



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

**CONDENSED FINANCIAL STATEMENTS  
(STAND-ALONE AND CONSOLIDATED)  
AS OF MARCH 31, 2005  
IN ACCORDANCE WITH IFRS**

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.  
AP.M.A.E. 347/06/B/86/10  
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**HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.**  
**CONDENSED BALANCE SHEETS (STAND ALONE AND CONSOLIDATED)**  
**AS OF MARCH 31, 2005 AND DECEMBER 31, 2004**  
**(UNAUDITED)**

(Amounts in millions of Euro)

	31/3/2005		31/12/2004	
	Stand- Alone	Consolidated	Stand- Alone	Consolidated
<b>ASSETS</b>				
<b>Non - current assets:</b>				
Telecommunication property, plant and equipment	3,316.1	6,985.6	3,404.7	6,972.1
Goodwill	-	71.0	-	70.8
Telecommunication licenses	4.5	376.4	4.6	382.7
Investments	1,909.5	201.8	1,874.0	221.3
Advances to pension funds	207.0	207.0	215.8	215.8
Deferred taxes	-	58.4	-	66.3
Other non-current assets	89.8	200.1	89.8	150.3
<b>Total non - current assets</b>	<b>5,526.9</b>	<b>8,100.3</b>	<b>5,588.9</b>	<b>8,079.3</b>
<b>Current assets:</b>				
Materials and supplies	28.1	130.8	34.6	132.4
Accounts receivable	893.4	1,119.0	908.3	1,071.7
Other current assets	167.2	215.1	188.5	257.9
Cash and cash equivalents	584.1	959.5	370.0	870.3
<b>Total current assets</b>	<b>1,672.8</b>	<b>2,424.4</b>	<b>1,501.4</b>	<b>2,332.3</b>
<b>TOTAL ASSETS</b>	<b>7,199.7</b>	<b>10,524.7</b>	<b>7,090.3</b>	<b>10,411.6</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Share capital	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	(15.1)	(15.1)	(15.1)	(15.1)
Legal reserve	256.7	256.7	256.7	256.7
Retained earnings	1,206.2	1,898.4	1,019.6	1,732.1
	3,109.4	3,801.6	2,922.8	3,635.3
<b>Minority interest</b>	-	1,245.6	-	1,260.9
<b>Total equity</b>	<b>3,109.4</b>	<b>5,047.2</b>	<b>2,922.8</b>	<b>4,896.2</b>
<b>Non – current liabilities:</b>				
Long-term debt	2,445.1	2,805.2	2,446.2	2,820.6
Reserve for staff retirement indemnities	283.0	287.9	278.5	283.2
Reserve for Youth Account	299.2	299.2	301.9	301.9
Deferred taxes	37.6	-	39.8	-
Other non – current liabilities	16.7	97.1	9.4	96.3
<b>Total non – current liabilities</b>	<b>3,081.6</b>	<b>3,489.4</b>	<b>3,075.8</b>	<b>3,502.0</b>
<b>Current liabilities:</b>				
Accounts payable	574.7	788.7	662.5	843.4
Short-term borrowings	-	67.7	-	37.3
Current maturities of long-term debt	14.9	341.6	13.7	320.6
Income taxes payable	-	128.3	-	99.8
Deferred revenue	92.4	157.9	111.8	178.9
Dividends payable	6.9	6.9	7.2	7.2
Other current liabilities	319.8	497.0	296.5	526.2
<b>Total current liabilities</b>	<b>1,008.7</b>	<b>1,988.1</b>	<b>1,091.7</b>	<b>2,013.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,199.7</b>	<b>10,524.7</b>	<b>7,090.3</b>	<b>10,411.6</b>

The accompanying notes are an integral part of these condensed financial statements

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.

CONDENSED INCOME STATEMENTS (STAND-ALONE AND CONSOLIDATED)  
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2005 KAI 2004  
(UNAUDITED)

