HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.
(OTE)

ANNUAL FINANCIAL STATEMENTS
(STAND-ALONE AND CONSOLIDATED)
FOR THE YEAR ENDED 31 DECEMBER 2005
IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

(TRANSLATED FROM THE GREEK ORIGINAL)

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.
AP.M.A.E. 347/06/B/86/10
99 KIFFISIAS AVE–151 24 MAROUSSI ATHENS, GREECE

INDEX TO THE FINANCIAL STATEMENTS

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

(Amounts in millions of Euro)		2005		2004	
	Notes	COMPANY	GROUP	COMPANY	GROUP
ASSETS					
Non - current assets:					
Telecommunication property, plant and equipment	5	3,032.2	6,739.6	3,404.7	6,909.7
Goodwill	6	-	72.4	-	70.8
Telecommunication licenses	7	4.2	393.0	4.6	381.0
Investments	8	1,684.1	159.3	1,834.5	221.3
Advances to pension funds	17	180.7	180.7	215.8	215.8
Deferred taxes	20	222.2	257.7	17.7	66.3
Other non-current assets	9	63.2	126.6	89.8	195.3
Total non - current assets		**5,186.6**	**7.929,3**	**5,567.1**	**8,060.2**
Current assets:					
Materials and supplies		29.7	130.3	34.6	132.4
Accounts receivable	10	779.4	1,066.7	908.3	1,071.7
Other current assets	11	321.1	411.1	188.5	269.4
Cash and cash equivalents	12	844.3	1,512.2	370.0	870.3
Total current assets		**1,974.5**	**3,120.3**	**1,501.4**	**2,343.8**
TOTAL ASSETS		**7,161.1**	**11,049.6**	**7,068.5**	**10,404.0**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent:					
Share capital	13	1,172.5	1,172.5	1,174.1	1,174.1
Paid-in surplus	13	486.6	486.6	487.5	487.5
Treasury stock	13	(5.9)	(5.9)	(15.1)	(15.1)
Legal reserve	14	256.7	256.7	256.7	256.7
Retained earnings		798.0	1,401.6	1,037.6	1,685.0
		2,707.9	3,311.5	2,940.8	3,588.2
Minority interest		-	1,201.9	-	1,243.2
Total equity		**2,707.9**	**4,513.4**	**2,940.8**	**4,831.4**
Non – current liabilities:					
Long-term debt	16	1,951.9	3,104.3	2,446.2	2,820.6
Reserve for staff retirement indemnities	17	162.1	172.7	278.5	284.6
Reserve for voluntary retirement program	17	603.8	603.8	-	-
Reserve for Youth Account	17	284.0	284.0	301.9	301.9
Other non – current liabilities	18	43.6	139.9	43.5	162.3
Total non – current liabilities		**3,045.4**	**4,304.7**	**3,070.1**	**3,569.4**
Current liabilities:					
Accounts payable		558.8	720.6	662.5	843.4
Short-term borrowings	19	-	14.3	-	37.3
Current maturities of long-term debt	16	14.9	321.3	13.7	320.6
Income taxes payable	20	-	81.9	-	99.8
Deferred revenue		102.2	179.1	77.7	156.2
Reserve for voluntary retirement program	17	434.9	434.9	-	-
Dividends payable	15	5.3	5.2	7.2	7.2
Other current liabilities	21	291.7	474.2	296.5	538.7
Total current liabilities		**1,407.8**	**2,231.5**	**1,057.6**	**2,003.2**
TOTAL EQUITY AND LIABILITIES		**7,161.1**	**11,049.6**	**7,068.5**	**10,404.0**

The accompanying notes on pages 8-54 form an integral part of these Financial Statements

The Financial Statements presented on pages 3-54, were approved by the Board of Directors on 7 March 2006 and are signed on its behalf by:

Chairman & Managing Director	Vice-Chairman	Chief Financial Officer	Accounting Manager
Panagis Vourloumis	Iakovos Georganas	Iordanis Aivazis	Antonis Mavromaras

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)

INCOME STATEMENTS (STAND-ALONE AND CONSOLIDATED)
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 COMPANY	2005 GROUP	2004 COMPANY	2004 GROUP
(Amounts in millions of Euro, except share and per share data)					
Revenues:					
Domestic telephony	22	1,617.3	2,312.2	1,641.4	2,271.7
International telephony	22	216.0	391.0	217.2	376.6
Mobile telephony	22	-	1,752.2	-	1,555.6
Other revenues	22	873.7	1,019.7	887.8	1,015.4
Total revenues		**2.707,0**	**5,475.1**	**2,746.4**	**5,219.3**
Operating expenses:					
Payroll and employee benefits		(849.8)	(1,327.1)	(818.5)	(1,234.3)
Charges for voluntary retirement program		(939.6)	(939.6)	(28.9)	(28.9)
Charges from international operators		(103.1)	(175.1)	(130.7)	(189.6)
Charges from domestic operators		(372.7)	(665.5)	(394.9)	(647.2)
Depreciation and amortization		(542.6)	(1,107.4)	(552.7)	(1,067.6)
Reversal of fixed assets' impairment	8	-	75.7	-	-
Extinguishment of liabilities	8	-	23.8	-	-
Other operating expenses	23	(721.6)	(1,335.9)	(823.6)	(1,437.6)
Total operating expenses		**(3,529.4)**	**(5,451.1)**	**(2,749.3)**	**(4,605.2)**
Operating income		**(822.4)**	**24.0**	**(2.9)**	**614.1**
Other income/ (expense):					
Interest expense		(130.1)	(163.2)	(127.8)	(165.3)
Interest income		39.4	53.9	49.1	43.6
Foreign exchange gains/ (losses), net		(2.6)	34.7	(10.3)	33.0
Write-off of receivables	8	-	-	(21.3)	(21.3)
Dividends	8	335.3	20.4	122.0	9.5
Gains/(losses) from investments		150.2	33.5	(0.4)	3.2
		392.2	**(20.7)**	**11.3**	**(97.3)**
Profit before tax		**(430.2)**	**3.3**	**8.4**	**516.8**
Income taxes	20	193.0	(19.8)	(41.9)	(222.5)
Profit for the period		**(237.2)**	**(16.5)**	**(33.5)**	**294.3**
Attributable to:					
Equity holders of the parent		(237.2)	(216.8)	(33.5)	117.1
Minority interest		-	200.3	-	177.2
		(237.2)	**(16.5)**	**(33.5)**	**294.3**
Basic earnings per share		**(0.4839)**	**(0.4424)**	**(0.0683)**	**0.2389**
Diluted earnings per share		**(0.4839)**	**(0.4424)**	**(0.0683)**	**0.2389**
Weighted average number of shares outstanding		**490,150,389**	**490,150,389**	**490,150,389**	**490,150,389**

The accompanying notes on pages 8-54 form an integral part of these Financial Statements

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)

STATEMENTS OF CHANGES IN EQUITY (COMPANY)
FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts in millions of Euro)

	Share Capital	Paid-in Surplus	Treasury Stock	Legal Reserve	Retained Earnings	Total equity
Balance at 31 December 2003	1,204.7	505.6	(276.6)	256.7	1,451.2	3,141.6
Dividends declared	-	-	-	-	(171.6)	(171.6)
Treasury stock cancelled	(30.6)	(18.2)	261.5	-	(212.7)	-
Deferred compensation	-	0.1	-	-	-	0.1
Unrealized gains on available-for-sale securities	-	-	-	-	4.2	4.2
Net income recognized directly in equity		(18.1)	261.5	-	(380.1)	(167.3)
Profit / (loss) for the year	-	-	-	-	(33.5)	(33.5)
Balance at 31 December 2004	1,174.1	487.5	(15.1)	256.7	1,037.6	2,940.8
Balance at 31 December 2004	1,174.1	487.5	(15.1)	256.7	1,037.6	2,940.8
Treasury stock cancelled	(1.6)	(0.9)	9.2		(6.7)	-
Unrealized gains on available-for-sale securities					4.3	4.3
Net income recognized directly in Equity	(1.6)	(0.9)	9.2	-	(2.4)	4.3
Profit / (loss) for the year					(237.2)	(237.2)
Balance at 31 December 2005	1,172.5	486.6	(5.9)	256.7	798.0	2,707.9

The accompanying notes on pages 8-54 form an integral part of these Financial Statements

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)

STATEMENTS OF CHANGES IN EQUITY (GROUP)
FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts in millions of Euro)

	Attributable to equity holders of the parent							
	Share Capital	**Paid-in Surplus**	**Treasury Stock**	**Legal Reserve**	**Retained Earnings**	**Total**	**Minority Interest**	**Total equity**
Balance at 31 December 2003	1,204.7	505.6	(276.6)	256.7	1,876.7	3,567.1	1,072.6	4,639.7
Dividends declared	-	-	-	-	(171.6)	(171.6)	(68.3)	(239.9)
Treasury stock cancelled	(30.6)	(18.2)	261.5	-	(212.7)	-	-	-
Deferred compensation		0.1	-	-	-	0.1	-	0.1
Unrealized gains on available-for-sale securities	-	-	-	-	4.2	4,2	-	4.2
Foreign currency translation	-	-	-	-	71.3	71.3	56.2	127.5
Net participation of minority shareholders	-	-	-	-	-	-	5.5	5.5
Net income recognized directly in equity	(30.6)	(18.1)	261.5	-	(308.8)	(96.0)	(6.6)	(102.6)
Profit for the period	-	-	-	-	117.1	117.1	177.2	294.3
Balance at 31 December 2004	1,174.1	487.5	(15.1)	256.7	1,685.0	3,588.2	1,243.2	4,831.4
Balance at 31 December 2004	1,174.1	487.5	(15.1)	256.7	1,685.0	3,588.2	1,243.2	4,831.4
Dividends declared	-	-	-	-			(191.6)	(191.6)
Treasury stock cancelled	(1.6)	(0.9)	9.2		(6.7)		-	-
Unrealized gains on available-for-sale securities	-	-	-	-	4.3	4.3	-	4.3
Foreign currency translation					91.7	91.7	63.6	155.3
Net change of investment in subsidiaries					(155.9)	(155.9)	(113.6)	(269.5)
Net income recognized directly in equity	(1.6)	(0.9)	9.2	-	(66.6)	(59.9)	(241.6)	(301.5)
Profit for the period					(216.8)	(216.8)	200.3	(16.5)
Balance at 31 December 2005	1,172.5	486.6	(5.9)	256.7	1,401.6	3,311.5	1,201.9	4,513.4

The accompanying notes on pages 8-54 form an integral part of these Financial Statements

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)

