HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE)

ANNUAL FINANCIAL STATEMENTS
(STAND-ALONE AND CONSOLIDATED)
FOR THE YEAR ENDED 31 DECEMBER 2006
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 2006

(Amounts in millions of Euro)	Notes	31 DECEMBER 2006 COMPANY	31 DECEMBER 2006 GROUP	31 DECEMBER 2005 COMPANY	31 DECEMBER 2005 GROUP
ASSETS					
Non - current assets:					
Telecommunication property, plant and equipment	4	2,704.4	6,583.5	3,032.2	6,739.6
Goodwill	5	-	540.8	-	72.4
Telecommunication licenses	6	3.8	384.2	4.2	393.0
Investments	7	1,826.4	158.7	1,684.1	159.3
Advances to pension funds	16	188.1	188.1	180.7	180.7
Deferred taxes	19	204.2	127.4	222.2	257.7
Other non-current assets	8	86.6	709.7	63.2	126.6
Total non - current assets		**5,013.5**	**8.692,4**	**5,186.6**	**7.929,3**
Current assets:					
Materials and supplies		36.1	205.4	29.7	130.3
Accounts receivable	9	710.1	1,160.5	779.4	1,066.7
Other current assets	10	227.0	447.8	321.1	411.1
Cash and cash equivalents	11	814.7	2,042.5	844.3	1,512.2
Total current assets		**1,787.9**	**3,856.2**	**1,974.5**	**3,120.3**
TOTAL ASSETS		**6,801.4**	**12,548.6**	**7,161.1**	**11,049.6**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent:					
Share capital	12	1,171.5	1,171.5	1,172.5	1,172.5
Paid-in surplus	12	485.9	485.9	486.6	486.6
Treasury stock	12	-	-	(5.9)	(5.9)
Legal reserve	13	283.3	283.3	256.7	256.7
Retained earnings		1,309.0	1,724.1	798.0	1,401.6
		3,249.7	3,664.8	2,707.9	3,311.5
Minority interest			1,223.9	-	1,201.9
Total equity		**3,249.7**	**4,888.7**	**2,707.9**	**4,513.4**
Non – current liabilities:					
Long-term debt	15	1,301.9	4,037.3	1,951.9	3,104.3
Reserve for staff retirement indemnities	16	182.8	198.5	162.1	172.7
Reserve for voluntary retirement program	16	361.4	361.4	603.8	603.8
Reserve for Youth Account	16	277.3	277.3	284.0	284.0
Other non – current liabilities	17	79.5	126.9	43.6	139.9
Total non – current liabilities		**2,202.9**	**5,001.4**	**3,045.4**	**4,304.7**
Current liabilities:					
Accounts payable		562.2	938.0	558.8	720.6
Short-term borrowings	18		25.2	-	14.3
Current maturities of long-term debt	15	16.1	528.0	14.9	321.3
Income taxes payable	19	70.5	142.0	-	81.9
Deferred revenue		109.0	196.2	102.2	179.1
Reserve for voluntary retirement program	16	316.7	316.7	434.9	434.9
Dividends payable	14	3.7	3.7	5.3	5.2
Other current liabilities	20	270.6	508.7	291.7	474.2
Total current liabilities		**1,348.8**	**2,658.5**	**1,407.8**	**2,231.5**
TOTAL EQUITY AND LIABILITIES		**6,801.4**	**12,548.6**	**7,161.1**	**11,049.6**

The accompanying notes on pages 8 – 59 form an integral part of these Financial Statements

The Financial Statements presented on pages 3 - 59, were approved by the Board of Directors on 20 March 2007 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 2006

		2006		2005	
	Notes	COMPANY	GROUP	COMPANY	GROUP
(Amounts in millions of Euro, except share and per share data)					
Revenues:					
Domestic telephony	21	1,596.9	2,260.6	1,617.3	2,312.2
International telephony	21	181.1	346.9	216.0	391.0
Mobile telephony	21	-	1,975.8	-	1,752.2
Other revenues	21	936.5	1,308.0	873.7	1,019.7
Total revenues		**2,714.5**	**5,891.3**	**2.707,0**	**5,475.1**
Operating expenses:					
Payroll and employee benefits		(764.9)	(1,241.6)	(849.8)	(1,327.1)
Charges for voluntary retirement program	16	49.8	49.8	(939.6)	(939.6)
Charges from international operators		(143.9)	(208.8)	(145.9)	(217.9)
Charges from domestic operators		(366.8)	(720.9)	(372.7)	(665.5)
Depreciation and amortization		(528.0)	(1,128.5)	(542.6)	(1,107.4)
Reversal of fixed assets' impairment			-	-	75.7
Extinguishment of liabilities			-	-	23.8
Cost of telecommunications equipment		(128.3)	(363.5)	(107.4)	(180.8)
Other operating expenses	22	(520.3)	(1,189.5)	(571.4)	(1,112.3)
Total operating expenses		**(2,402.4)**	**(4,803.0)**	**(3,529.4)**	**(5,451.1)**
Operating income (loss)		**312.1**	**1,088.3**	**(822.4)**	**24.0**
Financial income/ (expense):					
Interest expense		(199.2)	(278.8)	(130.1)	(163.2)
Interest income		45.7	70.8	39.4	53.9
Foreign exchange gains/ (losses), net		2.6	4.2	(2.6)	34.7
Dividends	7	196.7	23.0	335.3	20.4
Gains/(losses) from investments	7	297.9	176.3	150.2	33.5
		343.7	**(4.5)**	**392.2**	**(20.7)**
Profit before tax		**655.8**	**1,083.8**	**(430.2)**	**3.3**
Income taxes	19	(124.6)	(353.0)	193.0	(19.8)
Profit for the period		**531.2**	**730.8**	**(237.2)**	**(16.5)**
Attributable to:					
Equity holders of the parent		531.2	574.6	(237.2)	(216.8)
Minority interest		-	156.2	-	200.3
		531.2	**730.8**	**(237.2)**	**(16.5)**
Basic earnings per share	23	**1.0837**	**1.1723**	**(0.4839)**	**(0.4424)**
Diluted earnings per share	23	**1.0837**	**1.1723**	**(0.4839)**	**(0.4424)**
Weighted average number of shares outstanding		**490,150,389**	**490,150,389**	**490,150,389**	**490,150,389**

The accompanying notes on pages 8 – 59 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 2006

(Amounts in millions of Euro)

	Share Capital	Paid-in Surplus	Treasury Stock	Legal Reserve	Retained Earnings	Total equity
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**
Balance at 31 December 2005	1,172.5	486.6	(5.9)	256.7	798.0	2,707.9
Legal reserve recognition	-	-	-	26.6	(26.6)	0.0
Treasury stock cancelled	(1.0)	(0.7)	5.9		(4.2)	0.0
Unrealized gains on available-for-sale securities	-	-	-	-	10.6	10.6
Net income recognized directly in Equity	(1.0)	(0.7)	5.9	26.6	(20.2)	10.6
Profit / (loss) for the year	-	-	-	-	531.2	531.2
Balance at 31 December 2006	**1,171.5**	**485.9**	**0.0**	**283.3**	**1,309.0**	**3,249.7**

The accompanying notes on pages 8 – 59 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 2006

(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 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
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
Legal reserve recognition	-	-	-	26.6	(26.6)	-	-	0.0
Dividends declared	-	-	-	-	-	-	(116.0)	(116.0)
Treasury stock cancelled	(1.0)	(0.7)	5.9	-	(4.2)	-	-	0.0
Unrealized gains on available-for-sale securities	-	-	-	-	10.6	10.6	-	10.6
Foreign currency translation	-	-	-	-	90.8	90.8	100.3	191.1
Net change of investment in subsidiaries	-	-	-	-	(322.7)	(322.7)	(118.5)	(441.2)
Net income recognized directly in equity	(1.0)	(0.7)	5.9	26.6	(252.1)	(221.3)	(134.2)	(355.5)
Profit for the period	-	-	-	-	574.6	574.6	156.2	730.8
Balance at 31 December 2006	**1,171.5**	**485.9**	**(0.0)**	**283.3**	**1,724.1**	**3,664.8**	**1,223.9**	**4,888.7**

The accompanying notes on pages 8 – 59 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 2006

