



**HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.
(OTE)**

**INTERIM FINANCIAL STATEMENTS
(STAND-ALONE AND CONSOLIDATED)
AS OF JUNE 30, 2005
IN ACCORDANCE WITH IFRS**

(TRANSLATED FROM THE GREEK ORIGINAL)

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.
AP.M.A.E. 347/06/B/86/10
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TRANSLATED FROM THE GREEK ORIGINAL

Auditor's Review Report

To the Shareholders of
HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.

We have reviewed the accompanying Interim Financial Statements and Consolidated Financial Statements (the "Financial Statements") of HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (the "Company") for the six-month period ended 30 June 2005. The interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400 as stipulated by the Greek Auditing Standards. This Standard requires that we plan and perform our review to obtain moderate assurance as to the whether the financial statements are free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Financial Statements are not prepared, in all material respects, in accordance with the International Financial Standards (IFRS), which have been adopted by the EU including the assumptions management has made about the standards and interpretations expected to be effective and the policies expected to be adopted, when management prepares its first annual financial statements in accordance with the IFRS adopted by the EU as of 31 December 2005.

Without qualifying our review conclusion, we draw attention to: a) Note 20 to the Financial Statements that explains that the tax obligation of the Company and its subsidiaries have not been audited by the tax authorities for certain years and therefore have not been conclusively decided for these years. The outcome of these tax audits cannot be predicted at this point in time. b) Note 2 to the Financial Statements that explains why there is a possibility that the Company's management may determine that changes to the accounting policies adopted in preparing the Financial Statements are necessary when management will prepare its first annual financial statements in accordance with the IFRS adopted by the EU as of 31 December 2005.

Athens, 30 August 2005

KPMG Kyriacou Certified Auditors S.A.

Marios T. Kyriacou
Certified Auditor Accountant
A.M. S.O.E.L. 11121

Michael Kokkinos
Certified Auditor Accountant
A.M. S.O.E.L. 12701

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)
INTERIM BALANCE SHEETS (STAND ALONE AND CONSOLIDATED)
AS OF JUNE 30, 2005 AND DECEMBER 31, 2004

(Amounts in millions of Euro)

	Notes	30/6/2005		31/12/2004	
		Stand-Alone	Consolidated	Stand-Alone	Consolidated
ASSETS					
Non - current assets:					
Telecommunication property, plant and equipment	5	3,214.7	6,881.8	3,404.7	6,972.1
Goodwill	6	-	71.9	-	70.8
Telecommunication licenses	7	4.4	390.5	4.6	382.7
Investments	8	2,072.1	158.6	1,834.5	221.3
Advances to pension funds	17	198.2	198.2	215.8	215.8
Deferred taxes	20	23.8	57.8	17.7	66.3
Other non-current assets	9	98.6	396.7	89.8	150.3
Total non - current assets		5,611.8	8,155.5	5,567.1	8,079.3
Current assets:					
Materials and supplies		24.8	122.7	34.6	132.4
Accounts receivable	10	866.5	1,159.7	908.3	1,071.7
Other current assets	11	358.1	283.8	188.5	257.9
Cash and cash equivalents	12	527.8	985.8	370.0	870.3
Total current assets		1,777.2	2,552.0	1,501.4	2,332.3
TOTAL ASSETS		7,389.0	10,707.5	7,068.5	10,411.6
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent:					
Share capital	13	1,174.1	1,174.1	1,174.1	1,174.1
Paid-in surplus		487.5	487.5	487.5	487.5
Treasury stock	13	(15.1)	(15.1)	(15.1)	(15.1)
Legal reserve	14	256.7	256.7	256.7	256.7
Retained earnings		1,362.1	2,037.6	1,037.6	1,732.1
		3,265.3	3,940.8	2,940.8	3,635.3
Minority interest		-	1,203.8	-	1,260.9
Total equity		3,265.3	5,144.6	2,940.8	4,896.2
Non – current liabilities:					
Long-term debt	16	2,444.8	2,854.2	2,446.2	2,820.6
Reserve for staff retirement indemnities	17	284.4	291.1	278.5	283.2
Reserve for Youth Account	17	296.3	296.3	301.9	301.9
Other non – current liabilities	18	12.5	65.6	9.4	96.3
Total non – current liabilities		3,038.0	3,507.2	3,036.0	3,502.0
Current liabilities:					
Accounts payable		546.7	712.0	662.5	843.4
Short-term borrowings	19	-	19.1	-	37.3
Current maturities of long-term debt	16	14.9	358.6	13.7	320.6
Income taxes payable	20	32.0	161.1	-	99.8
Deferred revenue		108.5	169.3	111.8	178.9
Dividends payable	15	5.5	5.5	7.2	7.2
Other current liabilities	21	378.1	630.1	296.5	526.2
Total current liabilities		1,085.7	2,055.7	1,091.7	2,013.4
TOTAL EQUITY AND LIABILITIES		7,389.0	10,707.5	7,068.5	10,411.6

The accompanying notes are an integral part of these Interim Financial Statements

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)

INTERIM INCOME STATEMENTS (STAND-ALONE)
FOR THE THREE MONTH AND THE SIX MONTH PERIODS ENDED JUNE 30, 2005 KAI 2004

	Notes	2005		2004	
		2 nd Quarter	1 st Half	2 nd Quarter	1 st Half
<i>(Amounts in millions of Euro, except share and per share data)</i>					
Revenues:					
Domestic telephony	22	405.3	806.3	415.3	836.4
International telephony	22	58.7	113.7	58.3	113.2
Other revenues	22	215.9	422.7	230.2	427.3
Total revenues		679.9	1,342.7	703.8	1,376.9
Operating expenses:					
Payroll and employee benefits		(219.7)	(464.3)	(200.5)	(435.1)
Charges from international operators		(33.4)	(58.2)	(33.3)	(57.8)
Charges from domestic operators		(93.4)	(175.7)	(101.6)	(200.7)
Depreciation and amortization		(133.5)	(269.9)	(143.6)	(282.9)
Other operating expenses	23	(175.7)	(329.8)	(183.7)	(326.6)
Total operating expenses		(655.7)	(1,297.9)	(662.7)	(1,303.1)
Operating income		24.2	44.8	41.1	73.8
Other income/ (expense):					
Interest expense		(30.0)	(60.0)	(31.3)	(60.9)
Interest income		9.9	20.1	11.8	23.1
Foreign exchange gains/ (losses), net		(2.6)	(3.7)	(1.9)	(2.2)
Dividends	8	147.1	330.2	112.4	112.4
Gains/(losses) from investments		3.3	17.1	(2.0)	(2.0)
		127.7	303.7	89.0	70.4
Profit before tax		151.9	348.5	130.1	144.2
Income taxes	20	(14.1)	(26.4)	(15.7)	(28.4)
Profit for the period		137.8	322.1	114.4	115.8
Basic earnings per share		0.2811	0.6571	0.2334	0.2363
Weighted average number of shares outstanding		490,150,389	490,150,389	490,150,389	490,150,389

The accompanying notes are an integral part of these Interim Financial Statements

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)

INTERIM INCOME STATEMENTS (CONSOLIDATED)
FOR THE THREE MONTH AND THE SIX MONTH PERIODS ENDED JUNE 30, 2005 KAI 2004

	Notes	2005		2004	
		2 nd Quarter	1 st Half	2 nd Quarter	1 st Half
<i>(Amounts in millions of Euro, except share and per share data)</i>					
Revenues:					
Domestic telephony	22	581.7	1,149.0	563.9	1,132.8
International telephony	22	103.0	199.8	100.0	191.4
Mobile telephony	22	435.6	824.7	384.6	728.2
Other revenues	22	246.3	492.2	262.8	484.4
Total revenues		1,366.6	2,665.7	1,311.3	2,536.8
Operating expenses:					
Payroll and employee benefits		(326.7)	(700.1)	(309.3)	(655.1)
Charges from international operators		(51.8)	(93.3)	(48.0)	(84.1)
Charges from domestic operators		(167.1)	(312.7)	(165.4)	(316.4)
Depreciation and amortization		(260.3)	(524.9)	(265.8)	(512.6)
Other operating expenses	23	(318.3)	(611.2)	(333.4)	(602.3)
Total operating expenses		(1,124.2)	(2,242.2)	(1,121.9)	(2,170.5)
Operating income		242.4	423.5	189.4	366.3
Other income/ (expense):					
Interest expense		(40.7)	(80.0)	(39.2)	(75.9)
Interest income		16.9	28.7	10.4	20.2
Foreign exchange gains/ (losses), net		7.8	32.9	7.0	19.7
Dividends	8	14.7	19.7	-	-
Gains/(losses) from investments		6.1	25.3	(1.8)	2.9
		4.8	26.6	(23.6)	(33.1)
Profit before tax		247.2	450.1	165.8	333.2
Income taxes	20	(73.0)	(136.3)	(81.7)	(165.0)
Profit for the period		174.2	313.8	84.1	168.2
Attributable to:					
Equity holders of the parent		120.7	212.5	50.5	102.3
Minority interest		53.5	101.3	33.6	65.9
		174.2	313.8	84.1	168.2
Basic earnings per share		0.2463	0.4336	0.1030	0.2087
Weighted average number of shares outstanding		490,150,389	490,150,389	490,150,389	490,150,389

The accompanying notes are an integral part of these Interim Financial Statements

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)
INTERIM STATEMENTS OF CHANGES IN EQUITY (STAND-ALONE)
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2005 KAI 2004

(Amounts in millions of Euro)

	Attributable to equity holders of the parent					
	<u>Share Capital</u>	<u>Paid-in Surplus</u>	<u>Treasury Stock</u>	<u>Legal Reserve</u>	<u>Retained Earnings</u>	<u>Total equity</u>
Balance at December 31, 2003	1,204.7	505.6	(276.6)	256.7	1,451.2	3,141.6
Profit for the period	-	-	-	-	115.8	115.8
Dividends declared	-	-	-	-	(171.6)	(171.6)
Treasury stock cancelled	(30.6)	(18.2)	261.5	-	(212.7)	-
Deferred compensation	-	0.1	-	-	-	0.1
Valuation gains on available-for-sale securities taken directly to equity	-	-	-	-	(0.5)	(0.5)
Balance at June 30, 2004	<u>1,174.1</u>	<u>487.5</u>	<u>(15.1)</u>	<u>256.7</u>	<u>1,182.2</u>	<u>3,085.4</u>
Balance at December 31, 2004	1,174.1	487.5	(15.1)	256.7	1,037.6	2,940.8
Profit for the period	-	-	-	-	322.1	322.1
Valuation gains on available-for-sale securities taken directly to equity	-	-	-	-	2.4	2.4
Balance at June 30, 2005	<u>1,174.1</u>	<u>487.5</u>	<u>(15.1)</u>	<u>256.7</u>	<u>1,362.1</u>	<u>3,265.3</u>

The accompanying notes are an integral part of these Interim Financial Statements

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)

**INTERIM STATEMENTS OF CHANGES IN EQUITY (CONSOLIDATED)
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2005 KAI 2004**

(Amounts in millions of Euro)

	<u>Attributable to equity holders of the parent</u>							
	<u>Share Capital</u>	<u>Paid-in Surplus</u>	<u>Treasury Stock</u>	<u>Legal Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>	<u>Minority Interest</u>	<u>Total equity</u>
Balance at December 31, 2003	1,204.7	505.6	(276.6)	256.7	1,920.1	3,610.5	1,078.1	4,688.6
Profit for the period	-	-	-	-	102.3	102.3	65.9	168.2
Dividends declared	-	-	-	-	(171.6)	(171.6)	(68.9)	(239.9)
Treasury stock cancelled	(30.6)	(18.2)	261.5	-	(212.7)	-	-	-
Deferred compensation	-	0.1	-	-	-	0.1	-	0.1
Valuation gains on available-for-sale securities taken directly to equity	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Foreign currency translation	-	-	-	-	48.9	48.9	39.7	88.6
Net participation of minority shareholders	-	-	-	-	-	-	5.2	5.2
Balance at June 30, 2004	<u>1,174.1</u>	<u>487.5</u>	<u>(15.1)</u>	<u>256.7</u>	<u>1,686.5</u>	<u>3,589.7</u>	<u>1,120.6</u>	<u>4,710.3</u>
Balance at December 31, 2004	<u>1,174.1</u>	<u>487.5</u>	<u>(15.1)</u>	<u>256.7</u>	<u>1,732.1</u>	<u>3,635.3</u>	<u>1,260.9</u>	<u>4,896.2</u>
Profit for the period	-	-	-	-	212.5	212.5	101.3	313.8
Dividends declared	-	-	-	-	-	-	(191.1)	(191.1)
Valuation gains on available-for-sale securities taken directly to equity	-	-	-	-	2.4	2.4	-	2.4
Foreign currency translation	-	-	-	-	90.6	90.6	80.3	170.9
Net change of investment in subsidiary	-	-	-	-	-	-	(47.6)	(47.6)
Balance at June 30, 2005	<u>1,174.1</u>	<u>487.5</u>	<u>(15.1)</u>	<u>256.7</u>	<u>2,037.6</u>	<u>3,940.8</u>	<u>1,203.8</u>	<u>5,144.6</u>

The accompanying notes are an integral part of these Interim Financial Statements

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)

**INTERIM STATEMENTS OF CASH FLOWS (STAND-ALONE AND CONSOLIDATED)
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2005 KAI 2004**

	1/1/2005 - 30/6/2005		1/1/2004 - 30/6/2004	
	Stand- Alone	Consolidated	Stand- Alone	Consolidated
<i>(Amounts in millions of Euro)</i>				
Cash flows from operating activities				
Profit before taxes	348.5	450.1	144.2	333.2
Adjustments for:				
Depreciation and amortization	269.9	524.9	282.9	512.6
Provisions	115.8	117.5	101.0	110.0
Investment and financial (income)/ loss	(363.7)	(106.6)	(131.3)	(42.8)
Amortization of advances to pension funds	17.6	17.6	17.6	17.6
Interest expense	60.0	80.0	60.9	75.9
Adjustments for working capital movements related to operating activities:				
Decrease in materials and supplies	9.8	9.7	6.5	2.4
Decrease/ (increase) in accounts receivable	18.5	(104.9)	53.2	136.0
Decrease in liabilities	(88.7)	(147.4)	(54.0)	(267.2)
Minus:				
Interest paid	(62.0)	(82.5)	(59.9)	(73.8)
Income taxes paid	-	(75.0)	(36.3)	(87.0)
Net cash from operating activities	<u>325.7</u>	<u>683.4</u>	<u>384.8</u>	<u>716.9</u>
Cash flows from investing activities				
Acquisition of subsidiary or associate, net of cash acquired	(285.7)	(285.7)	(30.0)	-
Proceeds/(repayment) of loans and interest	(3.2)	7.8	(21.4)	-
Purchase of property, plant and equipment or intangible assets	(105.6)	(237.8)	(236.9)	(473.1)
Proceeds from sale of investment	30.0	30.0	-	-
Interest received	5.3	13.9	8.4	10.7
Dividends received	193.0	12.7	97.3	-
Net cash used in investing activities	<u>(166.2)</u>	<u>(459.1)</u>	<u>(182.6)</u>	<u>(462.4)</u>
Cash flows from financing activities				
Proceeds from minority shareholders for issuance of subsidiary's share capital	-	12.8	-	9.4
Proceeds from long-term debt and short-term borrowings	-	56.1	-	-
Repayment of long-term debt and short-term borrowings	-	(52.1)	(29.8)	(39.6)
Dividends paid	(1.7)	(125.6)	(2.5)	(70.8)
Net cash used in financing activities	<u>(1.7)</u>	<u>(108.8)</u>	<u>(32.3)</u>	<u>(101.0)</u>
Net increase / (decrease) in cash and cash equivalents	157.8	115.5	169.9	153.5
Cash and cash equivalents at beginning of period	370.0	870.3	234.0	601.3
Cash and cash equivalents at end of period	<u>527.8</u>	<u>985.8</u>	<u>403.9</u>	<u>754.8</u>

The accompanying notes are an integral part of these Interim Financial Statements

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (STAND-ALONE AND
CONSOLIDATED) AS OF JUNE 30, 2005
(Amounts in millions of Euro, unless otherwise stated)

1. COMPANY'S FORMATION AND OPERATIONS:

The Hellenic Telecommunications Organization S.A. (hereinafter referred to as "OTE"), was founded in 1949 in accordance with Law 1049/49, as a state-owned Société Anonyme. The address of its registered office is: 99 Kifissias Avenue – 151 24 Maroussi Athens, Greece, while its website is www.ote.gr. OTE operates pursuant to Law 2246/94 (as amended), Law 2257/94 (OTE's Charter) and Presidential Decree 437/95. Until December 31, 2000, based on an extension granted by the European Commission to the Greek State, OTE had the exclusive rights to install, operate and exploit the public fixed switched telecommunications network in Greece and to provide public fixed switched voice telephony services. Effective January 1, 2001 and pursuant to the provisions of the new Telecommunications Law 2867/2000, issued in December 2000, which amended certain provisions of the previous Law 2246/1994, the above mentioned exclusivity rights expired and the relevant market is open to competition.