STATEMENTS OF CASH FLOWS (STAND-ALONE AND CONSOLIDATED)
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005		2004	
	COMPANY	**GROUP**	**COMPANY**	**GROUP**
(Amounts in millions of Euro)				
Cash flows from operating activities				
Profit before taxes	**(430.2)**	**3.3**	**8.4**	**516.8**
Adjustments for:				
Depreciation and amortization	542.6	1,107.4	552.7	1,067.6
Provision for voluntary retirement	914.5	914.5	-	-
Provisions	271.4	280.8	314.0	327.6
Reversal of fixed assets' impairment	-	(75.7)	-	-
Extinguishment of liabilities	-	(23.8)	-	-
Investment and financial (income)/ loss	(522.3)	(142.4)	(160.4)	(89.3)
Amortization of advances to pension funds	35.2	35.2	35.2	35.2
Interest expense	130.1	163.2	127.8	165.3
Adjustments for working capital movements related to operating activities:				
Decrease in materials and supplies	4.9	2.1	8.4	15.7
Decrease/ (increase) in accounts receivable	33.6	(125.5)	138.7	26.4
Decrease in liabilities	(190.3)	(183.0)	(145.2)	(200.3)
Minus:				
Interest paid	(178.6)	(193.8)	(128.5)	(177.8)
Income taxes paid	-	(229.5)	(145.3)	(291.7)
Net cash provided by operating activities	**610.9**	**1,532.8**	**605.8**	**1,395.5**
Cash flows from investing activities				
Acquisition of subsidiary or associate, net of cash acquired	(299.2)	(294.2)	(45.7)	(12.8)
Loans granted	(23.0)	-	(26.3)	-
Proceeds from loans	11.8	7.8	107.8	-
Purchase of property, plant and equipment or intangible assets	(209.5)	(680.2)	(344.4)	(843.6)
Proceeds from sale of investment	524.8	34.8	1.7	-
Interest received	10.8	27.9	21.5	24.9
Dividends received	342.2	26.4	113.0	-
Net cash provided by /(used in) investing activities	**357.9**	**(877.5)**	**(172.4)**	**(831.5)**
Cash flows from financing activities				
Proceeds from minority shareholders for issuance of subsidiary's share capital	-	12.8	-	11.1
Proceeds from long-term debt and short-term borrowings	11.4	588.3	(147.6)	(86.2)
Repayment of long-term debt and short-term borrowings	(504.0)	(422.4)	-	0.9
Dividends paid	(1.9)	(192.1)	(149.8)	(220.8)
Net cash used in financing activities	**(494.5)**	**(13.4)**	**(297.4)**	**(295.0)**
Net increase in cash and cash equivalents	474.3	641.9	136.0	269.0
Cash and cash equivalents at beginning of year	370.0	870.3	234.0	601.3
Cash and cash equivalents at end of year	**844.3**	**1,512.2**	**370.0**	**870.3**

The accompanying notes on pages 8-54 form an integral part of these Financial Statements

(Amounts in millions of Euro, unless otherwise stated)

1. COMPANY'S FORMATION AND OPERATIONS

The Hellenic Telecommunications Organization S.A. (hereinafter referred to as the "Company" or "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 annual stand-alone and consolidated financial statements as of 31 December 2005 were approved for issue by the Board of Directors on 7 March 2006 but they are subject to the final approval of OTE's General Assembly.

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

Company Name	Line of Business	Ownership interest 2005	Ownership interest 2004
• 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%
• COSMOTE ROMANIA S.A. (ex COSMOROM)	Mobile telecommunications services	61.26%	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	64.37%	100.00%
• COSMOFON MOBILE TELECOMMUNICATIONS SERVICES A.D. – SKOPJE ("COSMOFON")	Mobile telecommunications services	64.37%	100.00%
• OTE AUSTRIA HOLDING GMBH	Investment holding company	100.00%	100.00%
• COSMO BULGARIA MOBILE EAD ("GLOBUL")	Mobile telecommunications services	64.37%	100.00%
• HELLAS SAT CONSORTIUM LIMITED ("HELLAS-SAT")	Satellite communications	95.69%	83.34%
• COSMO-ONE HELLAS MARKET SITE S.A. ("COSMO-ONE")	E-commerce services	50.74%	49.01%
• OTENET S.A. ("OTENET")	Internet services	94.59%	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. (OTE-GLOBE")	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%

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) ***Basis of preparation of financial statements:*** The accompanying Stand-Alone and Consolidated Financial Statements (hereinafter «Financial Statements») have been prepared on a historical cost basis except for the available for sale securities(See note 8 (c)) which are at fair value with the changes recognized directly in equity. The accompanying Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Interpretations that have been adopted by the European Union. These are the first annual Financial Statements prepared under IFRS and as such, they are covered by IFRS 1 "First Time Adoption of International Financial Reporting Standards" with the transition date being the 1 January 2004.

(b) ***First Time Adoption of IFRS:*** Up to 31 December 2004, the Company's Financial Statements were prepared in accordance with the Greek Accounting Standards (Codified Law 2190/1920 and Greek Chart of Accounts), which in many cases were different with 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).

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 throught 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.

In the preparation of the first annual Financial Statements in accordance with IFRS, certain adjustments and reclassifications have been made to the presentation of the 2004 comparative data to conform with those of 2005.

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.

The accounting policies presented below (See Note 3), have been followed on a consistent basis in all years presented by the whole Group.

The effect of transition from Greek GAAP to IFRS on the statements of changes in equity and on the income statements (stand alone and consolidated) are presented in Note 4.

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:

a) Subsidiaries: 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.

b) Associates: 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. Furthermore the investment is adjusted for any accumulated impairment loss. When the Group's share of losses, exceed the currying amount of the investment over the associate company, the carrying amount is reduced to nill and recognition of further losses is discontinued except to the extend that the Group has incurred obligations or has made payments to the associate company. Dividends received from an investee reduce the carrying amount of the investment.

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. Investments on Financial Assets: 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 were there is no quoted market price, fair value is determined using valuation techniques.

3. Use of Estimates: The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions which may affect the application of the principles and the amounts recorded in the financial statements. Those estimates and assumptions are revised on a continuous basis. The revisions are recognized in the period they incurred and affect the related reporting periods. These estimates and assumptions are

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

based on the existing experience and on other factors that are considered reasonable, under the current conditions. Those estimates are the basis for decision making related to the accounting value of assets and liabilities, which are not available form other sources. The actual final outcomes may vary from the above estimates and these variations may have significant effect on the Financial Statements.

4. ***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.

5. ***Goodwill:*** All business combinations are accounted for using the purchase method. For business combinations occurred subsequent to the date of transition to IFRS, 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. For business combinations occurred prior to the date of transition to IFRS, goodwill is recorded on carrying value at the date of transition, based on previous GAAP. 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. Negative goodwill on acquisitions of subsidiaries is recorded directly in earnings. Goodwill on acquisitions of associates is included in investments in associates. Goodwill on acquisitions of minority interests of subsidiaries where control already exists, is recorded directly in equity.

6. ***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.

(Amounts in millions of Euro, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Newly constructed assets are added to property, plant and equipment at cost, which includes cost of materials, direct technical payroll costs related to construction, applicable general overhead costs, as well as the cost 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. 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.

7. ***Depreciation:*** Depreciation is computed based on the straight-line method on the estimated useful life of tangible assets, which is periodically reassessed. The estimated useful life and the respective rates are as follows:

Classification	**Estimated Useful Life**	**Annual Depreciation Rates**
Buildings	20-40 Years	2.5%-5%
Telecommunication equipment and installations:		
• Telephone exchange equipment	8-12 Years	8-12.5%
• Radio relay stations	8 Years	12.5%
• Subscriber connections	10 Years	10%
• Local and trunk network	8-17 Years	6-12.5%
• Other	5-10 Years	10-20%
Transportation equipment	5-8 Years	12.5-20%
Furniture and fixtures	3-5 Years	20%-33%

8. ***Employee Benefits:***

a) Defined contribution plans: Obligations for contributions to defined contribution plans are recognized as an expense in the Income Statement as incurred.

b) Defined Benefit Plans: Obligations derived from defined benefit plans are calculated separately for each plan by estimating the amount of future benefits employees have earned in return for their service at the date of the balance sheet. These benefits are discounted to their present value after the deduction of the fair value of any plan asset. The discount rate is the yield of the Greek Government bonds with maturity that approximates the term of the obligations. These obligations are calculated on the basis of financial and actuarial assumptions which are carried out by an independent actuarial company using the Procected Unit Credit Method. Net pension cost for the period is recognized in the income statement and consist of the present value of the accrued benefits, 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 period until the benefits become vested. All actuarial gains or losses are recognised during the average remaining working life of active employees and included in the service cost of the year, if –at the beginning of the year- they exceed 10% of the projected benefit obligation. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. ***Income Taxes:*** Income taxes for the year include current income taxes and deferred income taxes. Current income taxes are measured on the taxable income at the balance sheet date using enacted tax rates at the balance sheet date. Deferred income taxes are 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.

Income tax (current and deferred) is recognized in the Income Statement, except to the extend that it relates to items recognized directly in equity.

10. ***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.

11. ***Advertising Costs:*** All advertising costs are charged to expenses as incurred.

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

13. ***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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

- **Rendering of Services:** 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.

- **Revenues form dividends:** Revenues from dividends are recognized when the shareholders' right to receive payment is established.

- **Revenues from interest:** Revenue from interest are recognized as the interest accrues (using the effective interest method) to the net carrying amount of the financial asset.
- **Revenues from construction projects:** Revenue from construction projects 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.

14. ***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.

15. ***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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

16. ***Dividends:*** Dividends declared to the shareholders are recognized and reflected as a liability in the period they are approved by the General Assembly.

17. ***Long-term Receivables/Payables:*** Long-term receivables and payables are initially recorded at their fair value. Subsequent to the initial recognition, they are measured at amortized cost and the differences between that cost and the amount of receipt/ payment are recognized in the income statement over the life of the receivable/payable using the effective interest rate.

18. ***Stock Issuance Costs:*** Stock issuance costs, net of related deferred tax, are reflected as a deduction of Paid-in-Surplus.

19. ***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.

20. ***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. Financial leases are presented in the lower amount, between their fair value and the present value of the minimum leased payments at the beginning of the lease, decreased by the accumulated depreciation and any impairment losses. 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.

21. ***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.

22. ***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.

23. ***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.

24. ***Accounts Receivable and Allowance for Doubtful Accounts:*** Accounts receivable are recognized at their fair value. Subsequently they are measured at fair value 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Amortization of intangible assets with a finite useful life begins when the asset is available for use. Intangible assets with an indefinite useful life are not amortized but instead they are tested for impairment at least annually. 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.

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.

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. Provisions for restructuring are recognized when the Group has an approved, detailed and formal plan of restructuring which has started to be implemented or it has been announced to those affected by it.

29. Impairment of Assets: The carrying values of the Group's assets are tested for impairment, whenever indications exist that their carrying amount is not recoverable. In such cases, the recoverable amount is estimated and if the carrying amount of the asset exceed its estimated recoverable amount, an impairment loss is recognized in the Income Statement. The recoverable amount of an asset is the higher of its fair value less costs to sell and its values in use. In measuring value in use, 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 that asset. If an asset does not generate cash flows individually, the recoverable amount is determined for the cash generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

At each reporting date the Group assess whether there is an indication that an impairment loss recognized in prior periods may no longer exist. If any such indication exists, the Group estimates the recoverable amount of that asset and the impairment loss is reversed, increasing the carrying amount of the asset to its recoverable amount, to the extend that the recoverable amount does not exceed the carrying value of the asset that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

30. Stock Based Compensation: The fair value of the stock based compensation is recognized as an expense with a corresponding increase in equity, while the fair value of any other rights is recognized as an expense with a corresponding increase in liability.
Fair value is determined at the grant date and is allocated to the vesting period without any vesting conditions.
Fair value is measured based on generally accepted methods, taking into account the terms and conditions (except of market conditions) under which these rights have been granted.
For all other rights, the liability is remeasured at each Balance Sheet date and at the date of settlement, with any changes in fair value recognized as interest expense.

***31. Derivative Financial Instruments and Hedging Instruments*:** Derivative financial instruments include interest rate swaps, currency swaps and other instruments.