	2006		2005	
	COMPANY	**GROUP**	**COMPANY**	**GROUP**
(Amounts in millions of Euro)				
Cash flows from operating activities				
Profit before taxes	**655.8**	**1,083.8**	**(430.2)**	**3.3**
Adjustments for:				
Depreciation and amortization	528.0	1,128.5	542.6	1,107.4
Provision for voluntary retirement	(49.8)	(49.8)	914.5	914.5
Provisions	183.1	221.0	271.4	280.8
Foreign currency translation differences	(2.6)	(4.2)		
Reversal of fixed assets' impairment	-	-	-	(75.7)
Extinguishment of liabilities	-	-	-	(23.8)
Investment and financial (income)/ loss	(540.3)	(270.1)	(522.3)	(142.4)
Amortization of advances to pension funds	35.2	35.2	35.2	35.2
Interest expense	199.2	278.8	130.1	163.2
Adjustments for working capital movements related to operating activities:				
Decrease in materials and supplies	(6.4)	(30.3)	4.9	2.1
Decrease/ (increase) in accounts receivable	100.1	75.8	33.6	(125.5)
Decrease in liabilities	(439.9)	(293.6)	(190.3)	(183.0)
Minus:				
Interest paid	(105.9)	(178.5)	(178.6)	(193.8)
Income taxes paid	-	(210.4)	-	(229.5)
Net cash provided by operating activities	**556.5**	**1,786.2**	**610.9**	**1,532.8**
Cash flows from investing activities				
Acquisition of subsidiary or associate, net of cash acquired	(192.3)	(1,672.2)	(299.2)	(294.2)
Loans granted	(77.6)	(66.4)	(23.0)	-
Proceeds from loans	5.9	20.3	11.8	7.8
Purchase of property, plant and equipment or intangible assets	(225.7)	(962.4)	(209.5)	(680.2)
Proceeds from sale of investment	353.1	316.2	524.8	34.8
Interest received	28.2	42.8	10.8	27.9
Dividends received	186.5	13.6	342.2	26.4
Net cash provided by /(used in) investing activities	**78.1**	**(2,308.1)**	**357.9**	**(877.5)**
Cash flows from financing activities				
Proceeds from minority shareholders for issuance of subsidiary's share capital	-	12.0	-	12.8
Proceeds from long-term debt and short-term borrowings	-	2,369.1	11.4	588.3
Repayment of long-term debt and short-term borrowings	(662.6)	(1,211.7)	(504.0)	(422.4)
Dividends paid to equity holders of the parent	(1.6)	(1.6)	(1.9)	(1.9)
Dividends paid to minority	-	(115.6)	-	(190.2)
Net cash used in financing activities	**(664.2)**	**1,052.2**	**(494.5)**	**(13.4)**
Net increase in cash and cash equivalents	(29.6)	530.3	474.3	641.9
Cash and cash equivalents at beginning of year	844.3	1,512.2	370.0	870.3
Cash and cash equivalents at end of year	**814.7**	**2,042.5**	**844.3**	**1,512.2**

The accompanying notes on pages 8 – 59 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 and operates pursuant to Law 2246/94 (as amended), Law 2257/94 (OTE's Charter) and Presidential Decree 437/95. OTE's activities are to provide telecommunications and other related services.

The address of its registered office is: 99 Kifissias Avenue – 151 24 Maroussi Athens, Greece, while its website is www.ote.gr.

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 Stand-Alone and Consolidated Financial Statements (hereinafter «Financial Statements») as of 31 December 2006 were approved for issue by the Board of Directors on 20 March 2007 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 31/12/2006**	**Ownership interest 31/12/2005**
Full consolidation method (Direct ownership)			
• COSMOTE MOBILE TELECOMMUNICATIONS S.A. ("COSMOTE")	Mobile telecommunications services	67.00%	64.37%
• OTE INTERNATIONAL INVESTMENTS LTD	Investment holding company	100.00%	100.00%
• ARMENIA TELEPHONE COMPANY CJSC ("ARMENTEL")	Fixed line and mobile telephony services	-	90.00%
• OTE AUSTRIA HOLDING GMBH	Investment holding company	100.00%	100.00%
• HELLAS SAT CONSORTIUM LIMITED («HELLAS-SAT")	Satellite communications	99.05%	95.69%
• COSMO-ONE HELLAS MARKET SITE S.A. ("COSMO-ONE")	E-commerce services	51.55%	50.74%
• OTENET A.E. ("OTENET")	Internet services	94.59%	94.59%
• HELLASCOM A.E. ("HELLASCOM")	Telecommunication projects	100.00%	100.00%
• OTE PLC	Financing services	100.00%	100.00%
• OTE SAT-MARITEL A.E. ("OTE SAT – MARITEL")	Satellite Telecommunications services	94.08%	93.99%
• OTE PLUS A.E. ("OTE PLUS")	Consulting services	99.00%	99.00%
• OTE ESTATE S.A. ("OTE ESTATE")	Real estate	100.00%	100.00%
• INFOTE A.E. ("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%
• OTE ACADEMY A.E. ("OTE ACADEMY")	Training services	100.00%	100.00%

Company Name	Line of Business	Ownership interest 31/12/2006	Ownership interest 31/12/2005
Full consolidation method (indirect ownership)			
• ROMTELECOM S.A. ("ROMTELECOM)	Fixed line and mobile telephony services	54.01%	54.01%
• COSMOTE ROMANIAN MOBILE TELECOMMUNICATIONS S.A. ("COSMOTE ROMANIA")	Mobile Telecommunications services	63.10%	61.26%
• OTE MTS HOLDING B.V.	Investment holding company	67.00%	64.37%
• COSMOFON MOBILE TELECOMMUNICATIONS SERVICES A.D. – SKOPJE ("COSMOFON")	Mobile telecommunications services	67.00%	64.37%
• COSMO BULGARIA MOBILE EAD ("GLOBUL")	Mobile telecommunications services	67.00%	64.37%
• COSMO-HOLDING ALBANIA S.A. ("CHA")	Investment holding company	64.99%	62.44%
• ALBANIAN MOBILE COMMUNICATIONS Sh.a ("AMC")	Mobile Telecommunications services	55.24%	53.07%
• COSMOHOLDING CYPRUS LTD ("COSMOHOLDING CYPRUS")	Investment holding company	67.00%	-
• GERMANOS S.A.	Retail services	66.35%	-
• E-VALUE S.A.	Marketing Services	46.44%	-
• GERMANOS TELECOM SKOPJE S.A.	Retail services	66.35%	-
• GERMANOS TELECOM ROMANIA S.A.	Retail services	66.34%	-
• SUNLIGHT ROMANIA S.R.L. -FILIALA	Retail services	66.34%	-
• GERMANOS TELECOM BULGARIA A.D.	Retail services	66.35%	-
• MOBILBEEEP LTD	Retail services	67.00%	-
• GRIGORIS MAVROMICHALIS & PARTNERS LTD	Retail services	65.68%	-
• GEORGIOS PROKOPIS & PARTNERS LTD	Retail services	33.18%	-
• IOANNIS TSAPARAS & PARTNERS LTD	Retail services	33.84%	-
• VOICENET A.E. ("VOICENET")	Telecommunications services	79.52%	79.52%
• OTENET CYPRUS LTD	Investment holding company	70.02%	56.75%
• OTENET TELECOMMUNICATIONS LTD	Telecommunications services	67.14%	58.51%
• HELLAS SAT S.A.	Satellite communications	99.05%	95.69%
• OTE INVESTMENT SERVICES S. A.	Investment holding company	100.00%	100.00%
• OTE PLUS BULGARIA LTD	Consulting services	99.00%	99.00%
• OTE PLUS ROMANIA LTD	Consulting services	99.00%	99.00%

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Interpretations that have been adopted by the European Union.

The Financial Statements have been prepared on a historical cost basis except for specific assets and liabilities which are measured at fair values in accordance with IFRS. All amounts are presented in millions of Euro, unless otherwise stated.

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.

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 the Parent and all subsidiaries where Parent has control. Control is presumed to exist when Parent 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. Significant influence is presumed to exist when parent has the power to participate in the financial and operating policy decisions, without having the power to govern these policies. 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 losses exceeds the carrying amount of the investment, the carrying amount of the investment is reduced to nil and recognition of further losses should be discontinued , unless the Group has obligations to fund the associate or the Group has guaranteed to support the associate.