The accompanying interim stand-alone and consolidated financial statements have been approved for issue by the Board of Directors on August 30, 2005.

OTE Group (hereinafter referred to as the "Group") include the accounts of OTE and the following subsidiaries where OTE has control:

<u>Company Name</u>	<u>Line of Business</u>	<u>Ownership interest</u>	
		<u>30/6/05</u>	<u>31/12/04</u>
• COSMOTE MOBILE TELECOMMUNICATIONS S.A. ("Cosmote")	Mobile telecommunications services	64.37%	58.77%
• OTE INTERNATIONAL INVESTMENTS LTD	Investment holding company	100.00%	100.00%
• ROMTELECOM S.A. ("Romtelecom")	Fixed line and mobile telephony services	54.01%	54.01%
• ALBANIAN MOBILE COMMUNICATIONS Sh.a ("AMC")	Mobile telecommunications services	53.07%	48.46%
• ARMENIA TELEPHONE COMPANY CJSC ("ArmenTel")	Fixed line and mobile telephony services	90.00%	90.00%
• OTE MTS Holding B.V.	Investment holding company	100.00%	100.00%
• COSMOFON MOBILE TELECOMMUNICATIONS SERVICES A.D. – SKOPJE ("Cosmofon")	Mobile telecommunications services	100.00%	100.00%
• OTE AUSTRIA HOLDING GMBH	Investment holding company	100.00%	100.00%
• COSMO BULGARIA MOBILE EAD ("Globul")	Mobile telecommunications services	100.00%	100.00%
• HELLAS SAT CONSORTIUM LIMITED ("HellasSat")	Satellite communications	83.34%	83.34%
• COSMO-ONE HELLAS MARKET SITE S.A. ("COSMO-ONE")	E-commerce services	50.74%	49.01%
• OTENET S.A. ("OTEnet")	Internet services	90.20%	90.20%
• HELLASCOM INTERNATIONAL S.A. ("Hellascom")	Telecommunication projects	100.00%	51.40%
• OTE PLC	Financing services	100.00%	100.00%
• OTE SAT-Maritel S.A.	Satellite telecommunications services	93.99%	93.99%
• OTE PLUS S.A. ("Ote Plus")	Consulting services	99.00%	99.00%
• OTE ESTATE S.A. ("OTE Estate")	Real estate	100.00%	100.00%
• INFOTE S.A. (InfOTE")	Directory and other information services	100.00%	100.00%
• OTE INTERNATIONAL SOLUTIONS S.A. (OTEGlobe")	Wholesale telephony services	100.00%	100.00%
• HATWAVE HELLENIC-AMERICAN TELECOMMUNICATIONS WAVE LTD. ("Hatwave")	Holding company	52.67%	52.67%
• OTE INSURANCE AGENCY S.A. ("OTE Insurance")	Insurance brokerage services	100.00%	100.00%
• COSMO-HOLDING ALBANIA S.A. ("CHA")	Investment holding company	62.44%	57.00%
• OTE ACADEMY A.E. ("OTE Academy")	Training services	100.00%	100.00%

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (STAND-ALONE AND
CONSOLIDATED) AS OF JUNE 30, 2005
(Amounts in millions of Euro, unless otherwise stated)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

- (a) ***Basis of preparation of financial statements:*** The accompanying Interim Stand-Alone and Consolidated Financial Statements (hereinafter «financial statements») have been prepared on a historical cost basis. As described in (c) below, the accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are covered by IFRS 1 “First Time Adoption of International Financial Reporting Standards” as they are part of the period covered by the first IFRS financial statements for the year ended December 31, 2005. The transition date is the January 1, 2004.
- (b) ***First Time Adoption of IFRS:*** According to the EU Legislation 1606/2002 and based on Law 3229/04 (as amended by Law 3301/04), the Greek companies whose securities are listed in a stock exchange, shall prepare their financial statements in accordance with IFRS effective January 1, 2005. Based on the requirements of IFRS 1 and the requirements of the Greek law as well, the presentation of comparative financial statements in accordance with IFRS is required for at least one year (December 31, 2004).

OTE will prepare and publish its first annual IFRS financial statements for the year ended December 31, 2005, based on the above mentioned requirements.

The accompanying financial statements have been prepared based on management’s estimates regarding the IFRS that will be effective at the first annual reporting date, December 31, 2005.

- (c) ***Effect of recently issued accounting standards (IFRS or IAS) and Interpretations (SIC):***

The Group has applied the transitional provisions of IFRS 2 «Share Based Payment», which was issued on February 19, 2004, for share options that were granted after the November 7, 2002 and had not yet vested at the effective date of this IFRS.

In accordance with IFRS 1, for the preparation of these financial statements an entity shall use the same accounting policies that comply with each IFRS effective at the reporting date in its opening IFRS balance sheet and throughout all periods presented. Consequently, as the reporting date for the first annual IFRS financial statements is December 31, 2005, all the approved standards described above, were used for the preparation of these financial statements.

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (STAND-ALONE AND
CONSOLIDATED) AS OF JUNE 30, 2005
(Amounts in millions of Euro, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed by OTE for the preparation of the accompanying financial statements under IFRS are as follows:

- 1. Principles of Consolidation and Investments:** The consolidated financial statements include the accounts of OTE and all subsidiaries where OTE has control. Control is presumed to exist when OTE has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities. The financial statements of subsidiaries are prepared on the same reporting date with those of the parent, using consistent accounting policies. Appropriate adjustments are made when necessary to ensure consistency in accounting policies used. Intercompany balances and transactions and any intercompany profit or loss on assets remaining within the Group, are eliminated in the consolidated financial statements. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The acquisition of subsidiaries is accounted for using the purchase method of accounting that measures the acquiree's assets and liabilities at their fair value at the date of acquisition.

The Group's investments in other associates, in which the Group exercises significant influence, are accounted for using the equity method. Under this method the investment is carried at cost, and is adjusted to recognize the investor's share of the earnings or losses of the investee after the date of acquisition and is adjusted for any accumulated impairment loss. The investment of an investor is also adjusted to reflect the investor's share of changes in the investee's capital. Dividends received from an investee reduce the carrying amount of the investment.

Investments in which the Group does not exercise significant influence (financial assets) are initially recognized at cost being the fair value of the consideration given. After initial recognition, according to the purpose for which the assets were acquired, they are classified in the following categories: financial assets at fair value through profit or loss, held-to-maturity and available for sale financial assets. Financial assets at fair value through profit or loss are measured at fair value and gains or losses are recognized in income. Held-to-maturity investments are measured at amortized cost using the effective interest method and gains or losses through the amortization process are recognized in income. Available for sale financial assets are measured at fair value and gains or losses are recognized directly in equity. The fair values of quoted investments are based on quoted market bid prices. For investments where there is no quoted market price, fair value is determined using valuation techniques.

In the parent company's separate (stand-alone) financial statements, investments in subsidiaries and associates are accounted for at cost and they are adjusted for impairment when necessary.

- 2. Use of Estimates:** The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

3. **Foreign Currency Translation:** OTE's functional currency is the Euro. Transactions involving other currencies are translated into Euro using the exchange rates, which are in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are adjusted to reflect the current exchange rates. Gains or losses resulting from foreign currency remeasurement are reflected in the income statements, except for the differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. Non-monetary assets that are measured at historical cost are translated using the exchange rate as at the date of the initial transaction. Non-monetary assets that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Except for operations in highly inflationary economies, where the financial statements are restated to current purchasing power prior to translation to the reporting currency, the functional currency of the Group's operations outside of Greece is the local country's foreign currency. Consequently, assets and liabilities of operations outside Greece are translated into Euro using exchange rates at the end of each reporting period. Revenues and expenses are translated at the average exchange rates prevailing during the period. All resulting exchange differences are recognized as a separate component of shareholders' equity and are recognized in the income statements on the disposal of the foreign entity.

4. **Goodwill:** Goodwill is the excess of the purchase price over the fair value of net identifiable assets acquired in business combinations accounted for as a purchase. Goodwill is tested for impairment at least annually. The goodwill impairment test is a process required by IAS 36 "Impairment of assets". Thus, after initial recognition, goodwill is measured at cost less any accumulated impairment losses. An impairment loss recognized for goodwill shall not be reversed in a subsequent period. Goodwill on acquisitions of subsidiaries is presented as an intangible asset. Goodwill on acquisitions of associates is included in investments in associates.
5. **Property, Plant and Equipment:** Telecommunication property, plant and equipment are stated at cost, net of subsidies received, plus interest costs incurred during periods of construction, less accumulated depreciation and any impairment in value. Any statutory revaluations based on the Greek legislation, are reversed.

Subsidies are presented as a reduction of cost of fixed assets and are recognized to income over the life of the assets through the reduced depreciation expense.

Newly constructed assets are added to property, plant and equipment at cost, which includes direct technical payroll costs related to construction (inclusive of related employer contributions) and applicable general overhead costs. Repairs and maintenance are charged to expense as incurred. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement, and any gain or loss is included in the income statements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. When the carrying amount of the asset exceeds the estimated recoverable amount an impairment loss is recognized and the asset is written down to its recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

6. **Depreciation:** Depreciation is computed based on the straight-line method at rates, which approximate average economic useful lives and are analyzed as follows:

<u>Classification</u>	<u>Annual Depreciation Rates</u>
Buildings	2.5%-5%
Telecommunication equipment and installations:	
• Telephone exchange equipment	8-12.5%
• Radio relay stations	12.5%
• Subscriber connections	10%
• Local and trunk network	6-12%
• Other	10-20%
Transportation equipment	12-20%
Furniture and fixtures	20%-30%

7. **Reserve for Defined Benefit Plans to Employees:** Obligations derived from defined benefit plans to employees are calculated at the discounted value of the future benefits of OTE's employees deemed to have accrued at year-end. These obligations are calculated on the basis of financial and actuarial assumptions. Net pension costs for the period are included in payroll in the statements of income and consist of the present value of benefits earned in the year, interest cost on the benefits obligation, prior service cost and actuarial gains or losses. Prior service costs are recognized on a straight-line basis over the average remaining service period of the employees expected to receive benefits under the plan. Unrecognised gains or losses are recognized over the average remaining service period of active employees and included as a component of net pension cost for a year if, as of the beginning of the year, it exceeds 10% of the projected benefit obligation. The retirement benefit obligations are not funded. Contributions that are related with employees who retire under the voluntary retirement program are recognized when employees accept the offer and the amounts can be reasonably estimated.
8. **Deferred Income Taxes:** Deferred income taxes have been provided using the liability method on all temporary differences arising between financial reporting and tax bases of assets and liabilities, using enacted tax rates in effect in the years in which the differences are expected to reverse. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profit will be available against which can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.
9. **Cash and Cash Equivalents:** For purposes of cash flow statements, time deposits and other highly liquid investments with original maturities of three months or less, are considered to be cash equivalents.
10. **Advertising Costs:** All advertising costs are charged to expenses as incurred.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

11. Research and Development Costs: Research and development costs are expensed as incurred.

12. Recognition of Revenues and Expenses: Fixed revenues primarily consist of connection and subscription fees, exchange network and facilities usage charges, other value added communication services fees, and sales of handsets and accessories. Revenues are recognized as follows:

- **Connection charges:** Connection charges for the fixed network are deferred and amortized to income over the estimated service life of a subscriber's life. No connection fees are charged for mobile services.
- **Monthly network service fees:** Revenues related to the monthly network service fees are recognized in the month that the telecommunication service is provided.
- **Usage Charges and Value Added Services Fees:** Call fees consist of fees based on airtime and traffic generated by the caller, the destination of the call and the service utilized. Fees are based on traffic, usage of airtime or volume of data transmitted for value added communication services. Revenues for usage charges and value added communication services are recognized in the period when the services are provided. Revenues from outgoing calls made by OTE's subscribers to subscribers of mobile telephony operators are presented at their gross amount in the income statements as the credit and collection risk remains solely with OTE. Interconnection fees for mobile-to-mobile calls are recognized based on incoming traffic generated from other mobile operators' networks. Unbilled revenues from the billing cycle date to the end of each period are estimated based on traffic.

Revenues from the sale of pre-paid airtime cards and the pre-paid airtime, net of discounts allowed, included in the Group's pre-paid services packages, are recognized based on usage. Such discounts represent the difference between the wholesale price of pre-paid cards and boxes (consisting of handsets and prepaid airtime) to the Group's Master Dealers and the retail sale price to the ultimate customers. Unused airtime is included in "Deferred revenue" in the balance sheets. Upon the expiration of pre-paid airtime cards, any unused airtime is recognized to income.

Airtime and acquisition commission costs due to the Group's Master Dealers for each subscriber acquired through their network are expensed as incurred. Commissions paid for each contract subscriber acquired by the Master Dealers as well as bonuses paid to Master Dealers in respect of contract subscribers who renew their annual contracts, are deferred and amortized to expense over the contract period. Bonuses for the achievement of mutually agreed targets and commissions based on revenues billed to each subscriber acquired by the Master Dealers are expensed as incurred.

- **Handsets and Accessories:** Revenues from the sale of handsets and accessories, net of discounts allowed, are recognized at point-of-sale, when the significant risks and rewards of ownership have passed to the buyer.