Derivatives for trading purposes: Derivatives that do not qualify for hedging, are considered as derivatives for trading purposes. Initially, these derivatives are recognized at their fair value (which is essentially the transaction cost) at the commencement date. Subsequent to the initial recognition, they are measured at fair value based on quoted market prices, if available, or based on valuation techniques such as discounted cash flows. There derivatives are classified as assets or liabilities depending on their fair value, with any changes recognized in the Income Statement.

Hedging: Hedging relationships are the following: Fair Value Hedge, where the exposure to changes in the fair value of a recognized asset or liability is hedged, or Cash Flow Hedge, where the exposure to variability in cash flows associated with a recognized asset or liability is hedged. At the inception of the hedge there is formal documentation which includes identification of the hedging instrument, the hedged item, the hedging relationship, the nature of the risk being hedged and the company's risk strategy. Furthermore, the documentation include an analysis of whether the hedging is effective in offsetting the exposure to changes in the fair value or cash flows attributable to the hedged risk. In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the Income Statement and the gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognized in the Income Statement. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity and the ineffective portion of the gain or loss on the hedging instrument is recognized in the Income Statement.

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 31 December 2003 and 2004, as well as on the Income Statements (Stand-Alone and Consolidated) for 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 31 DECEMBER 2003

	COMPANY			GROUP		
(Amounts in millions of Euro)	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	338.7	6,991.5
Goodwill	13.4	(13.4)	-	73.9	(16.4)	57.5
Telecommunication licenses	5.0	-	5.0	400.9	0.3	401.2
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	-	84.6	84.6
Other non-current assets	216.4	(129.7)	86.7	362.8	(190.0)	172.8
Total non - current assets	5,091.4	815.1	5,906.5	7,908.4	279.5	8,187.9
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	843.0	(579.3)	263.7
Cash and cash equivalents	234.0	-	234.0	601.3	-	601.3
Total current assets	2,536.0	(947.6)	1,588.4	2,881.6	(571.7)	2,309.9
TOTAL ASSETS	7,627.4	(132.5)	7,494.9	10,790.0	(292.2)	10,497.8
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	500.6	1,876.7
	3,046.8	94.8	3,141.6	3,576.1	(9.0)	3,567.1
Minority Interest	-	-	-	1,022.5	50.1	1,072.6
Total equity	3,046.8	94.8	3,141.6	4,598.6	41.1	4,639.7
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	(59.4)	303.9
Total non – current liabilities	3,203.3	(22.8)	3,180.5	4,073.9	(43.6)	4,030.3
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	84.2	169.6
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	(165.9)	445.1
Total current liabilities	1,377.3	(204.5)	1,172.8	2,117.5	(289.7)	1,827.8
TOTAL EQUITY AND LIABILITIES	7,627.4	(132.5)	7,494.9	10,790.0	(292.2)	10,497.8

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

RECONCILIATION OF BALANCE SHEETS AS OF 31 DECEMBER 2004

	COMPANY			GROUP		
(Amounts in millions of Euro)	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	2,901.7	503.0	3,404.7	6,464.2	445.5	6,909.7
Goodwill	13.0	(13.0)	-	68.5	2.3	70.8
Telecommunication licenses	4.6	-	4.6	376.6	4.4	381.0
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	(141.6)	195.3
Total non - current assets	4,952.1	615.0	5,567.1	7,621.9	438.3	8,060.2
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	(249.1)	269.4
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	(283.5)	2,343.8
TOTAL ASSETS	6,789.2	279.3	7,068.5	10,249.2	154.8	10,404.0
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	562.7	1,685.0
	2,628.1	312.7	2,940.8	3,281.1	307.1	3,588.2
Minority Interest	-	-	-	1,008.6	234.6	1,243.2
Total equity	2,628.1	312.7	2,940.8	4,289.7	541.7	4,831.4
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	7.2	284.6
Reserve for Youth Account	221.7	80.2	301.9	221.7	80.2	301.9
Other non – current liabilities	149.0	(105.5)	43.5	497.0	(334.7)	162.3
Total non – current liabilities	3,084.8	(14.7)	3,070.1	3,818.1	(248.7)	3,569.4
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	17.0	77.7	126.3	29.9	156.2
Dividends payable	7.2	-	7.2	7.2	-	7.2
Other current liabilities	435.4	(138.9)	296.5	563.7	(25.0)	538.7
Total current liabilities	1,076.3	(18.7)	1,057.6	2,141.4	(138.2)	2,003.2
TOTAL EQUITY AND LIABILITIES	6,789.2	279.3	7,068.5	10,249.2	154.8	10,404.0

RECONCILIATION OF INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	COMPANY			GROUP		
(Amounts in millions of Euro)	Previous GAAP Law 2190/20	Effect of transition to IFRS	IFRS	Previous GAAP Law 2190/20	Effect of transition to IFRS	IFRS
Revenues	2,846.7	(100.3)	2,746.4	5,213.0	6.3	5,219.3
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	(2,701.3)	(48.0)	(2,749.3)	(4,420.7)	(184.5)	(4,605.2)
Operating income	145.4	(148.3)	(2.9)	792.3	(178.2)	614.1
Financial and extraordinary results	(279.1)	290.4	11.3	(373.0)	275.7	(97.3)
Profit before tax	(133.7)	142.1	8.4	419.3	97.5	516.8
Income taxes	-	(41.9)	(41.9)	-	(222.5)	(222.5)
Profit for the period	(133.7)	100.2	(33.5)	419.3	(125.0)	294.3
Attributable to:						
Equity holders of the parent	(133.7)	100.2	(33.5)	172.1	(55.0)	117.1
Minority interest	-	-	-	247.2	(70.0)	177.2
	(133.7)	100.2	(33.5)	419.3	(125.0)	294.3

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 (loss) for the year ended 31 December 2004	Total equity 31.12.2004
Balances in accordance with Greek GAAP	**3,046.8**	**(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)
Transfer of subsidies out of equity (reduction of fixed assets)	(98.3)	-	(78.7)
Adjustment of depreciation of fixed assets and subsidies based on useful lives and reversal of statutory revaluations	320.9	55.9	376.8
Capitalization of interest related to construction period and respective depreciation	186.6	(3.3)	183.3
Reserves for employee benefit plans based on IAS 19	(110.0)	53.2	(56.8)
Presentation of revenues in accordance with IFRS	(17.0)	-	(17.0)
Investments at cost less impairments	(98.1)	45.4	(52.7)
Inclusion of income tax in the income statement and recognition of deferred taxes	33.1	(41.9)	(5.3)
Reversal of capitalized expenses and reversal of respective amortization	(11.8)	(6.8)	(18.6)
Other adjustments	(5.6)	(2.3)	(3.2)
Total IFRS adjustments	94.8	100.2	312.7
Balances in accordance with IFRS	**3,141.6**	**(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 year ended 31 December 2004	Total equity 31.12.2004
Balances in accordance with Greek GAAP	**4,598.6**	**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)
Transfer of subsidies out of equity (reduction of fixed assets)	(118.3)	-	(100.6)
Adjustment of depreciation of fixed assets and subsidies based on useful lives and reversal of statutory revaluations	170.9	47.9	72.1
Capitalization of interest related to construction period and respective depreciation	198.1	(3.3)	194.8
Reserves for employee benefit plans based on IAS 19	(109.4)	53.2	(56.2)
Presentation of revenues in accordance with IFRS	(17.0)	-	(17.0)
Investments at cost less impairments	(46.1)	-	(8.5)
Effect of changes in foreign exchange rates resulting from consolidation of subsidiaries operating outside Greece	38.3	-	241.8
Inclusion of income tax in the income statement and recognition of deferred taxes	39.8	(222.5)	245.7
Reversal of capitalized expenses and reversal of respective amortization	(14.0)	(7.9)	(21.9)
Other adjustments	3.8	7.6	6.6
Total IFRS adjustments	41.1	(125.0)	541.7
Balances in accordance with IFRS	**4,639.7**	**294.3**	**4,831.4**

(Amounts in millions of Euro, unless otherwise stated)

5. TELECOMMUNICATION PROPERTY, PLANT AND EQUIPMENT

Telecommunication property, plant and equipment is analyzed as follows:

COMPANY

	Buildings	**Telecommunication equipment**	**Transportation Means**	**Furniture and fixtures**	**Construction in progress**	**Investment supplies**	**Total**
31/12/2003							
Cost	23.7	6,105.8	42.8	164.5	612.4	197.3	7,146.5
Accumulated depreciation	(1.4)	(3,321.6)	(32.2)	(133.5)	-	-	(3,488.7)
Net Book Value 31/12/2003	**22.3**	**2,784.2**	**10.6**	**31.0**	**612.4**	**197.3**	**3,657.8**
1/1/2004							
Net Book Value 01/01/2004	22.3	2,784.2	10.6	31.0	612.4	197.3	3,657.8
Additions	4.7	454.7	3.7	5.7	335.6	69.6	874.0
Disposals, cost	-	(32.9)	(0.9)	-	(435.7)	(105.6)	(575.1)
Disposals, accumulated depreciation	-	-	0.3	-	-	-	0.3
Depreciation for the year	(1.3)	(529.5)	(3.0)	(18.5)	-	-	(552.3)
Net Book Value 31/12/2004	**25.7**	**2,676.5**	**10.7**	**18.2**	**512.3**	**161.3**	**3,404.7**
31/12/2004							
Cost	28.4	6,527.6	45.6	170.2	512.3	161.3	7,445.4
Accumulated depreciation	(2.7)	(3,851.1)	(34.9)	(152.0)	-	-	(4,040.7)
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	0.2	418.8	-	4.8	225.8	64.4	714.0
Disposals, cost	(0.1)	(54.2)	(7.5)	(5.4)	(413.1)	(111.0)	(591.3)
Disposals, accumulated depreciation	-	35.5	6.8	4.7	-	-	47.0
Depreciation for the year	(1.3)	(527.4)	(3.1)	(10.4)	-	-	(542.2)
Net Book Value 31/12/2005	**24.5**	**2,549.2**	**6.9**	**11.9**	**325.0**	**114.7**	**3,032.2**
31/12/2005							
Cost	28.5	6,892.2	38.1	169.6	325.0	114.7	7,568.1
Accumulated depreciation	(4.0)	(4,343.0)	(31.2)	(157.7)	-	-	(4,535.9)
Net Book Value 31/12/2005	**24.5**	**2,549.2**	**6.9**	**11.9**	**325.0**	**114.7**	**3,032.2**

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

(Amounts in millions of Euro, unless otherwise stated)