	1/1/2005 - 31/3/2005		1/1/2004 - 31/3/2004	
	Stand-Alone	Consolidated	Stand-Alone	Consolidated
<i>(Amounts in millions of Euro, except share and per share data)</i>				
<b>Revenues:</b>				
Domestic telephony	401.0	567.3	421.1	568.9
International telephony	55.0	96.8	54.9	91.4
Mobile telephony	-	389.1	-	343.6
Other revenues	20.8	245.9	197.1	221.6
<b>Total revenues</b>	<u>66.8</u>	<u>1,299.1</u>	<u>673.1</u>	<u>1,225.5</u>
<b>Operating expenses:</b>				
Payroll and employee benefits	(244.6)	(373.4)	(234.6)	(345.8)
Charges from international operators	(24.8)	(41.5)	(24.5)	(36.1)
Charges from domestic operators	(82.3)	(145.6)	(99.1)	(151.0)
Depreciation and amortization	(136.4)	(264.6)	(139.3)	(246.8)
Other operating expenses	(154.1)	(292.9)	(142.9)	(268.9)
<b>Total operating expenses</b>	<u>(642.2)</u>	<u>(1,118.0)</u>	<u>(640.4)</u>	<u>(1,048.6)</u>
<b>Operating income</b>	<u>20.6</u>	<u>181.1</u>	<u>32.7</u>	<u>176.9</u>
<b>Other income/ (expense):</b>				
Interest expense	(30.0)	(39.3)	(29.6)	(36.7)
Interest income	10.2	11.8	11.3	9.8
Foreign exchange gains/ (losses), net	(1.1)	25.1	(0.3)	12.7
Dividends	183.1	5.0	-	-
Gains/(losses) from investments	13.8	19.2	-	4.7
	<u>176.0</u>	<u>21.8</u>	<u>(18.6)</u>	<u>(9.5)</u>
<b>Profit before tax</b>	<u>196.6</u>	<u>202.9</u>	<u>14.1</u>	<u>167.4</u>
Income taxes	(12.3)	(63.3)	(12.7)	(83.3)
<b>Profit for the period</b>	<u>184.3</u>	<u>139.6</u>	<u>1.4</u>	<u>84.1</u>
Attributable to:				
Equity holders of the parent	184.3	91.8	1.4	51.8
Minority interest	-	47.8	-	32.3
	<u>184.3</u>	<u>139.6</u>	<u>1.4</u>	<u>84.1</u>
<b>Basic earnings per share</b>	0.3760	0.1873	0.0029	0.1057
<b>Weighted average number of shares outstanding</b>	490,150,389	490,150,389	490,150,389	490,150,389

The accompanying notes are an integral part of these condensed financial statements

**HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.**  
**CONDENSED STATEMENTS OF CHANGES IN EQUITY (STAND-ALONE)**  
**FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2005 KAI 2004**  
**(UNAUDITED)**

*(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>
<b>Balance at December 31, 2003</b>	1,204.7	505.6	(276.6)	256.7	1,451.2	3,141.6	0.0	3,141.6
Profit for the period	-	-	-	-	1.4	1.4	-	1.4
Deferred compensation	-	0.1	-	-	-	0.1	-	0.1
Valuation gains on available-for-sale securities taken directly to equity	-	-	-	-	0.4	0.4	-	0.4
<b>Balance at March 31, 2004</b>	<u>1,204.7</u>	<u>505.7</u>	<u>(276.6)</u>	<u>256.7</u>	<u>1,453.0</u>	<u>3,143.5</u>	<u>0.0</u>	<u>3,143.5</u>
<b>Balance at December 31, 2004</b>	1,174.1	487.5	(15.1)	256.7	1,019.6	2,922.8	0.0	2,922.8
Profit for the period	-	-	-	-	184.3	184.3	-	184.3
Deferred compensation	-	-	-	-	-	-	-	-
Valuation gains on available-for-sale securities taken directly to equity	-	-	-	-	2.3	2.3	-	2.3
<b>Balance at March 31, 2005</b>	<u>1,174.1</u>	<u>487.5</u>	<u>(15.1)</u>	<u>256.7</u>	<u>1,206.2</u>	<u>3,109.4</u>	<u>0.0</u>	<u>3,109.4</u>

The accompanying notes are an integral part of these condensed financial statements

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.

CONDENSED STATEMENTS OF CHANGES IN EQUITY (CONSOLIDATED)  
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2005 KAI 2004  
(UNAUDITED)

(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>
<b>Balance at December 31, 2003</b>	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	-	-	-	-	51.8	51.8	32.3	84.1
Deferred compensation	-	0.1	-	-	-	0.1	-	0.1
Valuation gains on available-for-sale securities taken directly to equity	-	-	-	-	0.4	0.4	-	0.4
Foreign currency translation	-	-	-	-	25.3	25.3	19.0	44.3
Net participation of minority shareholders	-	-	-	-	-	-	5.2	5.2
<b>Balance at March 31, 2004</b>	<u>1,204.7</u>	<u>505.7</u>	<u>(276.6)</u>	<u>256.7</u>	<u>1,997.6</u>	<u>3,688.1</u>	<u>1,134.6</u>	<u>4,822.7</u>
<b>Balance at December 31, 2004</b>	1,174.1	487.5	(15.1)	256.7	1,732.1	3,635.3	1,260.9	4,896.2
Profit for the period	-	-	-	-	91.8	91.8	47.8	139.6
Dividends declared	-	-	-	-	-	-	(123.6)	(123.6)
Valuation gains on available-for-sale securities taken directly to equity	-	-	-	-	2.3	2.3	-	2.3
Foreign currency translation	-	-	-	-	72.2	72.2	61.6	133.8
Net change of investment in subsidiary	-	-	-	-	-	-	(1.1)	(1.1)
<b>Balance at March 31, 2005</b>	<u>1,174.1</u>	<u>487.5</u>	<u>(15.1)</u>	<u>256.7</u>	<u>1,898.4</u>	<u>3,801.6</u>	<u>1,245.6</u>	<u>5,047.2</u>

The accompanying notes are an integral part of these condensed financial statements

**HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.**

**CONDENSED STATEMENTS OF CASH FLOWS (STAND-ALONE AND CONSOLIDATED)  
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2005 KAI 2004  
(UNAUDITED)**