Revenues from rendering of services are recognized in the period in which the services are rendered by reference to the stage of completion of the transaction at the balance sheet date.

Revenue from dividends is recognized when the shareholders' right to receive payment is established.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Revenue from interest is recognized as the interest accrues (using the effective interest method) to the net carrying amount of the financial asset.

Revenue from construction works is recognized in accordance with the percentage of completion method.

In an agency relationship, amounts collected by the agent on behalf of the principal do not result in increases in equity of the agent and thus, they are not revenues for the agent. Instead, revenue for the agent is the amount of commission received by the principal. On the other side, the principal's revenues consist of the gross amounts described above and the commission paid to the agent is recognized as an expense.

- 13. Earnings per Share:** Basic and diluted earnings per share are computed by dividing net income by the weighted average number of shares outstanding during each year.
- 14. Segment Reporting:** IAS 14 "Segment Reporting" sets criteria for the determination of the reportable business and geographical segments of enterprises. Segments are determined based on the Group's legal structure, as the Group's chief operating decision makers review financial information separately reported by the parent company (OTE) and each of the Group's consolidated subsidiaries. The reportable segments are determined using the quantitative thresholds required by the Standard. Information for operating segments that do not constitute reportable segments are combined and disclosed in an "All Other" category. Each segment performance is evaluated based on operating income and net profit.
- 15. Dividends:** Dividends declared to the shareholders are recognized and reflected as a liability in the period they are approved by the General Assembly.
- 16. Long-term Receivables/Payables:** Long-term receivables and payables, which are interest free or bear interest significantly different from the prevailing market rates, are reflected at their net present value. Differences between the present value and the face amounts are created as discount or premium and amortized as interest expense or income over the life of the receivable/payable.
- 17. Stock Issuance Costs:** Stock issuance costs, net of related deferred tax, are reflected as a deduction of Paid-in-Surplus.
- 18. Treasury Stock:** Treasury stock consists of OTE's own stock, which has been issued, subsequently reacquired by the company and not yet cancelled. Treasury stock does not reduce the number of shares issued but does reduce the number of shares outstanding. The gross cost of the shares reacquired is reflected as a reduction to equity. Upon retirement, the acquisition cost of treasury stock reduces the Share Capital and Paid-in-Surplus and any deficiency is charged to Retained Earnings.
- 19. Leases:** A lease that transfers substantially all of the benefits and risks incident to ownership of property are accounted for by the lessee as the acquisition of an asset and the incurrence of a liability, and by the lessor as a sale and/or financing. Lease payments are apportioned between the finance charges and the reduction of the lease liability. Finance charges are recognized directly as an expense.
If the lease does not transfer substantially all of the benefits and risks incident to ownership of property, it is classified as an operating lease by the lessee and the rental payments are recognized as an expense as incurred.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

- 20. *Related Parties:*** Related party transactions and balances are disclosed in the financial statements under IFRS. Such related parties principally consist of an enterprise's principal owners and management, companies with common ownership and/or management with the enterprise and its consolidated subsidiaries, or other affiliates of such companies.
- 21. *Licenses and Similar Rights:*** Licenses and similar rights are accounted for at cost, are amortized over their term of life and they are tested for impairment at least annually.
- 22. *Materials and Supplies:*** Materials and supplies are stated at the lower of cost or net realizable value. The cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The reversal of any previous write-down, arising from an increase in net realizable value, is required.
- 23. *Accounts Receivable and Allowance for Doubtful Accounts:*** Accounts receivable are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. At each reporting period/date, all accounts receivable are assessed based on historical trends and statistical information and a provision is recorded for the probable and reasonably estimable loss for these accounts. The balance of such allowance for doubtful accounts is adjusted by recording a charge to the statement of income of the reporting period. Any amount written-off with respect to customer account balances is charged against the existing allowance for doubtful accounts. All accounts receivable for which collection is not considered probable are written-off.
- 24. *Asset Retirement Obligations:*** According to IAS 16 "Property, plant and equipment" the Group recognizes the costs related to asset retirement obligations in the period in which they are generated if a reasonable estimate of a fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.
- 25. *Intangible assets:*** Intangible assets acquired separately are capitalized at cost, while those acquired from a business combination are capitalized at fair value as at the date of acquisition. Subsequently, they are measured at that amount less accumulated amortization and accumulated impairment losses. The useful lives of the intangible assets are assessed to be either infinite or indefinite. Intangible assets with a finite useful life are amortized with the straight-line method over their useful life. Intangible assets with an indefinite useful life are not amortized. No residual values are recognized. The useful lives of the intangible assets are reviewed on an annual basis, and adjustments, where applicable, are made prospectively. Intangible assets are tested for impairment at least annually.
- 26. *Borrowing Costs:*** Underwriting, legal and other direct costs incurred in connection with the issuance of long-term debt adjust the carrying amount of the liability and are amortized using the effective interest rate method over the life of the debt. Borrowing costs incurred during the construction period of telecommunication property, plant and equipment which are attributable to these assets, are capitalized to the cost of these assets. All other borrowing costs are recognized as an expense when incurred.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued):

- 27. Borrowings:** All loans and borrowings are initially recognized at fair value, net of issuance costs associated with the borrowing. After initial recognition, borrowings are measured at amortized cost using the effective interest rate method. Gains and losses through the amortization process are recognized in the income statement.
- 28. Provisions:** Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase of the provision due to the passage of time is recognized as a borrowing cost. Provisions are reviewed at each balance sheet date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, they are reversed. Provisions are used only for expenditures for which they were originally recognized. No provisions are recognized for future operating losses. Contingent assets and contingent liabilities are not recognized.

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4. RECONCILIATION OF FINANCIAL STATEMENTS BETWEEN IFRS AND GREEK GAAP (Law 2190/20):

The following tables present the effect of transition to IFRS on the Balance Sheets (Stand-Alone and Consolidated) as of December 31, 2003, as of June 30, 2004 and as of December 31, 2004, as well as on the Income Statements (Stand-Alone and Consolidated) of the six-month period ended June 30, 2004 and the year ended December 31, 2004. Furthermore, the effect of transition on shareholders' equity and income statement is set out at the end of this note through reconciliation of shareholders' equity and income statement between previous GAAP (Law 2190/20) and IFRS.

RECONCILIATION OF BALANCE SHEETS AS OF DECEMBER 31, 2003

<i>(Amounts in millions of Euro)</i>	STAND-ALONE			CONSOLIDATED		
	Previous GAAP Law 2190/20	Effect of transition to IFRS	IFRS	Previous GAAP Law 2190/20	Effect of transition to IFRS	IFRS
ASSETS						
Non - current assets:						
Telecommunication property, plant and equipment	3,213.7	444.1	3,657.8	6,652.8	368.5	7,021.3
Goodwill	13.4	(13.4)	-	73.9	(16.4)	57.5
Telecommunication licenses	5.0	-	5.0	400.9	1.5	402.4
Investments	1,389.6	468.0	1,857.6	164.7	64.3	229.0
Advances to pension funds	253.3	(2.0)	251.3	253.3	(2.0)	251.3
Deferred taxes	-	48.1	48.1	-	95.9	95.9
Other non-current assets	216.4	(129.7)	86.7	362.8	(236.8)	126.0
Total non - current assets	5,091.4	815.1	5,906.5	7,908.4	275.0	8,183.4
Current assets:						
Materials and supplies	43.0	-	43.0	149.2	(1.1)	148.1
Accounts receivable	996.4	117.8	1,114.2	1,288.1	8.7	1,296.8
Other current assets	1,262.6	(1,065.4)	197.2	842.9	(590.6)	252.3
Cash and cash equivalents	234.0	-	234.0	601.3	-	601.3
Total current assets	2,536.0	(947.6)	1,588.4	2,881.5	(583.0)	2,298.5
TOTAL ASSETS	7,627.4	(132.5)	7,494.9	10,790.0	(308.1)	10,481.9
EQUITY AND LIABILITIES						
Equity attributable to equity holders of the parent:						
Share capital	1,204.7	-	1,204.7	1,204.7	-	1,204.7
Paid-in surplus	716.7	(211.1)	505.6	716.7	(211.1)	505.6
Treasury stock	-	(276.6)	(276.6)	-	(276.6)	(276.6)
Legal reserve	256.7	-	256.7	278.6	(21.9)	256.7
Retained earnings	868.7	582.5	1,451.2	1,376.1	544.0	1,920.1
	3,046.8	94.8	3,141.6	3,576.1	34.4	3,610.5
Minority Interest	-	-	-	1,022.5	55.6	1,078.1
Total equity	3,046.8	94.8	3,141.6	4,598.6	90.0	4,688.6
Non - current liabilities:						
Long-term debt	2,590.7	-	2,590.7	3,220.9	(75.5)	3,145.4
Reserve for staff retirement indemnities	258.4	9.7	268.1	262.0	9.1	271.1
Reserve for Youth Account	227.7	82.2	309.9	227.7	82.2	309.9
Other non - current liabilities	126.5	(114.7)	11.8	363.3	(110.5)	252.8
Total non - current liabilities	3,203.3	(22.8)	3,180.5	4,073.9	(94.7)	3,979.2
Current liabilities:						
Accounts payable	491.2	144.6	635.8	767.0	155.3	922.3
Short-term borrowings	-	-	-	51.7	-	51.7
Current maturities of long-term debt	12.6	-	12.6	74.8	-	74.8
Income taxes payable	145.3	(74.2)	71.1	347.4	(191.7)	155.7
Deferred revenue	36.2	66.7	102.9	85.4	61.5	146.9
Dividends payable	180.2	(171.6)	8.6	180.2	(171.6)	8.6
Other current liabilities	511.8	(170.0)	341.8	611.0	(156.9)	454.1
Total current liabilities	1,377.3	(204.5)	1,172.8	2,117.5	(303.4)	1,814.1
TOTAL EQUITY AND LIABILITIES	7,627.4	(132.5)	7,494.9	10,790.0	(308.1)	10,481.9

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4. RECONCILIATION OF FINANCIAL STATEMENTS BETWEEN IFRS AND GREEK GAAP (Law 2190/20) (continued):

RECONCILIATION OF BALANCE SHEETS AS OF JUNE 30, 2004

	STAND-ALONE			CONSOLIDATED		
	Previous GAAP Law 2190/20	Effect of transition to IFRS	IFRS	Previous GAAP Law 2190/20	Effect of transition to IFRS	IFRS
<i>(Amounts in millions of Euro)</i>						
ASSETS						
Non - current assets:						
Telecommunication property, plant and equipment	3,122.6	478.6	3,601.2	6,473.2	605.9	7,079.1
Goodwill	13.0	(13.0)	-	70.9	(7.8)	63.1
Telecommunication licenses	4.6	-	4.6	389.2	6.7	395.9
Investments	1,391.2	518.0	1,909.2	155.3	72.3	227.6
Advances to pension funds	235.7	(1.8)	233.9	235.7	(1.8)	233.9
Deferred taxes	-	40.2	40.2	-	37.3	37.3
Other non-current assets	184.3	(114.0)	70.3	344.6	(228.9)	115.7
Total non - current assets	4,951.4	908.0	5,859.4	7,668.9	483.7	8,152.6
Current assets:						
Materials and supplies	31.7	4.8	36.5	137.8	7.9	145.7
Accounts receivable	854.3	196.8	1,051.1	1,083.9	39.3	1,123.2
Other current assets	1,147.6	(944.6)	203.0	731.7	(471.9)	259.8
Cash and cash equivalents	403.9	-	403.9	754.8	-	754.8
Total current assets	2,437.5	(743.0)	1,694.5	2,708.2	(424.7)	2,283.5
TOTAL ASSETS	7,388.9	165.0	7,553.9	10,377.1	59.0	10,436.1
EQUITY AND LIABILITIES						
Equity attributable to equity holders of the parent:						
Share capital	1,174.1	-	1,174.1	1,174.1	-	1,174.1
Paid-in surplus	698.5	(211.0)	487.5	698.5	(211.0)	487.5
Treasury stock	-	(15.1)	(15.1)	-	(15.1)	(15.1)
Legal reserve	256.7	-	256.7	278.1	(21.4)	256.7
Retained earnings	733.1	449.1	1,182.2	1,252.9	433.6	1,686.5
				3,403.6	186.1	3,589.7
Minority Interest	-	-	-	1,041.7	78.9	1,120.6
Total equity	2,862.4	223.0	3,085.4	4,445.3	265.0	4,710.3
Non - current liabilities:						
Long-term debt	2,559.8	-	2,559.8	3,206.3	(67.1)	3,139.2
Reserve for staff retirement indemnities	256.5	14.1	270.6	260.7	13.5	274.2
Reserve for Youth Account	233.0	77.7	310.7	233.0	77.7	310.7
Other non - current liabilities	134.3	(122.8)	11.5	330.6	(120.0)	210.6
Total non - current liabilities	3,183.6	(31.0)	3,152.6	4,030.6	(95.9)	3,934.7
Current liabilities:						
Accounts payable	579.2	67.5	646.7	682.6	54.6	737.2
Short-term borrowings	-	-	-	28.5	-	28.5
Current maturities of long-term debt	13.7	-	13.7	65.8	-	65.8
Income taxes payable	108.9	(53.8)	55.1	300.3	(121.9)	178.4
Deferred revenue	49.8	54.1	103.9	107.1	54.1	161.2
Dividends payable	177.7	-	177.7	177.7	-	177.7
Other current liabilities	413.6	(94.8)	318.8	539.2	(96.9)	442.3
Total current liabilities	1,342.9	(27.0)	1,315.9	1,901.2	(110.1)	1,791.1
TOTAL EQUITY AND LIABILITIES	7,388.9	165.0	7,553.9	10,377.1	59.0	10,436.1

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4. RECONCILIATION OF FINANCIAL STATEMENTS BETWEEN IFRS AND GREEK
GAAP (Law 2190/20) (continued):

