



OTE ESTATE S.A.

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER  
31<sup>st</sup>, 2007 IN ACCORDANCE WITH INTERNATIONAL FINANCIAL  
REPORTING STANDARDS (I.F.R.S.)**

The attached Financial Statements have been approved by the Board of Directors of OTE ESTATE S. A. on April 23, 2007 and have been published by posting on the Internet at the web site address [www.ote.gr](http://www.ote.gr)

OTE ESTATE S. A.  
R.N.: 34185/01/B/95/464-2003  
15 STADIOU STR., 10561 ATHENS, GREECE

<b>TABLE OF CONTENTS</b>		<b>Page</b>
<b>Independent Auditor's Report</b>		<b>3</b>
<b>Board of Director's Report</b>		
Significant events of the year		<b>5</b>
Presentation of Income Statement		<b>6</b>
Strategy – Perspectives		<b>6</b>
Financial risk management		<b>7</b>

<b>Financial Statements</b>		
Income Statement for the year ended December 31 <sup>st</sup> , 2007		<b>8</b>
Balance Sheet of December 31 <sup>st</sup> , 2007		<b>9</b>
Report of recognized revenues and expenses for the year ended December 31 <sup>st</sup> 2007		<b>10</b>
Statement of Cash Flows for the year ended December 31 <sup>st</sup> , 2007		<b>11</b>

<b>Notes on the Financial Statements</b>		
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	<b>Note Number</b>		<b>Page</b>
<b>Notes on the Financial Statements</b>	<b>1</b>	<b>General information about the company</b>	<b>12</b>
	<b>2</b>	<b>Synopsis of the General Accounting Principles of the Company</b>	
	2.1	Basis of preparation of the Financial Statements	<b>12</b>
	2.2	Currency alterations	<b>13</b>
	2.3	Investments in real estate property	<b>13</b>
	2.4	Property, plant and equipment (used by the Company)	<b>14</b>
	2.5	Depreciation of property, plant and equipment (used by the company)	<b>14</b>
	2.6	Leases	<b>14</b>
	2.7	Accounts receivables	<b>15</b>
	2.8	Cash and cash equivalents	<b>15</b>
	2.9	Share capital	<b>15</b>
	2.10	Reserve for staff retirement indemnities	<b>15</b>
	2.11	Dividends	<b>15</b>
	2.12	Recognized income and expenses	<b>15</b>
	2.13	Income taxes	<b>15</b>
	2.14	Related parties	<b>16</b>
	2.15	Provisions	<b>16</b>
	2.16	Offsetting of receivables - liabilities	<b>16</b>
2.17	Impairment of assets	<b>16</b>	
2.18	New Financial Reporting Standards and Interpretations	<b>16</b>	
	<b>3</b>	<b>Management's estimates and judgments</b>	<b>18</b>

<b>Income Statement</b>	<b>4</b>	Revenues from real estate property leases	<b>20</b>
	<b>5</b>	Operating expenses of real estate property	<b>20</b>
	<b>6</b>	Payroll and employee benefits	<b>20</b>
	<b>7</b>	Revenues from interests and other relative revenues	<b>20</b>
	<b>8</b>	Other operating expenses	<b>20</b>
	<b>9</b>	Exchange differences	<b>21</b>
	<b>10</b>	Income taxes	<b>21</b>

<b>Assets</b>	<b>11</b>	Property, plant and equipment (Used by the company)	<b>22</b>
	<b>12</b>	Investments in real estate property	<b>22</b>
	<b>13</b>	Investments	<b>22</b>
	<b>14</b>	Accounts receivables from customers	<b>23</b>
	<b>15</b>	Other accounts receivables	<b>23</b>
	<b>16</b>	Cash and cash equivalents	<b>23</b>
<b>Equity</b>	<b>17</b>	Share capital	<b>24</b>
	<b>18</b>	Legal reserves	<b>24</b>
	<b>19</b>	Year dividend	<b>24</b>
	<b>20</b>	Statement of movement in equity of the year ended December 31 <sup>st</sup> , 2007	<b>25</b>
<b>Liabilities</b>	<b>21</b>	Reserves for staff retirement indemnities	<b>26</b>
	<b>22</b>	Other non-current liabilities	<b>26</b>
	<b>23</b>	Deferred tax assets and liabilities	<b>26</b>
	<b>24</b>	Accounts payables	<b>27</b>
	<b>25</b>	Income tax payable	<b>27</b>
	<b>26</b>	Other current liabilities	<b>27</b>
<b>Additional Information</b>	<b>27</b>	Related party transactions	<b>28</b>
	<b>28</b>	Potential liabilities and obligations	<b>28</b>
	<b>29</b>	Financial risk management	<b>29</b>
	<b>30</b>	Subsequent events	<b>31</b>

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## **Independent Auditor's Report** Translated into English from the Original in Greek

To the Shareholders of  
OTE ESTATE A.E.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of OTE ESTATE A.E. (the Company), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of recognized income and expense, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### Management's responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these Financial Statements in accordance with International Financial Reporting Standards that have been adopted by the European Union. This responsibility includes the design, implementation and maintenance of the internal control system relevant to the preparation and fair presentation of financial statements, which are free from material misstatement, whether due to fraud or error selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditors' responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with the Greek Auditing Standards which are based on International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that have been adopted by the European Union.

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#### Emphasis of matter

Without qualifying our opinion, we draw attention to Note 10 to the Financial Statements, where it is noted that the tax obligations of the Company have not been examined by the tax authorities for the years 2001 through 2007, and consequently, the Company's tax obligations for the years 2001 through 2007 have not been finalized. The outcome of a tax audit for the un-audited years cannot presently be determined.

#### Report on other legal and regulatory requirements

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

**Athens, 23 May 2008**  
**KPMG Certified Auditors A.E.**

**Ioannis A. Achilas, Certified Auditor Accountant**  
**AM SOEL 12831**

**BOARD OF DIRECTOR'S REPORT**  
**"OTE ESTATE S.A."**  
**TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007**

The Board of Directors' Report of "OTE ESTATE S. A." (Hereinafter referred to as "the Company") was prepared in accordance with article 136 of the Codified Law 2190/1920 and refers to the Annual Stand-Alone Financial Statements as of December 31st 2007 and for the year then ended, which have been prepared in accordance with the International Financial Reporting Standards (I.F.R.S.).

**SIGNIFICANT EVENTS OF THE YEAR**

During the year 2007, the Company moved efficiently and effectively towards the achievement of its business objectives as they were set by the last Shareholders' General Assembly. This fact was the base for the realization of significant activities during the year 2008.

From the beginning of the year 2007 the company examines the possibility of collaboration with public institutions and private organizations concerning the possibility of coverage of their housing needs by its real estate property, so during the year the sign of significant lease contracts was accomplished having as a result the improvement of the complement of useful spaces and the augmentation of the company's revenues from real estate property leases. As evidence are presented the following lease contracts:

- Building CORFU A' to be used as a medical – diagnostic center.
- Building AINIANON in Lamia to O.A.E.E. for the housing of its main offices in Lamia.
- Buildings KALAMATA and GARGALIANOI to the district management authorities of Messinia.
- Building THRAKOMAKEDONON to be used as citizens' service centre and offices of the municipality of Thrakomakedones.

Moreover, within the frame of its activity, the company effectuated a great number of technical projects such as layouts and renovations of spaces used by OTE (e.g. Management Hall of OTE in Maroussi, the building of Dafni Attikis, Filellinon in Larisa e.t.c.), layouts and renovations of spaces for lease purposes to third parties (e.g. T/C of Kalamata, of Ainianon Lamias, of Gargalianon e.t.c) and demolitions of existing buildings for development reasons (in Komotini, Palaio Faliro and Chaidari Attikis).

The company has also proceeded with:

- the completion of the electronic fixed assets register of the company (project: «Re-design of the electronic fixed assets register/F.A.R.») that includes the electronic registration of the data of the company's real estate property,
- the creation of an aggregate file of unbounded from OTE S.A. spaces for the whole clime (except for the real estate properties of Athens and Thessaloniki) and the preparation of the infrastructure for the modulation, in collaboration with OTE S.A., of its housing policy,
- the conclusion of a service providing contract for the estimation of the company's real estate properties portfolio based on the International Financial Reporting Standards (I.F.R.S.) with estimation date December 31<sup>st</sup> 2007 and for comparative reasons the value of investments in real estate properties was written with reference dates December 31<sup>st</sup> 2006 and December 31<sup>st</sup> 2005,
- the creation of a special category of real estate property that is to be used as investment, with the possibility of formation of an Society Anonyme of investments in real estate property (ΑΕΕΑΠ) with the initial contribution to this company of a limited number of high value selected real estate properties in its ownership, in the frame of the business plan for the best exploitation of the company's assets,
- the realization of technical application development studies and a geotechnical study of the complex in the area of Tarampoyra, Patra and

- the realization of a static study for the building that is found on Ierosolimon Attikis street.