	<u>1/1/2005 - 31/3/2005</u>		<u>1/1/2004 - 31/3/2004</u>	
	<u>Stand- Alone</u>	<u>Consolidated</u>	<u>Stand- Alone</u>	<u>Consolidated</u>
<i>(Amounts in millions of Euro)</i>				
<b>Cash flows from operating activities</b>				
Profit before taxes	196.6	202.9	14.1	167.4
Adjustments for:				
Depreciation and amortization	136.4	264.6	139.3	246.8
Provisions	53.6	49.0	48.7	46.3
Investment and finance results	(207.1)	(36.0)	(11.3)	(14.5)
Amortization of advance to pension fund	8.8	8.8	8.8	8.8
Interest expense	30.0	39.3	29.6	36.7
Adjustments for working capital movements related to operating activities:				
Decrease/ (increase) in materials and supplies	6.5	1.6	4.8	(2.1)
Decrease/ (increase) in accounts receivable	23.2	(45.7)	(77.2)	(132.6)
(Decrease)/ increase in liabilities	(85.3)	(90.3)	(2.3)	(11.2)
Minus:				
Interest paid	(63.0)	(74.3)	(61.4)	(69.0)
Income taxes paid	-	(11.6)	-	-
<b>Net cash from operating activities</b>	<u>99.7</u>	<u>308.3</u>	<u>93.1</u>	<u>276.6</u>
<b>Cash flows from investing activities</b>				
Acquisition of subsidiary or associate, net of cash acquired	(56.3)	(56.3)	-	-
Proceeds/(repayment) of loans and interest	13.7	9.7	(20.4)	-
Purchase of property, plant and equipment or intangible assets	(53.2)	(124.0)	(83.3)	(177.9)
Proceeds from sale of investment	26.7	26.7	-	-
Interest received	3.2	9.3	2.3	5.9
Dividends received	180.6	5.0	-	-
<b>Net cash used in investing activities</b>	<u>114.7</u>	<u>(129.6)</u>	<u>(101.4)</u>	<u>(172.0)</u>
<b>Cash flows from financing activities</b>				
Proceeds from minority shareholders for issuance of subsidiary's share capital	-	12.8	-	9.1
Proceeds from long-term debt and short-term borrowings	-	21.6	(30.0)	-
Repayment of long-term debt and short-term borrowings	-	-	-	(34.1)
Dividends paid	(0.3)	(123.9)	(0.6)	(0.6)
<b>Net cash used in financing activities</b>	<u>(0.3)</u>	<u>(89.5)</u>	<u>(30.6)</u>	<u>(25.6)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	214.1	89.2	(38.9)	79.0
<b>Cash and cash equivalents at beginning of period</b>	<u>370.0</u>	<u>870.3</u>	<u>234.0</u>	<u>601.3</u>
<b>Cash and cash equivalents at end of period</b>	<u>584.1</u>	<u>959.5</u>	<u>195.1</u>	<u>680.3</u>

The accompanying notes are an integral part of these condensed financial statements

**HELLENIC TELECOMMUNICATIONS ORGANIZATION (OTE) S.A.**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (STAND-ALONE AND**  
**CONSOLIDATED) AS OF MARCH 31, 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.

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>31/3/05</u>	<u>31/12/04</u>
• COSMOTE MOBILE TELECOMMUNICATIONS S.A. ("Cosmote")	Mobile telecommunications services	59.74%	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	49.26%	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") (ex "MTS")	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	49.31%	49.01%
• OTENET A.E. ("OTEnet")	Internet services	90.20%	90.20%
• HELLASCOM INTERNATIONAL A.E. ("Hellascom")	Telecommunication projects	51.40%	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") (ex "Temagon")	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	57.95%	57.00%
• OTE ACADEMY A.E. ("OTE Academy") (ex "OTECOM")	Training services	100.00%	100.00%

**HELLENIC TELECOMMUNICATIONS ORGANIZATION (OTE) S.A.**  
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (STAND-ALONE AND  
CONSOLIDATED) AS OF MARCH 31, 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 condensed 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, and therefore by default are provisional.

- (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 condensed 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 through all periods presented. Consequently, as the reporting date for the first annual IFRS financial statements is December 31, 2005, all the approved standards were used for the preparation of these condensed financial statements, except for the retrospective application of IFRS 3 for goodwill recognition, which was not applied based on the exemption provided by IFRS 1.

**HELLENIC TELECOMMUNICATIONS ORGANIZATION (OTE) S.A.**  
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (STAND-ALONE AND  
CONSOLIDATED) AS OF MARCH 31, 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 stand alone and consolidated financial statements under IFRS are as follows:

- 1. Principles of Consolidation:** 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 consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HELLENIC TELECOMMUNICATIONS ORGANIZATION (OTE) S.A.**  
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (STAND-ALONE AND  
CONSOLIDATED) AS OF MARCH 31, 2005  
(Amounts in millions of Euro, unless otherwise stated)

**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 statements of income 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 statements of income.

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

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued):**

using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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%
• 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%

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 the statements of cash flows, 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 statements of income 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.