Dividends received from the associates are eliminated against the carrying value 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: Financial assets should be measured initially at fair value, which is normally the transaction price. After initial recognition, according to the purpose for which the assets were acquired, they are classified in the following categories: financial assets at fair value through profit or loss, held-to-maturity and available for sale financial assets. Financial assets at fair value through profit or loss are measured at fair value and gains or losses are recognized in income. Held-to-maturity investments are measured at amortized cost using the effective interest method and gains or losses through the amortization process are recognized in income. Available for sale financial assets are measured at fair value and gains or losses are recognized directly in equity. The fair values of quoted investments are based on quoted market bid prices. For investments where there is no quoted market price, fair value is determined using valuation techniques.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 based on the existing experience and on other factors that are considered reasonable, under the current conditions. These 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 statement.

   Non-monetary items that are measured at historical cost are translated using the exchange rate as at the date of the initial transaction. Non-monetary items that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. Any exchange component of gains or losses arising, should be recognized in equity or in profit or loss depending on where the underlying non-monetary item.

   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.

(Amounts in millions of Euro, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Newly constructed assets are added to property, plant and equipment at cost, which includes 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.

Repairs and maintenance are expensed 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.

Expenditure relating to an item of property, plant and equipment should be added to the carrying amount of the asset when it is probable that future economic benefits will flow to the company. All other expenditure should be recognized as an expense in the period it is occurred.

*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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues from outgoing calls made by OTE's subscribers to subscribers of mobile telephony operators are presented at their gross amount in the income statements as the credit and collection risk remains solely with OTE. Interconnection fees for mobile-to-mobile calls are recognized based on incoming traffic generated from other mobile operators' networks. Unbilled revenues from the billing cycle date to the end of each period are estimated based on traffic.

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

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

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

- **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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 stock based compensation, the amount is revised to equal the number of equity instruments that ultimately vest, except the impact of market conditions of the number of instruments that vested.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

32. New Standards and Interpretations Which Have Not yet Been Adopted: The International Accounting Standard Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC), issued new IFRS, amendments and interpretations to existing standards that are mandatory for the Group's accounting periods beginning on or after 1 January, 2007 or later periods. The management's estimate for the effects of the adoption of the new standards and interpretations is as follows:

- **IFRS 7 Financial Instruments: Disclosures** (effective for financial years beginning on or after 1 January 2007)

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments. More specific, requires minimum disclosures about credit risk, liquidity risk and market risk (including sensitivity analysis to market risk). IFRS 7 replace IAS 30 (Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, (Financial Instruments: Disclosure and Presentation). It is applicable to all entities that report under IFRS. The adoption of IFRS 7 is not expected to have a significant effect on the Group's Financial Statements.

- **IAS 1 Capital Disclosures** (effective for financial years beginning on or after 1 January 2007)

The Amendment of IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The adoption of this amendment is not expected to have a significant effect on the Group's Financial Statements.

- **IFRS 8 Operating Segments** (effective for financial years beginning on or after 1 January 2009)

IFRS 8 replaces IAS 14 and specifies how an entity must present information regarding the operating segments in the Financial Statements and following the revision of IAS 34 Interim Financial Presentation, requires an entity to present selected information relating to its operations segments in the Interim Financial Statements. Furthermore it sets the requirements of relevant disclosures for the products and services, the geographical area and the significant clients. The new standard is not expected to have a significant effect on the Group's Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflatory Economies:** (effective for financial years beginning on or after 1March 2006)
IFRIC 7 requires entities to apply IAS 29 in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency as the economy had always been hyperinflatory. IFRIC 7 is not relevant to the Group's Financial Statements.

- **IFRIC 8 Scope of IFRS 2:** (effective for financial years beginning on or after 1May 2006)
IFRIC refers to the accounting for payment transactions in shares where some or all of the goods and services which were acquired cannot be specified. IFRIC 8 is not relevant to the Group's Financial Statements.

- **IFRIC 9 Re-measurement of Embedded Derivatives:** (effective for financial years beginning on or after 1 June 2006)
IFRIC requires the redefinition of weather an embedded derivative has to be separated from the basic contract, when there are modifications to the contract. IFRIC 9 is not relevant to the Group's Financial Statements.

- **IFRIC 10 Interim Financial Reporting and Impairment:** (effective for financial years beginning on or after 1 November 2006)
IFRIC prohibits the reversal of impairments which were recognized in a previous intermediary period regarding goodwill or investments .

- **IFRIC 11 – IFRS 2 Group and Treasury Share Transactions:** (effective for financial years beginning on or after 1 March 2007)
IFRIC refers to the accounting treatment of specific, relevant transactions and whether these should be presented as transactions through a cash or share settlement, as is specified by IFRS 2.

- **IFRIC 12 –Service Concession Arrangements:** (effective for financial years beginning on or after 1 January 2008)
IFRIC refers to the concession of services between public and private entities and concerns financial year 2008. IFRIC 9 is not relevant to the Group's Financial Statements.

33. Presentation Changes: Certain reclassifications have been made to the presentation of the 2005 consolidated financial statements to conform to those of 2006. An amount of Euro 107.4 for the Company and an amount of Euro 180.8 for the Group were transferred from other operating expenses to the cost of telecommunications equipment. Furthermore, and amount of Euro 42,8 for both the Company and the Group was transferred from other operating expenses to charges from international operators. These reclassifications did not have any effect on the 2005 financial statements.

(Amounts in millions of Euro, unless otherwise stated)

4. 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
31/12/2004							
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**
1/1/2006							
Net Book Value 01/01/2006	24.5	2,549.2	6.9	11.9	325.0	114.7	3,032.2
Additions	0.9	392.4	1.2	8.8	203.9	47.4	653.5
Sundry Book Value adjustments	-	463.6	-	-	-	-	463.6
Disposals, cost	(0.6)	(271.3)	(0.8)	(2.8)	(359.0)	(58.3)	(692.8)
Disposals, accumulated depreciation	0.6	233.6	0.8	2.8	-	-	238.9
Depreciation for the year	(1.9)	(516.4)	(2.3)	(6.8)	-	-	(527.4)
Sundry Accumulated Depreciation adjustments	-	(463.6)	-	-	-	-	(463.6)
Net Book Value 31/12/2006	**23.5**	**2,387.5**	**5.8**	**13.9**	**169.9**	**103.8**	**2,704.4**
31/12/2006							
Cost	28.7	7,477.1	38.5	174.4	169.9	103.8	7,992.4
Accumulated depreciation	(5.2)	(5,089.6)	(32.7)	(160.5)	-	-	(5,288.0)
Net Book Value 31/12/2006	**23.5**	**2,387.5**	**5.8**	**13.9**	**169.9**	**103.8**	**2,704.4**

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

(Amounts in millions of Euro, unless otherwise stated)

4. TELECOMMUNICATION PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

GROUP

	Land	Buildings	Telecommunication equipment	Transportation Means	Furniture and fixtures	Construction in progress	Investment supplies	Total
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**
1/1/2006								
Net Book Value 01/01/2006	27.3	609.8	5,141.9	10.4	130.2	673.8	146.2	6,739.6
Subsidiary acquisition, cost	20.7	34.9	4.2	2.9	48.4	1.9	0.0	113.0
Subsidiary acquisition, accumulated depreciation	-	(7.2)	(4.4)	(0.7)	(27.6)	-	-	(39.9)
Additions	0.3	30.1	804.0	5.3	34.8	441.1	141.9	1,457.5
Disposal of subsidiary, cost	-	(31.0)	(280.2)	(2.5)	(4.6)	(64.2)	(5.5)	(388.0)
Disposal of subsidiary, accumulated depreciation	-	9.5	160.3	1.8	3.6	-	-	175.2
Sundry Book Value adjustments	(0.4)	7.6	438.8	(0.1)	(3.1)	-	-	442.8
Disposals, cost	-	(3.8)	(302.6)	(2.3)	(10.6)	(440.8)	(78.9)	(839.0)
Disposals, accumulated depreciation	-	0.8	260.4	2.0	10.3	-	-	273.5
Foreign exchange differences, cost	0.6	48.4	362.5	2.8	11.0	16.2	4.2	445.7
Foreign exchange differences, accumulated depreciation	-	(26.1)	(216.7)	(2.9)	(7.1)	-	-	(252.8)
Depreciation for the year	-	(29.6)	(1,023.0)	(4.0)	(35.2)	-	-	(1,091.8)
Sundry Accumulated Depreciation adjustments	-	(6.6)	(448.3)	0.1	2.5	-	-	(452.3)
Net Book Value 31/12/2006	**48.5**	**636.8**	**4,896.9**	**12.8**	**152.6**	**628.0**	**207.9**	**6,583.5**
31/12/2006								
Cost	48.5	941.2	12,083.1	56.5	490.5	628.0	207.9	14,455.7
Accumulated depreciation	-	(304.4)	(7,186.2)	(43.7)	(337.9)	-	-	(7,872.2)
Net Book Value 31/12/2006	**48.5**	**636.8**	**4,896.9**	**12.8**	**152.6**	**628.0**	**207.9**	**6,583.5**