## PRESENTATION OF INCOME BALANCE

The Financial Statements of 31 December 2007 were prepared in accordance with the International Financial Reporting Standards and reflect on the Balance-sheet the property of the Company on the above date, while they include the year's Income Statement, the Statement of recognised revenues and expense and the Cash flow statements for the period from January 1<sup>st</sup> till December 31<sup>st</sup> 2007 with analytical explanations of the accounting principles that have been used.

The Company, with its effective management of resources as well as its commercial policy introduced an improvement of its financial results. In detail:

	<u>31.12.2007</u>	<u>31.12.2006</u>	<u>D %</u>
Revenues from real estate property leases	72.408.063	66.448.707	8,97%
Income before taxes	96.574.740	114.866.027	(15,92%)
Income taxes	(5.093.733)	(26.928.197)	
Profit after taxes	91.481.007	87.937.830	4,03%

Revenues from the leasing of the company's fixed assets to OTE S.A. (60.241.351 Euros or 83,20% of the total revenues), to other companies of the OTE Group (9.783.492 Euros or 13,51% of the total revenues), to juridical persons activated in the field of communications, to juridical persons of the public and private sector and to other persons were in total 72.408.063 Euros for the year 2007 (2006: 66.448.707 Euros). Also, having as an objective the optimisation of the possibility of leasing spaces in buildings that until today presented significant vacancies, the company proceeded to the disengagement of additional spaces either by the internal translocation of OTE S. A. personnel or by their translocation to other suitable for their accommodation buildings so as to achieve complement of floors and "correct" the spaces' fragmentation.

## STRATEGY AND PERSPECTIVES

The company's activity will remain significant during 2008, with the realization of important leases but also with reliable expectations for the achievement of agreements for the lease of spaces that are being evacuated by OTE S.A. The basic axis of the company's planning are the reshape of its relation with the parent company, the preservation and the renovation of the buildings that are of strategic importance to the group, the exploitation and development of the buildings that present a direct commercial interest, the emergence of surplus values in real estate properties with urban and other problems, and the development of the company's liquidity.

It must be noted that during the year 2008, due to the real estate properties contribution to the under establishment real estate investments subsidiary of the company, a decrease in the lease revenues of the company is expected. As compensation to the previously mentioned reduction a significant dividend from the strong lucrative development of the subsidiary company is expected.

Also, during 2008 some extra revenues for the company are expected from:

- the effectuation of business activation through the upgrade of low value real estate properties with integration of new appropriate uses e.g. photovoltaic installations in remote real estate properties of a large size,
- the augmentation of lease revenues from subsidiary companies of the group (spaces with communicational facilities),
- the development of commercial and business spaces in company-owned buildings and the lease or sale of residential lands (e.g. the lands in Agravli Kifissias, Chaidari, Palaio Faliro, Stadiou and those at the regions of Tarampouta in Patras) and
- the invoices of lease prices for buildings with communication facilities will be updated to follow current market prices.

Finally, the company's investments for the year 2008 can be summarised to:

- the formation of a subsidiary real estate investments company that will have as a basic objective the contribution of fully leased properties and the reassurance of high profitability due to the tax allowances that this sort of companies enjoy,
- the advance of the development projects of the buildings in Rouf, Kallithea, Panorama Thessalonikis,
- the investments in considerable assets (stores, self-existent building etc) in order to upgrade the company's portfolio,
- the energetically enhancement of the real estate properties,
- the certification of E/M installations and lifts,
- the improvement of infrastructures based on the regulations of the European Union, and finally
- the ductility control and the static efficiency control of the real estate properties of the company

#### **FINANCIAL RISK MANAGEMENT**

The objectives and policies of the company concerning the management of its financial risks as well as the exposure of the company to the financial exchange risk, to the risks arising from interests fluctuations and the hedging of those risks, to the credit risk and to the liquidity risk are being analysed at the note number 29 of the Financial Statements.

**OTE ESTATE S. A.**  
**INCOME STATEMENT**  
**OF THE YEAR ENDED 31 DECEMBER 2007**  
**(Amounts in Euros unless stated otherwise)**

	<u>Note</u>	<u>From January 1st to</u> <u>December 31<sup>st</sup> 2007</u> <u>December 31<sup>st</sup> 2006</u>	
Revenues from real estate property leases	4	72.408.063	66.448.707
Operating expenses of real estate property	5	(1.356.543)	(1.761.832)
Depreciation		<u>(187.329)</u>	<u>(152.794)</u>
<b>Total income from real estate leases</b>		<b>70.864.191</b>	<b>64.534.081</b>
Payroll and employee benefits	6	(1.938.375)	(1.661.377)
Revenues from interests and other relative revenues	7	206.053	408.257
Other operating expenses	8	<u>(7.953.915)</u>	<u>(7.460.720)</u>
		<b>(9.686.237)</b>	<b>(8.713.840)</b>
<b>OPERATING INCOME</b>		<b>61.177.954</b>	<b>55.820.241</b>
<b>Other revenues / (expenses)</b>			
Exchange differences	9	5.981.200	2.742.082
Profits from the revaluation to fair value of the property investments		29.293.001	56.284.854
Other revenues		(503.812)	(52.271)
Other expenses		<u>626.398</u>	<u>71.122</u>
<b>Total of other revenues / (expenses)</b>		<b>35.396.787</b>	<b>59.045.787</b>
<b>Profit before taxes</b>		<b>96.574.740</b>	<b>114.866.027</b>
<b>Income taxes</b>	10	<u>(5.093.733)</u>	<u>(26.928.197)</u>
<b>Profit after taxes</b>		<b>91.481.007</b>	<b><u>87.937.830</u></b>
<b>Earnings before interests, taxes, depreciation and amortization</b>		<b><u>61.281.816</u></b>	<b><u>55.583.629</u></b>

The attached Financial Statements on pages 8 to 31 were prepared in accordance with the International Financial Reporting Standards as these have been adopted by the European Union, have been approved by the Board of Directors on April 22nd 2008 and are signed on its behalf by:

President of the Board  
Directors

Chief Executive Officer

Head of Financial of  
Division

Elli Despotou

Ioannis Panagiotidis

Panagiota Pierratou

The attached notes on pages 12 to 31 are an integral part of these Financial Statements.

**OTE ESTATE S.A.**  
**BALANCE SHEET**  
**DECEMBER 31<sup>ST</sup> 2007**  
(Amounts in Euros unless stated otherwise)

	<u>Note</u>	<u>December 31<sup>st</sup> 2007</u>	<u>December 31<sup>st</sup> 2006</u>
<b>ASSETS</b>			
<b>Non - current assets</b>			
Property, plant and equipment (used by the company)	11	19.308.638	4.486.487
Investments in real estate property	12	1.828.697.669	1.792.817.427
Investments	13	<u>722</u>	<u>703</u>
		<b>1.848.007.029</b>	<b>1.797.304.617</b>
<b>Current assets</b>			
Accounts receivables from customers	14	32.411.280	15.615.885
Other accounts receivables	15	1.829.583	465.539
Cash and cash equivalents	16	<u>167.219.165</u>	<u>134.855.123</u>
		<b>201.460.028</b>	<b>150.936.547</b>
<b>TOTAL ASSETS</b>		<b><u>2.049.467.057</u></b>	<b><u>1.948.241.164</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	17	599.122.052	599.122.052
Legal reserves	18	12.931.672	1.373.443
Retained earnings		<u>1.078.132.870</u>	<u>1.007.344.314</u>
	20	<b>1.690.186.594</b>	<b>1.607.839.809</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Reserve for staff retirement indemnities	21	162.386	114.509
Other non-current liabilities	22	531.888	587.935
Deferred tax liabilities	23	<u>342.930.515</u>	<u>328.821.746</u>
		<b>343.624.789</b>	<b>329.524.190</b>
<b>Current liabilities</b>			
Accounts payables	24	3.097.463	2.090.297
Income tax payable	25	8.868.019	7.875.548
Other current liabilities	26	<u>3.690.192</u>	<u>911.320</u>
		<b>15.655.674</b>	<b>10.877.165</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2.049.467.057</u></b>	<b><u>1.948.241.164</u></b>

The attached notes on pages 12 to 31 are an integral part of these Financial Statements.

**OTE ESTATE S. A.**  
**REPORT OF RECOGNISED REVENUES AND EXPENSES**  
**OF THE YEAR ENDED 31 DECEMBER 2007**  
(Amounts in Euros unless stated otherwise)

	<u>Note</u>	<u>December 31<sup>st</sup> 2007</u>	<u>December 31<sup>st</sup> 2006</u>
Revaluation of tangible assets (Used by the company)	20,11	14.883.644	-
Deferred tax		<u>(3.325.416)</u>	-
<b>Net profit recognized directly on the owners equity</b>		<b>11.558.228</b>	-
Profits after taxes		<u>91.481.006</u>	<u>87.937.830</u>
<b>Total recognised revenues of the year</b>		<b><u>103.039.234</u></b>	<b><u>87.937.830</u></b>
<b>Effect from the change of accounting policy</b>		<b><u>11.558.228</u></b>	<b><u>                  -</u></b>

The attached notes on pages 12 to 31 are an integral part of these Financial Statements.