Revenues from construction works are 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 income.
- 15. Dividends:** Dividends declared to the shareholders are recognized and reflected as a liability in the period in which the General Assembly Meeting approves them.
- 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 any one of the following four criteria applies to a lease agreement, then the lease must be classified as finance:

- The lease transfers ownership of the leased assets to the lessee at the end of the lease term.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued):**

- The lease contains a bargain purchase option.
- The lease term is greater than or equal to 75% of the economic life of the leased asset.
- The present value of the minimum lease payments is greater than or equal to 90% of the fair value of the leased asset.

If a lease agreement meets none of the four criteria described above, it is classified as an operating lease by the lessee and the rental payments are recognized as an expense as incurred.

- 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:*** Financial assets that potentially subject the Group to concentrations of credit risk are trade accounts receivable. 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 and from a business combination are capitalized at fair value as at the date of acquisition and subsequently 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued):**

- 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 and are attributable to these assets, are capitalized to the cost of these assets. All other borrowing costs are recognized as an expense when incurred.
- 27. *Borrowings:*** All loans and borrowings are initially recognized at fair value, net of issue costs associated with the borrowing. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses through the amortization process are recognized in profit and loss.
- 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, the provisions are reversed. Provisions are used only for expenditures for which they were originally recognized. Provisions are not 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 March 31, 2004 and as of December 31, 2004, as well as on the income statements (stand-alone and consolidated) of the three month period ended March 31, 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
<b>ASSETS</b>						
<b>Non - current assets:</b>						
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)	0.0	73.9	(16.4)	57.5
Telecommunication licenses	5.0	-	5.0	400.9	1.5	402.4
Investments	1,389.6	507.5	1,897.1	164.7	64.3	229.0
Advances to pension funds	253.3	(2.0)	251.3	253.3	(2.0)	251.3
Deferred taxes	-	8.6	8.6	-	95.9	95.9
Other non-current assets	216.4	(129.7)	86.7	362.8	(236.8)	126.0
<b>Total non - current assets</b>	<b>5,091.4</b>	<b>815.1</b>	<b>5,906.5</b>	<b>7,908.4</b>	<b>275.0</b>	<b>8,183.4</b>
<b>Current assets:</b>						
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
<b>Total current assets</b>	<b>2,536.0</b>	<b>(947.6)</b>	<b>1,588.4</b>	<b>2,881.5</b>	<b>(583.0)</b>	<b>2,298.5</b>
<b>TOTAL ASSETS</b>	<b>7,627.4</b>	<b>(132.5)</b>	<b>7,494.9</b>	<b>10,790.0</b>	<b>(308.1)</b>	<b>10,481.9</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity attributable to equity holders of the parent</b>						
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
<b>Minority Interest</b>	-	-	-	1,022.5	55.6	1,078.1
<b>Total equity</b>	<b>3,046.8</b>	<b>94.8</b>	<b>3,141.6</b>	<b>4,598.6</b>	<b>90.0</b>	<b>4,688.6</b>
<b>Non - current liabilities:</b>						
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
Deferred taxes	-	-	-	-	-	-
Other non - current liabilities	126.5	(114.7)	11.8	363.3	(110.5)	252.8
<b>Total non - current liabilities</b>	<b>3,203.3</b>	<b>(22.8)</b>	<b>3,180.5</b>	<b>4,073.9</b>	<b>(94.7)</b>	<b>3,979.2</b>
<b>Current liabilities:</b>						
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
<b>Total current liabilities</b>	<b>1,377.3</b>	<b>(204.5)</b>	<b>1,172.8</b>	<b>2,117.5</b>	<b>(303.4)</b>	<b>1,814.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,627.4</b>	<b>(132.5)</b>	<b>7,494.9</b>	<b>10,790.0</b>	<b>(308.1)</b>	<b>10,481.9</b>