RECONCILIATION OF BALANCE SHEETS AS OF DECEMBER 31, 2004

	STAND-ALONE			CONSOLIDATED		
	Previous GAAP Law 2190/20	Effect of transition to IFRS	IFRS	Previous GAAP Law 2190/20	Effect of transition to IFRS	IFRS
<i>(Amounts in millions of Euro)</i>						
ASSETS						
Non - current assets:						
Telecommunication property, plant and equipment	2,901.7	503.0	3,404.7	6,464.2	507.9	6,972.1
Goodwill	13.0	(13.0)	-	68.5	2.3	70.8
Telecommunication licenses	4.6	-	4.6	376.6	6.1	382.7
Investments	1,645.5	189.0	1,834.5	158.6	62.7	221.3
Advances to pension funds	217.1	(1.3)	215.8	217.1	(1.3)	215.8
Deferred taxes	-	17.7	17.7	-	66.3	66.3
Other non-current assets	170.2	(80.4)	89.8	336.9	(186.6)	150.3
Total non - current assets	4,952.1	615.0	5,567.1	7,621.9	457.4	8,079.3
Current assets:						
Materials and supplies	34.6	-	34.6	131.4	1.0	132.4
Accounts receivable	817.8	90.5	908.3	1,107.1	(35.4)	1,071.7
Other current assets	614.7	(426.2)	188.5	518.5	(260.6)	257.9
Cash and cash equivalents	370.0	-	370.0	870.3	-	870.3
Total current assets	1,837.1	(335.7)	1,501.4	2,627.3	(295.0)	2,332.3
TOTAL ASSETS	6,789.2	279.3	7,068.5	10,249.2	162.4	10,411.6
EQUITY AND LIABILITIES						
Equity attributable to equity holders of the parent						
Share capital	1,174.1	-	1,174.1	1,174.1	-	1,174.1
Paid-in surplus	698.5	(211.0)	487.5	698.5	(211.0)	487.5
Treasury stock	-	(15.1)	(15.1)	-	(15.1)	(15.1)
Legal reserve	256.7	-	256.7	286.2	(29.5)	256.7
Retained earnings	498.8	538.8	1,037.6	1,122.3	609.8	1,732.1
	2,628.1	312.7	2,940.8	3,281.1	354.2	3,635.3
Minority Interest	-	-	-	1,008.6	252.3	1,260.9
Total equity	2,628.1	312.7	2,940.8	4,289.7	606.5	4,896.2
Non - current liabilities:						
Long-term debt	2,442.1	4.1	2,446.2	2,822.0	(1.4)	2,820.6
Reserve for staff retirement indemnities	272.0	6.5	278.5	277.4	5.8	283.2
Reserve for Youth Account	221.7	80.2	301.9	221.7	80.2	301.9
Other non - current liabilities	149.0	(139.6)	9.4	497.0	(400.7)	96.3
Total non - current liabilities	3,084.8	(48.8)	3,036.0	3,818.1	(316.1)	3,502.0
Current liabilities:						
Accounts payable	559.3	103.2	662.5	731.9	111.5	843.4
Short-term borrowings	-	-	-	37.3	-	37.3
Current maturities of long-term debt	13.7	-	13.7	430.6	(110.0)	320.6
Income taxes payable	-	-	-	244.4	(144.6)	99.8
Deferred revenue	60.7	51.1	111.8	126.3	52.6	178.9
Dividends payable	7.2	-	7.2	7.2	-	7.2
Other current liabilities	435.4	(138.9)	296.5	563.7	(37.5)	526.2
Total current liabilities	1,076.3	15.4	1,091.7	2,141.4	(128.0)	2,013.4
TOTAL EQUITY AND LIABILITIES	6,789.2	279.3	7,068.5	10,249.2	162.4	10,411.6

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4. RECONCILIATION OF FINANCIAL STATEMENTS BETWEEN IFRS AND GREEK GAAP (Law 2190/20) (continued):

RECONCILIATION OF INCOME STATEMENT FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2004

	STAND-ALONE			CONSOLIDATED		
	Previous GAAP Law 2190/20	Effect of transition to IFRS	IFRS	Previous GAAP Law 2190/20	Effect of transition to IFRS	IFRS
<i>(Amounts in millions of Euro)</i>						
Revenues	1,429.1	(52.2)	1,376.9	2,542.2	(5.4)	2,536.8
Operating expenses:						
Cost of sales	(1,276.8)			(1,916.6)		
Administrative expenses	(28.3)			(58.0)		
Distribution expenses	-			(140.8)		
Other income/(expense)	0.9			0.8		
Total operating expenses	<u>(1,304.2)</u>	<u>1.1</u>	<u>(1,303.1)</u>	<u>(2,114.6)</u>	<u>(55.9)</u>	<u>(2,170.5)</u>
Operating income	124.9	(51.1)	73.8	427.6	(61.3)	366.3
Other income/(expense), net:						
Financial and extraordinary results	(37.9)	108.3	70.4	(143.9)	110.8	(33.1)
Profit before tax	<u>87.0</u>	<u>57.2</u>	<u>144.2</u>	<u>283.7</u>	<u>49.5</u>	<u>333.2</u>
Income taxes	-	(28.4)	(28.4)	-	(165.0)	(165.0)
Profit for the period	<u>87.0</u>	<u>28.8</u>	<u>115.8</u>	<u>283.7</u>	<u>(115.5)</u>	<u>168.2</u>
Attributable to:						
Equity holders of the parent	87.0	28.8	115.8	172.7	(70.4)	102.3
Minority interest	-	-	-	111.0	(45.1)	65.9
	<u>87.0</u>	<u>28.8</u>	<u>115.8</u>	<u>283.7</u>	<u>(115.5)</u>	<u>168.2</u>

RECONCILIATION OF INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2004

	STAND-ALONE			CONSOLIDATED		
	Previous GAAP Law 2190/20	Effect of transition to IFRS	IFRS	Previous GAAP Law 2190/20	Effect of transition to IFRS	IFRS
<i>(Amounts in millions of Euro)</i>						
Revenues	2,846.7	(100.3)	2,746.4	5,213.0	(1.9)	5,211.1
Operating expenses:						
Cost of sales	(2,648.4)			(3,991.5)		
Administrative expenses	(56.7)			(115.7)		
Distribution expenses	-			(324.9)		
Other income/(expense)	3.8			11.4		
Total operating expenses	<u>(2,701.3)</u>	<u>(48.0)</u>	<u>(2,749.3)</u>	<u>(4,420.7)</u>	<u>(143.7)</u>	<u>(4,564.4)</u>
Operating income	145.4	(148.3)	(2.9)	792.3	(145.6)	646.7
Financial and extraordinary results	(279.1)	290.4	11.3	(373.0)	276.8	(96.2)
Profit before tax	<u>(133.7)</u>	<u>142.1</u>	<u>8.4</u>	<u>419.3</u>	<u>131.2</u>	<u>550.5</u>
Income taxes	-	(41.9)	(41.9)	-	(235.1)	(235.1)
Profit for the period	<u>(133.7)</u>	<u>100.2</u>	<u>(33.5)</u>	<u>419.3</u>	<u>(103.9)</u>	<u>315.4</u>
Attributable to:						
Equity holders of the parent	(133.7)	100.2	(33.5)	172.1	(46.8)	125.3
Minority interest	-	-	-	247.2	(57.1)	190.1
	<u>(133.7)</u>	<u>100.2</u>	<u>(33.5)</u>	<u>419.3</u>	<u>(103.9)</u>	<u>315.4</u>

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4. RECONCILIATION OF FINANCIAL STATEMENTS BETWEEN IFRS AND GREEK GAAP (Law 2190/20) (continued):

RECONCILIATION OF SHAREHOLDERS' EQUITY AND INCOME STATEMENT BETWEEN GREEK GAAP AND IFRS (STAND-ALONE FINANCIAL STATEMENTS)

(Amounts in millions of Euro)

	Total equity 31.12.2003	Profit for the six month period ended June 30, 2004	Total equity 30.06.2004	Profit for the year ended December 31, 2004	Total equity 31.12.2004
Balances in accordance with Greek GAAP	3,046.8	87.0	2,862.4	(133.7)	2,628.1
IFRS Adjustments					
Recognition of dividends declared in the period they are approved by the general Assembly	171.6	-	-	-	-
Presentation of treasury stock as a reduction of equity	(276.6)	-	(15.1)	-	(15.1)
Transfer of subsidies out of equity (reduction of fixed assets)	(98.3)	-	(88.3)	-	(78.7)
Adjustment of depreciation of fixed assets and subsidies based on useful lives and reversal of statutory revaluations	320.9	28.4	349.3	55.9	376.8
Capitalization of interest related to construction period and respective depreciation	186.6	2.1	188.7	(3.3)	183.3
Reserves for employee benefit plans based on IAS 19	(110.0)	(2.1)	(112.1)	53.2	(56.8)
Presentation of revenues in accordance with IFRS	(17.0)	(3.0)	(20.0)	-	(17.0)
Investments at cost less impairments	(98.1)	26.4	(32.2)	45.4	(52.7)
Inclusion of income tax in the income statement and recognition of deferred taxes	33.1	(28.4)	(34.8)	(41.9)	(5.3)
Reversal of capitalized expenses and reversal of respective amortization	(11.8)	5.0	(6.8)	(6.8)	(18.6)
Other adjustments	(5.6)	0.4	(5.8)	(2.3)	(3.2)
Total IFRS adjustments	94.8	28.8	223.0	100.2	312.7
Balances in accordance with IFRS	3,141.6	115.8	3,085.4	(33.5)	2,940.8

RECONCILIATION OF SHAREHOLDERS' EQUITY AND INCOME STATEMENT BETWEEN GREEK GAAP AND IFRS (CONSOLIDATED FINANCIAL STATEMENTS)

(Amounts in millions of Euro)

	Total equity 31.12.2003	Profit for the six month period ended June 30, 2004	Total equity 30.06.2004	Profit for the year ended December 31, 2004	Total equity 31.12.2004
Balances in accordance with Greek GAAP	4,598.6	283.7	4,445.3	419.3	4,289.7
IFRS Adjustments					
Recognition of dividends declared in the period they are approved by the general Assembly	171.6	-	-	-	-
Presentation of treasury stock as a reduction of equity	(276.6)	-	(15.1)	-	(15.1)
Transfer of subsidies out of equity (reduction of fixed assets)	(118.3)	-	(106.3)	-	(100.6)
Adjustment of depreciation of fixed assets and subsidies based on useful lives and reversal of statutory revaluations	170.9	41.6	212.5	81.6	105.8
Capitalization of interest related to construction period and respective depreciation	198.1	2.1	200.2	(3.3)	194.8
Reserves for employee benefit plans based on IAS 19	(109.4)	(2.1)	(111.5)	53.2	(56.2)
Presentation of revenues in accordance with IFRS	(17.0)	(3.0)	(20.0)	-	(17.0)
Investments at cost less impairments	(46.1)	-	(8.5)	-	(8.5)
Effect of hyperinflation and effect of changes in foreign exchange rates resulting from consolidation of subsidiaries operating outside Greece	87.2	-	246.8	-	285.5
Inclusion of income tax in the income statement and recognition of deferred taxes	39.8	(165.0)	(125.2)	(235.1)	233.1
Reversal of capitalized expenses and reversal of respective amortization	(14.0)	5.0	(9.0)	(7.9)	(21.9)
Other adjustments	3.8	5.9	1.1	7.6	6.6
Total IFRS adjustments	90.0	(115.5)	265.0	(103.9)	606.5
Balances in accordance with IFRS	4,688.6	168.2	4,710.3	315.4	4,896.2

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5. TELECOMMUNICATION PROPERTY, PLANT AND EQUIPMENT:

Telecommunication property, plant and equipment is analyzed as follows:

STAND-ALONE

	Land	Buildings	Telecommunication equipment	Transportation equipment	Furniture and fixtures	Construction in progress	Investment supplies	Total
31/12/2004								
Cost	-	28.4	6,506.5	45.6	170.2	512.3	161.3	7,424.3
Accumulated depreciation	-	(2.7)	(3,830.0)	(34.9)	(152.0)	-	-	(4,019.6)
Net Book Value 31/12/2004	-	25.7	2,676.5	10.7	18.2	512.3	161.3	3,404.7
1/1/2005								
Net Book Value 01/01/2005	-	25.7	2,676.5	10.7	18.2	512.3	161.3	3,404.7
Additions	-	-	159.3	-	0.3	120.3	17.8	297.7
Disposals- Sales- Transfers	-	-	(12.7)	-	-	(169.3)	(36.0)	(218.0)
Depreciation	-	(0.7)	(259.8)	(1.0)	(8.2)	-	-	(269.7)
Net Book Value 30/06/2005	-	25.0	2,563.3	9.7	10.3	463.3	143.1	3,214.7
30/6/2005								
Cost	-	28.4	6,628.0	41.4	170.3	463.3	143.1	7,474.5
Accumulated depreciation	-	(3.4)	(4,064.7)	(31.7)	(160.0)	-	-	(4,259.8)
Net Book Value 30/06/2005	-	25.0	2,563.3	9.7	10.3	463.3	143.1	3,214.7

CONSOLIDATED

	Land	Buildings	Telecommunication equipment	Transportation equipment	Furniture and fixtures	Construction in progress	Investment supplies	Total
31/12/2004								
Cost	25.7	804.8	10,179.4	55.4	409.3	773.8	189.2	12,437.6
Accumulated depreciation	-	(205.9)	(4,936.5)	(42.2)	(280.9)	-	-	(5,465.5)
Net Book Value 31/12/2004	25.7	598.9	5,242.9	13.2	128.4	773.8	189.2	6,972.1
1/1/2005								
Net Book Value 01/01/2005	25.7	598.9	5,242.9	13.2	128.4	773.8	189.2	6,972.1
Additions	0.1	5.0	265.3	4.4	11.8	143.0	21.1	450.7
Disposals- Sales- Transfers	-	(2.3)	(25.8)	-	(0.2)	(174.4)	(38.5)	(241.2)
Foreign exchange differences	0.6	33.4	155.2	-	7.9	7.8	2.7	207.6
Depreciation	-	(15.9)	(456.7)	(5.1)	(29.7)	-	-	(507.4)
Net Book Value 30/06/2005	26.4	619.1	5,180.9	12.5	118.2	750.2	174.5	6,881.8
30/6/2005								
Cost	26.4	857.1	10,782.8	55.4	447.9	750.2	174.5	13,094.3
Accumulated depreciation	-	(238.0)	(5,601.9)	(42.9)	(329.7)	-	-	(6,212.5)
Net Book Value 30/06/2005	26.4	619.1	5,180.9	12.5	118.2	750.2	174.5	6,881.8

There are no restrictions on title on telecommunication property, plant and equipment.

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6. GOODWILL:

Goodwill included in the consolidated financial statements is analyzed as follows:

1/1/2004	<u>Amount</u>
Cost	74.8
Accumulated amortization	<u>(17.3)</u>
Net Book Value	<u>57.5</u>
Net Book Value 1/1/2004	57.5
Additions	9.1
Foreign exchange differences	4.2
Amortization for the year	<u>-</u>
Net Book Value 31/12/2004	<u>70.8</u>
31/12/2004	
Cost	88.1
Accumulated amortization	<u>(17.3)</u>
Net Book Value	<u>70.8</u>
Net Book Value 01/01/2005	70.8
Additions	-
Foreign exchange differences	1.1
Amortization for the period	<u>-</u>
Net Book Value 30/06/2005	<u>71.9</u>
30/6/2005	
Cost	89.2
Accumulated amortization	<u>(17.3)</u>
Net Book Value	<u>71.9</u>

Within 2004, the Group increased its goodwill by Euro 9.1 due to the acquisition of an additional 10.0% stake in its subsidiary, OTEnet.

Foreign exchange differences arise from the translation of the acquired goodwill on AMC in the presentation currency (Euro) at the date of each balance sheet.