**OTE ESTATE S.A.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31<sup>st</sup> 2007**  
**(All amounts in Euros unless stated otherwise)**

	<u>From January 1<sup>st</sup> to</u>	
	<u>December 31<sup>st</sup> 2007</u>	<u>December 31<sup>st</sup> 2006</u>
<b>Cash flow from operating activities</b>		
<b>Profit before taxes</b>	<b>96.574.740</b>	<b>114.866.027</b>
<u>Adjustments for:</u>		
Depreciation	187.329	152.794
Provisions	267.877	271.395
Reevaluation of investment properties	(29.293.001)	(56.284.854)
Property Tax	5.323.603	5.297.762
Stamp-Duty and OGA contribution	1.306.200	1.192.296
Discount due to bounty tax payment	(133.089)	(399.003)
Evaluation of participation	(19)	(19)
Banking expenses	2.289	2.414
Interest and other financial expenses	<u>(72.962)</u>	<u>(9.253)</u>
<b>Operating income/expense before working capital movements</b>	<b>74.162.967</b>	<b>65.089.559</b>
Adjustments for working capital movements related to operating activities		
Decrease / (increase) in accounts receivables	(16.858.986)	91.258.808
Decrease) / Increase in accounts liabilities	3.729.990	(6.931.344)
Minus:		
Income taxes paid	<u>(22.852.575)</u>	<u>(26.264.704)</u>
<b>Net cash flows from operating activities</b>	<b>38.181.396</b>	<b>123.152.319</b>
<b>Cash flow from investment activities</b>		
Purchase of property, plant and equipment	(5.888.027)	(10.292.721)
Interests income received	<u>72.962</u>	<u>9.253</u>
<b>Net cash flows in investing activities</b>	<b>(5.815.065)</b>	<b>(10.283.468)</b>
<b>Cash flow from financing activities</b>		
Dividends paid	-	(14.999.527)
Banking expenses paid (interest paid)	<u>(2.289)</u>	<u>(2.414)</u>
<b>Net cash flows used from financing activities</b>	<b>(2.289)</b>	<b>(15.001.943)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>32.364.042</b>	<b>97.866.908</b>
<b>Cash and cash equivalents at beginning of year</b>	<b><u>134.855.123</u></b>	<b><u>36.988.215</u></b>
<b>Cash and cash equivalents at end of year</b>	<b><u>167.219.165</u></b>	<b><u>134.855.123</u></b>

The attached notes on pages 12 to 31 are an integral part of these Financial Statements.

## **OTE ESTATE S.A.**

### **NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007**

(Amounts in Euros, unless stated otherwise)

#### **NOTES TO THE FINANCIAL STATEMENTS**

##### **1. General information about the Company**

OTE ESTATE S.A. (Hereinafter referred to as "the Company") has been formed in 1995 under the name OTE ANTALLAKTIRIA SYNALLAGMATOS S.A. Thereafter, by the number 32663/2000 decision of the Prefect of Athens the company changed its name to OTE ESTATE S.A. and approved the abolition of transitive provisions, the modification of articles of the company's memorandum of association and its encoding to a cohesive text.

The General Assemblies of Shareholders of OTE S.A. and of the company of 28.01.2002 decided the secession of the real estate sector of the first and its donation to the second. As real estate sector, for the secession purposes, was defined the property group of OTE S.A. consisting from property, plant and equipment and other assets and liabilities, as these are analyzed in the Accounting Statement, that was prepared for the purpose of secession on September 30<sup>th</sup> 2001, a date that was defined as the beginning date for the donation of the sector. The given Shareholder's Equity (i.e. the difference between the above-mentioned assets and liabilities), was 450.260.451,54 Euros.

The company operates in Greece. The Company is based in 15, Stadiou st., in Athens, while its operation is estimated to take place up until 31 December 2015.

On December 31<sup>st</sup> 2007 the Company had a workforce of 53 people, among which 7 are detached from OTE S. A. to the company.

The Company's objective includes the following:

- To buy, sell, exchange in full rights of ownership or right of enjoyment or right of naked ownership, to lease or rent and in general the exploitation of real estate property in Greece or any other country-member of the European Union or third countries. This real estate property may be of different usability, like offices, stores, houses, tourist and industrial sites, building lands or any other kind or real estate property.
- The construction, maintenance, expansion, refit and management or building, the development of fields, privately owned or construction through transfer of ownerships to the constructor), the organization of selling this real estate property and every relevant technical and commercial activity.
- The exploitation of privately owned real estate property through any operational activity.

The Company is a member of OTE Group, which on 31 December 2007 owned a share of 99.99% of the Company. Therefore, the financial statements of the Company are part of the consolidated financial statements of the Group.

The present financial statements have been approved by the Board of Directors of the Company in May 22<sup>nd</sup> 2008 and are under the approval of the General Assembly of the shareholders of the Company.

##### **2. Synopsis of the General Accounting Principles of the Company**

The main accounting principles adopted and followed for the preparation of the attached financial statements of the Company in accordance with the I.F.R.S., can be summarized to the following principles which have been applied in consistency to all mentioned years, unless mentioned otherwise:

###### **2.1. Basis of preparation of the Financial Statements**

The attached Financial Statements were prepared in full accordance with the International Financial Reporting Standards (I.F.R.S.), as those have been adopted by the European Union, while for valuation base has been used the historic cost with the exception of the property, plant, equipment (used by the Company) and investing that have been evaluated using the fair value.

The basic accounting principles that had been followed for the preparation of the Financial Statements for the year ended December 31<sup>st</sup> 2006 have also been followed for the preparation of the annual Financial Statements for the year ended December 31<sup>st</sup> 2007. All the Group's companies have applied these accounting principles with consistency.

**2.2. *Currency alterations***

The financial statements of the Company are prepared in Euro, which are the functional currency of the Company and the currency of book keeping. Transactions in foreign currencies are exchanged into Euros based on the price of the foreign currency on the day of exchange. The gains or losses due to exchange differences that derive from the settlement of this sort of transactions during the year as well as from the conversion of accounts receivables and liabilities that are expressed in foreign currency are posted to the results on the date of the Balance Sheet according to the day's exchange rates.

**2.3. *Investments in real estate property***

Real estate property that is used for long-term operational leases or/and capital gains and are not used by the company, are categorised as investments in real estate property and include company-owned building plots and buildings that are being leased to third parties.

The above mentioned are shown on their historical cost of purchase, increased by interests of the constructional period and of the relative direct costs of purchase, and reduced by the accumulated depreciations and if any impairments of their value. For the building plots and the buildings acquired by the company as a result of the secession of the real estate property of OTE S.A. September 30<sup>th</sup> 2001, as historic cost is considered their un-depreciated value during the mentioned date, while their salvage value at the end of their useful life has been computed by the management of the company at a percentage of 40% of their un-depreciated value at the date of the recession.

The company, this year, assigned to an independent, well recognized company of certified real estate valuers named "DANOS & PARTNERS S.A.", the evaluation of real estate investments in fair values according to the I.F.R.S. based on the comparative data method, and whenever this method is not applicable, based on the present value of future cash flows method, with reference dates December 31<sup>st</sup> 2005, December 31<sup>st</sup> 2006 and December 31<sup>st</sup> 2007. The difference that appeared December 31<sup>st</sup> 2005 (period of first change) was posted, based on the apparatus of I.A.S. 40, as an adjusting entry in the remaining retained earnings while subsequent changes of fair values are posted to the income statement. The evaluation of the building plot and the building of the main offices was realized in terms of fair values based on the capitalisation method according to I.F.R.S. with reference date December 31<sup>st</sup> 2007. The initial difference that emerged as well as any subsequent rise of the fair values are posted, based on the apparatus of I.A.S. 16, as a revaluation reserve on equity.

Fair value of an asset is the amount for which this can be exchanged between two parties that act with free will and full knowledge of the market conditions, during a transaction that takes place on a clearly commercial base. The fair value of investments in real estate property shows, among other things, revenues from existing leases and admissions relative to the future leases revenues, based on current market conditions.

Fair value is based on prices that exist in an active market, readjusted whenever necessary due to differences in the nature, the location or the situation of each real estate property. If the retrieval of such information is not possible, then the company uses alternative methods of valuation, such as recent prices in less active markets or discounted estimated future cash flows, which are discounted to their present value, using a discount interest that reflects the current estimates of the market for the diachronically value of money and the risks related to those assets.

Subsequent expenses on the investment real estate properties are accounted as an addition to their book value, only when there is a significant possibility that future economic benefits related to the specific property will come to the company and that its cost can be measured in a credible way. Other maintenance and repairing expenses are posted in the income statement of the year they concern, while depreciations are not calculated.

If a real estate investment becomes a used by the company asset, then it is being categorized to tangible assets and its fair value on the date of the re-categorization is considered as its cost of acquisition for accounting purposes.

If a real estate property changes from tangible asset to real estate investment, as a result of a change in its use, then the difference between its accounting and its fair value that emerges on the date of its re-categorization is recognized on the remaining retained earnings as an adjustment of its value, abased on IAS

16. However, if the earnings from the assessment in fair value reverses a prior impairment loss of the value of the asset, then this earning is recognized in income statement.

