OTENET participates in a paper recycling program in cooperation with the Municipality of Maroussi as well as in an ink refilling program.

- **Subsidiaries actions**

Voice@net by OTENET

Growth was fast for subsidiary Voice@net, in 2006. The company is offering comprehensive solutions to businesses depending on their special telecom needs. Areas covered are local, national and to mobiles calls.

Even though competition in 2006 was more intense, because of the growing number of new packages combining telephony and broadband services (double play and triple play services), the company has managed to retain all its clientele.

Company is in a market where special knowledge and high level of technology are needed and where there is intense competition. In order to continue to be competitive and stay in line with 2007 strategic direction, it has to implement alternative solutions to reduce access cost (e.g. has invested in LLU, SHDSL fixed wireless access technologies).

During 2006, VOICE over DSL was implemented, which is in a pilot stage and ready for commercial offer.

OTENET (Cyprus)

The majority of OTENET (Cyprus) shares belongs to OTENET S.A., while in the capital participate as well Germanos and Cyprus Trading Corporation Ltd, member of Siakola group.

OTENET (Cyprus) operates commercially through its subsidiary, OTENET Telecommunications Ltd, the first licensed telecom company in Cyprus, with number 001/2003, and offers comprehensive service packages at competitive prices. Moreover, the company offers comprehensive IP telecom solutions, covering the needs of small and medium as well as bigger Cypriot and multinational companies based in Cyprus.

Company is serving a large clientele with 620 business customers offering successfully telecom solutions, Internet services and fixed telephony services after completing the interconnection of its network with CYTA's network.

In 2006, the company taking advantage of Local Loop Unbundling has moved on to developing its own network. This move is estimated to increase the subscriber base, reduce operational cost and improve profits in 2007.

B. 2007 perspective
Strategy & Target

- **Business targets (Commercial, Technological, Financial, etc)**

<p><u>Short-term targets for 2007</u></p>	<ul style="list-style-type: none">• Develop and offer new value added broadband services in order to materialize OTE's strategy for promoting broadband and strengthening OTE Group's position.• Strengthen its position in Systems Integration and participate in large projects.• Take advantage of synergies with other companies of OTE Group in order to provide combined products and services.• Invest in main areas (infrastructure, human resources, procedures, systems, etc) in order to maximize customer benefits and improve the company's competitiveness.
<p><u>Long – term targets (company's strategy)</u></p>	<ul style="list-style-type: none">• Improve OTE Group's position in retail and business market.• Improve synergies with other OTE Group companies.• Expand to new IT and telecoms activities and new markets.

C. FINANCIAL HIGHLIGHTS OF 2006
Income Statement

Group **Revenues increased** by 13%, compared to 2005, amounting at 110.538 thousand Euros.

Revenues increase is attributed to:

- A) the significant increase of broadband services and sales regarding system integration services, and
- B) the significant increase of revenues in OTENET TELECOM Ltd subsidiary by 60%.

Regarding the **Company's Revenues**, there was an increase of 16%, compared to 2005, and amount at 82.965 thousand Euros, due to the significant increase of broadband services and sales regarding system integration services.

The Basic Financial Indices regarding Efficiency for Group and Company are the following:

	GROUP		COMPANY	
	2006	2005	2006	2005
% EBITDA / SALES	3%	15%	3%	18%
% EBT / SALES	(3)%	8%	(3)%	11%
% EBT / Total Assets	(4)%	16%	(4)%	19%
% EBT / Shareholder's equity	(24)%	50%	(18)%	51%

- Company Real Estate: None.

- Company Owned Securities: None.

- Foreign Exchange Disposal: Group has foreign exchange in its cash equivalents of 366,112.92 Cyprus pounds, that is 633,194.26 Euros.

D. OTHER INFORMATION

There aren't any other significant events after December 21, 2006 and before the date of approval of the financial statements by the Board of Directors, which could substantially change the financial status and Group's activities.

From 12-2-2007, Ilias Drakopoulos has been elected Chief Executive Officer of the company. Till then, Mr. Drakopoulos held the position of Chief Technology, Strategy & Development Officer.

Athens, 30 March 2007

For the Board of Directors

Chairman

Chief Executive Officer

Iordanis Aivazis

Elias Drakopoulos