5. TELECOMMUNICATION PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

	Land	Buildings	Telecommunication equipment	Transportation Means	Furniture and fixtures	Construction in progress	Investment supplies	Total
31/12/2003								
Cost	25.7	797.7	9,031.1	51.5	401.8	873.4	203.9	11,385.1
Accumulated depreciation	-	(186.2)	(3,911.2)	(37.2)	(259.0)	-	-	(4,393.6)
Net Book Value 31/12/2003	**25.7**	**611.5**	**5,119.9**	**14.3**	**142.8**	**873.4**	**203.9**	**6,991.5**
1/1/2004								
Net Book Value 01/01/2004	25.7	611.5	5,119.9	14.3	142.8	873.4	203.9	6,991.5
Additions	0.3	22.4	797.9	7.4	26.4	335.6	92.6	1,282.6
Disposals, cost	-	(4.4)	(134.4)	(5.3)	(25.7)	(512.9)	(105.6)	(788.3)
Disposals, accumulated depreciation	-	1.5	-	4.6	24.7	-	-	30.8
Foreign exchange differences, cost	0.2	(17.5)	497.4	1.5	(3.0)	5.0	0.2	483.8
Foreign exchange differences, accumulated depreciation	-	(2.7)	(331.1)	(1.4)	18.2	-	-	(317.0)
Depreciation for the year	-	(16.5)	(693.2)	(7.9)	(56.1)	-	-	(773.7)
Net Book Value 31/12/2004	**26.2**	**594.3**	**5,256.5**	**13.2**	**127.3**	**701.1**	**191.1**	**6,909.7**
31/12/2004								
Cost	26.2	798.2	10,192.0	55.1	399.5	701.1	191.1	12,363.2
Accumulated depreciation	-	(203.9)	(4,935.5)	(41.9)	(272.2)	-	-	(5,453.5)
Net Book Value 31/12/2004	**26.2**	**594.3**	**5,256.5**	**13.2**	**127.3**	**701.1**	**191.1**	**6,909.7**
1/1/2005								
Net Book Value 01/01/2005	26.2	594.3	5,256.5	13.2	127.3	701.1	191.1	6,909.7
Additions	0.6	31.8	940.5	3.7	40.9	425.4	73.6	1,516.5
Disposals, cost	-	(16.3)	(387.3)	(11.1)	(36.9)	(457.4)	(120.6)	(1,029.6)
Disposals, accumulated depreciation	-	27.0	284.1	10.3	34.8	-	-	356.2
Foreign exchange differences, cost	0.5	41.3	311.2	2.7	11.1	4.7	2.1	373.6
Foreign exchange differences, accumulated depreciation	-	(21.6)	(265.0)	(2.5)	(12.5)	-	-	(301.6)
Depreciation for the year	-	(46.7)	(998.1)	(5.9)	(34.5)	-	-	(1,085.2)
Net Book Value 31/12/2005	**27.3**	**609.8**	**5,141.9**	**10.4**	**130.2**	**673.8**	**146.2**	**6,739.6**
31/12/2005								
Cost	27.3	855.0	11,056.4	50.4	414.6	673.8	146.2	13,223.7
Accumulated depreciation	-	(245.2)	(5,914.5)	(40.0)	(284.4)	-	-	(6,484.1)
Net Book Value 31/12/2005	**27.3**	**609.8**	**5,141.9**	**10.4**	**130.2**	**673.8**	**146.2**	**6,739.6**

(Amounts in millions of Euro, unless otherwise stated)

6. GOODWILL

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

31/12/2003	**Amount**
Cost	74.8
Accumulated amortization	(17.3)
Net Book Value 31/12/2003	**57.5**
2004	
Net Book Value 1/1/2004	57.5
Additions	9.1
Foreign exchange differences	4.2
Amortization for the year	-
Net Book Value 31/12/2004	**70.8**
Cost	88.1
Accumulated amortization	(17.3)
Net Book Value	**70.8**
2005	
Net Book Value 01/01/2005	70.8
Additions	-
Foreign exchange differences	1.6
Amortization for the period	-
Net Book Value 31/12/2005	**72.4**
Cost	89.7
Accumulated amortization	(17.3)
Net Book Value 31/12/2005	**72.4**

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.

The above mentioned goodwill has been allocated to the reporting units that it relates. The fair value of the reporting units as at 31 December 2005 was above the carrying amount of such goodwill, thus there is no indication of impairment of goodwill.

(Amounts in millions of Euro, unless otherwise stated)

7. TELECOMMUNICATION LICENSES

Telecommunication Licenses are analyzed as follows:

	COMPANY	GROUP
2003		
Cost	6.2	443.1
Accumulated amortization	(1.2)	(42.8)
Net Book Value	**5.0**	**401.2**
2004		
Net Book Value 1/1/2004	5.0	401.2
Additions/(Disposals), Foreign exchange differences	-	5.7
Amortization for the year	(0.4)	(25.9)
Net Book Value 31/12/2004	**4.6**	**381.0**
Cost	6.2	449.7
Accumulated amortization	(1.6)	(68.7)
Net Book Value	**4.6**	**381.0**
2005		
Net Book Value 1/1/2005	4.6	381.0
Additions/(Disposals), Foreign exchange differences	-	36.1
Amortization for the period	(0.4)	(24.1)
Net Book Value 31/12/2005	**4.2**	**393.0**
Cost	6.2	485.8
Accumulated amortization	(2.0)	(92.8)
Net Book Value 31/12/2005	**4.2**	**393.0**

8. INVESTMENTS

Investments are analyzed as follows:

	2005		2004	
	COMPANY	GROUP	COMPANY	GROUP
Investments in subsidiaries	1,526.3	-	1,615.0	-
Other investments	157.8	159.3	186.2	188.0
Available for sale securities	-	-	33.3	33.3
	1,684.1	**159.3**	**1,834.5**	**221.3**

(Amounts in millions of Euro, unless otherwise stated)

8. INVESTMENTS (continued)

(a) Investments in subsidiaries are analyzed as follows:

	Country	2005	2004
• COSMOTE	GREECE	365.6	91.4
• OTE INTERNATIONAL INVESTMENTS LTD	CYPRUS	497.9	497.9
• ARMENTEL	ARMENIA	55.0	58.9
• OTE MTS HOLDING B.V.	HOLLAND	-	140.1
• OTE AUSTRIA HOLDING GMBH	AUSTRIA	0.1	0.1
• GLOBUL	BULGARIA	-	250.9
• HELLAS-SAT	CYPRUS	189.5	179.9
• COSMO-ONE	GREECE	3.2	3.2
• OTENET	GREECE	24.7	18.8
• HELLASCOM	GREECE	20.4	8.9
• OTE SAT- MARITEL	GREECE	11.2	11.2
• OTE PLUS	GREECE	2.6	2.6
• OTE ESTATE	GREECE	336.3	336.3
• INFOTE	GREECE	12.4	12.4
• OTE-GLOBE	GREECE	0.9	0.9
• OTE INSURANCE	GREECE	0.6	0.6
• OTE ACADEMY	GREECE	0.9	0.9
		1,526.3	**1,615.0**

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 years presented is as follows:

	COMPANY
Balance at 1 January 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 31 December 2004	**1,615.0**
Acquisition of additional share in subsidiary	299.2
Sale of investments	(366.6)
Loans transferred to other non-current assets	(22.0)
Loans granted/ (Repayment of loans granted)	0.7
Balance at 31 December 2005	**1,526.3**

During 2005, OTE purchased additional share in certain of its subsidiaries as follows:

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.

(Amounts in millions of Euro, unless otherwise stated)

8. INVESTMENTS (continued)

In the third quarter of 2005, OTE participated in OTE ACADEMY's (wholly-owned subsidiary) share capital increase in the amount of Euro 5.0 and consequently the carrying amount of the investment therein was equally increased.

In the fourth quarter of 2005, OTE increased its participation interest in OTE NET by 4.39% through the acquisition of minority interests for a consideration of Euro 5.9, increasing its participating interest in OTE NET's dhare capital from 90.20 % σε 94.59%.

Finally, in the second half of 2005, OTE OTE increased its participation interest in HELLAS-SAT by 12.35% through the acquisition of minority interests for a consideration of Euro 2.6, increasing its participating interest in HELLAS-SAT's share capital from 83.34 % σε 95.69%.

The differences between the consideration given to acquire the additional share the subsidiaries' share capital and the minority interest's share at the dates of acquisition, have been accounted for as equity transactions and have been recognized directly in equity in the consolidated Financial Statements.

These differences are analyzed as follows:

Investment	Amount
COSMOTE	235.6
HELLASCOM	(3.3)
OTENET	5.3
HELLAS-SAT	1.2
	238.8

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 Assemblies' meetings of OTE's and COSMOTE's shareholders on June 16, 2005.

The total consideration was Euro 490 (Euro 400 for GLOBUL and Euro 90 for COSMOFON), and as the carrying amount of these investments in OTE's financial statements was Euro 366.6, OTE recognized a pre-tax gain from the sale of these investments of Euro 123.4.

After the completion of the above transactions, the Group's interest in GLOBUL's and COSMOFON's share capital (through COSMOTE) was reduced from 100.00% to 64.37%.

Because of the sale of COSMOFON to COSMOTE, a loan that had been granted to COSMOFON for an amount of Euro 22.0 and was included in the carrying amount of the investment as of 31 December 2004, was transferred to "Other non-current assets" in the 31 December 2005 Balance Sheet (See Note 9).

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 Assembly 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. As a result of that settlement, COSMOROM was released from liabilities of Euro 23.8 and that amount is presented as "Extinguishment of Liabilities" in the 2005 consolidated income statement.

(Amounts in millions of Euro, unless otherwise stated)

8. INVESTMENTS (continued)

On July 7, 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%,and thus, the Group's interest in COSMOROM's share capital (through COSMOTE and ROMTELECOM) increased by 7.3% from 54.01% to 61.26%.

As a result of that agreement for the acquisition by COSMOTE of COSMOROM's 70% and the relaunching of COSMOROM's activities based on the new conditions and the new business plan of the company under COSMOTE's leadership, it was assessed that there were indications showing that the impairment loss recognized in prior years relating to COSMOROM's fixed assets was no longer exist. Based on the above, the recoverable amount of the fixed assets was determined and a reversal of impairment loss of Euro 75.7 was recognized in the 2005 consolidated income statement.

(b) Other investments

OTE's other investments are analyzed as follows:

	2005	2004
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 years presented is as follows:

	COMPANY	GROUP
Balance at 1 January 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 31 December 2004	**186.2**	**188.0**
Sale of investment	(12.9)	(12.9)
Loans granted/ (Repayment of loans granted)	(15.5)	(15.5)
Other movements	-	(0.3)
Balance at 31 December 2005	**157.8**	**159.3**

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.

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.

As a result of the above, OTE wrote-off management fees of approximately Euro 21.3 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 31 December 2005 Balance Sheet.

(Amounts in millions of Euro, unless otherwise stated)

8. INVESTMENTS (continued)

Dividends from investments are analyzed as follows:

COMPANY

	2005	2004
COSMOTE	297.9	97.3
TELEKOM SRBIJA	14.5	9.0
INFOTE	9.3	8.7
OTE-GLOBE	2.5	-
OTE ESTATE	1.1	6.1
ARMENTEL	4.5	-
EUTELSAT	4.9	-
HELLASCOM	-	0.4
OTHER	0.6	0.5
	335.3	**122.0**

GROUP

	2005	2004
TELEKOM SRBIJA	14.5	9.0
EUTELSAT	4.9	-
OTHER	1.0	0.5
	20.4	**9.5**

9. OTHER NON-CURRENT ASSETS

Other non-current assets are analyzed as follows:

	2005		2004	
	COMPANY	GROUP	COMPANY	GROUP
Loans and advances to employees	19.3	19.5	97.8	98.0
Discounting (3.8% interest rate)	(1.2)	(1.2)	(8.1)	(8.1)
Loans to COSMOFON	45.0	-	-	-
Other intangible assets	-	58.3	-	50.5
Deferred expenses (long term)	-	39.8	-	45.7
Other	0.1	10.2	0.1	9.2
	63.2	**126.6**	**89.8**	**195.3**

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%.