Real estates that are under construction or under development for future use as an investment are categorized as under construction real estate investments and are shown to their cost until the construction or development is finished. Then they are transferred to the real estate investments category. The difference between the fair value and the value at cost prices is recognized in the income statement.

#### ***2.4. Property, plant and equipment (used by the company)***

Tangible assets (used by the company) consist of the building plot and the building on Stadiou street, owned by the company, where its head office is situated, of furniture and other equipment and of transport equipment. The cost of maintenance and repair for these is recognized in the income statement at the time of realization.

The company, this year, assigned to an independent, well recognized company of certified real estate valuers named "DANOS & PARTNERS S.A.", the evaluation of the building plot and the building of the main offices in terms of fair values based on the capitalisation method according to I.F.R.S. with reference date December 31<sup>st</sup> 2007. The initial difference that emerged as well as any subsequent rise of the fair values are posted, based on the apparatus of IAS 16, as a revaluation reserve on equity.

Fair value of an asset is the amount for which this can be exchanged between two parties that act with free will and full knowledge of the market conditions, during a transaction that takes place on a clearly commercial base.

The accounting values of tangible assets are examined for impairment whenever there is evidence that they cannot be retrieved. In that case their recoverable price is defined and if their book values exceed their estimated recoverable prices, the difference between the two is recognized as impairment loss at the income statement and the tangible assets are reduced to their recoverable price, which is the maximum between the fair value, minus the necessary sale costs, and the value in use, for the estimation of which estimated future cash flows are discounted to their present value, with the use of a discounted interest rate that reflects the current market estimations for the diachronic value of money and the dangers that are related to those assets.

#### ***2.5. Depreciation of property, plant and equipment (used by the company)***

For the company's building that is situated in number 15 of Stadiou street, where its head office is found, as well as for the rest of the tangible assets that are used by the company depreciations are accounted using the straight line depreciation method during their estimated useful life, which for a building is 10 years, for furniture and other equipment 3 to 5 years, whereas for transport equipment its 9 years.

#### ***2.6. Leases***

The criterion according to which a lease is considered to be a financial or a functional one is the essence of the transaction and not the type of the contract.

Some indicative cases in which the lease is considered to be a financial lease are the following:

- Transfer of the ownership of the leased fixed asset to the lessee at the end of the lease period,
- Right of purchase of the leased fixed asset by the lessee at the end of the lease with favorable terms for him,
- Duration of lease greater or equal to the 75% of the economic life of the leased asset,
- Present value of the minimum lease payments greater or equal to the 90% of the real value of the leased asset.

The lease is considered to be functional for the lessee if none of these criteria stands. In this case, the rents are directly posted to the Income Statement as they are realized.

The lease that transfers the rights and obligations deriving by the possession of a fixed asset to the lessee is considered as a financial one and is handled as if it leads to the acquisition of the fixed asset and the obligation deriving by it by the lessee. In this case, the paid rents are divided to financial expenses (interests), which are posted directly to the Income Statement as a reduction of the undertaken liability.

The company is a lessor of fixed assets (it leases fixed assets to third parties by operational lease contracts) and its rental revenues are recognized during the lease. These fixed assets are shown in the Balance Sheet at the category of investments in real estate and are valued at every Balance Sheet date on the Financial Statements exactly like all the other fixed assets of the same category.

**2.7. *Accounts Receivables***

Accounts receivables are initially posted to their invoice value and later on are valued to their un-depreciated cost using the real interest if they are due in a period longer than one year. Whenever there exists an objective proof that the company is not in position to collect all the owed amounts based on the contractual terms, impairment losses (losses due to doubtful debts) are recognized, calculated as the difference between book value of liabilities and present value of the estimated future cash flows, discounted using the real interest. The recognized losses are posted to the Income Statement.

**2.8. *Cash and Cash Equivalents***

For reasons of preparation of the Statement of Cash Flows, cash balance, time deposits and short-term – up to three months – investments, are considered as cash equivalents.

**2.9. *Share Capital***

The share capital includes the common shares of the Company, while direct costs for the issue of shares, appear after subtracting the relevant income tax as a reduction in the issued product.

**2.10. *Reserve for staff retirement indemnities***

The liability for the retirement of employees after they have left from the company is covered by a public pension fund (TAP-OTE, TAMEIO NOMIKON, TSMEDÉ). The company as well as the staff is obliged to a monthly contribution to the pension fund. Employees are also insured by an additional collective security of medical care, the expenses of which are paid in the larger part by the company.

According to the provisions of Law n.2112/20 the company must pay to the pensioned off or surpluses employees compensations, the amount of which depends from the years of labor, the wage and the way of leave (surplus or retirement).

Employee benefit programs, for what it concerns the compensation at leave from the company, fall under programs of predefined benefits, according to I.A.S. 19, «Benefits to employees». The liability posted in the balance sheet concerning the programs of predefined indemnities is calculated on the basis of an actuarial study at the date of preparation of the Financial Statement as the present value of commitment for the defined benefit, using the interest of a corporate bond of high credit rating that has been issued to a currency common to that in which the predefined benefit is paid and which has a remaining duration common to the duration of the relative liability is used for the discount.

An independent actuary calculates the commitment of the given benefit on an annual basis, using the projected unit credit method as recommended by I.A.S. 19. Longevity and financial costs are posted directly to the year's Income Statement, while actuarial profits and losses, deriving from the adjustments that are based on the historic data, which are found over or under the 10% limit of the total liability, are posted to the Income Statement within the expected mean insurance time of employees participating on the program.

**2.11. *Dividends***

The dividends distributed to the shareholders are shown as an obligation in the financial statements at the time they are approved by the General Assembly of Shareholders.

**2.12. *Recognized income and expenses***

Income from leases as well as interests and expenses of the Company are recognized when they are accrued, while gains on sale of investment property are recognized when property is sold.

**2.13. *Income Tax***

Income tax includes the current tax of the taxed income of the year, based on the tax factor on the day of completion of the income statement, possible changes in tax control of previous years as well as the net

## **OTE ESTATE S.A.**

### **NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007**

(Amounts in Euros, unless stated otherwise)

annual change in deferred tax assets. It is posted on the results, except for the tax that concerns transactions that are posted directly on Equity, which in that case is posted directly, in a similar way, on Equity.

The deferred income tax is determined using the calculation method based on the Balance Sheet that arises by the temporary differences between book value and tax recognition of Asset and Liabilities elements and are calculated using the tax coefficients that will be valid in the years in which Assets are expected to be acquired and Liabilities are expected to be settled.

Deferred tax assets are recognized for the deductible temporary differences and for the unused tax losses, to the extent to which there will exist a future taxable income so that the tax losses could be used. Their value is controlled at every Balance Sheet date and is reduced to the extent that it is not expected to exist enough taxable income to cover them.

#### ***2.14. Related Parties***

The transactions and the balance of receivables and liabilities with related parties (mother company OTE S.A and rest of the Group's companies) are presented individually in the Financial Statements based on the International Financial Reporting Standards.

#### ***2.15. Provisions***

Provisions are recognized when the company has a present commitment (legal or implied), as a result of a fact in the past, from which an outflow of resources that embody financial benefits for its settlement is possible to arise and the amount of this can be estimated with credibility. These are reevaluated at every Balance Sheet date and if it is no more probable that it will exist an outflow of recourses for the settlement of the commitment, are counter posted, while they are used only for the purpose for which they were initially created.

Projections for future losses are not recognized neither are potential claims and liabilities recognized to the Financial Statements. Provisions for reorganization is recognized when the company has a specific, detailed and official plan of reorganization, which has either already started being realized or has been announced in public. Future operational costs are not included in the provision.

#### ***2.16. Offsetting of receivables - liabilities***

The compensation of financial assets with liabilities and the description of net amount in the financial statements are achieved only if there is the legal right for compensation and there is tendency for compensation of the net amount that comes up from the compensation or for the coincident arrangement.

#### ***2.17. Impairment of assets***

The accounting value of an asset is examined for impairment whenever there is evidence that it cannot be retrieved and when it exceeds its recoverable amount, an impairment loss is recognized and posted directly to the Income Statement. During the evaluation, if there is evidence, that an asset is impaired, external and internal sources of information are taken under consideration at minimum.

#### ***2.18. New Standards and Interpretations***

##### **2.18.1 New standards and interpretations adopted from January 1<sup>st</sup> 2007**

The accounting principles and the valuation methods adopted and followed, are the same ones mentioned in the notes of the published Financial Statements of December 31 2006, after considering the following modifications of the reporting standards and the new interpretations issued by the International Accounting Standards Board (I.A.S.B.), which were adopted by the European Union and the application of which is obligatory from 1.01.2007:

- *I.F.R.S. 7, Financial means: Notifications (Regulation 108/2006)*

Capital notifications demand extended publications concerning the significance of financial means to the economical position and yield of an entity, as well as quantitative and qualitative information concerning the nature and the extent of risks.

## OTE ESTATE S.A.

### NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007

(Amounts in Euros, unless stated otherwise)

I.F.R.S 7 and the modifications of the rest of the reporting standards lead to significant changes in the content and the way of notification for the elements concerning financial means and included in the Financial Statements of December 31<sup>st</sup> 2007.