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7. TELECOMMUNICATION LICENSES:

Telecommunication Licenses are analyzed as follows:

	STAND- ALONE	CONSOLIDATED
1/1/2004		
Cost	6.2	443.1
Accumulated amortization	(1.2)	(40.7)
Net Book Value	5.0	402.4
Net Book Value 1/1/2004	5.0	402.4
Additions/(Disposals), Foreign exchange differences	-	6.6
Amortization for the year	(0.4)	(26.3)
Net Book Value 31/12/2004	4.6	382.7
31/12/2004		
Cost	6.2	449.7
Accumulated amortization	(1.6)	(67.0)
Net Book Value	4.6	382.7
Net Book Value 1/1/2005	4.6	382.7
Additions/(Disposals), Foreign exchange differences	-	25.1
Amortization for the period	(0.2)	(17.3)
Net Book Value 30/06/2005	4.4	390.5
30/6/2005		
Cost	6.2	474.8
Accumulated amortization	(1.8)	(84.3)
Net Book Value	4.4	390.5

8. INVESTMENTS:

Investments are analyzed as follows:

	30.06.2005		31.12.2004	
	STAND- ALONE	CONSOLIDATED	STAND- ALONE	CONSOLIDATED
(a) Investments in subsidiaries	1,914.3	-	1,615.0	-
(b) Other investments	157.8	158.6	186.2	188.0
(c) Available for sale securities	-	-	33.3	33.3
	2,072.1	158.6	1,834.5	221.3

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)
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8. INVESTMENTS (continued):

(a) Investments in subsidiaries

	<u>30.06.05</u>	<u>31.12.04</u>
• Cosmote	365.6	91.4
• OTE INTERNATIONAL INVESTMENTS LTD	497.9	497.9
• ArmenTel	55.1	58.9
• OTE MTS Holding B.V.	153.2	140.1
• OTE AUSTRIA HOLDING GMBH	0.1	0.1
• Globul	250.9	250.9
• HellasSat	184.2	179.9
• COSMO-ONE	3.2	3.2
• OTEnet	18.8	18.8
• Hellascom	20.4	8.9
• OTE SAT- Maritel	11.2	11.2
• OTE Plus	2.6	2.6
• OTE Estate	336.3	336.3
• InfOTE	12.4	12.4
• OTEGlobe	0.9	0.9
• OTE Insurance	0.6	0.6
• OTE Academy	0.9	0.9
	<u>1,914.3</u>	<u>1,615.0</u>

Included in investments in subsidiaries are the amounts of loans granted by OTE to its subsidiaries and are outstanding at the balance sheet date.

The movement of investments in subsidiaries in the periods presented is as follows:

	<u>STAND-ALONE</u>
Balance at January 1, 2004	1,630.4
Participation in share capital increase	31.3
Acquisition of additional share in subsidiary	12.8
Loans granted/ (Repayment of loans granted)	(59.5)
Balance at December 31, 2004	<u>1,615.0</u>
Acquisition of additional share in subsidiary	285.7
Loans granted/ (Repayment of loans granted)	13.6
Balance at June 30, 2005	<u>1,914.3</u>

Within the first half of 2005, OTE acquired 19,400,955 shares of Cosmote for a total consideration of Euro 274.2 increasing its participating interest in Cosmote's share capital from 58.77% to 64.37%.

In June 2005, OTE acquired the remaining 48.6% minority interests in Hellascom for a cash consideration of Euro 11.5, which became a wholly-owned subsidiary.

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)
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8. INVESTMENTS (continued):

On May 27, 2005, Cosmote, Romtelecom and Cosmorom agreed the sale to Cosmote by Romtelecom of 70% of Cosmorom's share capital. The transaction was approved by the general meeting of Cosmote's shareholders on June 27, 2005. Subject to the completion of that transaction, the dispute related to the liabilities of Cosmorom was settled and the parties agreed to end the arbitration proceedings before the ICC.

On April 20, 2005, the Board of Directors of OTE and Cosmote decided on the acquisition, by Cosmote, of OTE's two wholly owned subsidiaries, Globul and Cosmofon. The transaction was approved by the general meetings of OTE's and Cosmote's shareholders on June 16, 2005.

(b) Other investments

OTE's other investments are analyzed as follows:

	30.06.05	31.12.04
Telekom Srbija	155.1	170.6
Satellite organizations	-	12.9
Other	2.7	2.7
	157.8	186.2

The movement of other investments in the periods presented is as follows:

	STAND-ALONE	CONSOLIDATED
Balance at January 1, 2004	200.6	202.4
Dividends	(2.2)	(2.2)
Impairment of investment	(2.1)	(2.1)
Loans granted/ (Repayment of loans granted)	(10.1)	(10.1)
Balance at December 31, 2004	186.2	188.0
Sale of investment	(12.9)	(12.9)
Loans granted/ (Repayment of loans granted)	(15.5)	(15.5)
Other movements	-	(1.0)
Balance at June 30, 2005	157.8	158.6

Telekom Srbija: During June 1997, OTE acquired a 20% interest in Telekom Srbija, a company which was established on May 23, 1997, through the contribution of the telecommunications sector of the Public Enterprise of PTT Traffic, Serbia effective June 1, 1997. The acquisition cost amounted to Euro 312.0 and was accounted for under the purchase method of accounting. The resulting excess of the acquisition cost over the net identifiable tangible and intangible assets, or goodwill of Telekom Srbija, which amounted to Euro 80.1 and was amortized on a straight-line basis over twenty (20) years. In 2002, OTE recorded an impairment charge of Euro 114.9, through which the remaining amount of goodwill was written off.

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8. INVESTMENTS (continued):

In February 2003, Telecom Italia, the other minority shareholder, which held 29% of Telekom Srbija, sold its participating interest to the Serbian Government, which acquired 80% stake in the company. OTE, in May 2003, served arbitration notices on Telekom Srbija, Telecom Italia and its affiliates and the Serbian PTT, in order to protect its interest in Telekom Srbija and requesting, among others, the collection of outstanding management fees of approximately Euro 29 due from Telecom Italia and of the loan of Euro 12.5 granted to Telekom Srbija plus interest and penalties. Furthermore, after considering the Serbian Government's 80% stake in the company, the fact that the Board of Directors of the company is not actually convening and that significant decisions are being taken without the consent of OTE's representative, OTE has concluded that it does not exercise significant influence and, consequently, effective July 1, 2003, it accounts for its investment in Telekom Srbija at cost.

In September 2004, a memorandum of understanding was signed between OTE, Telekom Srbija, the Serbian PTT and Telecom Italia. It was agreed that the arbitration initiated by OTE will be halted, provided that:

- OTE would not be prevented from participating in a potential sell of shares in a company to whom the mobile business of Telekom Srbija may have been transferred,
- Telekom Srbija should pay to OTE the loan, the respective stamp duty and part of the accrued interest,
- all parties should waive their claims from each other,
- a new shareholders' agreement should be executed between OTE, Telekom Srbija and the Serbian PTT,

As a result of the above, OTE wrote-off management fees of approximately Euro 22 as well as accrued interest of approximately Euro 3, which amounts were charged to its 2004 income statement. The loan receivable, the respective stamp duty and part of the accrued interest were fully repaid by the end of May 2005. The new shareholders' agreement was signed in December 2004. Consequently, the arbitration proceedings were terminated.

During December 2004, Telekom Srbija's Shareholders' Meeting decided to distribute dividends out of the 2003 profits and an interim dividend out of the expected 2004 profits. Furthermore, on June 29 2005, Telekom Srbija's Shareholders' Meeting decided the final distribution of dividends out of the 2004 profits, which will be paid through December 2005.

Satellite Organizations: OTE participated in satellite organizations Intelsat και Eutelsat. These were not traded investments, and since OTE did not exercise significant influence, they were carried at cost. Within the first half of 2005, OTE sold its participation in these satellite organizations for an aggregate consideration of Euro 26.6, resulting in a gain of sale of investments of Euro 13.7.

(c) Available for sale securities

Available for sale securities represent investments in equity securities, which are traded on the Athens Stock Exchange and are carried at their fair value. As management has decided to sell these securities, they are included in "Other current assets" in the accompanying June 30, 2005 balance sheet.

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8. INVESTMENTS (continued):

Dividends from investments are analyzed as follows:

STAND-ALONE

	2005		2004	
	2 nd Quarter	1 st Half	2 nd Quarter	1 st Half
Cosmote	122.2	297.9	97.3	97.3
Telekom Srbija	14.5	14.5	-	-
InfOTE	9.3	9.3	8.7	8.7
OTEGlobe	-	2.5	-	-
OTE Estate	1.1	1.1	6.1	6.1
Eutelsat	-	4.9	-	-
Hellascom	-	-	0.3	0.3
	<u>147.1</u>	<u>330.2</u>	<u>112.4</u>	<u>112.4</u>

CONSOLIDATED

	2005		2004	
	2 nd Quarter	1 st Half	2 nd Quarter	1 st Half
Telekom Srbija	14.5	14.5	-	-
Eutelsat	-	4.9	-	-
Other	0.2	0.3	-	-
	<u>14.7</u>	<u>19.7</u>	<u>-</u>	<u>-</u>

9. OTHER NON-CURRENT ASSETS:

Other non-current assets are analyzed as follows:

	30/06/2005		31/12/2004	
	STAND-ALONE	CONSOLIDATED	STAND-ALONE	CONSOLIDATED
Loans and advances to employees	106.6	106.8	97.8	98.0
Discounting (3.8% interest rate)	(8.1)	(8.1)	(8.1)	(8.1)
Acquisition of additional share in Cosmote	-	234.0	-	-
Other intangible assets	-	55.3	-	50.5
Other	0.1	8.7	0.1	9.9
	<u>98.6</u>	<u>396.7</u>	<u>89.8</u>	<u>150.3</u>

Employees with service exceeding 25 years are entitled to draw loans against the accrued indemnity payable to them upon retirement. (See Note 17). The effective interest rate of these loans is 1.2%.

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9. OTHER NON-CURRENT ASSETS (continue):

As described in Note 8 above, within the first half of 2005, OTE acquired 19,400,955 shares of Cosmote for a total consideration of Euro 274.2 increasing its participating interest in Cosmote's share capital from 58.77% to 64.37%. As this acquisition was completed in stages, until the balance sheet date (June 30, 2005) the determination of the fair values of the assets acquired and the liabilities assumed, and consequently, the allocation of the consideration to these assets and liabilities had not been finalized. Thus, the excess of the consideration given over the minority interests acquired is included in "Other non-current assets" in the accompanying balance sheet as of June 30, 2005. The process described above will be completed until December 31, 2005.

10. ACCOUNTS RECEIVABLE:

Accounts receivable are analyzed as follows:

	30/06/2005		31/12/2004	
	STAND-ALONE	CONSOLIDATED	STAND-ALONE	CONSOLIDATED
Subscribers	561.0	770.9	468.4	706.5
International traffic	109.4	158.5	87.8	123.5
Due from subsidiaries	59.6	-	153.6	-
Other accounts receivable	90.7	127.5	128.9	129.0
Accrued unbilled revenues	45.8	102.8	69.6	112.7
	<u>866.5</u>	<u>1,159.7</u>	<u>908.3</u>	<u>1,071.7</u>

11. OTHER CURRENT ASSETS:

Other current assets are analyzed as follows:

	30/06/2005		31/12/2004	
	STAND-ALONE	CONSOLIDATED	STAND-ALONE	CONSOLIDATED
Dividends receivable	132.4	-	-	-
Available for sale securities (See Note 8 c)	31.4	31.4	-	-
Advances to pension funds (See Note 17 b)	35.7	35.7	35.7	35.7
Due from State for income tax advance (See Note 20)	91.5	91.5	91.5	91.5
Leasing	25.7	25.7	25.4	25.4
Loan and advances to employees	0.2	0.5	14.5	14.8
Due from subsidiaries	36.3	-	7.0	-
Prepayments	-	14.6	-	9.0
Unaccrued expenses	2.7	16.3	2.9	24.1
Other	2.2	68.1	11.5	57.4
	<u>358.1</u>	<u>283.8</u>	<u>188.5</u>	<u>257.9</u>

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12. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are analyzed as follows:

	30/06/2005		31/12/2004	
	STAND-ALONE	CONSOLIDATED	STAND-ALONE	CONSOLIDATED
Cash in hand	2.7	3.9	1.2	1.7
Short term bank deposits	525.1	981.9	368.8	868.6
	<u>527.8</u>	<u>985.8</u>	<u>370.0</u>	<u>870.3</u>

13. SHARE CAPITAL:

OTE's share capital amounts to Euro 1,174.1 divided into 491,259,299 registered shares with a nominal value Euro 2.39 (two point thirty nine Euro) each.

The Greek State is the major shareholder of OTE and its direct participation as of June 30, 2005 was approximately 34.6%.

OTE's General Assembly had granted authorization to OTE to buy back up to 10% of its own shares on the Stock Exchange. As of December 31, 2003, OTE had repurchased 13,903,810 million shares (about 2.76% of its outstanding share capital) at cost of approximately Euro 276.6. The extraordinary General Assembly of June 17, 2004, resolved to cancel 12,794,900 shares, as the period that these shares could be hold by OTE had expired. Following such resolution, as of December 31, 2004, and June 30, 2005, OTE owned 1,108,910 shares representing 0.23% of its outstanding share capital, at cost of approximately Euro 15.1.

14. LEGAL RESERVE:

Under Greek corporate law, corporations are required to transfer a minimum of five percent of their annual net profit shown in their statutory books to a legal reserve, until such reserve equals one-third of the outstanding share capital. At December 31, 2004, and June 30, 2005, this reserve amounted to Euro 256.7. This legal reserve cannot be distributed to shareholders.

15. DIVIDENDS:

Under Greek corporate law, each year companies are generally required to declare from their statutory profits, dividends of at least 35% of after-tax profits, after allowing for legal reserve, or a minimum of 6% of the paid-in share capital, whichever is the greater. However, companies can waive such dividend payment requirement with the unanimous consent of their shareholders.

Furthermore, Greek corporate law requires the following conditions to be met before dividends can be distributed:

- (a) No dividends can be distributed to the shareholders as long as a company's net equity, as reflected in the statutory financial statements, is, or after such distribution, will be less than the outstanding capital plus non-distributable reserves.

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15. DIVIDENDS (continued):

- (b) No dividends can be distributed to the shareholders as long as the unamortized balance of "Pre-operating Expenses", as reflected in the statutory financial statements, exceeds the aggregate of distributable reserves plus retained earnings.

Dividends declared in 2004 amounted Euro 171.6, representing a dividend per share of Euro 0.35 (zero point thirty-five Euro). The General Assembly of June 16, 2005 decided that no dividends will be declared in 2005.

16. LONG-TERM DEBT:

Long-term debt is analyzed as follows:

	<u>30.06.05</u>	<u>31.12.04</u>
<u>STAND-ALONE</u>		
(a) Loan from European Investment Bank	81.1	81.1
(b) Intercompany loan from OTE PLC	2,378.6	2,378.8
Total long-term debt	<u>2,459.7</u>	<u>2,459.9</u>
Current maturities	<u>(14.9)</u>	<u>(13.7)</u>
Long-term portion	<u>2,444.8</u>	<u>2,446.2</u>
<u>CONSOLIDATED</u>		
(a) Loan from European Investment Bank	81.1	81.1
(b) Loans from suppliers and their affiliates	35.9	34.2
(c) Consortium loans	288.9	259.5
(d) Eurobond	1,098.1	1,097.5
(e) Global Medium Term Note Program	1,492.2	1,491.7
(f) Other bank loans	216.6	177.2
(g) Revolving credit facilities	-	-
Total long-term debt	<u>3,212.8</u>	<u>3,141.2</u>
Current maturities	<u>(358.6)</u>	<u>(320.6)</u>
Long-term portion	<u>2,854.2</u>	<u>2,820.6</u>

(a) Loan from European Investment Bank

The long-term loan to OTE by the European Investment Bank ("EIB") was granted in 1995 and is denominated in Euro. The loan bears interest at 8.3% and after an amendment to the agreement on June 30, 2002, is repayable in annual instalments through 2009.