Loans to COSMOFON include two loans of Euro 22.0 and Euro 23.0 granted by OTE. As dislosed in Note 8 above, after the sale of COSMOFON to COSMOTEe, the outstanding amount of these loans was transferred form Investments to Other non-current Assets in the 2005 Balance Sheet.

(Amounts in millions of Euro, unless otherwise stated)

10. ACCOUNTS RECEIVABLE

Accounts receivable are analyzed as follows:

	2005		2004	
	COMPANY	GROUP	COMPANY	GROUP
Subscribers	992.1	1,387.7	1,012.9	1,349.9
Intenational traffic	120.6	168.6	88.3	124.0
Due from subsidiaries	87.9	-	153.6	-
Accrued unbilled revenues	82.9	134.5	69.6	112.7
	1,283.5	**1,690.8**	**1,324.4**	**1,586.6**
Minus				
Allowance for doubtful accounts	(504.1)	(624.1)	(416.1)	(514.9)
	779.4	**1,066.7**	**908.3**	**1,071.7**

The movement of the allowance for doubtful accounts is as follows:

	COMPANY	GROUP
Balance at 01/01/2004	(349.6)	(457.9)
Addition for the year	(120.0)	(137.6)
Write-offs	53.5	80.6
Balance at 31/12/2004	**(416.1)**	**(514.9)**
Balance at 01/01/2005	(416.1)	(514.9)
Addition for the year	(91.0)	(110.4)
Write-offs	3.0	4.0
Foreign exchange differences	-	(2.8)
Balance at 31/12/2005	**(504.1)**	**(624.1)**

(Amounts in millions of Euro, unless otherwise stated)

11. OTHER CURRENT ASSETS

Other current assets are analyzed as follows:

	2005		2004	
	COMPANY	GROUP	COMPANY	GROUP
Available for sale securities (See Note 8 (c))	32.9	32.9	-	-
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))	95.2	95.2	91.5	91.5
Due form OTE Leasing's customenrs (See Note 27 (ii))	17.1	17.1	25.4	25.4
Loans and advances to employees	102.7	102.8	14.5	14.8
Tax on sale of investments	25.8	25.8	-	-
VAT receivable	-	19.5	-	6.1
Prepayments	-	24.2	-	9.0
Deferred expenses	3.7	22.9	2.9	37.9
Other	8.0	35.0	18.5	49.0
	321.1	**411.1**	**188.5**	**269.4**

Loans and advances to employees as at 31 December 2005, include an amount of Euro 94.5 relating to loans granted to eligible employees who participate in the Voluntary Retirement Program, against the accrued indemnity payable to them upon retirement. As the total amount of these loans will be settled during 2006, these loans are included under current assets in the 2005 Balance Sheet.

Tax on sale of investments relates to the one-of taxation of the consideration received from the sale of GLOBUL and COSMOFON to COSMOTE (euro 490.0) and the consideration received from the sale of the satellite organizations (euro 26.6), with a tax rate of 5% (See Note 8).

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analyzed as follows:

	2005		2004	
	COMPANY	GROUP	COMPANY	GROUP
Cash in hand	1.3	2.7	1.2	1.7
Short term bank deposits	843.0	1,509.5	368.8	868.6
	844.3	**1,512.2**	**370.0**	**870.3**

13. SHARE CAPITAL

OTE's share capital as at 31 December 2003 amounted to Euro 1,204.7 divided into 504,054,199 registered shares with a nominal value Euro 2.39 (two point thirty nine Euro) each, while the respective paid-in surplus amounted to Euro 505.6.

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 31 December 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 17 June 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 31 December 2004, OTE owned 1,108,910 shares representing 0.23% of its outstanding share capital, at cost of approximately Euro 15.1.

OTE's share capital as at 31 December 2004 amounted 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, while the respective paid-in surplus amounted to Euro 487.5.

The extraordinary General Assembly of 6 July 2005, resolved to cancel 676,420 own shares, as the period that these shares could be hold by OTE had expired. Following such resolution, OTE owns 432,490 own shares representing 0.09% of its outstanding share capital, at cost of approximately Euro 5.9.

OTE's share capital as at 31 December 2005 amounts to Euro 1,172.5 divided into 490,582,879 registered shares with a nominal value Euro 2.39 (two point thirty nine Euro) each, while the respective paid-in surplus amounted to Euro 486.6.

The Greek State is the major shareholder of OTE. On 2 August 2005, as a bond convertible to OTE's shares was matured, the Greek State bought back 53,679,000 OTE's shares. On 9 September 2005, the Greek State placed with institutional investors 49,058,200 OTE's shares. As at 31 December 2005 its direct participation was approximately 35.63% while together with DEKA S.A. its participation was approximately 38.70%.

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. As at 31 December 2004 and 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.

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.

(Amounts in millions of Euro, unless otherwise stated)

16. LONG-TERM DEBT

Long-term debt is analyzed as follows:

		2005	2004
COMPANY			
(a)	Loan from European Investment Bank	67.4	81.1
(b)	Intercompany loan from OTE PLC	1,899.4	2,378.8
	Total long-term debt	1,966.8	2,459.9
	Current maturities	(14.9)	(13.7)
	Long-term portion	**1,951.9**	**2,446.2**
GROUP			
(a)	Loan from European Investment Bank	67.4	81.1
(b)	Loans from suppliers and their affiliates	33.5	34.2
(c)	Consortium loans	500.0	259.5
(d)	Eurobond	1,108.9	1,097.5
(e)	Global Medium Term Note Program	1,489.1	1,491.7
(f)	Other bank loans	226.7	177.2
	Total long-term debt	3,425.6	3,141.2
	Current maturities	(321.3)	(320.6)
	Long-term portion	**3,104.3**	**2,820.6**

(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 30 June 2002, is repayable in annual instalments through 2009. Within 2005 OTE paid Euro 13.7 based on the repayment schedule of the loan from European Investment Bank.

(b) Loans from suppliers and their affiliates

ARMENTEL has obtained vendor-financing facilities from suppliers, in relation with the supply of equipment and services. These facilities bear interest based on London Interbank Offering Rate ("LIBOR") plus margins.

(c) Consortium loans

(i) **COSMOTE:** On 12 November 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 was repayable in full by the latest on November 12, 2005. On September 2005, COSMOTE prepaid the balance of that loan.

(ii) On 2 September 2005, OTE PLC signed a Euro 850 million Syndicated Credit Facility guaranteed by OTE S.A. The facility consists of a Euro 500 million Term Loan and a Euro 350 million Revolving Credit Facility. The main terms of the facility are: the interest rate is floating euribor + margin. The margin is adjustable based on OTE S.A. long term credit rating. With the current OTE S.A.'s credit rating the margin is 0.2125% p.a. for the Term Loan and 0.1875% p.a. for the Revolving Credit Facility. The facility matures in September 2010 and has an extension option of 1+1 year subject to lenders' consent. On 6 September 2005 OTE PLC drew Euro 500 million under the Term Loan, while up to 31 December 2005, no draw-downs had been made form the Revolving Credit Facility.

16. LONG-TERM DEBT (continued)

(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 7 February 2007.

On November 2005, OTE PLC completed the Exchange Bond Program in order to refinance part of the Eurobond of Euro 1.1 billion, bearing interest at 6.125%, maturing on 7 February 2007. Based on that Program, Euro 608.4 in principal amount of existing bonds was submitted by bondholders and given the exchange ratio of 1.0455, Euro 636.0 in principal amount of new notes were issued under the Global Medium Term Loan. For rounding purposes additional notes for an amount of Euro 14.0 were issued. After the completion of the transaction, the part of the Eurobond that was refinanced amounted to Euro 650.0, bearing interest at 3.75%, maturing on 2011.

On 13 September 2005 , OTE PLC entered in an Interest Rate Swap (IRS) agreement for the amount of Euro 289 million until 7 February 2007. Under the IRS OTE PLC will pay annually euribor + 3.7775% and will receive 6.125%.

(e) Global Medium Term Note Program

On 7 November 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 31 December 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 Euro and Korea Won, amounting to Euro 148.4 as of 31 December 2005 and Euro 175.5 as of 31 December 2004, a part of which (approximately 25%) bear interest at floating rates, while the remaining bear interest at fixed rates ranging from 2.5% - 6.12%.

On 10 May 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 31 December 2005, amounted to Euro 75.0, which were partially used for the repayment of the company's short term borrowings.

(g) Revolving credit facilities

On 2 March 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 28 February 2006. On 8 September 2005 the above mentioned credit facility was cancelled On September 8, 2005, the Euro 350 million Revolving Credit Facility was cancelled and refinanced by the Euro 350 million Revolving Credit Facility described in (c) (ii) above.

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 8 December 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 1 January 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:

(ι) The Auxiliary Lump Sum benefit fund provides members with a lump sum benefit upon retirement or death.

(ιι) 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.

(Amounts in millions of Euro, unless otherwise stated)

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

Advances to pension funds are analyzed as follows:

	2005	**2004**
Non-interest bearing payments and advances:		
EDEKT	176.1	211.3
Auxiliary Fund	5.3	5.8
	181.4	**217.1**
Unamortized discount based on imputed interest rate 3.8% for 2004 and 2005	(0.7)	(1.3)
Long-term portion	**180.7**	**215.8**
Non-interest bearing payments and advances:		
EDEKT	35.2	35.2
Auxiliary Fund	0.5	0.5
Short-term portion (See Note 11)	**35.7**	**35.7**

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 31 December 2003, OTE employees received the lesser amount between 100% of the maximum liability and Euro 0.02 plus 7 months' salary. On 19 May 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 2 January 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.

(Amounts in millions of Euro, unless otherwise stated)

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

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

	2005	**2004**
Service cost-benefits earned during the year	19.1	14.7
Interest cost on projected benefit obligation	18.4	19.0
Amortization of past service cost	15.1	9.1
Amortization of unrecognized actuarial loss	2.6	-
	55.2	**42.8**

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

	2005	**2004**
Projected benefit obligation at beginning of year	278.5	268.1
Service cost	19.1	14.7
Interest cost	18.4	19.0
Amortization of past service cost	15.1	9.1
Amortization of unrecognized actuarial loss	2.6	-
Benefits paid	(47.4)	(32.4)
Termination benefits based on Voluntary Retirement Program	118.5	-
Projected benefit obligation at end of year	**404.8**	**278.5**
Total reserve for staff retirement indemnities for eligible employees of the Voluntary Retirement Program	(242.7)	-
	162.1	**278.5**

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

	2005	**2004**
Discount rate	3.7%	3.8%
Assumed rate of increase in future compensation levels	5.5%	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.

(Amounts in millions of Euro, unless otherwise stated)

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:

	2005	2004
Service cost-benefits earned during the year	20.9	20.1
Interest cost on projected benefit obligation	10.2	13.3
Amortization of unrecognized actuarial loss	6.5	4.8
	37.6	**38.2**

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

	2005	2004
Projected benefit obligation at beginning of year	229.5	237.1
Service cost-benefits earned during the year	20.9	20.1
Interest cost on projected benefit obligation	10.2	13.3
Amortization of unrecognized actuarial loss	6.5	4.8
Benefits paid	(54.7)	(45.8)
Projected benefit obligation at end of year	212.4	229.5
Employee's accumulated contributions	71.6	72.4
	284.0	**301.9**

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

	2005	2004
Discount rate	3.6%	3.8%
Assumed rate of increase in future compensation levels	4.5%	3.5%

<u>Voluntary Retirement Program</u>

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.

The enactment of Law 3371/2005 and the collective labor agreement signed between OTE and its employees on 20 July 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 should submit irrevocable applications within three months from the law's enactment (until 14 October 2005).