- Modification of IAS 1, Presentation of the Financial Statements – Notifications on capital

Extra notifications concerning the way of management of the company's equity are required, as well as quantitative information on that. Those are included in the Financial Statements of December 31<sup>st</sup> 2007.

- Interpretation 7, Implementation of the adjustment approach according to I.A.S. 29 on over-inflated economies, (Regulation 708/2006)

It refers to the I.A.S. 29, in the case that an economy becomes over-inflated for the first time and precisely to the accounting concerning deferred taxes.

Its adoption did not influence the Financial Statements of December 31<sup>st</sup> 2007, because IAS 29 concerning over-inflated economies does not apply to the company's activities.

- Interpretation 8, Field of appliance of I.F.R.S. 2, Payments in stocks

It refers to accounting concerning payment in stocks transactions, in which some or all of the commodities and services that have been acquired but cannot be specified.

Its adoption had no significant influence on the Financial Statements of December 31<sup>st</sup> 2007.

- Interpretation 9, Re-estimation of incorporated derivatives

It demands the redefinition of whether an incorporated derivative must be separated from the initial contract, whenever a change occurs on the contract.

Its adoption had no significant influence on the Financial Statements of December 31<sup>st</sup> 2007.

- Interpretation 10, Mesne financial statements and impairment

With the adoption of this interpretation it is not allowed to counter post impairment loses that were recognized on a previous, intermediary period concerning surplus value, investments in stock titles or financial means valued at cost values.

Its adoption had no influence on the accounting principles followed by the company.

#### 2.18.2 New standards and interpretations that have not yet been adopted

A number of new reporting standards, modification and interpretations of existing standards, are not applicable for the year ended December 31<sup>st</sup> 2007, thus they have not been used during the preparation of the Financial Statements of December 31<sup>st</sup> 2007:

- I.F.R.S. 8, Activity sectors

It is obligatory for the financial statements of the year 2009 and it introduces the «managements' approach» in the information per domain. That is, it will demand the notification of information per domain on the basis of internal reports that will be reviewed by the company's management in regular time intervals. The management will be responsible for the decision making concerning the performance evaluation of every domain and the allocation of resources to those domains. The company has not yet defined the possible effect of the interpretation.

- Modification of I.A.S. 23, Borrowing cost

It cancels the possibility to treat the borrowing costs as expenses and demands that an economic entity capitalizes borrowing costs that are directly related to the acquisition, construction or production of an asset that fulfils the conditions, as part of its cost. It will become obligatory for the financial statements of the year 2009 and will constitute a change in the accounting policy of the company. According to the transitional provisions the company will apply the modified I.A.S. 23 to assets that fulfill the conditions and for which the capitalization of borrowing cost starts at, or after, the date of coming into application.

- Interpretation 11 I.F.R.S. 2, Transactions with the group's or the company's shares

It demands that a payment that is based on the shares' value, when a financial entity receives products or serviced in exchange of its own participative titles, is accounted as a payment that is defined by the share's value and is settled as a participative title, no matter how these were acquired. It will become retroactive obligatory for the financial statements of the year 2008, while it is not expected to influence those of December 31<sup>st</sup>, 2007.

- Interpretation 12, Agreement for the concession of exploitation

It provides directives to certain recognition and ad measurement subjects that arise during the recording of agreements for the concession of exploitation, between the private and the public sector. It will become obligatory for the financial statements of the year 2008, while it is not expected to influence those of December 31<sup>st</sup>, 2007.

- Interpretation 13, Customer trust programs

It refers to the accounting treatment from the financial entities that are activated, or in other words participate in customer trust programs for their own customers and has to do with customer trust programs according to which customers can collect credit awards such as free or discounted product or service benefits. It becomes obligatory for the financial statements of the year 2009, while it is not expected to influence them.

- Interpretation 14 IAS 19, Limits to a defined benefits asset, Minimum financing demands and their interactions

It clarifies the cases in which returns or reductions in future contributions relative to owned assets of defined benefits should be considered available and provides guidance in relation to the effect of minimum financing demands over their data. Also, it refers to the case when a minimum financing demand can lead to a liability. This will become retroactively obligatory for the financial statements of the year 2008. The company has not yet defined the possible repercussion of this interpretation.

### 3. Managements' estimates and judgments

The preparation of the financial statements, according to the I.F.RS., demands the use of certain important accounting estimations as well as the use of Management's judgment during the procedure of implementation of the accounting principles. Furthermore, the use of calculations and assumptions affecting the amounts of assets and liabilities as well as the notification of potential assets and liabilities at the date of preparation of the financial statements and the amounts of revenues and expenses during the current year is needed.

The use of the given information and the application of subjective judgment consist inextricable elements for the realization of estimations, while the actual future results may differ from the previously mentioned estimations.

These estimations and hypotheses consist the base for decision-making concerning the accounting values of assets and liabilities, are being revised on a continuous base and rely on the existing experience and on so-thought fair factors, under the existing circumstances.

The estimations and admissions that contain significant danger to cause severe changes in the book values of the assets and liabilities in the next 12 months are the following:

#### 3.1. Estimation of the fair value of investments in real estate properties

The most appropriate clue for the fair value is current valid values of an active market of similar lease and other contracts. If finding such information is not possible, the company defines the value within a range of logical estimates of the fair values keeping in mind data from a variety of sources that contains:

- Current prices in an active real estate market of a different nature, situation or location (or prices that are subject to different lease or other contract rules, which have been adjusted so that they reflect these differences,

- Recent prices of similar properties in less active markets, readjusted so as to reflect whatever change in the financial conditions that have taken place starting the date when the relative transactions at those prices took place, and
- Discounted future cash flows, based on reliable estimations of future cash flows deriving from the terms of the valid lease and other contracts and, whenever is possible, from external data such as current rent prices for similar properties in the same location and condition, using discount interests that show the current evaluation of the market concerning the certainty about the amount and the time of appearance of these cash flows.

### **3.2 Main admissions of the management for the estimation of fair value**

If finding current or recent prices for the investments in real estate properties is not possible, their fair value is determined with the application of valuation techniques using discounted cash flows.

The company, based on the valid market conditions on any given date of preparation of its Balance sheet, uses admissions related to the collection of rents from relative contracts, future contracts in the market, periods with no leases, maintenance obligations as well as the appropriate discount interests in order to calculate the fair value.

These estimates are regularly compared to real market data, as well as to realized transaction of the company and to those announced by the market.

The expected future rents are defined based on the current rents of similar properties in the same location and condition as those are in effect in the market.

**OTE ESTATE S.A.****NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007**

(Amounts in Euros, unless stated otherwise)

**INCOME STATEMENT****4. Revenues from real estate property leases**

The company owns real estate properties within the Greek territory, which it rents on long-term functional leases, according to the provisions of the Law concerning commercial leases. (P.D.34/1995) to the Hellenic Telecommunications Organization S.A. (O.T.E. A.E.), companies of the Hellenic Telecommunications Organization Group and third parties. Revenues from these leases are analyzed as follows:

	<b>1.01- 31.12.2007</b>	<b>1.01- 31.12.2006</b>
Rental income from OTE	60.241.351	54.448.212
Rental income from other Group companies	9.783.492	9.944.133
Rental income from third parties	2.383.220	2.056.362
	<b>72.408.063</b>	<b>66.448.707</b>

The rents adjustments are calculated on an annual basis, based on the annual change of the consumer price index, as this is defined by the National Statistical Service.

**5. Operating expenses of real estate property**

Operating expenses of the company's real estate property are analyzed as follows:

	<b>1.01- 31.12.2007</b>	<b>1.01- 31.12.2006</b>
Real estate property tax	16.893	392.333
Public Stamp and contribution to the Agricultural Insurance Organization	1.306.200	1.192.296
Other operating taxes on real estate property	33.450	177.203
	<b>1.356.543</b>	<b>1.761.832</b>

**6. Payroll and employee benefits**

Employees' expenses are analyzed as follows:

	<b>1.01- 31.12.2007</b>	<b>1.01- 31.12.2006</b>
Payroll	1.410.599	1.235.494
Accrued social security contributions	441.869	376.163
Employee benefits	85.907	49.720
	<b>1.938.375</b>	<b>1.661.377</b>

**7. Revenues from interests and other relative revenues**

Interest income comes from short-term cash deposits and relative revenues from the lump sum payment of the property tax of the year 2007.

	<b>1.01- 31.12.2007</b>	<b>1.01- 31.12.2006</b>
Interest revenues	72.963	9.253
Relative revenues	133.090	399.004
	<b>206.053</b>	<b>408.257</b>

**8. Other operating expenses**

Other operating expenses are analyzed as follows:

	<b>1.01- 31.12.2007</b>	<b>1.01- 31.12.2006</b>
Wage and expenses of third parties	1.674.843	1.373.893

**OTE ESTATE S.A.****NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007**

(Amounts in Euros, unless stated otherwise)

Benefits of third parties	389.223	317.253
Taxes	345.133	309.765
Other expenses	Other expenses	Other expenses
Exposure expenses	37.947	38.070
Publications expenses	5.564	6.275
Property taxes	5.323.603	5.297.761
	<b>7.953.915</b>	<b>7.460.720</b>

**9. Exchange differences**

The exchange differences arise from the investment of the Company's cash equivalents to Synthetic Swaps (Repos), while the observed increase results from the increased average amount of cash and cash equivalents that were available for investing in 2007 compared to 2006.