(Amounts in millions of Euro, unless otherwise stated)

5. GOODWILL

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

31/12/2004	**Amount**
Cost	88.1
Accumulated amortization	(17.3)
Net Book Value 31/12/2004	**70.8**
2005	
Net Book Value 1/1/2005	70.8
Additions	-
Foreign exchange differences	1.6
Amortization for the year	-
Net Book Value 31/12/2005	**72.4**
31/12/2005	
Cost	89.7
Accumulated amortization	(17.3)
Net Book Value	**72.4**
2006	
Net Book Value 01/01/2006	72.4
Additions	463.8
Transfer from acquired subsidiary	4.8
Foreign exchange differences	(0.2)
Amortization for the period	-
Net Book Value 31/12/2006	**540.8**
31/12/2006	
Cost	558.1
Accumulated amortization	(17.3)
Net Book Value 31/12/2006	**540.8**

Additions on goodwill in 2006 arisen from the acquisition of GERMANOS S.A. from Cosmote. (See Note 7).

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 2006 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)

6. TELECOMMUNICATION LICENSES

Telecommunication Licenses are analyzed as follows:

31/12/2004	COMPANY	GROUP
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 year	(0.4)	(24.1)
Net Book Value 31/12/2005	**4.2**	**393.0**
31/12/2005		
Cost	6.2	485.8
Accumulated amortization	(2.0)	(92.8)
Net Book Value	**4.2**	**393.0**
2006		
Net Book Value 1/1/2006	4.2	393.0
Additions/(Disposals), Foreign exchange differences	-	26.0
Amortization for the period	(0.4)	(34.8)
Net Book Value 31/12/2006	**3.8**	**384.2**
31/12/2006		
Cost	6.2	511.8
Accumulated amortization	(2.4)	(127.6)
Net Book Value 31/12/2006	**3.8**	**384.2**

7. INVESTMENTS

Investments are analyzed as follows:

	2006		2005	
	COMPANY	GROUP	COMPANY	GROUP
Investments in subsidiaries	1,668.6	-	1,526.3	-
Other investments	157.8	158.7	157.8	159.3
	1,826.4	**158.7**	**1,684.1**	**159.3**

(Amounts in millions of Euro, unless otherwise stated)

7. INVESTMENTS (continued)

(a) Investments in subsidiaries are analyzed as follows:

	Country	2006	2005
• COSMOTE	GREECE	556.7	365.6
• OTE INTERNATIONAL INVESTMENTS LTD	CYPRUS	497.9	497.9
• ARMENTEL	ARMENIA	-	55.0
• OTE AUSTRIA HOLDING GMBH	AUSTRIA	0.1	0.1
• HELLAS-SAT	CYPRUS	194.5	189.5
• COSMO-ONE	GREECE	3.2	3.2
• OTENET	GREECE	24.7	24.7
• HELLASCOM	GREECE	20.4	20.4
• OTE SAT- MARITEL	GREECE	11.2	11.2
• OTE PLUS	GREECE	3.8	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	5.9	5.9
		1,668.6	**1,526.3**

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 2005	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**
Balance at 1 January 2006	1,526.3
Acquisition of additional share in subsidiary	191.1
Sale of investments	(55.0)
Share Capital increase of subsidiary	6.2
Balance at 31 December 2006	**1,668.6**

7. INVESTMENTS (continued)

Within April 2006, OTE acquired 9,547,579 shares of COSMOTE for a total consideration of Euro 191.1, increasing its participating interest in COSMOTE's share capital to 67.00% and obtaining the statutory majority of the subsidiary.

During the third quarter of 2006 OTE participated in the increase of the share capital of its 99% owned subsidiary OTE Plus. As a result , its total interest in the subsidiary increased by Euro 1.2.

In accordance with its BoD approval, on 30 September 2006 OTE participated in the share capital increase of its subsidiary HellasSat, through the capitalisation of debt of Euro 149.1 granted by OTE on 21.6.2005, plus the accrued interest until 30.9.2006, increasing its participating interest in the company's share capital to 99.05%.

On 9 May 2006, Cosmote announced that it has reached an agreement with and Mr. P. Germanos, major shareholder and founder of the listed company GERMANOS S.A. for the acquisition of a 42% interest in the above company, for a consideration of 19 Euro per share, subject to the receipt of all necessary approvals from the proper authorities. According to the agreement, following the completion of the acquisition of the 42%, certain activities of GERMANOS S.A that are not considered to be core to Cosmote's operations will be repurchased by Mr. P. Germanos or a company controlled by him.

The competition authorities of Romania, Bulgaria, FYROM and Ukraine have unconditionally approved the acquisition of GERMANOS S.A., while on 16 August 2006, the National Telecommunications and Post Commission (NTPC) also approved the acquisition, subject to specific conditions.

Up to August 2006, Cosmote acquired 16,929,103 shares of GERMANOS S.A., for a total consideration of Euro 321.6, through the Athens Stock Exchange. These shares represent a 20.75% interest of GERMANOS S.A.'s, share capital.

On 29 August 2006, Cosmote founded in Cyprus a 100%-owned subsidiary, a holding company named COSMOHOLDING CYPRUS with the purpose to acquire a 42% stake of GERMANOS S.A. and to submit a public tender offer for the acquisition of the 100% of the latter.

On 2 October 2006 Cosmote acquired through COSMOHOLDING CYPRUS a 42% stake in the share capital of GERMANOS S.A, owned by Mr. Panos Germanos and other shareholders at the price of Euro 19 (absolute figure) per share. After that transaction, Cosmote' s direct and indirect shareholding in GERMANOS S.A. was 62.75%. At the same date, COSMOHOLDING CYPRUS LTD acquired the 100% of MOBILBEEEP LTD, GERMANOS S.A.'s dealer.

Furthermore, the activities of GERMANOS S.A that are not considered to be core to Cosmote's operations were transferred to Mr Panos Germanos and/or companies controlled by him (industrial sector including the subsidiaries in Serbia and Germany, relevant activities in Bulgaria and Romania, participations of GERMANOS S.A. in companies in Ukraine, Poland and Cyprus (except for OTENET CYPRUS Ltd), countries where COSMOTE does not have a commercial presence).

On 20 October 2006 and following the acquisition of 42% of GERMANOS S.A., COSMOHOLDING CYPRUS announced the submission of a Public Tender Offer for the acquisition of all the remaining shares of GERMANOS S.A. (47,313,790 shares including the 16,929,103 shares held directly by Cosmote, representing in total 58% of the share capital and voting rights of GERMANOS S.A.) for a price of Euro 19 (absolute figure) per share.

(Amounts in millions of Euro, unless otherwise stated)

7. INVESTMENTS (continued)

The Public Tender Offer was successfully completed on 29 December 2006. On 31 December 2006, COSMOTE owned (through COSMOHOLDING CYPRUS LTD) a 99.03% of GERMANOS S.A.

Based on IFRS 3, for the acquisitions of GERMANOS S.A.'s shares made up to 2 October 2006 (when the Group obtained control of that company) the acquisition was accounted for under the purchase method of accounting and accordingly, the net assets acquired have been recorded at their fair value. The purchase price allocation was carried out by involving external experts and specialists with respect to the valuation process. Because of the short period between the acquisition date until 31 December 2006 the fair values of the net assets acquired are temporary.

The total consideration given for the acquisition of 62.75% amounted to Euro 979.6 and net assets acquired amounted to Euro 515.8. The difference of Euro 463.8 is presented as Goodwill in the consolidated balance sheet (See Note 5).

For the acquisitions of GERMANOS S.A.'s shares made subsequent to 2 October 2006 (after the Group had obtained control of that company), by which the Group acquired an additional 36.28% interest for a total consideration of Euro 565.4, the net assets acquired amounted to Euro 309.2. The difference of Euro 463.8 has been accounted for as equity transaction and has been recognized directly in equity in the consolidated Financial Statements.