(Amounts in millions of Euro, unless otherwise stated)

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

The estimated total cost of the Voluntary Retirement Program in terms of payments amounts to approximately Euro 1.1 billion. This amount refers to 4,859 eligible employees who have submitted irrevocable applications.

The above mentioned amount includes:

- The total cost of employer's and employees' contributions to TAP-OTE for the period required to the employees in order to be entitled to pension.
- The amount of pensions TAP OTE will be required to prepay for these employees.
- The total cost of employer's and employees' contributions to Auxiliary Fund for the period required to the employees in order to be entitled to pension.
- The amount of pensions the Auxiliary Fund will be required to prepay for these employees.
- The total cost of employees' contributions to Auxiliary Fund for the Lump Sum benefit.
- The total cost of bonuses based on the collective labor agreement signed on 20 July 2005.
- The termination payments upon retirement of the employees (staff retirement indemnities).

Because of the periodical payments of the majority of the above mentioned costs (payments through 2012), the nominal amounts of these payments were discounted at their present values, using a discount rate of 3%, which approximates the rate of the Greek Government bonds with an equal duration as that of the Voluntary Retirement Program.

The components of the estimated cost of the Voluntary Retirement Program and the reconciliation with the amounts presented in the Financial Statements is presented in the table below:

Category of obligation	Amount
Total employer's and employees' contributions to TAP-OTE & Auxiliary Fund	232.2
Total pensions from TAP-OTE & Auxiliary Fund	576.4
Total bonuses based on the collective labor agreement	55.0
Total termination payments upon retirement (staff retirement indemnities)	242.7
Total nominal cost of the Program	**1,106.3**
Effect of discounting at present values	(67.6)
Discounted present value of the total obligation	**1,038.7**
Minus already established reserves for staff retirement indemnities	(124.2)
Cost of Voluntary Retirement Program	914.5
Cost of earlier voluntary retirement plan during the 1st half of 2005	25.1
Total cost of the Voluntary Retirement Program charged in 2005	**939.6**

Based on the estimated period of settlement (payment), these obligations are classified as follows:

Reserve for Voluntary Retirement Program (Short-term portion)	434.9
Reserve for Voluntary Retirement Program (Long-term portion)	603.8
Total	**1,038.7**

Based on Law 3371/2005, the Greek State will contribute a 4% stake in OTE's share capital to TAP-OTE for the portion of the total cost that relates to employer's and employees' contributions to TAP-OTE and to the amount of pensions TAP OTE will be required to prepay. This contribution is subject to EU approval. In case that EU approves the Greek State's contribution, the charge for the Voluntary Retirement Program might be partly reversed.

(Amounts in millions of Euro, unless otherwise stated)

18. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are analyzed as follows:

	2005		2004	
	COMPANY	GROUP	COMPANY	GROUP
Reserve for pension contributions under voluntary retirement program	7.3	7.3	7.5	7.5
Amount due for Cosmote's 3G license	-	14.7	-	30.0
Asset retirement obligation	-	4.5	-	4.1
Amounts due based on performance of satellite transmitters	-	-	-	6.1
Reserve for obligation of free units	36.1	36.1	34.1	34.1
Deferred revenues (long-term)	-	39.8	-	45.7
Long-term liabilities to suppliers	-	26.8	-	15.6
Other	0.2	10.7	1.9	19.2
	43.6	**139.9**	**43.5**	**162.3**

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 31 December 2004 and 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 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 31 December 2005, an amount of Euro 95.2, representing income tax advances paid by OTE 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.

(Amounts in millions of Euro, unless otherwise stated)

20. INCOME TAXES (continued)

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

Company	UNAUDITED TAX YEARS
• OTE	From 2002
• COSMOTE	From 2004
• OTE INTERNATIONAL	From 1998
• ROMTELECOM	From 2001
• AMC	From 2002
• ARMENTEL	None
• COSMOFON	Full income tax exemption for a period of three years commencing from the first year taxable profits are reported
• GLOBUL	From 2005
• COSMOTE ROMANIA	From 2004
• HELLAS SAT	From 2003
• COSMOONE	From 2002
• OTENET	From 2004
• HELLASCOM	From 2003
• OTE PLC	From 2000
• OTE SAT-Maritel	From 2000
• OTE PLUS	From 2005
• OTE ESTATE	From 2001
• INFOTE	From 2001
• OTE GLOBE	From 2002
• OTE INSURANCE	From 2003
• CHA	From 2000
• OTE ACADEMY	From 2000

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

	2005		2004	
	COMPANY	GROUP	COMPANY	GROUP
Current taxes	5.0	211.7	13.9	216.8
Deferred taxes	(198.0)	(191.9)	28.0	5.7
	(193.0)	**19.8**	**41.9**	**222.5**

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:

	2005		2004	
	COMPANY	GROUP	COMPANY	GROUP
Profit / (loss) before tax	(430.2)	3.3	8.4	516.8
Statutory tax rate	32%	32%	35%	35%
	(137.7)	1.1	2.9	180.9
Non-taxable income	(131.5)	-	(35.7)	-
Effect of different tax rates applicable	55.7	1.4	17.6	(8.9)
Expenses non-deductible for tax purposes	15.5	18.9	46.2	46.2
Other	5.0	(1.6)	10.9	4.3
Income taxes	**(193.0)**	**19.8**	**41.9**	**222.5**

(Amounts in millions of Euro, unless otherwise stated)

20. INCOME TAXES (continued)

Deferred taxes are analyzed as follows:

	2005		2004	
	COMPANY	GROUP	COMPANY	GROUP
Employee benefits	308.1	308.1	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	53.9	53.9	50.9	50.9
Net operating losses carry forwards	-	7.6	-	18.9
Property, plant and equipment	(138.7)	(229.6)	(161.9)	(234.5)
Other	(1.1)	(1.1)	(11.1)	(27.6)
Deferred taxes	**222.2**	**257.7**	**17.7**	**66.3**

21. OTHER CURRENT LIABILITIES

Other current liabilities are analyzed as follows:

	2005		2004	
	COMPANY	GROUP	COMPANY	GROUP
Accrued social security contributions	51.5	69.5	53.2	68.9
Accrued payroll	1.2	14.0	17.1	24.2
Other taxes payable	27.5	75.3	2.5	49.9
Accrued interest payable	39.3	59.0	87.9	89.6
Reserve for pension contributions	6.3	6.3	8.3	8.3
Reserve for litigation and claims	95.6	105.3	47.9	47.9
Customer advances	38.2	40.4	46.8	56.2
Derivative liability	-	-	-	90.7
Short-term portion of amount due for Cosmote's 3G license	-	16.1	-	16.1
Due to subsidiaries	13.9	-	14.5	-
Other	18.2	88.3	18.3	86.9
	291.7	**474.2**	**296.5**	**538.7**

(Amounts in millions of Euro, unless otherwise stated)

22. REVENUES

Revenues in the accompanying income statements consist of income from:

	COMPANY		GROUP	
	2005	**2004**	**2005**	**2004**
(i) Domestic Telephony				
• Monthly network service fees	669.8	631.6	954.2	860.7
• Local and long-distance calls				
- Fixed to fixed	511.0	554.9	759.1	798.3
- Fixed to mobile	367.4	383.9	515.7	527.5
	878.4	938.8	1,274.8	1,325.8
•Other	69,1	71.0	83.2	85.2
	1,617.3	**1,641.4**	**2,312.2**	**2,271.7**
(ii) International Telephony				
• International traffic	93.4	117.0	150.5	169.0
• Payments from international operators	89.3	62.5	202.4	169.9
• Payments from mobile operators	33.3	37.7	38.1	37.7
	216.0	**217.2**	**391.0**	**376.6**
(iii) Mobile Telephony	**-**	**-**	**1,752.2**	**1,555.6**
(iv) Other revenues				
Traditional Services:				
• Prepaid cards	91.2	109.2	126.6	148.8
• Directories	-	3.2	56.0	54.1
• Radio communications	6.8	3.1	24.1	18.9
• Audiotex	20.4	72.2	26.0	75.3
• Telex and telegraphy	3.1	5.8	3.6	6.5
	121.5	193.5	236.3	303.6
New Business:				
• Leased lines and Data communications	219.5	151.3	211.4	151.2
• Integrated Services Digital Network	132.6	114.3	141.4	121.2
• Sales of telecommunication equipment	60.3	76.5	112.2	119.2
• Internet services	26.6	10.4	81.0	61.1
• Asynchronous Transfer Mode	30.2	26.0	23.1	26.0
	469.2	378.5	569,1	478.7
Other				
• Services rendered	171.8	207.9	72.3	84.2
• Interconnection charges	103.9	91.2	101.7	93.9
•Miscellaneous	7.3	16.7	40.3	55.0
	283.0	315.8	214.3	233.1
Total other revenues	**873.7**	**887.8**	**1,019.7**	**1,015.4**
Total revenues	**2,707.0**	**2,746.4**	**5,475.1**	**5,219.3**

(Amounts in millions of Euro, unless otherwise stated)

23. OTHER OPERATING EXPENSES

Other operating expenses are analyzed as follows:

	COMPANY		GROUP	
	2005	**2004**	**2005**	**2004**
Services and fees	122.0	133.1	155.9	152.5
Cost of telecommunication material, repairs and maintenance	107.4	126.2	205.7	245.5
Advertising costs	38.4	38.9	133.3	141.8
Cost of equipment sold	99.4	109.1	149.7	143.4
Utilities	94.0	77.6	142.8	119.3
Provision for doubtful accounts	91.0	120.0	110.4	137.6
Other provisions	47.8	35.0	37.8	35.3
Travel costs	7.2	9.6	17.0	15.4
Cost of prepaid airtime cards	8.0	8.4	31.1	39.4
Commissions to independent distributors	-	-	166.9	137.2
Payments to audiotex providers	14.6	51.4	21.7	60.6
Rent	59.3	57.3	77.9	57.1
Taxes, other than income taxes	11.0	11.2	30.1	41.9
Transportation	5.0	5.5	7.0	7.0
Other	16.5	40.3	48.6	103.6
	721.6	**823.6**	**1,335.9**	**1,437.6**

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.