(b) Loans from suppliers and their affiliates

Armentel has obtained vendor-financing facilities from Intracom, Siemens Tele-Industry and Greek Cable Industry, in relation with the supply of equipment and services to Armentel. These facilities bear interest based on London Interbank Offering Rate ("LIBOR") plus margins.

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16. LONG-TERM DEBT (continued):

(c) Consortium loans

- (i) Cosmote:** On November 12, 2002, Cosmote entered into an agreement with a consortium of banks, which provided it with a consortium loan of US \$ 420 million bearing interest at the LIBOR plus an applicable margin ranging from 0.50% - 0.70%. The loan is repayable in full by the latest on November 12, 2005. Draw-downs under the loan through June 30, 2005, amounted to US \$ 350 million. On December 16, 2002, Cosmote entered into cross-currency swaps qualified for hedge accounting, in order to hedge the loan's currency risk. Hence, both the loan and the hedging instrument are carried at their fair values.
- (ii) OTEnet:** In February 2003, OTEnet entered into a new credit facility agreement with a consortium of banks, which provided it with a term credit facility of up to Euro 12 and a revolving credit facility of up to Euro 6. Draw-downs under the term credit facility through December 31, 2004, amounted to Euro 3.5 and were fully repaid within the first half of 2005.

(d) Eurobond

On February 7, 2000 OTE PLC issued a bond of Euro 1,100 fully and unconditionally guaranteed by OTE, bearing interest at 6.125%, maturing on February 7, 2007.

(e) Global Medium Term Note Program

On November 7, 2001, OTE PLC established a Global Medium Term Note Program for the issuance of up to Euro 1,500 (the amount was raised to Euro 2,500 within November 2004) fully and unconditionally guaranteed by OTE. Through June 30, 2005, OTE PLC had issued notes amounting to € 1,500, in two tranches as follows:

- (i)** Euro 1,250 notes, issued in August 2003 maturing in 2013.
- (ii)** Euro 250 notes, issued in November 2003 maturing in 2006.

(f) Other bank loans

Romtelecom has obtained long-term loans in various currencies, amounting to Euro 161.0 as of June 30, 2005 and Euro 175.5 as of December 31, 2004, the majority of which bear interest at floating rates, while the remaining bear interest at fixed rates ranging from 2.5% - 10.4%.

On May 10, 2005 Globul entered into a credit facility agreement with Austria Bank which provided it with a three year credit facility of Euro 75.0, bearing interest at LIBOR+1.25%. Draw-downs under the facility through June 30, 2005, amounted to Euro 54.4, which were partially used for the repayment of the company's short term borrowings.

(g) Revolving credit facilities

On March 2, 2004, OTE PLC entered into a credit facility agreement with a consortium of banks, which provided it with a revolving credit facility of Euro 350, guaranteed by OTE. Draw-downs under the facility are repayable within one year from the date of the agreement. On February 15, 2005 OTE-PLC received unanimous Bank Consent for the extension of the existing facility of Euro 350 for another 364 days. The new maturity date of the extended facility has been set to February 28, 2006. No draw-downs have been made as of June 30, 2005.

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17. RESERVES FOR PENSIONS, STAFF RETIREMENT INDEMNITIES AND OTHER BENEFITS:

OTE employees are covered by various pension, medical and other benefit plans as summarized below:

Defined Contribution Plans:

(a) Main Pension Fund (TAP-OTE):

The TAP-OTE fund, a multi-employer fund to which OTE contributes, is the main fund providing pension and medical benefits to OTE employees. The employees of the National Railway Company and the Greek Post Office are also members of this fund.

According to Law 2257/94, OTE was liable to cover the annual operating deficit of the TAP-OTE up to a maximum amount of Euro 32.3, which could be adjusted with the Consumer Price Index. Pursuant to Greek legislation (Law 2768/99), a fund was incorporated on December 8, 1999, as a société anonyme under the name of EDEKT-OTE S.A. ("EDEKT"), for the purpose of administering contributions to be made by OTE, the Greek State and the Auxiliary Pension Fund, in order to finance the TAP-OTE deficit. The Greek State's and the Auxiliary Pension Fund's contributions to the fund were set to Euro 264.1 and Euro 410.9, respectively. Pursuant to Law 2937/01, OTE's contribution has been set at Euro 352.2, representing the equivalent to the net present value of ten (10) years' (2002-2011) contributions to TAP-OTE. This amount was paid on August 3, 2001 and is being amortized over the ten-year period. Pursuant to Law 2843/00, any deficits incurred by TAP-OTE are covered by the Greek State.

Pursuant to Law 3029/02, TAP-OTE's Pension Fund part only, is to merge with IKA-ETEAM (the main social security Fund in Greece) the latest by January 1, 2008. In accordance with the provisions of this law, the duration of employers' obligations to cover the annual operating deficits of their employees' Pension Funds, as defined by Law 2084/92 will be determined through a Ministerial Decision.

(b) Auxiliary Pension Fund:

- (t) The Auxiliary Lump Sum benefit fund provides members with a lump sum benefit upon retirement or death.
- (u) The Auxiliary Pension Benefit fund provides members, who were members prior to 1993, with a pension of 20% of salary after 30 years service. Law 2084/92 has fixed minimum contributions and maximum benefits, after 35 years of service, for new entrants from 1993.

Based on actuarial studies performed in prior years and on current estimations, these pension funds incur (or will incur in the future) increased deficits. OTE does not have a legal obligation to cover any future deficiencies of these funds and, according to management, neither does it voluntarily intend to cover such possible deficiencies. However, there can be no assurance that OTE will not be required (through regulatory arrangements) to make additional contributions in the future to cover operating deficits of these funds.

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17. RESERVES FOR PENSIONS, STAFF RETIREMENT INDEMNITIES AND OTHER BENEFITS (continued):

Advances to pension funds are analyzed as follows:

	<u>30/06/2005</u>	<u>31/12/2004</u>
Non-interest bearing payments and advances:		
EDEKT	193.7	211.3
Auxiliary Fund	5.8	5.8
	<u>199.5</u>	<u>217.1</u>
Unamortized discount based on imputed interest rate 3.8% for 2004 and 2005	(1.3)	(1.3)
Long-term portion	<u>198.2</u>	<u>215.8</u>
Non-interest bearing payments and advances:		
EDEKT	35.2	35.2
Auxiliary Fund	0.5	0.5
Short-term portion (See Note 11)	<u>35.7</u>	<u>35.7</u>

Advances to pension funds are reflected in the financial statements at their present values, discounted by the use of risk-free interest rates prevailing in the Greek market, for periods approximating the periods of the expected cash flows. Discount derived from the initial recognition of present values and amortization are included in interest expense and interest income, respectively, in the income statements.

Defined Benefit Plans:

(a) 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). Employees who resign (except those with over fifteen years of service) or are dismissed with cause are not entitled to termination payments. The indemnity payable in case of retirement is equal to 40% of the amount which would be payable upon dismissal. In the case of OTE employees, the maximum amount is limited to a fixed amount (which for 2004 amounted to Euro 0.02 and is adjusted annually according to the inflation rate), plus 7 months salary. In practice, up to December 31, 2003, OTE employees received the lesser amount between 100% of the maximum liability and Euro 0.02 plus 7 months' salary. On May 19, 2004, OTE signed a new collective labour agreement with its employees, which, among other things, increased the maximum amount of retirement indemnities payable to its employees by an additional two months' salary, effective January 2, 2005. Employees with service exceeding 25 years are entitled to draw loans against the accrued indemnity payable to them upon retirement.

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

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17. RESERVES FOR PENSIONS, STAFF RETIREMENT INDEMNITIES AND OTHER BENEFITS (continued):

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

	<u>1st Half 2004</u>	<u>Year 2004</u>	<u>1st Half 2005</u>
Service cost-benefits earned during the year / period	7.3	14.7	9.5
Interest cost on projected benefit obligation	9.5	19.0	9.2
Amortization of past service cost	4.6	9.1	7.6
Amortization of unrecognized actuarial loss/ (gain)	-	-	1.3
	<u>21.4</u>	<u>42.8</u>	<u>27.6</u>

The following is a reconciliation of the projected benefit obligation to the liability recorded for staff retirement indemnities in OTE's financial statements:

	<u>31/12/2004</u>	<u>30/06/2005</u>
Projected benefit obligation at beginning of year	268.1	278.5
Service cost	14.7	9.5
Interest cost	19.0	9.2
Amortization of past service cost	9.1	7.6
Amortization of unrecognized actuarial loss/(gain)	-	1.3
Benefits paid	<u>(32.4)</u>	<u>(21.7)</u>
Projected benefit obligation at end of year/period	<u>278.5</u>	<u>284.4</u>

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

	<u>31/12/2004</u>	<u>30/06/2005</u>
Discount rate	3.8%	3.8%
Assumed rate of increase in future compensation levels	4.5%	4.5%

(b) Reserve for Youth Account

The Youth Account provides OTE's employees' children a lump sum payment generally when they reach the age of 21. The lump sum payment is made up of employees' contributions, interest thereon and OTE's contributions which can reach up to a maximum 10 months' salary of the total average salary of OTE employees depending on the number of years of contributions.

The provisions and liability for the Youth Account benefits have been accounted for in the accompanying condensed stand-alone and consolidated financial statements in accordance with IAS 19 and are based on an independent actuarial study.

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17. RESERVES FOR PENSIONS, STAFF RETIREMENT INDEMNITIES AND OTHER BENEFITS (continued):

The components of the Youth Account expense recognized in the periods presented are as follows:

	<u>1st Half 2004</u>	<u>Year 2004</u>	<u>1st Half 2005</u>
Service cost-benefits earned during the year / period	10.0	20.1	10.5
Interest cost on projected benefit obligation	6.7	13.3	5.1
Amortization of unrecognized actuarial loss/ (gain)	2.4	4.8	3.2
	<u>19.1</u>	<u>38.2</u>	<u>18.8</u>

The following is a reconciliation of the projected benefit obligation to the liability recorded for the Youth Account benefits:

	<u>31/12/2004</u>	<u>30/06/2005</u>
Projected benefit obligation at beginning of year	237.1	229.5
Service cost-benefits earned during the year / period	20.1	10.5
Interest cost on projected benefit obligation	13.3	5.1
Amortization of unrecognized actuarial loss/ (gain)	4.8	3.2
Benefits paid	(45.8)	(23.7)
Projected benefit obligation at end of year/period	229.5	224.6
Employee's accumulated contributions	72.4	71.7
	<u>301.9</u>	<u>296.3</u>

The assumptions underlying the actuarial valuation, in percentages, of the Youth Account benefits are as follows:

	<u>31/12/2004</u>	<u>30/06/2005</u>
Discount rate	3.8%	3.8%
Assumed rate of increase in future compensation levels	3.5%	3.5%

On May 25, 2005 OTE signed a collective labor agreement with its employees, which determines the employment status of all new employees recruited by OTE, who will be employed on the basis of employment contracts subject to private labor laws. Effectiveness of this agreement is conditioned upon the enactment by the Greek Parliament of the relevant law for the voluntary retirement scheme (See Note 29).

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18. OTHER NON-CURRENT LIABILITIES:

Other non-current liabilities are analyzed as follows:

	30/06/2005		31/12/2004	
	STAND-ALONE	CONSOLIDATED	STAND-ALONE	CONSOLIDATED
Reserve for pension contributions under voluntary retirement program	12.5	12.5	7.5	7.5
Amount due for Cosmote's 3G license	-	30.8	-	30.0
Asset retirement obligation	-	3.3	-	4.1
Amounts due based on performance of satellite transmitters	-	5.8	-	6.1
Long-term liabilities to suppliers	-	-	-	15.6
Other	-	13.2	1.9	33.0
	12.5	65.6	9.4	96.3

19. 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 year ended December 31, 2004 and for the six month period ended June 30, 2005, was approximately 4.3% and 4.0%, respectively.

20. INCOME TAXES:

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

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. Net operating losses which are tax deductible, can be carried forward against taxable profits for a period of five years from the year they are generated.

Under Greek tax regulations, an income tax advance of 55% 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. As of December 31, 2004 and June 30, 2005, an amount of Euro 91.5, representing income tax advances paid by OTE in 2004 in excess of its current income tax liability based on its statutory taxable profits is included under "Other current assets" in the accompanying balance sheets. OTE expects the tax examination and the refund of the above mentioned amount within 2005.

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20. INCOME TAXES (continued):

The parent company and its subsidiaries have not been audited by the tax authorities as described below:

<u>Company</u>	<u>UNAUDITED TAX YEARS</u>
• OTE	From 2002
• COSMOTE	From 2004
• OTE INTERNATIONAL	From 1998
• ROMTELECOM	From 2001
• AMC	From 2002
• ARMENTEL	--
• COSMOFON	Full income tax exemption for a period of three years commencing from the first year taxable profits are reported
• GLOBUL	From 2003
• HELLAS SAT	From 2002
• COSMOONE	From 2002
• OTENET	From 1999
• HELLASCOM	From 1999
• OTE PLC	From 2002
• OTE SAT-Maritel	From 2000
• OTE PLUS	From 2003
• OTE ESTATE	From 2001
• INFOTE	From 2001
• OTE GLOBE	From 2002
• OTE INSURANCE	From 1999
• CHA	From 2000
• OTE ACADEMY	From 2000

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

	30/06/2005		30/06/2004	
	STAND-ALONE	CONSOLIDATED	STAND-ALONE	CONSOLIDATED
Current taxes	(32.0)	(136.2)	(20.3)	(109.9)
Deferred taxes	5.6	(0.1)	(8.1)	(55.1)
	<u>(26.4)</u>	<u>(136.3)</u>	<u>(28.4)</u>	<u>(165.0)</u>

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20. INCOME TAXES (continued):

The reconciliation of income taxes included in the income statements to the amount determined by the application of the Greek statutory tax rate (2004: 35% 2005: 32%), to the profit before tax is summarized as follows:

	30/06/2005		30/06/2004	
	STAND-ALONE	CONSOLIDATED	STAND-ALONE	CONSOLIDATED
Profit before tax	348.5	450.1	144.2	333.2
Statutory tax rate	32%	32%	35%	35%
	111.5	144.0	50.5	116.6
Non-taxable income	(95.4)	-	(39.3)	-
Tax on subsidiaries taxed at different rates	-	(19.9)	-	30.5
Additional tax assessments		1.4		-
Expenses non-deductible for tax purposes	10.7	10.7	15.8	15.8
Other	(0.4)	0.1	1.4	2.1
Income taxes	26.4	136.3	28.4	165.0

Deferred taxes are analyzed as follows:

	30/06/2005		31/12/2004	
	STAND-ALONE	CONSOLIDATED	STAND-ALONE	CONSOLIDATED
Employee benefits	141.6	141.6	139.8	139.8
Revaluations of fixed assets deductible for tax purposes	-	118.8	-	118.8
Reserve for litigation and claims – accrued and other liabilities	56.1	56.1	50.9	50.9
Net operating losses carry forwards	-	18.9	-	18.9
Property, plant and equipment	(164.5)	(244.2)	(161.9)	(234.5)
Investments and related reserves	(22.6)	(39.8)	(22.6)	(39.8)
Other	13.2	6.4	11.5	12.2
Deferred taxes	23.8	57.8	17.7	66.3

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21. OTHER CURRENT LIABILITIES:

Other current liabilities are analyzed as follows:

	30/06/2005		31/12/2004	
	STAND-ALONE	CONSOLIDATED	STAND-ALONE	CONSOLIDATED
Accrued social security contributions	26.2	37.1	53.2	68.9
Accrued payroll	44.1	55.0	17.1	24.2
Other taxes payable	33.7	77.1	2.5	49.9
Accrued interest payable	85.9	87.1	87.9	89.6
Reserve for pension contributions	8.3	8.3	8.3	8.3
Reserve for litigation and claims	57.8	57.8	47.9	47.9
Customer advances	30.3	40.6	46.8	56.2
Derivative liability	-	57.6	-	90.7
Short-term portion of amount due for Cosmote's 3G license	-	16.1	-	16.1
Subsidiaries' dividends payable to minority interests	-	68.3	-	-
Due to subsidiaries	56.7	-	14.5	-
Other	35.1	125.1	18.3	74.4
	<u>378.1</u>	<u>630.1</u>	<u>296.5</u>	<u>526.2</u>

As described in Note 16 (c) (i), on December 16, 2002, Cosmote entered into cross-currency swaps qualified for hedge accounting, in order to hedge the loan's currency risk. The hedging instrument's fair value at December 31, 2004 and at June 30, 2005 was Euro 90.7 and Euro 57.6, respectively and is included in other current liabilities in the accompanying balance sheets.