In the following table is presented the effect of the acquisition in the Consolidated Balance Sheet:

Net assets acquired	825.0
Acquisition cost	1,545.0
Goodwill	**720.0**
Transfer to goodwill (See Note 5)	463.8
Direct equity transaction	256.2
	720.0

Net assets acquired include the following intangible assets that have been recognized during the purchase price allocation, are as follows:

	Cost	**Accumulated Depreciation**	**Net Book Value**
Fair value of GERMANOS brand name	417.3	-	417.3
Franchise Agreements for GERMANOS network	121.7	(3.6)	118.1
Software of GERMANOS network	22.5	(2.1)	20.4
Total	**561.5**	**(5.7)**	**555.8**

The effect of the transaction to the Consolidated Cash Flow Statement is as follows:

Total consideration	1,545.0
Minus cash acquired	(58.4)
Minus acquisition expenses	(5.5)
Net outflow for the acquisition of subsidiary	**1,481.1**

(Amounts in millions of Euro, unless otherwise stated)

7. INVESTMENTS (continued)

In April 2006, OTE announced that after consultation with the Government of Armenia, it has initiated the process of examining options for the disposal of its 90% participating interest in Armentel, through an auction process. HSBC Bank PLC was appointed as financial consultant in this process. At the initial phase of the process OTE received ten non-binding offers. In the second phase of the process, after reviewing the ten offers, the four prevailing from ten bidders were invited to participate in the final negotiations which began on September 2006. The four qualifying bidders were: AO Vimpelcom, Mobile Telesystems (MTS) OJCS, Emirates Telecommunications Corporation (ETISALAT) / Istithmar PJSC / Emergent Telecom Ventures (ETV) and VTEL Holdings / Knightbridge Associates.

On 16 November 2006, OTE announced that it had completed the sale of the 90% stake in Armentel to Vimpel-Communications for a total consideration of Euro 341.9. The related expenses for the completion of the sale amounted to Euro 5.2.

As a result of the above transaction and given that the carrying value of this investment in OTE's books amounted to Euro 49.0, a pre-tax gain of Euro 287.7 was recognized, and is included in OTE's stand-alone 2006 Income Statement.

Armentel is included in the consolidated financial statements until the date the Group ceased to control that company (16 November 2006).

The following table presents Armentel's condensed income statements for the fiscal year 2005 and for the period 1 January 2006 - 16 November 2006:

	1/1/2006-16/11/2006	**Χρήση 2005**
Total Revenues	135.6	114.1
Operating expenses	(94.2)	(68.8)
Operating income before interest	41.4	45.3
Interest income/(expense)	0.2	6.1
Profit before tax	41.6	51.4
Income Tax	(27.0)	(5.6)
Profit for the period	**14,6**	**45.8**

(Amounts in millions of Euro, unless otherwise stated)

7. INVESTMENTS (continued)

In the Consolidated Financial Statements, the gain from the sale of that investment was determined as the difference between the price less related expenses and the value of Armentel's net assets at the date of disposal.

The assets and liabilities of Armentel at the date of disposal (16 November 2006) are as follows:

ASSETS	
Non current assets	228.7
Cash and cash equivalents	36.9
Other currents assets	43.8
Total Assets	**309.4**
LIABILITIES	
Long-term liabilities	23.0
Short-term liabilities	86.1
Total Liabilities	**109.1**
Net assets sold	**200.3**
OTE's share in Armentel's net assets (90%)	**180.2**

Selling Price	341.9
Disposal expenses	(5.2)
OTE's stake in Armentel's net assets (90%)	(180.2)
Adjustments due to intercompany transactions	3.7
Gain from sale of investment in the Consolidated Income Statement	**160.2**

The effect of the above transaction to the Consolidated Cash Flow Statement is as follows:

Selling Price	341.9
Minus cash disposed	(36.9)
Minus expenses related to the completion of the sale	(5.2)
Net inflow from the sale of subsidiary	**299.8**

(Amounts in millions of Euro, unless otherwise stated)

7. INVESTMENTS (continued)

(b) Other investments

OTE's other investments are analyzed as follows:

	2006	**2005**
TELEKOM SRBIJA	155.1	155.1
Other	2.7	2.7
	157.8	**157.8**

The movement of Other investments in the years presented is as follows:

	COMPANY	GROUP
Balance at 1 January 2005	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**
Balance at 1 January 2006	157.8	159.3
Other movements	-	(0.6)
Balance at 31 December 2006	**157.8**	**158.7**

Dividends from investments are analyzed as follows:

COMPANY

	2006	**2005**
COSMOTE	145.3	297.9
OTE ESTATE	15.0	1.1
INFOTE	3.5	9.3
OTE-GLOBE	2.5	2.5
OTESAT – MARITEL	0.7	-
ARMENTEL	6.8	4.5
TELEKOM SRBIJA	21.6	14.5
EUTELSAT	-	4.9
OTHER	1.3	0.6
	196.7	**335.3**

GROUP

	2006	**2005**
TELEKOM SRBIJA	21.6	14.5
EUTELSAT	-	4.9
OTHER	1.4	1.0
	23.0	**20.4**

(Amounts in millions of Euro, unless otherwise stated)

8. OTHER NON-CURRENT ASSETS

Other non-current assets are analyzed as follows:

	2006		**2005**	
	COMPANY	GROUP	COMPANY	GROUP
Loans and advances to employees	33.3	33.5	19.3	19.5
Discounting	(3.2)	(3.2)	(1.2)	(1.2)
Loans to COSMOFON	56.2	-	45.0	-
Intangible assets due to the acquisition of GERMANOS S.A.	-	555.8		
Other intangible assets	-	75.1	-	58.3
Deferred expenses (long term)	-	34.1	-	39.8
Other	0.3	14.4	0.1	10.2
	86.6	**709.7**	**63.2**	**126.6**

Employees with service exceeding 25 years are entitled to draw loans against the accrued indemnity payable to them upon retirement. The effective interest rate of these loans is 1.55% for the financial year 2006 and 1.2% for the financial year 2005. The discounting factor of these loans is the difference between the above interest rate and rate used at the actuarial valuation of Staff Retirement Indemnities which is 4.1% for 2006 and 3.7% for 2005 (See Note 16).

Loans to COSMOFON include two loans of Euro 22.0 and Euro 34.2 granted by OTE to that company. COSMOFON was OTE's subsidiary until August 2005, when it was sold to COSMOTE.

Group's intangible assets recognized in 2006 were identified at the acquisition of GERMANOS S.A. by COSMOTE (See Note 7).

9. ACCOUNTS RECEIVABLE

Accounts receivable are analyzed as follows:

	2006		**2005**	
	COMPANY	GROUP	COMPANY	GROUP
Subscribers	1,039.4	1,553.2	992.1	1,387.7
International traffic	116.9	201.2	120.6	168.6
Due from subsidiaries	55.6	-	87.9	-
Unbilled revenues	66.2	117.5	82.9	134.5
	1,278.1	**1,871.9**	**1,283.5**	**1,690.8**
Minus				
Allowance for doubtful accounts	(568.0)	(711.4)	(504.1)	(624.1)
	710.1	**1,160.5**	**779.4**	**1,066.7**

(Amounts in millions of Euro, unless otherwise stated)

9. ACCOUNTS RECEIVABLE (continued)

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

	COMPANY	GROUP
Balance at 01/01/2005	(416.1)	(514.9)
Addition for the year, net of receipts	(91.0)	(110.4)
Write-offs	3.0	4.0
Foreign exchange differences	-	(2.8)
Balance at 31/12/2005	**(504.1)**	**(624.1)**
Balance at 01/01/2006	(504.1)	(624.1)
Addition for the year, net of receipts	(65.5)	(97.9)
Write-offs	1.6	10.8
Foreign exchange differences	-	(0.2)
Balance at 31/12/2006	**(568.0)**	**(711.4)**

10. OTHER CURRENT ASSETS

Other current assets are analyzed as follows:

	2006		**2005**	
	COMPANY	GROUP	COMPANY	GROUP
Investments in Financial Assets	38.7	128.7	32.9	32.9
Advances to pension funds (See Note 16)	35.7	35.7	35.7	35.7
Due from State for income tax advance (See Note (19))	95.2	103.4	95.2	95.2
Due from OTE Leasing customers (See Note 27 (i))	17.1	17.1	17.1	17.1
Loans and advances to employees	2.5	2.6	102.7	102.8
Tax on sale of investments	36.8	36.8	25.8	25.8
VAT receivable	-	13.4	-	19.5
Prepayments	-	35.2	-	24.2
Other	1.0	74.9	11.7	57.9
	227.0	**447.8**	**321.1**	**411.1**

Investments in Financial Assets arise from equity securities listed on Athens Stock Exchange and are classified as Available for Sale Financial Assets. Due to the Management's decision to liquidate those securities, are included to Other Current Assets. In second semester of 2006, OTE sold a part of these equity securities and as a result of that sale a pre-tax gain of Euro 10.2 was recognized, which is included in Gains from investments at the Income Statement. Except for the equity securities, Group's Financial Assets include bonds and other securities.