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

**RECONCILIATION OF BALANCE SHEETS AS OF MARCH 31, 2004**

(Amounts in millions of Euro)	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
<b>ASSETS</b>						
<b>Non - current assets:</b>						
Telecommunication property, plant and equipment	3,169.9	464.3	3,634.2	6,601.9	409.4	7,011.3
Goodwill	13.2	(13.2)	-	72.4	(12.8)	59.6
Telecommunication licenses	4.7	-	4.7	396.8	3.2	400.0
Investments	1,380.8	542.1	1,922.9	157.1	71.7	228.8
Advances to pension funds	252.8	(10.1)	242.7	252.8	(10.1)	242.7
Deferred taxes	-	10.6	10.6	-	127.4	127.4
Other non-current assets	199.2	(112.1)	87.1	342.4	(209.9)	132.5
<b>Total non - current assets</b>	<b>5,020.6</b>	<b>881.6</b>	<b>5,902.2</b>	<b>7,823.4</b>	<b>378.9</b>	<b>8,202.3</b>
<b>Current assets:</b>						
Materials and supplies	38.0	0.2	38.2	148.1	2.1	150.2
Accounts receivable	1,090.3	88.5	1,178.8	1,364.9	(32.4)	1,332.5
Other current assets	1,259.0	(1,066.3)	192.7	777.7	(523.5)	254.2
Cash and cash equivalents	195.1	-	195.1	680.3	-	680.3
<b>Total current assets</b>	<b>2,582.4</b>	<b>(977.6)</b>	<b>1,604.8</b>	<b>2,971.0</b>	<b>553.8</b>	<b>2,417.2</b>
<b>TOTAL ASSETS</b>	<b>7,603.0</b>	<b>(96.0)</b>	<b>7,507.0</b>	<b>10,794.4</b>	<b>(174.9)</b>	<b>10,619.5</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity attributable to equity holders of the parent</b>						
Share capital	1,204.7	-	1,204.7	1,204.7	-	1,204.7
Paid-in surplus	716.7	(211.0)	505.7	716.7	(211.0)	505.7
Treasury stock	-	(276.6)	(276.6)	-	(276.6)	(276.6)
Legal reserve	256.7	-	256.7	278.1	(21.4)	256.7
Retained earnings	895.4	557.6	1,453.0	1,462.7	534.9	1,997.6
	3,073.5	70.0	3,143.5	3,662.2	25.9	3,688.1
<b>Minority Interest</b>	-	-	-	1,076.7	57.9	1,134.6
<b>Total equity</b>	<b>3,073.5</b>	<b>70.0</b>	<b>3,143.5</b>	<b>4,738.9</b>	<b>83.8</b>	<b>4,822.7</b>
<b>Non - current liabilities:</b>						
Long-term debt	2,559.6	-	2,559.6	3,215.6	(71.4)	3,144.2
Reserve for staff retirement indemnities	260.5	11.9	272.4	264.6	(6.9)	257.7
Reserve for Youth Account	230.5	79.4	309.9	230.5	79.4	309.9
Deferred taxes	-	-	-	-	63.1	63.1
Other non - current liabilities	132.1	(120.1)	12.0	359.4	(103.0)	256.4
<b>Total non - current liabilities</b>	<b>3,182.7</b>	<b>(28.8)</b>	<b>3,153.9</b>	<b>4,070.1</b>	<b>(20.8)</b>	<b>4,049.3</b>
<b>Current liabilities:</b>						
Accounts payable	501.6	150.9	652.5	693.3	131.9	825.2
Short-term borrowings	-	-	-	23.0	(0.2)	22.8
Current maturities of long-term debt	13.7	-	13.7	71.5	(0.1)	71.4
Income taxes payable	145.3	(59.5)	85.8	347.4	(143.0)	204.4
Deferred revenue	19.2	52.6	71.8	80.3	55.9	136.2
Dividends payable	179.6	(171.6)	8.0	179.6	(171.6)	8.0
Other current liabilities	487.4	(109.6)	377.8	590.3	(110.8)	479.5
<b>Total current liabilities</b>	<b>1,346.8</b>	<b>(137.2)</b>	<b>1,209.6</b>	<b>1,985.4</b>	<b>(237.9)</b>	<b>1,747.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,603.0</b>	<b>(96.0)</b>	<b>7,507.0</b>	<b>10,794.4</b>	<b>(174.9)</b>	<b>10,619.5</b>

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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>						
<b>ASSETS</b>						
<b>Non - current assets:</b>						
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	228.5	1,874.0	158.6	62.7	221.3
Advances to pension funds	217.1	(1.3)	215.8	217.1	(1.3)	215.8
Deferred taxes	-	-	-	-	66.3	66.3
Other non-current assets	170.2	(80.4)	89.8	336.9	(186.6)	150.3
<b>Total non - current assets</b>	<b>4,952.1</b>	<b>636.8</b>	<b>5,558.9</b>	<b>7,621.9</b>	<b>457.4</b>	<b>8,079.3</b>
<b>Current assets:</b>						
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
<b>Total current assets</b>	<b>1,837.1</b>	<b>(335.7)</b>	<b>1,501.4</b>	<b>2,627.3</b>	<b>(295.0)</b>	<b>2,332.3</b>
<b>TOTAL ASSETS</b>	<b>6,789.2</b>	<b>301.1</b>	<b>7,090.3</b>	<b>10,249.2</b>	<b>162.4</b>	<b>10,411.6</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity attributable to equity holders of the parent</b>						
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	520.8	1,019.6	1,122.3	609.8	1,732.1
	2,628.1	294.7	2,922.8	3,281.1	354.2	3,635.3
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,008.6</b>	<b>252.3</b>	<b>1,260.9</b>
<b>Total equity</b>	<b>2,628.1</b>	<b>294.7</b>	<b>2,922.8</b>	<b>4,289.7</b>	<b>606.5</b>	<b>4,896.2</b>
<b>Non - current liabilities:</b>						
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
Deferred taxes	-	39.8	39.8	-	-	-
Other non - current liabilities	149.0	(139.6)	9.4	497.0	(400.7)	96.3
<b>Total non - current liabilities</b>	<b>3,084.8</b>	<b>(9.0)</b>	<b>3,075.8</b>	<b>3,818.1</b>	<b>(316.1)</b>	<b>3,502.0</b>
<b>Current liabilities:</b>						
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
<b>Total current liabilities</b>	<b>1,076.3</b>	<b>15.4</b>	<b>1,091.7</b>	<b>2,141.4</b>	<b>(128.0)</b>	<b>2,013.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,789.2</b>	<b>301.1</b>	<b>7,090.3</b>	<b>10,249.2</b>	<b>162.4</b>	<b>10,411.6</b>