Subsidiaries' dividends payable to minority interests, relate to Cosmote's 2004 dividends to minority shareholders.

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22. REVENUES:

Revenues in the accompanying income statements consist of income from:

STAND-ALONE

	2005		2004	
	2 nd Quarter	1 st Half	2 nd Quarter	1 st Half
(i) Domestic Telephony				
• Monthly network service fees	165.4	332.7	157.4	315.9
• Local and long-distance calls				
- Fixed to fixed	132.3	267.6	142.7	293.0
- Fixed to mobile	92.2	173.1	99.9	195.1
	224.5	440.7	242.6	488.1
• Other	15.4	32.9	15.3	32.4
	405.3	806.3	415.3	836.4
(ii) International Telephony				
• International traffic	23.3	49.0	29.6	59.2
• Payments from international operators	27.3	47.8	19.6	38.3
• Payments from mobile operators	8.1	16.9	9.1	15.7
	58.7	113.7	58.3	113.2
(iii) Other revenues				
Traditional Services:				
• Prepaid cards	23.5	44.6	29.2	52.4
• Radio communications	0.5	1.2	0.9	1.8
• Audiotex	5.8	12.3	21.6	50.8
• Telex and telegraphy	0.9	1.6	1.5	3.5
	30.7	59.7	53.2	108.5
New Business:				
• Leased lines and Data communications	53.8	110.4	30.1	50.2
• Integrated Services Digital Network	32.9	64.4	27.8	54.2
• Sales of telecommunication equipment	12.3	25.8	18.9	37.8
• Internet services	5.9	10.8	2.3	3.7
• Asynchronous Transfer Mode	7.7	14.5	4.8	11.6
	112.6	225.9	83.9	157.5
Other				
• Services rendered	41.3	78.8	61.7	102.8
• Interconnection charges	26.5	51.2	26.8	51.9
• Miscellaneous	4.8	7.1	4.6	6.6
	72.6	137.1	93.1	161.3
Total other revenues	215.9	422.7	230.2	427.3
Total revenues	679.9	1,342.7	703.8	1,376.9

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22. REVENUES (continued):

CONSOLIDATED

	2005		2004	
	2 nd Quarter	1 st Half	2 nd Quarter	1 st Half
(i) Domestic Telephony				
• Monthly network service fees	238.9	468.8	214.4	430.3
• Local and long-distance calls				
- Fixed to fixed	195.3	397.7	196.8	400.9
- Fixed to mobile	129.2	244.0	135.4	262.8
	324.5	641.7	332.2	663.7
• Other	18.3	38.5	17.3	38.8
	581.7	1,149.0	563.9	1,132.8
(ii) International Telephony				
• International traffic	38.4	76.6	42.5	84.6
• Payments from international operators	55.7	104.6	46.7	89.6
• Payments from mobile operators	8.9	18.6	10.8	17.2
	103.0	199.8	100.0	191.4
(iii) Mobile telephony services	435.6	824.7	384.6	728.2
(iv) Other revenues				
Traditional Services:				
• Prepaid cards	32.4	62.9	35.2	72.5
• Directories	13.9	27.7	11.7	24.7
• Radio communications	4.8	9.6	5.1	9.8
• Audiotex	6.8	14.5	21.9	52.1
• Telex and telegraphy	1.0	1.9	2.6	3.9
	58.9	116.6	76.5	163.0
New Business:				
• Leased lines and Data communications	52.3	106.5	28.4	45.9
• Integrated Services Digital Network	35.0	68.3	31.4	57.8
• Sales of telecommunication equipment	24.9	49.7	29.5	55.3
• Internet services	19.4	37.7	15.4	28.0
• Asynchronous Transfer Mode	5.8	12.6	4.7	11.5
	137.4	274.8	109.4	198.5
Other				
• Services rendered	15.7	27.8	35.0	49.6
• Interconnection charges	22.8	49.5	28.0	51.4
• Miscellaneous	11.5	23.5	13.9	21.9
	50.0	100.8	76.9	122.9
Total other revenues	246.3	492.2	262.8	484.4
Total revenues	1,366.6	2,665.7	1,311.3	2,536.8

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23. OTHER OPERATING EXPENSES:

Other operating expenses are analyzed as follows:

STAND-ALONE

	2005		2004	
	2 nd Quarter	1 st Half	2 nd Quarter	1 st Half
Services and fees	33.3	62.7	34.4	49.7
Cost of telecommunication material, repairs and maintenance	34.3	54.0	24.5	45.8
Advertising costs	7.7	16.8	8.4	11.3
Cost of equipment sold	21.9	44.1	22.7	41.7
Utilities	21.3	39.8	15.7	33.8
Provision for doubtful accounts	20.0	40.0	24.6	45.1
Other provisions	5.0	10.0	2.2	4.4
Travel costs	2.0	3.3	1.8	2.7
Cost of prepaid airtime cards	3.6	4.4	2.8	4.4
Payments to audiotex providers	4.0	9.1	16.3	35.5
Rent	14.9	29.0	14.8	28.4
Taxes, other than income taxes	3.4	5.4	3.2	5.4
Transportation	1.2	2.2	1.4	2.5
Other	3.1	9.0	10.9	15.9
	<u>175.7</u>	<u>329.8</u>	<u>183.7</u>	<u>326.6</u>

CONSOLIDATED

	2005		2004	
	2 nd Quarter	1 st Half	2 nd Quarter	1 st Half
Services and fees	41.1	75.5	40.7	69.1
Cost of telecommunication material, repairs and maintenance	58.1	101.5	57.5	109.2
Advertising costs	33.9	56.7	30.6	49.4
Cost of equipment sold	33.7	64.5	30.5	56.8
Utilities	30.3	66.5	31.2	55.4
Provision for doubtful accounts	25.8	51.7	28.1	54.1
Other provisions	(5.0)	-	2.4	3.6
Travel costs	4.4	7.0	3.7	5.6
Cost of prepaid airtime cards	10.2	17.3	3.4	10.5
Commissions to independent distributors	39.0	74.9	37.2	62.5
Payments to audiotex providers	6.2	14.3	17.8	39.2
Rent	17.3	33.8	15.7	29.1
Taxes, other than income taxes	6.7	16.8	10.3	17.2
Transportation	1.6	3.1	1.9	3.2
Other	15.0	27.6	22.4	37.4
	<u>318.3</u>	<u>611.2</u>	<u>333.4</u>	<u>602.3</u>

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24. SEGMENT REPORTING:

The following information is provided for the reportable segments, which are separately disclosed in the financial statements and is regularly reviewed by the Group's chief operating decision makers.

Segments were determined based on the Group's legal structure, as the Group's chief operating decision makers review financial information separately reported by the parent company (OTE) and each of the Group's consolidated subsidiaries.

Using the quantitative thresholds OTE, Cosmote and, Romtelecom, have been determined as reportable segments. Information about operating segments that do not constitute reportable segments have been combined and disclosed in an "All Other" category.

Accounting policies of the segments are the same as those followed for the preparation of the financial statements. The Group evaluates segment performance based on operating income and net income.

Segment information and reconciliation to the Group's consolidated figures are as follows:

<u>Six month period ended</u> <u>30/06/2005</u>	<u>OTE</u>	<u>Cosmote</u>	<u>Romtelecom</u>	<u>All</u> <u>Other</u>	<u>Totals</u>	<u>Adjustments -</u> <u>Eliminations</u>	<u>Consolidated</u>
Revenues from external customers	1,241.7	701.0	459.5	263.5	2,665.7	-	2,665.7
Intersegment Revenues	101.0	90.2	2.9	65.5	259.6	(259.6)	-
Interest income	20.1	2.9	9.7	66.6	99.3	(70.6)	28.7
Interest expense	(60.0)	(6.0)	(69.6)	(15.0)	(150.6)	70.6	(80.0)
Depreciation and Amortization	(269.9)	(102.4)	(90.4)	(63.9)	(526.6)	1.7	(524.9)
Earnings in equity-method investments	19.4	-	-	0.3	19.7	-	19.7
Income tax expense	(26.4)	(76.6)	(12.1)	(21.2)	(136.3)	-	(136.3)
Operating income	44.8	243.4	85.7	51.2	425.1	(1.6)	423.5
Net income	322.1	158.6	107.8	32.1	620.6	(408.1)	212.5
Investments in and advances to associates	157.8	-	-	0.8	158.6	-	158.6
Segment assets	7,389.0	1,545.3	2,571.4	4,859.0	16,364.7	(5,657.2)	10,707.5
Expenditures for segment assets	105.6	35.5	33.0	63.7	237.8	-	237.8
<u>Six month period ended</u> <u>30/06/2004</u>	<u>OTE</u>	<u>Cosmote</u>	<u>Romtelecom</u>	<u>All</u> <u>Other</u>	<u>Totals</u>	<u>Adjustments -</u> <u>Eliminations</u>	<u>Consolidated</u>
Revenues from external customers	1,266.0	651.2	409.7	209.9	2,536.8	-	2,536.8
Intersegment Revenues	110.9	102.0	2.2	76.8	291.1	291.1	-
Interest income	23.1	2.5	3.3	69.2	98.1	(77.9)	20.2
Interest expense	(60.9)	(4.1)	(7.8)	(81.0)	(153.8)	77.9	(75.9)
Depreciation and Amortization	(282.9)	(89.9)	(83.8)	(57.0)	(513.6)	1.0	(512.6)
Earnings/ (losses) in equity-method investments	(2.0)	-	-	0.7	(1.3)	4.2	2.9
Income tax expense	(28.4)	(84.0)	(31.4)	(21.2)	(165.0)	-	(165.0)
Operating income	73.8	231.2	46.7	11.6	363.3	3.0	366.3
Net income	115.8	145.3	26.8	(10.0)	277.9	(175.6)	102.3
Investments in and advances to associates	224.5	1.3	-	1.8	227.6	-	227.6
Segment assets	7,553.9	1,552.8	2,357.3	4,011.7	15,475.7	5,039.6	10,346.1
Expenditures for segment assets	236.9	120.7	24.1	91.4	473.1	-	473.1

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25. RELATED PARTY TRANSACTIONS:

OTE's transactions with its consolidated subsidiaries are analyzed as follows:

	1st Half 2005		1st Half 2004	
	OTE's revenues	OTE's expenses	OTE's revenues	OTE's expenses
Cosmote	367.8	89.2	171.7	93.6
OTE INTERNATIONAL INVESTMENTS LTD	1.2	6.0	4.9	6.7
Romtelecom	0.1	0.6	0.2	1.0
ArmenTel	0.3	0.1	0.4	0.1
Cosmofon	1.0	-	1.0	-
HellasSat	4.5	0.8	3.6	0.1
COSMO-ONE	-	0.8	-	0.5
OTEnet	12.5	2.9	8.4	10.3
Hellascom	0.1	2.3	0.5	3.8
OTE SAT- Maritel	0.6	1.1	0.8	1.4
OTE Plus	0.1	5.0	0.2	4.1
OTE Estate	2.8	26.3	7.2	24.9
InfOTE	5.3	-	15.7	1.6
OTE PLC	-	65.1	2.3	67.6
OTEGlobe	1.0	15.2	0.5	10.6
	397.3	215.4	217.4	226.3

	30/06/2005		31/12/2004	
	OTE's receivables	OTE's payables	OTE's receivables	OTE's payables
Cosmote	161.8	53.0	24.4	42.8
OTE INTERNATIONAL INVESTMENTS LTD	5.0	6.3	15.7	12.3
Romtelecom	0.3	2.1	0.4	2.3
ArmenTel	6.0	-	10.1	0.1
Cosmofon	37.4	-	22.5	-
HellasSat	142.9	0.8	138.4	0.1
COSMO-ONE	-	0.5	-	-
OTEnet	8.0	2.0	9.4	3.6
Hellascom	1.3	2.5	1.3	5.8
OTE SAT- Maritel	1.8	1.9	10.3	4.1
OTE Plus	2.9	2.9	1.9	3.4
OTE Estate	9.4	101.1	6.7	80.3
InfOTE	15.4	33.7	13.7	34.7
OTE PLC	-	2,457.8	-	2,459.8
OTEGlobe	59.7	37.7	79.1	67.7
	451.9	2,702.3	333.9	2,717.0

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25. RELATED PARTY TRANSACTIONS (continued):

The transactions between OTE and its consolidated subsidiaries are described below:

a. OTEGlobe

- i. OTE Globe is invoicing OTE for commissions relating to revenue earned by OTE from international telephony and for the administration offers to OTE.
- ii. OTE Globe earns revenue on behalf of OTE from VoIP, which is invoiced by OTE to OTE Globe. Additionally the VoIP related expenses are invoiced to OTE by OTE Globe.
- iii. OTE Globe invoices OTE for commissions related to (ii) above.
- iv. OTE Globe leases lines to customers on behalf of OTE. The total revenue from leased lines, invoiced by OTE Globe, is transferred to OTE. Additionally, OTE Globe's expenses are invoiced to OTE by OTE Globe.
- v. OTE receives dividends when OTE Globe distributes profits.

b. InfOTE

- i. InfOTE invoices OTE for the production of the white pages directories.
- ii. InfOTE earns revenues from the advertisement of its customers through the certain directories published. OTE collects these revenues from its subscribers on behalf of InfOTE and pays them back to InfOTE.
- iii. OTE invoices InfOTE with a commission for the agency relationship described in (ii) above.
- iv. InfOTE invoices OTE for a part of revenues generated from additional entries made on the directories.
- v. OTE receives dividends when InfOTE distributes profits.

c. OTEnet

OTE is acting as a dealer selling internet services and other products on behalf of OTEnet and collects these amounts on behalf of OTEnet and pays them back to OTEnet. Additionally OTE invoices OTEnet with a commission for this agency relationship.