**10. Income taxes**

According to Law n.3296/2004 the coefficient for the taxation of profits is 29% for the year 2006 and 25% for the years 2007 and after.

The Greek tax legislation and the relative provisions are subject to interpretation from the tax authorities. Declarations of income are submitted to the tax authorities on an annual basis, but the profits or losses declared, remain temporarily open, for tax purposes, until tax authorities control the declaration of income and the books of the taxpayer, so that the relative tax liabilities are finalized. Losses, at the level that are recognized by tax authorities, can be used in compensation with the next five years' profits.

June 2006, tax authorities began the tax control of the company for the years 2001 and 2002, and are expected to complete it within the first six months of the year 2008. Hence, tax authorities have not controlled the company for the years 2001 to 2007 and as a consequence its tax obligations for the uncontrolled years are not yet final.

Income taxes that were included in the results are analyzed as follows:

	<b>31.12.2007</b>	<b>31.12.2006</b>
Current income tax	15.000.502	13.332.055
Previous years' taxes	2.328	128
Deferred tax	Deferred tax	Deferred tax
	<b>5.093.733</b>	<b>26.928.197</b>

Income taxes that were included in the results are analyzed as follows:

	<b>31.12.2007</b>	<b>31.12.2006</b>
Profit before tax	<b>96.574.740</b>	<b>114.866.027</b>
Tax 25% (2006: 29%)	24.143.685	33.311.148
Tax on non tax reducing expenses	1.409.720	1.411.735
Additional property tax	2.263.544	2.077.467
Adjustments due to changes of coefficients	-	(100.526)
Previous years' taxes	2.328	128
Tax change that is recognized to the reserves	(22.725.544)	(9.771.755)
	<b>5.093.733</b>	<b>26.928.197</b>

**OTE ESTATE S.A.**

**NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007**

(Amounts in Euros, unless stated otherwise)

**ASSETS**

**11. Company's property, plant and equipment (Used by the company)**

	Land	Buildings	Transport Equipment	Equipment	Total
Acquisition Value 1.01.2006	<b>3.834.494</b>	<b>412.217</b>	-	<b>132.187</b>	<b>4.378.898</b>
Additions to cost	-	209.202	-	51.180	<b>260.382</b>
Depreciations of year 2006	-	(93.886)	-	(58.907)	<b>(152.793)</b>
Un-depreciated value 31.12.2006	<b>3.834.494</b>	<b>527.533</b>	-	<b>124.460</b>	<b>4.486.487</b>
Acquisition Value 1.01.2007	<b>3.834.494</b>	<b>527.533</b>	-	<b>124.460</b>	<b>4.486.487</b>
Additions to cost	-	5.117	25.450	95.269	<b>125.836</b>
Depreciations of year 2007	-	(113.788)	(1.266)	(72.275)	<b>(187.329)</b>
Property fair value	14.232.506	651.138	-	-	<b>14.883.644</b>
Un-depreciated value 31.12.2007	<b>18.067.00</b>	<b>0 1.070.000</b>	<b>24.184</b>	<b>147.454</b>	<b>19.308.638</b>

The above assets refer to the company's land and building situated at 15 Stadiou str., where are its headquarters, to furniture, vehicles and other equipment.

**12. Investments in real estate property**

	Land	Buildings	Total
Net book value 1.01.2006 (historic cost)	<b>186.438.904</b>	<b>214.544.124</b>	<b>400.983.028</b>
Change of accounting policy	605.176.043	720.289.982	1.325.466.025
Net book value 1.01.2006 (fair value)	<b>791.614.947</b>	<b>934.834.106</b>	<b>1.726.449.053</b>
Additions to construction cost	-	10.083.519	<b>10.083.519</b>
Profit from adjustments to fair value	33.125.103	23.159.752	<b>56.284.855</b>
Net book value 31.12.2006	<b>824.740.050</b>	<b>968.077.377</b>	<b>1.792.817.427</b>
Net book value 01.01.2007	<b>824.740.050</b>	<b>968.077.377</b>	<b>1.792.817.427</b>
Additions to construction cost	-	6.621.931	<b>6.621.931</b>
Withdrawal of investment property	(34.690)	-	<b>(34.690)</b>
Profit from adjustments to fair value	31.300.090	(2.007.089)	<b>29.293.001</b>
Net book value 31.12.2007	<b>856.005.450</b>	<b>972.692.219</b>	<b>1.828.697.669</b>

All the above-mentioned assets are leased on professional leases according to the provisions of the law concerning commercial leases (Presidential Decree 34/1995). The duration of the leasing is twelve or six years and the escalation of rentals takes place annually, based on the annual change of the consumer price index, as the National Statistical Service defines this.

The company's investment in property was assessed in fair value, meaning the market value, by independent certified valuers of "Danos & Associates S.A.", with reference dates December 31<sup>st</sup> 2005, December 31<sup>st</sup> 2006 and December 31<sup>st</sup> 2007 as follows:

	31.12.2007	31.12.2006	31.12.2005
Fair value of investment property	1.828.697.669	1.792.817.427	1.726.449.054

**OTE ESTATE S.A.****NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007**

(Amounts in Euros, unless stated otherwise)

**13. Investments**

The company participates to the share capital of the company LOFOS PALLINI S.A by a percentage of 0,0033%, having in its possession 150 shares of nominal value of 2,93 Euros that is with a cost value of 441 Euros.

Revenues from dividends of the previously mentioned investment were 19 Euros for year 2007, driving its value to **722** Euros for the year 2007 and **703** Euros for the year 2006.

**14. Accounts receivables from customers**

Customers balance is analyzed as follows:

	<b>31.12.2007</b>	<b>31.12.2006</b>
Group companies	31.303.664	14.959.898
Other customers	1.107.616	655.987
	<b>32.411.280</b>	<b>15.615.885</b>

The observed significant increase in accounts receivables in relation to the previous year is mainly due to the fact that the company received from the mother company OTE S.A. leases of 2007, of a total amount of 30.726.726 Euros, in the first term of 2008.

**15. Other accounts receivables**

Other accounts receivables balance is analyzed as follows:

	<b>31.12.2007</b>	<b>31.12.2006</b>
Debit transit accounts	1.762.956	424.682
Employee accounts	(146)	(1.003)
Checks receivables	56.648	-
Miscellaneous debtors	10.125	41.860
	<b>1.829.583</b>	<b>465.539</b>

**16. Cash and cash equivalents**

Cash and cash equivalents are analyzed as follows:

	<b>31.12.2007</b>	<b>31.12.2006</b>
Cash in hand	3.738	3.752
Deposits and time deposits	167.207.891	134.831.371
Closed deposit accounts	7.536	20.000
	<b>167.219.165</b>	<b>134.855.123</b>

The increase of deposits and time deposits during the current year arises from the collection of rents of year 2007 from OTE S.A.

During the year 2007, the average deposit interest was 3.99% and the average duration of time deposits was 15,19 days.

## EQUITY

## 17. Share capital

December 31<sup>st</sup> 2007 the totally paid share capital of the company was **599.122.051,88** Euros divided in **204.478.516** stocks, of a nominal value **2,93** Euros each, without presenting differentiation from the previous year.

## 18. Legal reserves

According to the provisions of the Greek corporate law, at least 5% of net profits, in case they exist, after taxes is withheld annually as legal reserve, which is exclusively used for the equalization, prior to the distribution of dividend, of any existing debit balance of the profit and loss account. This deduction is no more compulsory, when the balance of the legal reserve is equal to one third of the share capital.

Reserves that are subject to special taxes is a result of the provisions of the tax legislation that offers the possibility to postpone the taxation for certain incomes at the time of their distributions to the share holders, according to the tax rate that is valid at that point in time.

The deferred tax reserve was the result of the cancellation, in accordance with IFRS provisions, of the adjustment in the company's real estate property value according to the provisions of law 2065/1992. The discussed reserve is reduced annually based on the tax rates that will be in use during future years, according to the tax depreciations on the value of the adjustment.

The revaluation reserve of the assets used by the company, for the year 2007, derives from the change in the accounting policy, which now uses the fair value instead of the historic cost.

The surpluses of years 2007 and 2006 are analyzed as follows:

	<b>Legal Reserve</b>	<b>Reserves that are subject to special taxes</b>	<b>Revaluation Reserve</b>	<b>Total Reserves</b>
<b>Balance 1.01.2006</b>	<b>1.237.222</b>	<b>136.221</b>	-	<b>1.373.443</b>
	-	-	-	-
<b>Balance 31.12.2006</b>	<b>1.237.222</b>	<b>136.221</b>	-	<b>1.373.443</b>
Balance 1.01.2007	1.237.222	136.221	-	-
Property revaluation	-	-	11.558.228	11.558.228
<b>Balance 31.12.2007</b>	<b>1.237.222</b>	<b>136.221</b>	<b>11.558.228</b>	<b>12.931.671</b>

## 19. Year dividend

Under Greek corporate law, each year companies are required to declare from their statutory profits, dividends which are the maximum between: 35% of after-tax profits, after allowing for legal reserve and 6% of the paid-in share capital. But still, companies have the right to not declare dividends if the total of their shareholders agree on that.