(Amounts in millions of Euro, unless otherwise stated)

24. SEGMENT REPORTING (continued)

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

Year ended 31/12/2005	OTE	COSMOTE	ROMTELECOM	ALL OTHER	TOTALS	ADJUSTMENTS-ELIMINATIONS	GROUP
Revenues from external customers	2,509.5	1,618.7	921.1	425.8	5,475.1	-	5,475.1
Intersegment Revenues	197.5	178.9	8.6	141.1	526.1	(526.1)	-
Interest income	39.4	7.6	1.9	160.7	209.6	(155.7)	53.9
Interest expense	(130.1)	(24.8)	(14.7)	(149.3)	(318.9)	155.7	(163.2)
Depreciation and Amortization	(542.6)	(229.2)	(238.0)	(100.8)	(1,110.6)	3.2	(1,107.4)
Earnings in equity-method investments	20.0	-	-	0.4	20.4	-	20.4
Income tax expense	193.0	(164.6)	(0.7)	(47.5)	(19.8)	-	(19.8)
Operating income	(822.4)	525.3	203.0	118.5	24.4	(0.4)	24.0
Net income	(237.2)	339.9	214.8	81.5	399.0	(615.8)	(216.8)
Investments in and advances to associates	157.8	0.9	-	0.6	159.3	-	159.3
Segment assets	7,161.1	2,549.2	2,464.4	4,820.1	16,994.8	(5,945.2)	11,049.6
Expenditures for segment assets	209.5	259.3	92.0	119.4	680.2	-	680.2

Year ended 31/12/2004	OTE	COSMOTE	ROMTELECOM	ALL OTHER	TOTALS	ADJUSTMENTS-ELIMINATIONS	GROUP
Revenues from external customers	2,554.7	1,387.9	864.2	412.5	5,219.3	-	5,219.3
Intersegment Revenues	191.7	199.9	7.7	82.5	481.8	(481.8)	-
Interest income	49.1	5.2	10.4	146.5	211.2	(167.6)	43.6
Interest expense	(127.8)	(11.3)	(19.8)	(174.0)	(332.9)	167.6	(165.3)
Depreciation and Amortization	(552.7)	(188.0)	(218.9)	112.0	1,071.6	4.0	(1,067.6)
Earningsin equity-method investments	9.5	-	-	-	9.5	-	9.5
Income tax expense	(41.9)	(167.2)	10.6	(24.0)	(222.5)	-	(222.5)
Operating income	(2.9)	487.0	80.8	57.0	621.9	(7.8)	614.1
Net income	(33.5)	309.1	118.7	108.2	502.5	(208.2)	294.3
Investments in and advances to associates	219.5	1.7	-	0.1	221.3	-	221.3
Segment assets	7,068.5	1,679.0	2,409.9	4,065.4	15,222.8	(4,818.8)	10,404.0
Expenditures for segment assets	344.4	227.5	146.0	125.7	843.6	-	843.6

(Amounts in millions of Euro, unless otherwise stated)

25. RELATED PARTY TRANSACTIONS

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

	2005		2004	
	OTE's revenues	**OTE's expenses**	**OTE's revenues**	**OTE's expenses**
COSMOTE	566.6	174.1	236.3	199.4
OTE INTERNATIONAL INVESTMENTS LTD	2.1	7.0	13.4	12.9
ROMTELECOM	0.3	1.5	0.6	3.8
ARMENTEL	5.3	0.2	0.8	0.2
COSMOFON	-	-	2.0	-
HELLAS-SAT	8.5	2.0	7.2	0.2
COSMO-ONE	-	1.3	-	1.0
OTENET	25.1	11.8	20.6	12.8
HELLASCOM	0.2	4.7	0.7	13.1
OTE SAT- MARITEL	1.2	2.3	1.4	2.8
OTE PLUS	0.4	12.6	0.3	10.7
OTE ESTATE	9.1	52.3	12.2	50.0
INFOTE	20.1	1.4	22.1	7.6
OTE GLOBE	62.6	76.2	38.9	48.3
OTE ACADEMY	0.1	1.2	-	-
OTE PLC	-	135.6	3.8	134.3
	701.6	**484.2**	**360.3**	**497.1**

	2005		2004	
	OTE's receivables	**OTE's payables**	**OTE's receivables**	**OTE's payables**
COSMOTE	35.9	45.1	24.4	42.8
OTE INTERNATIONAL INVESTMENTS LTD	6.0	7.4	15.7	12.3
ROMTELECOM	0.3	1.4	0.4	2.3
ARMENTEL	6.0	-	10.1	0.1
COSMOFON	-	-	22.5	-
HELLAS-SAT	147.2	0.4	138.4	0.1
COSMO-ONE	-	0.5	-	-
OTENET	7.2	7.3	9.4	3.6
HELLASCOM	1.3	1.4	1.3	5.8
OTE SAT- MARITEL	0.8	1.2	10.3	4.1
OTE PLUS	4.7	5.6	1.9	3.4
OTE ESTATE	8.7	104.1	6.7	80.3
INFOTE	5.4	24.4	13.7	34.7
OTE GLOBE	23.9	27.6	79.1	67.7
OTE ACADEMY	0.3	1.5		
OTE PLC	-	1,962.8	-	2,459.8
	247.7	**2,190.7**	**333.9**	**2,717.0**

25. RELATED PARTY TRANSACTIONS (continued)

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

a. OTE GLOBE

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.

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.

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.

d. OTE ESTATE

i. OTE ESTATE ears 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.

e. OTE INTERNATIONAL INVESTMENTS

OTE INTERNATIONAL INVESTMENTS invoices OTE and subsidiaries for the administration services provided to foreign subsidiaries.

25. RELATED PARTY TRANSACTIONS (continued)

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 and prepares studies upon OTE's request.

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 and COSMOFON.

j. OTE ACADEMY

OTE ACADEMY rents the Training Centers in Athens and Thessaloniki to OTE.

k. HELLASCOM

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

l. ARMENTEL

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

m. COSMOFON

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

25. RELATED PARTY TRANSACTIONS (continued)

n. 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.

Fees paid to the members of the Group companies' Board of Directors, which have been charged to the 2005 Income Statement amounted to Euro 0.5, of which Euro 0.3 related to the Company.

26. STOCK BASED COMPENSATION

A. OTE's PLAN

Based on decisions of the Extraordinary General Assemblies of 4 September 4 2001 and 28 January 2002, two plans were approved and were administered by the Board of Directors.

Under the First Plan, OTE's Board of Directors issued 4,881,000 option rights that were 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. Under the Second Plan, OTE's Board of Directors issued 8,920,000 option rights that were granted OTE's employees and 720,000 option rights that were granted to the management of OTE's Greek, non listed subsidiaries, specifically to their Managing Directors, to the Deputy Managing Directors and to their General Directors. 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.

The extraordinary General Assembly of 4 November 2005, approved the termination of the two compensatory share option plans described above. None option right had been exercised up to that date.

B. COSMOTE's PLAN

COSMOTE has established a Management Stock Option Plan for the purchase of COSMOTE's shares. The Plan was approved by resolution of the General Meeting held on 6 September 2000 and amended by resolutions of the General Meetings held on 12 June 2001 and 21 February 2002. Eligible persons are entitled to options in respect of ordinary shares with an aggregate value of between two and five times their respective annual gross salaries, depending on their position (Basic Options).

26. STOCK BASED COMPENSATION (continued)

Further grants of options may be made by the Board of Directors to participants at the end of each year in respect of ordinary shares with an aggregate value equal to their respective annual gross salary (Additional Options). In the framework of the law and the Company's Articles of Association, the Company reserves the right to choose the procedure to be followed for the granting of shares to eligible persons (i.e. by increase of the Company's share capital according to article 13 par. 9 of Codified Law 2190/20, by an undertaking by the Company of its own shares.

The Exercise Price for acquiring shares is defined as follows: a) The exercise price payable for each ordinary share under options granted at the time of the establishment of the Management Incentive Plan was 10% below the bottom end of the range for the Offer Price during the Company's b) The exercise price for the purchase of ordinary shares under options granted on subsequent occasions by the Board of Directors will be the average closing price of the shares for the month preceding the grant of options, determined by reference to the Daily Bulletin of the ASE.

The same exercise price will be valid for Additional Options as well. The aggregate number of ordinary shares which may be issued in any five year period pursuant to the Management Incentive Plan and all other share option schemes or employee share schemes (if any) adopted by COSMOTE may not exceed 5% of COSMOTE's share capital and, in any event, may not exceed 10% of the existing shares of the Company. Basic Options vest over three years, as follows: 40% after one year from the date of their grant, 30% after two years and 30% after three years.

The Basic Options granted to the Chairman vest in full after one year. Additional Options vest after three years. Basic Options, once vested, can be exercised in whole or in part until the fourth year from their grant, while the Additional Options, once vested, can be exercised in whole or in part during their maturity year or the year after. Share options expire if the beneficiary leaves the Company or is fired before the options vest, irrespective of their exercise date.

For the preparation of these Financial Statements in accordance with IFRS, at 1 January 2005 the Group applied IFRS 2 «Share – based payment». According to the transitional provisions, this standard is applied on the stock options that have been granted to the employees subsequent to 7/11/2002 but have not been vested until 1 January 2005.

The issued shares are measured at their fair value at the grant date. Fair value is charged in the Income Statement uniformly during the period that the employee's right is vested.

Fair value has been calculated by the Black Scholes model. The significant data is the stock price, the dividend yield, the discount rate and the volatility of stock. Volatility (standard deviation of the stock 's price) is calculated by statistical analysis of daily stock's price for the last 12 months.

(Amounts in millions of Euro, unless otherwise stated)

26. STOCK BASED COMPENSATION (continued)

	2005		2004	
	Stock option (number of stocks)	**Weighted average exercise price**	**Stock option (number of stocks)**	**Weighted average exercise price**
Outstanding shares at the beginning of the year	2,259,610	11.87	1,251,960	10.23
Granted shares during the year	1,209,390	15.95	1,172,260	13.46
Forfeited	(99,290)	12.03	(73,960)	11.26
Exercised during the year	-	-	(90,650)	10.23
Outstanding shares at the end of the year	**3,369,710**	-	**2,259,610**	11.87
Exercisable at the end of the year	117,633	12.35	23,100	10.23

The following weighted average assumptions were used:

	2005	**2004**
Weighted average stock price	15.73	13.14
Weighted average exercise price	15.95	13.46
Volatility	22.10%	25.10%
Volatility of exercising the right	3 years	3 years
Risk free interest rate	2.61%	2.98%
Dividend yield	10.60%	7.60%

Volatility has been calculated using the standard deviation of the COSMOTE's stock during the relative year.
Compensation expense recorded for 2005 and 2004 amounted to Euro 0.9 and Euro 0.5, respectively.

27. LITIGATION AND CLAIMS

The most significant legal cases on 31 December 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. The tax authorities disputed these decisions before the Council of State, which accepted the appeals filed by the tax authorities and ordered for the re-examination of this case by the Administrative Court of Appeal. By its decision, Administrative Court of Appeal in Athens rejected OTE's appeals. Based on that decision, a provision of Euro 27.9 has been charged in the 2005 Income Statement.

27. LITIGATION AND CLAIMS (continued)

(ii) ***OTE Leasing:*** On 11 December 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 31 December 2005.

(iii) **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 7 May 2003, claiming an amount of approximately Euro 254.2. The arbitration proceedings that commenced on 27 April 2004, are completed and a decision is expected to be issued. Management and legal counsel believe that this claim is without merit and unlikely to be accepted by the court.

(iv) ***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 21 April 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.

(v) **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 19 April 2007. Furthermore, Forthnet S.A. filed a lawsuit against OTE before the Athens Multi Member Court of First Instance, claiming approximately Euro 4.1 in damages, due to suspension of it's subscriber's number portability. The hearing, initially scheduled for 16 November 2005 has been suspended and a new hearing is scheduled for 8 February 2006. Management and legal counsel believe that this claim is without merit and unlikely to be accepted by the court.

(vi) **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 22 March 2006. Management and legal councel believe that this claim is without merit and unlikely to be accepted by the court.

27. LITIGATION AND CLAIMS (continued)

(vii) **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 8 June 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.