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

**RECONCILIATION OF INCOME STATEMENT FOR THE THREE MONTH PERIOD ENDED MARCH 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>						
<b>Revenues</b>	697.4	(24.3)	673.1	1,230.0	(4.5)	1,225.5
<b>Operating expenses:</b>						
Cost of sales	(612.9)			(932.5)		
Administrative expenses	(14.2)			(27.1)		
Distribution expenses	-			(63.0)		
Other income/(expense)	1.9			1.9		
<b>Total operating expenses</b>	<u>(625.2)</u>	<u>(15.2)</u>	<u>(640.4)</u>	<u>(1,020.7)</u>	<u>(27.9)</u>	<u>(1,048.6)</u>
<b>Operating income</b>	72.2	(39.5)	32.7	209.3	(32.4)	176.9
<b>Other income/(expense), net:</b>						
Financial and extraordinary results	(40.4)	21.8	(18.6)	(66.2)	56.7	(9.5)
<b>Profit before tax</b>	<u>31.8</u>	<u>(17.7)</u>	<u>14.1</u>	<u>143.1</u>	<u>24.3</u>	<u>167.4</u>
Income taxes	-	(12.7)	(12.7)	-	(83.3)	(83.3)
<b>Profit for the period</b>	<u>31.8</u>	<u>(30.4)</u>	<u>1.4</u>	<u>143.1</u>	<u>(59.0)</u>	<u>84.1</u>
Attributable to:						
Equity holders of the parent	31.8	(30.4)	1.4	93.4	(41.6)	51.8
Minority interest	-	-	-	49.7	(17.4)	32.3
	<u>31.8</u>	<u>(30.4)</u>	<u>1.4</u>	<u>143.1</u>	<u>(59.0)</u>	<u>84.1</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>						
<b>Revenues</b>	2,846.7	(100.3)	2,746.4	5,213.0	(1.9)	5,211.1
<b>Operating expenses:</b>						
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		
<b>Total operating expenses</b>	<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>
<b>Operating income</b>	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)
<b>Profit before tax</b>	<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	-	(59.9)	(59.9)	-	(235.1)	(235.1)
<b>Profit for the period</b>	<u>(133.7)</u>	<u>82.2</u>	<u>(51.5)</u>	<u>419.3</u>	<u>(103.9)</u>	<u>315.4</u>
Attributable to:						
Equity holders of the parent	(133.7)	82.2	(51.5)	172.1	(46.8)	125.3
Minority interest	-	-	-	247.2	(57.1)	190.1
	<u>(133.7)</u>	<u>82.2</u>	<u>(51.5)</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 GREEK GAAP AND IFRS (STAND-ALONE FINANCIAL STATEMENTS)**

<i>(Amounts in millions of Euro)</i>	Total equity 31.12.2003	Profit for the three month period ended March 31, 2004	Total equity 31.03.2004	Profit for the year ended December 31, 2004	Total equity 31.12.2004
<b>Balances in accordance with Greek GAAP</b>	3,046.8	31.8	3,073.5	(133.7)	2,628.1
<b>IFRS Adjustments</b>					
Recognition of dividends declared in the period they are approved by the general Assembly	171.6	-	171.6	-	-
Presentation of treasury stock as a reduction of equity	(276.6)	-	(276.6)	-	(15.1)
Transfer of subsidies out of equity (reduction of fixed assets)	(98.3)	-	(93.2)	-	(78.7)
Adjustment of depreciation of fixed assets and subsidies based on useful lives and reversal of statutory revaluations	320.9	13.9	334.8	55.9	376.8
Capitalization of interest related to construction period and respective depreciation	186.6	4.0	190.6	(3.3)	183.3
Reserves for employee benefit plans based on IAS 19	(110.0)	(16.8)	(126.8)	53.2	(56.8)
Presentation of revenues in accordance with IFRS	(17.0)	(1.5)	(18.5)	-	(17.0)
Investments at cost less impairments	(58.6)	(18.8)	(77.4)	45.4	(13.2)
Inclusion of income tax in the income statement and recognition of deferred taxes	(6.4)	(12.7)	(19.1)	(59.9)	(62.8)
Reversal of capitalized expenses and reversal of respective amortization	(11.8)	1.4	(10.4)	(6.8)	(18.6)
Other adjustments	(5.6)	0.1	(5.0)	(2.3)	(3.1)
<b>Total IFRS adjustments</b>	94.8	(30.4)	70.0	82.2	294.8
<b>Balances in accordance with IFRS</b>	3,141.6	1.4	3,143.5	(51.5)	2,922.9