June 2006, the Shareholders' General Assembly decided to distribute dividends on the profit of year 2005 of a total amount of 14.999.528 Euros. For the year 2007 it is estimated that no dividends will be distributed, because according to the regulations of the Codified Law 2190/1920 (articles 44 & 45) as well as the I.F.R.S., any positive difference arising from a change in the accounting policy of measurement of the real estate property's value from historic cost to fair value is considered as non realized profit, that is profit that does not originate from transactions and facts which are settled in cash or other assets, the alteration of which in cash can be estimated almost with certainty.

OTE ESTATE S.A.  
**NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007**  
(Amounts in Euros, unless stated otherwise)

**20. Statement of Movement in Equity for the year ended December 31st, 2007**

	<b>Share Capital</b>	<b>Legal Reserve</b>	<b>Profit Carried Forward</b>	<b>Total Equity Total</b>
<b>Balance 1.01.2006</b>	<b>452.457.954</b>	<b>1.373.443</b>	<b>1.087.613.616</b>	<b>1.541.445.014</b>
Capitalization from adjustment of property	146.664.098	-	(146.664.098)	-
Change in the deferred income taxes from the adjustments of the assets of year 2004			(6.543.507)	(6.543.507)
Dividends paid of year 2005	-	-	(14.999.528)	(14.999.528)
Total currently recognized income			87.937.830	87.937.830
<b>Balance 31.12.2006</b>	<b>599.122.052</b>	<b>1.373.443</b>	<b>1.007.344.314</b>	<b>1.607.839.809</b>
<b>Balance 1.01.2007</b>	<b>599.122.052</b>	<b>1.373.443</b>	<b>1.007.344.314</b>	<b>1.607.839.809</b>
Change in deferred tax	-	-	(20.692.450)	(20.692.450)
Total currently recognized income	-	11.558.228	91.481.006	103.039.234
<b>Balance 31.12.2007</b>	<b>599.122.052</b>	<b>12.931.671</b>	<b>1.078.132.870</b>	<b>1.690.186.594</b>

**LIABILITIES****21. Reserves for staff retirement indemnities**

Under the Greek Labor law each employee is entitled to termination lump sum payment in the event of dismissal or retirement. The amount of the compensation depends on the length of service and his/her compensation on the day of his/her dismissal or retirement. Workers that quit their jobs or are dismissed due to a specific cause, have no right to compensation. In case that the worker remains in the company until he/she receives his/hers pension then he/she receives gratuity equal to 40% of the compensation that he/she would receive if he/she was to be fired on that same day.

Reserve for staff retirement indemnities is shown in the financial statements according to ISA 19 and is based to an independent actuarial study. The amount that has been included in the Balances of the years can be analyzed as follows:

	<b>31.12.2007</b>	<b>31.12.2006</b>
Current employment cost	41.294	37.413
Interest obligation	5.957	3.847
Recognized actuarial loss	626	618
	<b>47.877</b>	<b>41.878</b>

The amounts reported in the Balance Sheet are analyzed as follows:

	<b>31.12.2007</b>	<b>31.12.2006</b>
Present value of non-financed liabilities	191.287	141.844
Unrecognized actuarial loss	(28.901)	(26.852)
Benefits paid by the employer	-	(483)
	<b>162.386</b>	<b>114.509</b>

The total unrecognized actuarial loss for the year 2007 includes the actuarial loss on 31.12.2006, which was recognized on the income statement of year 2007.

The main actuarial assumptions that were used on the date of the Balance Sheet are:

	<b>31.12.2007</b>	<b>31.12.2006</b>
Discount rate	4,8%	4,2%
Increase in future compensation levels	6%	6%
Inflation	2,5%	2,5%

**22. Other non-current liabilities**

Other non-current liabilities concern deposits that have been made by the lessees to the company in order to ensure the observance of the leasing conditions and the fulfilment of their obligations. The deposits' amounts remain interest-free to the company during the whole duration of the leasing and are returned to the lessees after their on-time departure from the leasehold property at the end of the leasing. The deposit's amounts are adjusted on an annual base by the same percentage with every rental increase (annual change of the consumer price index, as this is defined by the National Statistical Service).

Long-term liabilities to lessees December 31<sup>st</sup> 2007 were **531.888** Euros (December 31<sup>st</sup> 2006 **587.935** Euros)

**23. Deferred tax assets and liabilities**

Deferred income tax is determined by the law tax rates that will be used on the date on which the revenue from the deferred demand is expected to be collected or the deferred tax obligation to be settled and is calculated based on the difference between the accounting and tax value of the assets and liabilities.

**OTE ESTATE S.A.****NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007**

(Amounts in Euros, unless stated otherwise)

Deferred tax demands and liabilities are analyzed as follows:

	<b>31.12.2007</b>	<b>31.12.2006</b>
<b>Deferred tax demands</b>		
Assets tax revaluation	-	391.795
Retirement compensation	40.597	28.627
<b>Total</b>	<b>40.597</b>	<b>420.422</b>
<b>Deferred tax liabilities</b>		
Assets tax adjustments	339.349.205	324.991.977
Assets improvements	3.621.837	4.250.125
Other tax adjustments	70	66
<b>Total</b>	<b>342.971.112</b>	<b>329.242.168</b>
<b>Total deferred tax liabilities</b>	<b>342.930.515</b>	<b>328.821.746</b>

**24. Accounts payables**

The company's operating liabilities are free of interest and were paid shortly.

	<b>31.12.2007</b>	<b>31.12.2006</b>
Supplier liabilities	108.297	413.783
Due checks	2.111.706	20.206
Related party liabilities	877.460	1.656.308
	<b>3.097.463</b>	<b>2.090.297</b>

**25. Income tax payable**

	<b>31.12.2007</b>	<b>31.12.2006</b>
Payroll tax	41.660	43.468
Tax of third parties payments	44.457	10.035
Income tax	18.512.932	16.629.429
Prepayment of next years' income tax	(9.742.937)	(8.822.383)
Management's payments tax	11.907	14.999
	<b>8.868.019</b>	<b>7.875.548</b>

Current tax payables are paid within the time limits set by the relevant provisions of the Greek Tax Legislation, while the prepayment of next year's income tax is set off with the demand from the income tax prepayment.

**26. Other current liabilities**

Other current liabilities are analyzed as follows:

	<b>31.12.2007</b>	<b>31.12.2006</b>
Other creditors	1.209.456	341.014
Insurance funds	97.788	83.199
Accrued expenses	2.382.948	487.107
	<b>3.690.192</b>	<b>911.320</b>

Accrued expenses for period 2007 include an amount of 2.382.948 Euros, which concerns expenses of the ending year that were not paid within the year and were not due at the end of the year. From the aforementioned amount of 2.382.948 Euros, an amount of 2.075.117 Euros concerns projects of O.T.E. S.A. on the company's property, plant and equipment realized during the period December 2006 to November 2007, which were invoiced for 2008. Accrued expenses for period 2006 include an amount of 487.107 Euros, which concerns expenses that were not due at the end of the year.

Insurance fund contributions are paid within the time limits that are set by the relative provisions.

**OTE ESTATE S.A.****NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007**

(Amounts in Euros, unless stated otherwise)

**ADDITIONAL INFORMATION****27. Related party transactions**

Within its activities, the Company interacts with other companies of OTE Group. All transactions with the parent company and the related parties are objective and take place under normal circumstances, while the cooperation conditions with these companies do not differ from the usually practiced conditions with non-related parties.

The transactions of the Company for the years 2007 and 2006 as well as the balances of its demands and liabilities on 31.12.2007 and 31.12.2006 are as follows:

	<b>31.12.2007</b>		<b>01.01.2007-31.12.2007</b>	
	RECEIVABLES	PAYABLES	REVENUES	EXPENSES
Parent Company	30.750.077	862.558	60.241.351	551.251
Other affiliates	553.587	14.902	9.783.492	173.251
<b>TOTAL</b>	<b>31.303.664</b>	<b>877.460</b>	<b>70.024.843</b>	<b>724.502</b>

  

	<b>31.12.2006</b>		<b>01.01.2006-31.12.2006</b>	
	RECEIVABLES	PAYABLES	REVENUES	EXPENSES
Parent Company	13.875.494	1.619.986	54.448.212	815.653
Other affiliates	1.084.404	36.322	9.944.133	187.250
<b>TOTAL</b>	<b>14.959.898</b>	<b>1.656.308</b>	<b>64.392.345</b>	<b>1.002.903</b>

The compensations of the Board of Directors that were included in the results of the year 2007 were 87.805 Euros (2006: 82.340 Euros).