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. The total amount of these loans was settled during 2006.

(Amounts in millions of Euro, unless otherwise stated)

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analyzed as follows:

	2006		2005	
	COMPANY	GROUP	COMPANY	GROUP
Cash in hand	1.6	5.3	1.3	2.7
Short term bank deposits	813.1	2,037.2	843.0	1,509.5
	814.7	**2,042.5**	**844.3**	**1,512.2**

12. SHARE CAPITAL

OTE's share capital as at 31 December 2005 amounted 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 repeating General Assembly of 31 July 2006, resolved to cancel 432,490 own shares, as the period that these shares could be held by OTE had expired.

Following such resolution, OTE has no own shares and its Share Capital at 31 December 2006 amounts to Euro 1,171.5, divided into 490,150,389 registered shares with a nominal value Euro 2.39 (two point thirty nine Euro) each.

Hellenic Public is OTE'a major shareholder. As at 31 December 2006 its direct participation was approximately 35.63% while together with DEKA S.A. its participation was approximately 38.70%.

13. 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 2006 and 2005, this reserve amounted to Euro 283.3 and 256.7 respectively. This legal reserve cannot be distributed to shareholders.

14. 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. The General Assembly in June 2006 decided that no dividends will be declared for 2005. OTE's Board of Directors will propose to the General Assembly the distribution of an dividend from the financial year's 2006 profits of a total amount of Euro 269.6 or Euro 0.55 per share (in absolute figure).

(Amounts in millions of Euro, unless otherwise stated)

15. LONG-TERM DEBT

Long-term debt is analyzed as follows:

		2006	2005
COMPANY			
(a)	Loan from European Investment Bank / Hellenic Republic	52.5	67.4
(b)	Intercompany loans from OTE PLC	1,265.5	1,899.4
	Total long-term debt	1,318.0	1,966.8
	Current maturities	(16.1)	(14.9)
	Long-term portion	**1,301.9**	**1,951.9**
GROUP			
(a)	Loan from European Investment Bank / Hellenic Republic	52.5	67.4
(b)	Loans from suppliers and their affiliates	-	33.5
(c)	Consortium loans	500.0	500.0
(d)	Bond 1,100 6.125% maturity February 2007	491.2	1,108.9
(e)	Global Medium Term Note Programme	3,353.1	1,489.1
(f)	Other bank loans	168.5	226.7
	Total long-term debt	4,565.3	3,425.6
	Current maturities	(528.0)	(321.3)
	Long-term portion	**4,037.3**	**3,104.3**

COMPANY

(a) Loan from European Investment Bank / Hellenic Republic

The long-term loan to OTE by the European Investment Bank / Hellenic Republic 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 2003, is repayable in annual installments through 2009. In 2006 OTE paid Euro 14.9 of capital against the loan (the installment amounted to Euro 20.4). The amount of capital that will be paid in July 2007 (Euro 16.1) has been transferred to the Current Maturities of Long-term debt.

(b) Intercompany loans from OTE PLC

The intercompany loans from OTE PLC as in 31 December 2006 are analyzed as follows:

- Loan of Euro 1,209.0 interest rate 5.22%, issued in August 2003 maturing in August 2013. The outstanding balance as of 31 December 2006 amounts to Euro 1,112.2.
- Loan of Euro 650 interest rate 3.80%, issued in November 2005 maturing in November 2011. The outstanding balance as of 31 December 2006 amounts to Euro 144.3.

During the financial year 2006, repaid the following amounts to OTE PLC:

- On June 2006, OTE repaid the outstanding balance of Euro 157.9, against the intercompany loan issued in February 2000, with 7 years maturity and interest rate 6.26%.
- On November 2006 OTE partially repaid an amount of Euro 500.0 against the inter-company loan of Euro 650.0, maturity 2011, interest rate 3.80%.

15. LONG-TERM DEBT (continued)

GROUP

(a) Loan from European Investment Bank / Hellenic Republic

See the above analysis for the Company.

(b) Loans from suppliers and their affiliates

Loans from suppliers and their affiliates were related to Armentel, which on 31 December 2005, amounted to 33.5. After the disposal of Armentel (See Note 7), those loans are not included in the Group's Long-term Debt on 31 December of 2006.

(c) Consortium Loans

On 2 September 2005, OTE PLC signed a Euro 850 million Syndicated Credit Facility with banks, guaranteed by OTE S.A. The facility matures in September 2010 and has an extension option of 1+1 year subject to lenders' consent. The facility consists of: a) a Euro 500 million Term Loan bearing interest Euribor + 0.2125% and b) a Euro 350 million Revolving Credit Facility bearing interest Euribor + 0.1875%. The margin is adjustable based on OTE S.A. long term credit rating. On 6 September 2005 OTE PLC drew Euro 500 million under the Term Loan. Until 31 December of 2006 no draw-downs have been made from the Revolving Credit Facility.
After OTE PLC's request and the banks' relative consent, on 15 August 2006, the maturity of Euro 474.2 (Term Loan) and Euro 332.0 (Revolving Credit Facility) postponed to September 2011.
Due to downgrading of OTE's credit rating by Moody's, the margins were adjusted as following: for the Term Loan from 0.2125% to 0.225% and for the Revolving Credit Facility from 0.1875% to 0.20%.

(d) Bond, Euro 1,100, 6.125%, maturity February 2007

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. According to that Program, Euro 608.4 in principal amount of existing bonds was submitted by bondholders and given the exchange ratio of 1.0455, Euro 636.1 in principal amount of new notes were issued under the Global Medium Term Note Programme. For rounding purposes additional notes for an amount of Euro 13.9 were issued. After the completion of the transaction, the new bond amounted to Euro 650.0, bearing interest at 3.75%, maturing on 2011 (see (e) below).

The outstanding balance of Euro 491.2 of OTE Plc's initial bond with maturity date 7 February 2007, has been transferred to the Current Maturities of Long-term Debt.

On 9 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%.

15. LONG-TERM DEBT (continued)

(e) Global Medium Term Note Programme

On 7 November 2001, OTE PLC established a Global Medium Term Note Program for the issuance fully and unconditionally guaranteed by OTE, with 30 years maturity.

On 18 May 2006, OTE's Board of Directors approved to raise the aggregate principal amount of notes under the Global Medium Term Note Program from 3,500 to Euro 5,000, with effect from August 2006, when the required approvals were granted.

On 24 May 2006, OTE' s Board of Directors approved OTE to be the guarantor against the banks, for an amount of up to Euro 1.6 billion bond that will be issued by Cosmote, for the acquisition of GERMANOS S.A.

On 21 November 2006, OTE announced that OTE PLC completed the process of issuance of bonds in an aggregate amount of Euro 1.5 (absolute figure) under the Global Medium Term Notes Program, in order to refinance the bridge facility of Cosmote for the acquisition of GERMANOS S.A.. These bonds are guaranteed by OTE and traded in Luxembourg Stock Exchange. These two bonds consist of : a)Euro 900.0 fixed rate annual coupon 4.625%, maturity May 2016 and b) Euro 600.0 floating rate quarterly coupon based on Euribor plus a spread of 28 bps, maturity November 2009.

Up to 31 December 2006 notes of Euro 3,650 under the Global Medium Term Note Programme were issued, as follows:

(i) Euro 1,250 notes fixed rate 5%, issued in August 2003, maturing in August 2013.
(ii) Euro 250 notes floating rate, issued in November 2003, matures and fully repaid in November 2006.
(iii) Euro 650 notes fixed rate 3.75%, issued in November 2005 maturing in November 2001.
(iv) Euro 900 notes fixed rate 4.625%, issued in November 2006 maturing in May 2016.
(v) Euro 600 notes floating rate, issued in November 2006 maturing in November 2009.