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

<i>(Amounts in millions of Euro)</i>	Total equity 31.12.2003	Profit for the three month period ended March 31, 2004	Total equity 31.03.2004	Profit for the year ended December 31, 2004	Total equity 31.12.2004
<b>Balances in accordance with Greek GAAP</b>	4,598.6	143.1	4,738.9	419.3	4,289.7
<b>IFRS Adjustments</b>					
Recognition of dividends declared in the period they are approved by the general Assembly	171.6	-	171.6	-	-
Presentation of treasury stock as a reduction of equity	(276.6)	-	(276.6)	-	(15.1)
Transfer of subsidies out of equity (reduction of fixed assets)	(118.3)	-	(112.2)	-	(100.6)
Adjustment of depreciation of fixed assets and subsidies based on useful lives and reversal of statutory revaluations	170.9	21.2	192.1	81.6	105.8
Capitalization of interest related to construction period and respective depreciation	198.1	4.0	202.1	(3.3)	194.8
Reserves for employee benefit plans based on IAS 19	(109.4)	(9.8)	(119.2)	53.2	(56.2)
Presentation of revenues in accordance with IFRS	(17.0)	(1.5)	(18.5)	-	(17.0)
Investments at cost less impairments	(46.1)	-	(48.0)	-	(8.5)
Effect of hyperinflation and effect of changes in foreign exchange rates resulting from consolidation of subsidiaries operating outside Greece	87.2	8.5	144.3	-	285.5
Inclusion of income tax in the income statement and recognition of deferred taxes	39.8	(83.3)	(43.5)	(235.1)	233.1
Reversal of capitalized expenses and reversal of respective amortization	(14.0)	1.4	(12.6)	(7.9)	(21.9)
Other adjustments	3.8	0.5	4.3	7.6	6.6
<b>Total IFRS adjustments</b>	90.0	(59.0)	83.8	(103.9)	606.5
<b>Balances in accordance with IFRS</b>	4,688.6	84.1	4,822.7	315.4	4,896.2

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**5. INVESTMENTS:**

Investments are analyzed as follows:

	31.03.2005		31.12.2004	
	Stand- Alone	Consolidated	Stand- Alone	Consolidated
(a) Investments in subsidiaries	1,709.3	-	1,654.5	-
(b) Other investments	163.6	165.2	186.2	188.0
(c) Available for sale securities	36.6	36.6	33.3	33.3
	<u>1,909.5</u>	<u>201.8</u>	<u>1,874.0</u>	<u>221.3</u>

(a) Investments in subsidiaries

	Αξία συμμετοχής	
	31.03.05	31.12.04
• Cosmote	147.7	91.4
• OTE INTERNATIONAL INVESTMENTS LTD	497.9	497.9
• ArmenTel	54.9	58.9
• OTE MTS Holding B.V.	140.6	140.1
• OTE AUSTRIA HOLDING GMBH	0.1	0.1
• Globul	250.9	250.9
• HellasSat	181.9	179.9
• COSMO-ONE	3.2	3.2
• OTEnet	18.8	18.8
• Hellascom	8.9	8.9
• OTE SAT- Maritel	11.2	11.2
• OTE Plus	2.6	2.6
• OTE Estate	375.8	375.8
• InfOTE	12.4	12.4
• OTEGlobe	0.9	0.9
• OTE Insurance	0.6	0.6
• OTE Academy	0.9	0.9
	<u>1,709.3</u>	<u>1,654.5</u>

The above balances include and loans granted by OTE to its subsidiaries.

Within the first quarter 2005, o OTE bought 3,984,432 shares of COSMOTE for a consideration of Euro 56.3 εκ increasing its participating interest to the company from 58.77% to 59.74%.

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**5. INVESTMENTS (continued):**

(b) Other investments

OTE's other investments are analyzed as follows:

	Αξία συμμετοχής	
	31.03.05	31.12.04
Telekom Srbija	160.9	170.6
Satellite organizations	-	12.9
Other	2.7	2.7
	163.6	186.2

**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 € 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 € 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.

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 € 29 due from Telecom Italia and of the loan of € 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:

- 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 € 22 as well as accrued interest of approximately € 3, which amounts were charged to its 2004 consolidated statement of income. 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.

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**5. INVESTMENTS (continued):**

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.

**Satellite Organizations:** OTE participates in satellite organizations Intelsat και Eutelsat. These are not traded investments, and since OTE does not exercise significant influence, they are carried at cost.

(c) Available for sale securities

Available for sale securities represent investments in equity securities, which are traded on the Athens Stock Exchange. They are carried at their fair value with the unrealized holding gains and losses, net of taxes, reflected in equity.