(viii) **Teledome S.A.:** Teledome S.A. filed lawsuits against OTE before the Athens Multi Member Court of First Instance, claiming an aggregate amount of approximately Euro 7.1 for alleged damages incurred by it as a result of OTE's delay in delivering to it leased lines and the application of non cost oriented interconnection charges by OTE. The hearings of the above lawsuits are scheduled in certain dates in 2006 and 2007. Management and legal counsel believe that even if the court is to accept certain damages incurred by Teledome S.A., the amount would not exceed Euro 0.9. Furthermore, Teledome S.A. filed lawsuits against OTE before the Athens Multi Member Court of First Instance, claiming approximately Euro 11.6 in damages, due to suspension of it's subscriber's number portability and due to alleged breach of contractual obligations arising out of disconnection of telecommunication services. The hearings of the above lawsuits are scheduled in certain dated in 2006, 2007 and 2008. Management and legal councel believe that this claim is without merit and unlikely to be accepted by the court.

(ix) **Newsphone Hellas S.A.:** Newsphone Hellas S.A. filed a lawsuit against OTE before the Athens Multi Member Court of First Instance, claiming an aggregate amount of approximately Euro 7.2 for alleged damages incurred by it as a result of OTE's refusal to include in its recorded message that directories information services, except from OTE, are provided by Newsphone also. The hearing is scheduled for 17 May 2006. Management and legal councel believe that this claim is without merit and unlikely to be accepted by the court.

(x) **TELLAS S.A.:** Tellas S.A. filed lawsuits against OTE before the Athens Multi Member Court of First Instance, claiming an aggregate amount of approximately Euro 16.6 in damages due to suspension of it's subscriber's number portability. The hearings of the above lawsuits are scheduled in certain dates in 2006. Management and legal councel believe that this claim is without merit and unlikely to be accepted by the court.

(xi) **Employees' Claims:** OTE's employees have filed a number of lawsuits against OTE. As at 31 December 2005, adequate provisions have been established for these cases the outcome of which could be unfavorable for the Company.

(xii) **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, initially scheduled for 13 October 2005 has been suspended and a new hearing is scheduled for 21 February 2008. 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 and a new hearing is scheduled for 2 Novemebr 2006. In the third case, DEP INFO LTD has filed a lawsuit against OTE alleging Euro 6.8 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, and a new hearing has is scheduled for 2 November 2006.

27. LITIGATION AND CLAIMS (continued)

(xiii) Payphones Duties: From 1999 to 2005, the Municipality of Thessaloniki charged OTE with duties and penalties of an amount of approximately Euro 11.0 for the installation and operation of payphones within the area of its responsibility. OTE strongly disputed the above assessments and had filed appeals before the Thessaloniki Administrative Court of First Instance and prepaid 40% of the above duties and penalties (approximately Euro 3.4), amount that will be refunded to OTE if the outcome of that case will be favorable to the Company. With its two first decisions, the Thessaloniki Administrative Court of First Instance has accepted OTE's appeals. Management and legal councel believe that OTE's appeals will be accepted in total by the court.

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 Treasure 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.

29. SUBSEQUENT EVENTS

There are no material subsequent events that have occurred after 31 December 2005 that could affect the Group's financial position.

BOARD OF DIRECTORS' REPORT OF THE
"HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A."
TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2005

The Board of Directors' Report of the "HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A." (hereinafter referred to as "OTE" or "the Company") was prepared in accordance with article 136 of the Codified Law 2190/1920 and refers to the Annual Stand-Alone and Consolidated Financial Statements as of 31 December 2005 and for the year then ended, which have been prepared for the first time in accordance with International Financial Reporting Standards (I.F.R.S.).

A. SIGNIFICANT EVENTS OF THE YEAR

With respect to the group's activities, the following events that occurred during the year 2005 are of big significance:

- Voluntary Retirement Plan implementation by OTE, which will be completed by October 2006.
- Headcount reduction and organizational reconstruction in OTE, aiming at its efficiency and financial performance.
- Collective labor agreement signed between OTE and employees, regulating the future individual contracts under common employment law.
- New business plan for the period 2006-2008.
- Reduction of net debt and refinancing of debt, with lower interest rates and longer repayment dates.
- Enhancement of financial position in international investments.
- GLOBUL's and COSMOFON's transfer to COSMOTE, which takes over the entire mobile telephony segment of the Group.
- Relaunching of operations in COSMOTE-ROMANIA (former COSMOROM), through COSMOTE's acquisition of a 70% equity stake.
- Settlement of pending issues related to the international investments (Serbia, Armenia).

B. STRATEGY- OBJECTIVES

With regard to the Group's strategic objectives in the coming years, as it was stated thoroughly in OTE's business plan presentation, major target is the domestic Fixed-Line operations reinforcement, so that OTE group returns in line with peers.

In order to fulfill the above goal, the Company's top priorities are the sustention and maximization of revenues through new products and services and its further reorganization, through operating costs reduction.

Based on the above, the effort already commenced in 2005 will continue, as follows:

- ✓ Growth in new generation services revenues, due to integrated solutions, such as fixed and broadband Internet.
- ✓ Fuller usage of the existing network infrastructure.
- ✓ Focus on OTE' transformation from a technology driven, to a customer-centric organization.
- ✓ Integrated nationwide solutions for the Greek corporate clients.
- ✓ Reorganization of products development, pricing policies, as well as of marketing, advertising and customer care.

- ✓ Headcount costs reduction, through the Voluntary Retirement Plan implementation and new personnel's reasoned employ contracts.
- ✓ Reduction in bad debt provisions, through the implementation of new upgraded collection processes, such as the deployment of Geneva Billing process.
- ✓ Systematic reduction of fixed costs.
- ✓ Project undertaken in order to reduce permanent costs, through structures' reorganization.

Among the group's activities, the mobile telephony segment holds primary position. Efforts will be continued, so that the group through COSMOTE bolsters even further its presence in Southeastern Europe and its subsidiaries are maintained among the fastest developed companies.

In particular it will be attempted:

- ✓ Growth in revenues, boost of profitability in COSMOTE, with reinforcement of its subscribers base and encourage usage throughout the country.
- ✓ Sustainable profitability margins for AMC (Albania), through consistent growth and penetration in the local market.
- ✓ Boost of subscriber numbers, profitability and positive cash-flow achievement in Globul (Bulgaria).
- ✓ Enhancement of subscriber base and achievement of profitability in Cosmofon (FYROM).
- ✓ Network investments and encouragement of usage in the local market for Cosmote - Romania (former Cosmorom).

Romtelecom, according to its business plan will focus on the following:

- ✓ Reinforcement of its position as a basic low cost voice provider, in spite of the intense competition, mainly from mobile and cable providers.
- ✓ Further reduction of its operating costs in lower levels.
- ✓ Investments in completing digitalization, network and workforce management.
- ✓ Expansion in new products and services targeting at corporate customers.
- ✓ Improvement of rendered services' quality up to European levels.
- ✓ Maximization of revenues from traditional services (packages, price bundles), as well as from new services launched, like high-speed Internet and triple play.

The rest of the Group's subsidiaries are expected to continue going on successfully, based on the principle of close co-operation, acting for the group's most efficient and profitable performance.

C. FINANCIAL HIGHLIGHTS OF 2005

INCOME STATEMENT:

OTE group operating revenues increased by 4.9%, as compared to corresponding figure in 2004 and reached € 5.475,1.

This increase is mainly due to :

a. Revenues from the mobile telephony, which increased by 12.6%, in comparison to the same period of 2004, as a result of the boost of the subscriber base of the mobile providers of the group (Cosmote, AMC, Globul & Cosmofon), and of the mobile traffic volume enhancement in Greece.
b. Romtelecom's Revenues increased by 6.6% , in comparison to the same period of 2004, due to the increased revenues from monthly rentals, interconnection and data services.

c. Revenues from new services increased by 18.9% in comparison to the same period of 2004, reflecting increases in leased lines, Internet and ADSL revenues. As at the end of December 2005, OTE had over 154.000 ADSL customers, compared to the approximately 44.000 at the beginning of the same year.

With regard to the parent company's revenues, they have been decreased by 1.4% in comparison to the previous year figure reflecting the decrease in telecommunication traffic, which is partially offset by the increase in monthly rentals and in new services.

OTE Group operating expenses increased by 18.4%, compared to the same period of 2004. This is as a result of the significant increase by 28.4% of the operating expenses of the parent company OTE S.A., due to the Voluntary Retirement Plan, which is implemented by the Organization.

More specifically, the increase is due to :

- Increase by 7.5% in payroll and employee benefits.
- Decrease by 7.7% in payments to international operators.
- Increase by 3.7% in depreciation.
- Decrease by 7.1% in other operating expenses.

With respect to the Voluntary Retirement Program, its total cost which amounts to € 939,6, was recorder in the current year's income statement.

In respect of financial income and expense, interest expenses range at about the same levels with the ones in 2004, while interest revenues increased by 23.6% compared to 2004, mainly as a result of the increased cash and cash equivalents. Income from dividends was increased by 114.7% principally resulting from Telecom Serbia and satellite organizations. Investment income is increased by 948.3%, chiefly reflecting gains from sale of the satellite organizations relinquishment and part of EXAE's shares.

Income tax decreased significantly compared to previous year mainly reflecting the deferred tax benefits resulting from Voluntary Retirement Program cost. It should be noticed that in the parent company, no income tax was recorded in the current year due to losses incurred.

As a result of all the above, and mainly due to the Voluntary Retirement Program cost, the consolidated net loss for the year amounted to € 216.8, compared to € 117.1 profit in 2004.

Group's capital expenditure reached € 680.2, significantly decreased compared to the last year's capital expenditure as well as compared to budgeted amount for 2005, mainly due to low investment program in the parent company.

Group's total debt was increased approximately by 9.1% in comparison to last year, whereas the increase of cash and cash equivalents by 73.8% led to a significant decrease of the net debt for both, the group and the Company.

With respect to the results of the main subsidiaries, which are included in the consolidated financial statements the following should be noted:

COSMOTE group: Maintenance of the leading position within the Greek market, together with the increase in revenues by 13.2% and in net profits by 10.0%, compared to 2004 and at the same time EBITDA margin maintenance at about 42.0%. After the acquisition of Globul, Cosmofon and Cosmote Romania (former Cosmorom), Cosmote consists a strong player in the Southeastern Europe.

OTENET group: Increase in revenues by 11.0% compared to 2004, mainly due to its subscriber base augmentation.

ROMTELECOM: Increase in revenues by 6.6% approximately, in net profits by 116.8% and with EBITDA margin at 36,7%. Reconstruction plan of the company is in full progress and within its goals.

ARMENTEL: Increase in revenues by 39.0% and in net profits by 56.8%.

D. OTHER INFORMATION

There are no subsequent events after 31 December 2005 and until the date of approval of these financial statements by the Board of Directors, which might affect its financial position and the group's activities.

No significant risks or damages might arise in the future, due to potential obligations of the group companies.

Athens, 7 March 2006

Panagis Vourloumis
Chairman and Managing Director

Independent Auditor's Report

(translation from the Greek original)

To the Shareholders of
HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.

We have audited the accompanying Financial Statements and Consolidated Financial Statements (the "Financial Statements") of HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. ("the Company") which comprise the balance sheet as at 31 December 2005 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with the Greek Auditing Standards which are aligned with the International Standards on Auditing. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the consistency of the content of the Board of Directors' Report with the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2005 and the result of operations, the changes in equity and the cash flows for the year then ended, in accordance with the International Financial Reporting Standards which have been adopted by the European Union and the content of the Board of Directors' report is consistent with the accompanying Financial Statements.

Athens, 7 March 2006

KPMG Kyriacou Certified Auditors A.E.

Marios T. Kyriacou
Certified Auditor Accountant
AM SOEL 11121

Michael Kokkinos
Certified Auditor Accountant
AM SOEL 12701