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25. RELATED PARTY TRANSACTIONS (continued):

d. OTE Estate

- i. OTE Estate earns rental revenue from OTE and subsidiaries.
- ii. OTE invoices OTE Estate for additions made on the land and buildings that belong to OTE Estate. The related costs of these additions, representing labor and materials costs, are included in OTE's income statement.
- iii. OTE receives dividends when OTE Estate distributes profits.

e. OTE INTERNATIONAL INVESTMENTS

OTE International Investments invoices OTE and subsidiaries for the administration services provided to foreign subsidiaries.

f. COSMO-ONE

COSMO-ONE invoices OTE and subsidiaries for e-commerce services.

g. OTE SAT – Maritel

- i. OTE invoices OTE SAT- Maritel for the usage of OTE's facilities for INMARSAT services.
- ii. OTE SAT - Maritel invoices OTE for the land to mobile connection, which is invoiced by INMARSAT to OTE SAT - Maritel.

h. OTE Plus

OTE Plus provides consulting services, prepares studies upon OTE's request and leases personnel to OTE.

i. Cosmote

- i. OTE invoices Cosmote with commissions for the mobile connections made through OTE.
- ii. OTE invoices Cosmote for leased lines.
- iii. OTE and Cosmote have interconnection revenues and expenses depending on who's network the calls have terminated, including the traffic from International Telephony that passes through both networks.
- iv. Cosmote invoices OTE with management fees for the administration of Globul Cosmofon.
- v. OTE receives dividends when Cosmote distributes profits.

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25. RELATED PARTY TRANSACTIONS (continued):

j. Hellascom

HELLASCOM provides OTE and its subsidiaries consulting services and construction projects.

k. ArmenTel

OTE has granted an interest bearing long-term loan to ArmenTel.

l. Cosmofon

OTE has granted an interest bearing long-term loan to Cosmofon.

m. Hellas Sat

i. Hellas Sat invoices OTE for transmitter's rental and the provision of satellite capacities.

ii. OTE invoices Hellas Sat with a commission on the rental of satellite capacities..

iii. OTE has granted an interest bearing long-term loan to Hellas Sat.

n. OTE PLC

OTE PLC has granted interest bearing long-term loans to OTE and Globul.

26. STOCK BASED COMPENSATION:

OTE has two compensatory share option plans.

First Plan

The first plan ("First Plan") was approved on September 4, 2001, by OTE's Extraordinary General Assembly and is administered by the Board of Directors.

The principal terms of the First Plan that were approved by the shareholders are as follows:

(i) Eligibility: Options are granted to OTE's management, specifically to the Managing Director, to the Deputy Managing Director, to General Directors, to the Legal counsel and Section Managers.

(ii) Exercise Price: The exercise price payable for each share under options granted was set as the average price of OTE's share's price for the month preceding the grant of options determined by reference to the Daily Bulletin of the Athens Stock Exchange, equal to € 17.07 (seventeen point zero seven Euro) at the grant date.

26. STOCK BASED COMPENSATION (continued):

- (iii) **Exercise of Options:** Under the plan, OTE's Board of Directors issued 4,881,000 option rights which will vest as follows: (1) 40% of the rights on the first anniversary of the date of the grant, (2) 30% of the rights within the second year of the date of the grant, and, (3) 30% of the rights within the third year of the date of the grant. The rights vesting within the second and the third year of the date of the grant can be exercised only if certain financial growth targets (including revenue growth and EBITDA) for fiscal years 2002 and 2003 will be met. If the financial targets for 2002 or 2003 are not met, eligible employees will still be able to exercise their options if OTE meets its cumulative financial growth targets in 2003. The 2002 and 2003 targets were not met. Options shall expire in the following events:
- If the employment is terminated for any reason prior to the payment of the purchase price, unless the Board of Directors determines otherwise.
 - If the employee dies after the options vest, his beneficiaries may exercise any unexercised options, in accordance with and subject to certain provisions.
 - If the employee voluntarily retires from OTE, the eligible employee can exercise options vested through the voluntary retirement date until the expiring date of the plan.

Second Plan

The second plan ("Second Plan") was approved on January 28, 2002, by OTE's Extraordinary General Assembly and is administered by the Board of Directors.

The principal terms of the Second Plan that were approved by the shareholders are as follows:

- (i) **Eligibility:** Options are granted to OTE's employees and to the management of OTE's Greek, not listed in the Athens Stock Exchange, subsidiaries, specifically to their Managing Directors, to the Deputy Managing Directors and to their General Directors.
- (ii) **Exercise Price:** The exercise price payable for each share under options granted was the same with that of the First Plan equal to € 17.07 (seventeen point zero seven Euro) at the grant date, which was January 15, 2002.
- (iii) **Exercise of Options:** Under this plan, OTE's Board of Directors issued 8,920,000 option rights for all OTE employees which will vest as follows: (1) 50% of the rights on the first anniversary of the date of the grant and (2) 50% of the rights within the second year of the date of the grant. Also, OTE's Board of Directors issued 720,000 option rights for the management of its subsidiaries, which will vest as follows: (1) 40% of the rights on the first anniversary of the date of the grant, (2) 30% of the rights during the second year of the date of grant, and, (3) 30% of the rights during the third year of the date of the grant. The rights vesting within the second and the third year of the date of the grant can be exercised only if certain financial growth targets (including revenue growth and EBITDA) for fiscal years 2002 and 2003 are met. The 2002 and 2003 targets were met.

26. STOCK BASED COMPENSATION (continued):

Options shall expire in the following events:

- If the employment is terminated for any reason prior to the payment of the purchase price. If the employee dies after the options vest, his beneficiaries may exercise any unexercised options, in accordance with and subject to certain provisions.
- If the employee voluntarily retires from OTE, the eligible employee can exercise options vested through the voluntary retirement date until the expiring date of the plan.

27. LITIGATION AND CLAIMS:

The most significant legal cases on June 30, 2005 are the following:

- (i) **Stamp Tax Assessment:** The tax authorities assessed stamp taxes and penalties against OTE of approximately Euro 27.9, relating to the period from 1982 to 1992. These taxes were assessed on interest on the balances due to/from the Greek State which were netted off during 1993 in accordance with the provisions of Law 2167/93. OTE's management and tax consultants strongly disputed the above assessments and had filed an appeal with the tax courts. By its decisions, the Administrative Court of Appeal in Athens accepted OTE's appeal and nullified the stamp taxes and penalties assessed against OTE. However, after a series of postponements, and despite a favorable oral decision delivered at the hearing held on April 28, 2004, the Council of State has accepted the appeals filed by the tax authorities and ordered for the re-examination of this case by the Administrative Court of Appeal. Management intends to vigorously defend against this case; however, in view of the above developments, at this time it cannot make a reasonable estimate of the final outcome.
- (ii) **OTE Leasing:** On December 11, 2001, OTE disposed of its wholly owned subsidiary, OTE Leasing, to Piraeus Financial Leasing S.A., a subsidiary of Piraeus Bank S.A. for a consideration of Euro 21.0. Out of the sale proceeds, Euro 5.9 was collected in cash and the balance of Euro 15.1 in shares in Piraeus Bank S.A. based on their fair value at that date. The disposal of OTE Leasing had no material effect on the Group's financial position or results of operations. As prescribed in the agreements signed for the sale of OTE Leasing, OTE is committed to indemnify Piraeus Financial Leasing S.A. up to an amount of approximately Euro 28.0, for possible losses to be incurred from the non-performance of lessees for contracts signed through to the date of sale of OTE Leasing. The conditions under which a lessee's contract will be characterized as non-performing are described in detail in the sale agreements. Such OTE's obligation is in force for a period between 3.5-5.5 years, depending on the nature of the lease contracts. OTE has raised a provision of Euro 28.0 for expected losses based on circumstances prevailing at December 31, 2004.

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27. LITIGATION AND CLAIMS (continued):

- (iii) **Econophone:** On March 27, 2003, Econophone (Hellas) S.A., a Greek telecommunications operator and its parent Caesar Management Limited, filed a petition against OTE before the Athens First Instance Court, claiming the amount of approximately Euro 1,224.0 in damages allegedly caused to its property and for economic losses caused to it in each case as a result of OTE's termination of the interconnection agreement between OTE and Econophone as a result of non payment by Econophone, the alleged refusal to perform the interconnection agreement in accordance with its terms and alleged overcharging of Econophone by OTE in invoices issued by OTE to Econophone. A hearing, initially scheduled for February 10, 2005, was cancelled since the plaintiff withdrawn its petition, keeping, however, the right to file a new petition in the future.
- (iv) **Alpha Digital Synthesis S.A.:** During January 2002, Alpha Digital Synthesis S.A., a Greek company licensed to provide subscriber television services in Greece, filed a law suit against OTE before the Athens Court of First Instance, claiming an amount of Euro 55.5 for alleged damages incurred as a result of an alleged breach by OTE of the terms of a memorandum of understanding signed by the two parties. Alpha Digital Synthesis S.A. has withdrawn this claim and, in accordance with the terms of the memorandum of understanding, it submitted a request for arbitration according to the Greek Civil Procedure Code on May 7, 2003, claiming an amount of approximately Euro 254.2. The arbitration proceedings commenced on April 27, 2004 and are still pending. Written submissions were made on May 16, 2005 with responses submitted on May 31, 2005. Management and legal counsel believe that this claim is without merit and unlikely to be accepted by the court.
- (v) **Hellenic Radio and Television Broadcasting S.A. ("ERT"):** During May 2002, ERT, the Greek publicly-owned television radio broadcaster, filed a law suit against OTE before the Athens Multi Member Court of First Instance, claiming an amount of Euro 42.9 for alleged damages incurred by it as a result of an alleged infringement by OTE of the terms of a memorandum of understanding signed by the two parties. The case was heard on April 21, 2005 and the court judged that the case should be referred to arbitration. Management and legal counsel believe that this claim is without merit and unlikely to be accepted by the court.
- (vi) **Forthnet:** In 2002, Forthnet S.A., which was awarded license to provide wireless telephony service, filed a civil claim, claiming an amount of Euro 26.7 for alleged damages incurred by it due to loss of customers as a result of OTE's allegedly discriminatory policy in favor of OTENet. The hearing is scheduled for April 19, 2007. Management and legal counsel believe that this claim is without merit and unlikely to be accepted by the court.
- (vii) **Greek Telecom S.A.:** In 2004, Greek Telecom S.A. filed a lawsuit against OTE before the Athens Multi Member Court of First Instance, claiming approximately Euro 45.4 in damages, due to alleged breach of contractual obligations arising out of disconnection of telecommunication services. The hearing is scheduled for May 10, 2007. Management and legal counsel believe that this claim is without merit and unlikely to be accepted by the court.
- (viii) **Telepassport S.A.:** Telepassport S.A. filed a lawsuit against OTE before the Athens Multi Member Court of First Instance, claiming an aggregate amount of approximately Euro 52.2 for alleged damages incurred by it as a result of OTE's delay in delivering to it leased lines. The hearing, initially scheduled for June 8, 2005, has been suspended. Management and legal counsel believe that even if the court is to accept certain damages incurred by Telepassport S.A., the amount would not exceed Euro 2.8.

27. LITIGATION AND CLAIMS (continued):

- (ix) **Employees' Claims:** OTE's employees have filed 1,550 lawsuits against OTE, claiming an aggregate amount of approximately Euro 41.0 . Out of these law suits, 779 (for an aggregate amount of Euro 2.3) relate to unused vacation days, for which management and legal counsel believe that after the 568/04 decision they are unlikely to be accepted by the court.
- (x) **Franchise Agreements:** OTE is involved in four disputes relating to franchise agreements for its retail telecommunications equipment outlets. Helias Koutsokostas & Company Limited Partnership filed a lawsuit against OTE claiming alleged damages in the amount of Euro 7.9. The hearing is scheduled for October 13, 2005. In another franchise case, K. Prinianakis S.A. filed a lawsuit against OTE alleging Euro 10.9 in damages. The hearing, which was scheduled for January 27, 2005, has been suspended. In the third case, DEP INFO LTD has filed a lawsuit against OTE alleging Euro 7.0 in damages. OTE has filed its own lawsuit against this company claiming Euro 1.7 in damages. Both hearings are scheduled for March 9, 2006. In the fourth case, Infoshop S.A. filed a lawsuit against OTE claimin alleged damages in the amount of 7.0. A hearing scheduled for January 27, 2005 has been suspended.

28. FINANCIAL RISK MANAGEMENT:

Interest Rate Risk

The Group's interest rate risk arises from long-term debt. Approximately 20% of the Group's total debt bear interest at floating rates. The interest rate risk management is achieved through the employment of financial instruments (interest-rate swaps) with the purpose of reducing the "cost and carry" of fixed rate liabilities as well as to "lock in" fixed rates for the duration of the liabilities, depending on the prevailing interest rate environment. Interest rate positions are monitored centrally by the Treasury Department and reported on a quarterly basis to the Board.

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 certain Southeastern European countries. These countries have experienced significant fluctuations of their currencies against the Euro. In this region, the Group's biggest operations are in Romania, where telephony charges are pegged to the Euro providing a natural hedge. Foreign exchange risk is limited in cash and cash equivalents as well as in debt, as the majority of them are expressed in Euro.

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29. SUBSEQUENT EVENTS:

The major subsequent events occurred after June 30, 2005 are the following:

- (i) The enactment of Law 3371/2005 and the collective labor agreement signed between OTE and its employees on July 20, 2005, institute the framework for the voluntary retirement scheme. Pursuant to this law and the collective labor agreement, employees who would complete the number of years of service required for retirement within the period from 2005 to 2012 will be entitled to full pension and other benefits. Eligible employees must submit irrevocable applications within three months from the law's enactment (until October 14, 2005).
- (ii) The extraordinary General Assembly of July 6, 2005, resolved to cancel 676,420 own shares, as the period that these shares could be held by OTE had expired. Following such resolution, OTE owns 432,490 own shares.
- (iii) On August 1, 2005, the transfer of OTE's two wholly owned subsidiaries, Globul and Cosmofon to Cosmote, was completed. The total consideration of Euro 490 (Euro 400 for Globul and Euro 90 for Cosmofon) is payable in two installments. The first installment of Euro 201 was paid at the date of the completion of the transfer and the second installment of Euro 289 will be paid within 40 working days from the payment of the first installment.
- (iv) On July 8, 2005 the acquisition by Cosmote of 70% of Cosmorom's share capital for a total consideration of Euro 120 as share capital increase, was completed. After the completion of this acquisition, Romtelecom's interest in Cosmorom's share capital is 30%.