**6. 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 the are generated.

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 2002
• OTE INTERNATIONAL	From inception
• ROMTELECOM	From 2001
• AMC	From 2002
• ARMENTEL	From 2003
• OTE MTS HOLDING B.V.	
• 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 inception
• COSMOONE	From 2002
• OTENET	From 1999
• HELLASCOM	From 1999
• OTE PLC	From inception
• OTE SAT-Maritel	From 2000
• TEMAGON	From 2003
• OTE ESTATE	From inception
• INFOTE	From inception
• OTE GLOBE	From 2002
• OTE INSURANCE	From 1999
• CHA	From 2000

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**7. LONG-TERM DEBT:**

Long-term debt is analyzed as follows:

	<u>31.03.05</u>	<u>31.12.04</u>
<u>Parent Company (OTE)</u>		
(a) Loan from European Investment Bank	81.1	81.1
(b) Intercompany loan from OTE Plc	2,378.9	2,378.8
<b>Total long-term debt</b>	<u>2,460.0</u>	<u>2,459.9</u>
<b>Less – current maturities</b>	<u>(14.9)</u>	<u>(13.7)</u>
<b>Long-term portion</b>	<u>2,445.1</u>	<u>2,446.2</u>
<u>Group</u>		
(a) Loan from European Investment Bank	81.1	81.1
(b) Loans from suppliers and their affiliates	36.6	34.2
(c) Consortium loans	269.5	259.5
(d) Eurobond	1,097.8	1,097.5
(e) Global Medium Term Note Program	1,492.1	1,491.7
(f) Other bank loans	169.7	177.2
(g) Revolving credit facilities	-	-
<b>Total long-term debt</b>	<u>3,146.8</u>	<u>3,141.2</u>
<b>Less – current maturities</b>	<u>(341.6)</u>	<u>(320.6)</u>
<b>Long-term portion</b>	<u>2,805.2</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.

**(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. Drawdowns under the loan through March 31, 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. Drawdowns under the term credit facility through December 31, 2004, amounted to Euro 3.5 and were fully repaid within the first quarter of 2005.

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**7. LONG-TERM DEBT (continued):**

**(d) EUROBOND**

On February 7, 2000 OTE PLC issued a bond of Euro 1.1 billion 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 1.5 billion (the amount was raised to Euro 2.5 billion within November 2004) fully and unconditionally guaranteed by OTE. Through March 31, 2005, OTE PLC had issued notes amounting to € 1.5 billion, in two tranches as follows:

- (i) Euro 1.25 billion notes, issued in August 2003 maturing in 2013.
- (ii) Euro 0.25 billion notes, issued in November 2003 maturing in 2006.

**(f) OTHER BANK LOANS**

Romtelecom has obtained long-term loans in various currencies, amounting to approximately Euro 175.5 as of December 31, 2004. Out of these loans approximately Euro 128.5 bear interest at floating rates, while approximately Euro 47.0 bear interest at fixed rates ranging from 2.5% - 10.4%.

**(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. Drawdowns under the facility are repayable within one year from the date of the agreement; however, this maturity date may be extended for one more year upon the company's request. No drawdowns have been made as of March 31, 2005.

**8. 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 multiemployer 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'

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

(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:**

(i) 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.

**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 € 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 € 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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**8. RESERVES FOR PENSIONS, STAFF RETIREMENT INDEMNITIES AND OTHER BENEFITS (continued):**

*(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.

**9. LITIGATION AND CLAIMS:**

The most significant legal cases on March 31, 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. The results of OTE Leasing up to the date of its disposal are included in the Group's consolidated results of operations. 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. These shares were classified as available for sale securities in the accompanying 2003 and 2004 balance sheets. 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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**9. 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 15, 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 € 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 € 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.

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**10. TRANSACTIONS WITH RELATED PARTIES:**

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

<u>OTE's Revenues</u>	
1 <sup>st</sup> Quarter 2005	237.2
1 <sup>st</sup> Quarter 2004	58.0

<u>OTE's Expenses</u>	
1 <sup>st</sup> Quarter 2005	134.5
1 <sup>st</sup> Quarter 2004	127.6

<u>OTE's Receivables</u>	
31.03.2005	293.3
31.12.2004	333.9

<u>OTE's Payables</u>	
31.03.2005	2,656.9
31.12.2004	2,710.0

**11. SUBSEQUENT EVENTS:**

The major subsequent events occurred after March 31, 2005 are the following:

- (i) On May 25, 2005, OTE's management and OME-OTE (the union of its employees), signed a collective labor agreement, covering issues relating to the recruitment of new hires. Effectiveness of this agreement is conditioned upon the enactment by the Greek Parliament of a relevant law relating to the voluntary retirement scheme.
- (ii) On May 27, 2005 Cosmote, Romtelecom and Cosmorom agreed the sale to Cosmote by Romtelecom of 70% of Cosmorom's share capital. The transaction is subject to approval by the general meeting of Cosmote's shareholders on June 27, 2005 and its closing is scheduled to take place within the second half of 2005. Following this agreement, a settlement agreement was signed for Cosmorom's overdue payments to its suppliers and the parties agreed to end the arbitration proceedings.
- (iii) 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 Mobile Telecommunications Services AD – Skopje (Cosmofon) (through the acquisition of the shares of MTS Holding BV -MTS- (a Dutch company which owes 100% of Cosmofon's shares)). This transaction is subject to approval by the general meeting of OTE's and Cosmote's shareholders and the approval of the authorities. The completion of the transfer is expected within the second half of 2005.
- (iv) Within April 2005, OTE acquired 15,416,523 shares of Cosmote for a total consideration of Euro 217.9 increasing its participating interest in Cosmote's share capital to 64.4%.
- (v) In June 2005, OTE acquired the remaining 48.6% minority interests in Hellascom for a cash consideration of € 11.5, which became a wholly-owned subsidiary.