(e) Other bank loans

ROMTELECOM has obtained long-term loans in Euro and Korea Won, amounting to Euro 105.1 as of 31 December 2006, one of which amounting to Euro 6.5 bears interest at floating rate, while the remaining bear interest at fixed rates ranging from 2.5% - 6.12% maturing in various dates from 2009 to 2020. During 2006, ROMTELECOM repaid an amount of Euro 44.1 out of its long-term debt.

On 10 May 2005, GLOBUL entered into a credit facility agreement with Bank Austria, which provided it with a three year credit facility of Euro 75.0, bearing interest at Euribor+1.25 %. Draw-downs under the facility through 31 December 2006, amounted to Euro 59.7, which were partially used for the repayment of the company's short term borrowings.

16. 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)

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

Advances to pension funds are analyzed as follows:

	2006	2005
Non-interest bearing payments and advances:		
EDEKT	140.9	176.1
Auxiliary Fund	4.7	5.3
Interest bearing loan to Auxiliary Fund	66.4	-
	212.0	**181.4**
Unamortized discount based on imputed interest rate 4.0% for 2006 and 3.8% for 2005		
Auxiliary Fund advance	(0.6)	(0.7)
Interest bearing loan to Auxiliary Fund	(23.3)	-
Long-term portion	**188.1**	**180.7**
Non-interest bearing payments and advances:		
EDEKT	35.2	35.2
Auxiliary Fund	0.5	0.5
Short-term portion (See Note 10)	**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.

According to law 3371/2005 and the provisions of the related Ministerial Decision, OTE was should grant an interest bearing loan to the Auxiliary Fund in order to cover the Lump Sum benefits upon retirement due to the Voluntary Retirement Program. On 23 October 2006 the loan agreement was signed and its main terms are as follows: The total amount of the loan is up to Euro 180, which will be granted partially in accordance with the Fund's needs, as determined by the above mentioned Law and the related Ministerial Decision. If the Lump Sum benefits exceed the amount of Euro 180, OTE will grant the additional amount, which could not exceed the amount of Euro 10. In this case the above mentioned contract will be amended in order to include the final amount of the loan and to update the repayment table. The loan is repayable in 21 years including a two year grace period, meaning that the repayment will start on 1 October 2008 through monthly installments. The loan bears interest at 2.90‰. Because the above rate does not reflect the current market conditions, OTE recognized a provision of Euro 63.1, which is included in Interest Expense in the 2006 Income Statement. On 31 December 2006 the part of the provision (Euro 39.8) which relates to the amount of the loan that has not yet granted, is included in Other Non-Current Liabilities (See Note 17).

(Amounts in millions of Euro, unless otherwise stated)

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

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 (Euro 0.02 and is adjusted annually according to the inflation rate), plus 9 months salary. In practice OTE employees receive the lesser amount between 100% of the maximum liability and Euro 0.02 plus 9 months' salary. 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.

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

	2006	2005
Service cost-benefits earned during the year	15.2	19.1
Interest cost on projected benefit obligation	15.7	18.4
Amortization of past service cost	7.8	15.1
Amortization of unrecognized actuarial loss	0.8	2.6
	39.5	**55.2**

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

	2006	2005
Projected benefit obligation at beginning of year	162.1	278.5
Service cost	15.2	19.1
Interest cost	15.7	18.4
Amortization of past service cost	7.8	15.1
Amortization of unrecognized actuarial loss	0.8	2.6
Benefits paid	(18.8)	(47.4)
Termination benefits based on Voluntary Retirement Program	-	118.5
Projected benefit obligation at end of year	**182.8**	**404.8**
Total reserve for staff retirement indemnities for eligible employees of the Voluntary Retirement Program	-	(242.7)
	182.8	**162.1**

(Amounts in millions of Euro, unless otherwise stated)

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

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

	2006	2005
Discount rate	4.1%	3.7%
Assumed rate of increase in future compensation levels	5.5%	5.5%

(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 are based on an independent actuarial study.

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

	2006	2005
Service cost-benefits earned during the year	21.9	20.9
Interest cost on projected benefit obligation	10.0	10.2
Amortization of unrecognized actuarial loss	8.0	6.5
Amortization of past service cost	3.2	-
	43.1	**37.6**

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

	2006	2005
Projected benefit obligation at beginning of year	212.4	229.5
Service cost-benefits earned during the year	21.9	20.9
Interest cost on projected benefit obligation	10.0	10.2
Amortization of unrecognized actuarial loss	8.0	6.5
Amortization of past service cost	3.2	-
Benefits paid	(49.0)	(54.7)
Projected benefit obligation at end of year	206.5	212.4
Employee's accumulated contributions	70.8	71.6
	277.3	**284.0**

(Amounts in millions of Euro, unless otherwise stated)

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

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

	2006	**2005**
Discount rate	4.0%	3.6%
Assumed rate of increase in future compensation levels	4.5%	4.5%

Voluntary Retirement Program

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, instituted 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).

The estimated total cost of the Voluntary Retirement Program in terms of payments amounted to approximately Euro 1.1 billion for 4,859 eligible employees who have submitted irrevocable applications, based on the information and data that were available on 31 December 2006.

The above mentioned amount included:
- 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 approximated the rate of the Greek Government bonds with an equal duration as that of the Voluntary Retirement Program at the balance sheet date (31 December 2005).

(Amounts in millions of Euro, unless otherwise stated)

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

After the finalization of the applications in 2006, it was concluded that the exact number of employees who meet the conditions of the Program and finally retired were 4,759 employees, 100 less than the initial estimation. Furthermore due to interest rates increases, the discount rate which approximates the rate of the Greek Government bonds with an equal duration as that of the Voluntary Retirement Program as of 31 December 2006 was 3.89%.

Based on the actual data and the current estimations of the factors affecting the cost of the Voluntary Retirement Program, on 31 December 2006 the cost was re-estimated and the established provision was adjusted in order to reflect the best current estimation of the Company's liability at the balance sheet date.

The components of the estimated cost of the Voluntary Retirement Program according to the initial estimation in 2005 and the re-estimation in 2006 is presented in the table below:

Category of obligation	**Estimation 2006**	**Estimation 2005**
Total employer's and employees' contributions to TAP-OTE & Auxiliary Fund	223.5	232.2
Total pensions from TAP-OTE & Auxiliary Fund	547.4	576.4
Total bonuses based on the collective labor agreement	55.0	55.0
Total termination payments upon retirement (staff retirement indemnities)	239.0	242.7
Total nominal cost of the Program	**1,064.9**	**1,106.3**
Effect of discounting at present values	(79.8)	(67.6)
Discounted present value of the total obligation	**985.1**	**1,038.7**
Minus already established reserves for staff retirement indemnities	(120.4)	(124.2)
Cost of Voluntary Retirement Program	864.7	914.5
Cost of earlier voluntary retirement plan during the 1st half of 2005	25.1	25.1
Total cost of the Voluntary Retirement Program	**889.8**	**939.6**

The amount of Euro 939.6 is included in Charges for Voluntary Retirement Program in the 2005 Income Statement. The required adjustment (Euro 49.8) to the cost derived from the re-estimation (Euro 889.8) is included in the same line in the 2006 Income Statement. The adjustment of the discounted amount due to the passage of time is included in Interest Expense in the 2006 Income Statement.

(Amounts in millions of Euro, unless otherwise stated)

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

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

	31/12/2006	31/12/2005
Reserve for Voluntary Retirement Program (Short-term portion)	316.7	434.9
Reserve for Voluntary Retirement Program (Long-term portion)	361.4	603.8
Total	**678.1**	**1,038.7**

The movement of the reserve for the cost of Voluntary Retirement Program is as follows:

Balance at 01/01/2006	1,038.7
Payments during year 2006	(337.6)
Adjustment due to re-estimation	(49.8)
Adjustment of discounted amount due to passage of time	26.8
Balance at 31/12/2005	**678.1**

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.

17. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are analyzed as follows:

	2006		2005	
	COMPANY	GROUP	COMPANY	GROUP
Reserve for pension contributions under voluntary retirement program	3.5	3.5	7.3	7.3
Amount due for Cosmote's 3G license	-	-	-	14.7
Asset retirement obligation	-	5.0	-	4.5
Reserve for obligation of free units	36.1	36.1	36.1	36.1
Deferred revenues (long-term)	-	34.2	-	39.8
Long-term liabilities to suppliers	-	-	-	26.8
Discounted financial cost of the Auxiliary's Fund loan (See Note 16)	39.8	39.8	-	-
Other	0.1	8.3	0.2	10.7
	79.5	**126.9**	**43.6**	**139.9**

18. 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 2005 and 2006, was approximately 4.2% and 4.0% respectively.