**28. Potential liabilities and obligations**

December 31<sup>st</sup> 2007 the following litigations and claims existed for the company:

**28.1. Litigations and claims**

- The municipality of Alikarnassos brought an action for property of 40.500 m<sup>2</sup> at the site Rousses in Irakleio, Crete worth 1.027.146 Euros (the salvage value of the property at the books of the company is 79.450 Euros). The Company exercised main intervention, which was rejected and will appeal. It is estimated that the property will be lost.
- Application of the previous owners at the Council of State, in order to retract the given abalienation of the real estate property of 733.806 m<sup>2</sup>, with a value of 570.584 Euros, at the site of Kotyxi, district of Iliia, (the salvage value of the real estate property at the company's books is 7.880.225 Euros, while the fair value of the land on December 31<sup>st</sup> 2007 was 295.000 Euros and the fair value of the buildings was 225.000 Euros) for which the set day of trial is postponed to October 27<sup>th</sup> 2008. It is estimated that the abalienation will not be retracted and therefore the Company will not lose the real estate property.
- Action at law of the Holy Monastery of Profitis Ilias at Thira for a real estate property worth 469.514 Euros (the salvage value of the real estate property at the company's books is 174.641 Euros, while the fair value of the land on December 31<sup>st</sup> 2007 was 33.000 Euros and the fair value of the buildings was 94.000 Euros). This case is suspended at the Supreme Court of the State (Areios Pagos) after the appeal of judgment on behalf of OTE S.A. It is estimated that the recantation will not thrive.
- The Court of Appeal with its ruling n. 382/2007 determined the definitive amount of compensation, due to a street plan, for a real estate property of 90,52 m<sup>2</sup> at Panepistimio Square in the city of Volos. The Court of Appeal ruling determined that the Company should pay 400.137 Euros as indemnity to the property's owners (the salvage value of the real estate property at the company's books is 199.460,54 Euros, while the fair value of the land on December 31<sup>st</sup> 2007 was 354.000 Euros and the fair value of the buildings was 303.000 Euros). The Company exercised retraction, but the court date is not set yet.

## **OTE ESTATE S.A.**

### **NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007**

(Amounts in Euros, unless stated otherwise)

It is estimated that the ruling will be countermanded and will be referred to the Court of Appeal for a new trial.

The Company's management believes that the above-mentioned amounts are not sufficient in order to perform a forecast.

September 30<sup>th</sup> 2001 OTE S.A. assigned, conveyed, abalienated and gave over the branch of its real estate property in full proprietary title, demesne and ownership to the company, along with every right, personal, real, relative actions at law and commands, alienated from every right on the discussed real estate property, giving to the company full proprietorship, along with the power and right to dominate, hold and admit the real estate property from then and on.

#### **28.2. Open accounting periods**

As mentioned at note number 10 the company is potentially obliged to other taxes that can be imposed by the tax authorities for the uncontrolled tax periods from 2001 to 2007. It is noted that the outcome of the tax control for the years 2001 and 2002 is expected to be announced to the company within the first six months of 2008.

#### **28.3. Given guarantees**

The company, within its activities, has given guaranty bonds of 7.536 Euros value to third parties in order to assure the fulfillment of its obligations.

### **29. Financial Risk Management**

#### **29.1. Overall Comments**

The company is exposed to several financial risks such as: Credit Risk, Liquidity Risk and Market Risk.

This note informs about the Company's exposure to each one of the above financial risks and also about the goals, policies and procedures that the Company implements for measuring and managing its risk and capital. More relative quantitative data are included throughout the Financial Statement. The Company's risk management program focuses on the fact that forecasting is not possible and aims to minimize the negative consequences that might affect its financial performance.

Financial Risk Management is a responsibility of the Financial Division, which acts on certain rules approved by the Company's Board of Directors.

The financial products used by the Company are mainly bank accounts, payables and receivables.

Regular and unscheduled audits are conducted by the Internal Audit Department, which implements the risk management procedures and reports its findings to the Board of Directors.

#### **29.2 Credit Risk**

The Company has a significant concentration of credit risk. The majority of leases involve the OTE Group of companies and other professional institutions. The Company has developed policies so as to make sure that the leaseholds are realised with customers who have satisfactory credit ability. Only reliable credit institutions perform transactions concerning cash and cash equivalents. The Company uses procedures that eliminate its exposure to credit risk by specific credit institutions. In addition, the financial status of its customers is constantly monitored and a special IT application controls the magnitude of credit allowances and the credit limits of accounts.

##### **Credit Risk Exposure**

The book value of assets represents the greatest exposure to credit risk. The maximum exposure to credit risk at the date of preparation of the Balance Sheet was:

**OTE ESTATE S.A.****NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007**

(Amounts in Euros, unless stated otherwise)

	<b>Note</b>	<b>31.12.2007</b>	<b>31.12.2006</b>
Accounts receivables from other customers	14	1.107.616	655.987
Related party transactions	27	31.303.664	14.959.898
Other accounts receivables	15	1.829.583	465.539
Cash and cash equivalents	16	167.219.165	134.855.123
		<b>201.460.028</b>	<b>150.936.547</b>

**29.3. Liquidity Risk**

Liquidity risk is the risk that a company faces when it has a difficulty in paying for its financial obligations, when they are due. The Company's policy, when managing its liquidity, is to secure a cash flow so as to pay for its financial obligations when they are due, under normal as well as difficult circumstances, without sustaining non acceptable damages or risking its credibility and reputation.

Effectively managing liquidity is accomplished by maintaining the correct combination between liquid assets and authorized bank credits. The Company's available unused authorized bank credits are sufficient to cover for any potential shortage in liquid assets.

The following table analyzes the Company's financial obligations, categorized by due dates (which are calculated based on the remaining time between the date of preparation of the Balance Sheet until the maturity date):

	<b>December 31<sup>st</sup>, 2007</b>		
<b>Book value</b>	<b>Conventional cash transactions</b>	<b>More than 5 years</b>	
Supplier liabilities	3.097.463	3.097.463	-
Long-term liabilities	531.888	531.888	531.888
	<b>3.629.351</b>	<b>3.629.351</b>	<b>531.888</b>
	<b>December 31<sup>st</sup>, 2006</b>		
<b>Book value</b>	<b>Conventional cash transactions</b>	<b>More than 5 years</b>	
Supplier liabilities	2.090.297	2.090.297	-
Long-term liabilities	587.935	587.935	587.935
	<b>2.678.232</b>	<b>2.678.232</b>	<b>587.935</b>

**29.4 Market Risk**

Market risk is the risk that derives from the change in prices (such as exchange parities, interest rates, stock prices) that can influence the Company's results or the total worth of its assets. By managing market risk, the Company will be able to control its exposure to these risks, while maximizing its return on investment.

**29.4.1 Real Estate Market Risk**

The company is exposed to the risk of changes in the values of real estate property and leases. Particularly, in the field of real estate apply a number of risks which have to do mainly with the geographical position and the marketability of the real estate, the credibility and the credit worthiness of the lessee, the type of usage of the leasehold property from the leaseholder, the general business activity and the tendencies of commercial upgrade or downgrade of the particular region in which the real estate is situated.

In general, in a solid economy and during periods of economic growth, with low inflation and interest rate levels, when investments and employment rates increase followed by an increase in the rates of consumption, the right commercial conditions for an increase in the demand for new professional spaces (stores and offices) are created.

**OTE ESTATE S.A.****NOTES ON THE FINANCIAL STATEMENTS OF DECEMBER 31<sup>ST</sup> 2007**

(Amounts in Euros, unless stated otherwise)

On the contrary, in situations of bad economic conditions and periods of low demand for products and services, in the general economy or in specific regions, the corresponding productive sectors are negatively influenced, leading as a result to a recession in the demand for professional spaces.

**29.4.2 Interest Rate Risk**

Revenues and cash flows of the company are only slightly influenced by the changes of interest rates, since the invested cash are mainly depended on the Euro interest rate, which present historical low variability and for which the predicted variation of the market for future periods is also significantly low.

**Fair values**

The fair and accounting values that are included in the Balance Sheet are the following:

	<b>December 31<sup>st</sup>, 2007</b>		<b>December 31<sup>st</sup>, 2006</b>	
	<b>Accounting Value</b>	<b>Fair Value</b>	<b>Accounting Value</b>	<b>Fair Value</b>
Accounts Receivables from customers	32.411.280	32.411.280	15.615.885	15.615.885
Other Accounts Receivables	1.829.583	1.829.583	465.539	465.539
Supplier liabilities	3.097.463	3.097.463	2.090.297	2.090.297
Other long-term liabilities	531.888	531.888	587.935	587.935
Other short-term liabilities	3.690.192	3.690.192	911.320	911.320

**Capital Management**

The Board of Directors has decided to maintain a sufficient amount of capital, so as to keep the investors', creditors' and market's trust in the Company and to allow for future development of its business activities. The Board of Directors monitors the return on capital, which is described as the net operating profit divided by the total equity, as well as the dividends paid to the shareholders.

The Company aims to achieve a return on capital ratio better than the one of year 2007.

There were no changes in the Company's policy regarding capital management during 2007.

**30. Subsequent events**

There are no significant subsequent events that have occurred after December 31<sup>st</sup>, 2007 that should be promulgated or alter the figures of the financial statements by influencing the financial state of the Company.