On 3 August 2006, an agreement between Cosmote and the banks JP MORGAN and CITIGROUP (as arrangers), was signed in London, for the issuance of a bond for an amount of up to Euro 1.5 billion for the bridge financing of the acquisition of GERMANOS S.A. The bond has a maximum duration of 12 months with possibility of prepayment from Cosmote. Under the above agreement, until 31 December 2006 Cosmote had withdrawn an amount of Euro 873.0, which was fully repaid with the proceeds of the notes (Euro 1,500) issued from OTE PLC (See Note 15).

The outstanding balance on 31 December 2006 amounts to Euro 25.2 and is analyzed as follows:

- GERMANOS S.A.'s loans, of Euro 22.6, mainly in Romania (Euro 21.6), Skopje (Euro 0.5) and Bulgaria (Euro 0.5)
- OTE PLUS and its subsidiaries draw-downs of Euro 0.8 and,
- OTENET's and its subsidiaries draw-downs of Euro 1.7.

19. 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. At 31 December 2006, amount of Euro 95.2 that represents exaggerating advance of income tax in relation to OTE's tax obligation, is included as receivable in Other Current Assets in the Balance Sheet for 31 December 2006, will be settled after the completion of the tax audit which is in progress.

(Amounts in millions of Euro, unless otherwise stated)

19. INCOME TAXES (continued)

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

Company	UNAUDITED TAX YEARS
Full consolidation method (direct ownership)	
• OTE	From 2002
• COSMOTE	From 2004
• OTE INTERNATIONAL INVESTMENTS	From 1998
• HELLAS SAT CONSORTIUM	From 2003
• COSMO-ONE	From 2002
• OTENET	From 2004
• HELLASCOM	From 2006
• OTE PLC	From 2005
• OTE SAT-MARITEL	From 2004
• OTE PLUS	From 2005
• OTE AKINHTA	From 2001
• INFOTE	From 2006
• OTE GLOBE	From 2002
• OTE INSURANCE	From 2003
• OTE ACADEMY	From 2000
• HATWAVE	From 1996
• OTE AUSTRIA HOLDING	From 2001

Company	UNAUDITED TAX YEARS
Full consolidation method (indirect ownership)	
• OTE INVESTMENTS SERVICES	From 2005
• ROMTELECOM	From 2001
• AMC	From 2001
• COSMOFON	From 2001
• GLOBUL	From 2005
• COSMOTE ROMANIA	From 2004
• GERMANOS	From 2004
• E-VALUE S.A.	From 2003
• GERMANOS TELECOM SKOPJE S.A.	From 2003
• GERMANOS TELECOM ROMANIA S.A.	From 2003
• SUNLIGHT ROMANIA S.R.L. -FILIALA	From 2001
• GERMANOS TELECOM BULGARIA A.D.	From 2005
• MOBILBEEEP LTD	From 2005
• GRIGORIS MAVROMICHALIS & PARTNERS LTD	From 2006
• GEORGIOS PROKOPIS & PARTNERS LTD	From 2003
• IOANNIS TSAPARAS & PARTNERS LTD	From 2004
• HELLS SAT S.A.	From 2002
• VOICENET	From 2004
• OTENET ΚΥΠΡΟΥ	From 2000
• OTENET TELECOMMUNICATIONS	From 2001
• OTE MTS HOLDING	From 2001
• COSMO-HOLDING ALBANIA	From 2000
• COSMO-HOLDING CYPRUS	From 2006
• OTE PLUS ROMANIA	From 2005
• OTE PLUS BULGARIA	Tax exemption

(Amounts in millions of Euro, unless otherwise stated)

19. INCOME TAXES (continued)

- In May 2006, the tax authorities commenced the tax audit of OTE's books for the fiscal years 2002 - 2005, which is expected to be completed within 2007.
- In Romtelecom, the tax authorities have commenced the tax audit of the company's books for the fiscal years 2001 - 2005, which is expected to be completed within 2007.
- In OTE Estate, the tax authorities have commenced the tax audit of the company's books for the fiscal years 2001 – 2002, which is expected to be completed within 2007.
- In AMC, the tax authorities have commenced the tax audit of the company's books for the fiscal years 2001 - 2005, which is expected to be completed in within 2007.
- In OTE INTERNATIONAL INVESTMENTS LTD, the tax authorities have commenced the tax audit of the company's books for the fiscal years 1998 – 2002, which is expected to be completed within 2007.
- In OTESat - Maritel, the tax authorities have commenced the tax audit of the company's books for the fiscal years 2004 – 2005, which is expected to be completed within 2007.

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

	2006		2005	
	COMPANY	GROUP	COMPANY	GROUP
Current taxes	87.6	316.4	5.0	211.7
Deferred taxes	37.0	36.6	(198.0)	(191.9)
	124.6	**353.0**	**(193.0)**	**19.8**

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

	2006		2005	
	COMPANY	GROUP	COMPANY	GROUP
Profit / (loss) before tax	655.8	1,083.8	(430.2)	3.3
Statutory tax rate	29%	29%	32%	32%
	190.2	314.3	(137.7)	1.1
Non-taxable income	(80.4)	-	(131.5)	-
Effect of different tax rates applicable	11.9	6.4	55.7	1.4
Expenses non-deductible for tax purposes	13.4	29.2	15.5	18.9
Other	(10.5)	3.1	5.0	(1.6)
Income taxes	**124.6**	**353.0**	**(193.0)**	**19.8**

(Amounts in millions of Euro, unless otherwise stated)

19. INCOME TAXES (continued)

Deferred taxes are analyzed as follows:

	2006		2005	
	COMPANY	GROUP	COMPANY	GROUP
Employee benefits	262.9	264.7	308.1	308.1
Revaluations of fixed assets deductible for tax purposes	-	118.8	-	118.8
Reserve for litigation and claims – accrued and other liabilities	53.0	53.0	53.9	53.9
Net operating losses carry forwards	-	9.7	-	7.6
Property, plant and equipment	(130.8)	(242.2)	(138.7)	(229.6)
Assets – Liabilities Valuation	16.7	16.8	0.5	0.5
Subsidiary acquisition	-	(113.8)	-	-
Other	2.3	20.4	(1.6)	(1.6)
Deferred taxes	**204.2**	**127.4**	**222.2**	**257.7**

20. OTHER CURRENT LIABILITIES

Other current liabilities are analyzed as follows:

	2006		2005	
	COMPANY	GROUP	COMPANY	GROUP
Accrued social security contributions	50.4	70.7	51.5	69.5
Accrued payroll	3.7	11.5	1.2	14.0
Other taxes payable	15.3	57.5	27.5	75.3
Accrued interest payable	27.0	67.4	39.3	59.0
Reserve for pension contributions	3.7	3.7	6.3	6.3
Reserve for litigation and claims	123.3	127.4	95.6	105.3
Customer advances	27.9	28.5	38.2	40.4
Short-term portion of amount due for Cosmote’s 3G license	-	-	-	16.1
Due to subsidiaries	10.1	-	13.9	-
Other	9.2	142.0	18.2	88.3
	270.6	**508.7**	**291.7**	**474.2**

(Amounts in millions of Euro, unless otherwise stated)

21. REVENUES

Revenues in the accompanying income statements consist of income from:

	COMPANY		GROUP	
	2006	2005	2006	2005
(i) Domestic Telephony				
• Monthly network service fees	691.9	669.8	995.7	954.2
• Local and long-distance calls				
- Fixed to fixed	518.9	540.9	702.6	759.1
- Fixed to mobile	313.8	337.5	470.2	515.7
	832.7	878.4	1,172.8	1,274.8
• Other	72.3	69.1	92.1	83.2
	1,596.9	**1,617.3**	**2,260.6**	**2,312.2**
(ii) International Telephony				
• International traffic	76.6	93.4	132.3	150.5
• Payments from international operators	68.3	89.3	172.7	202.4
• Payments from mobile operators	36.2	33.3	41.9	38.1
	181.1	**216.0**	**346.9**	**391.0**
(iii) Mobile Telephony	**-**	**-**	**1,975.8**	**1,752.2**
(iv) Other revenues				
Traditional Services:				
• Prepaid cards	76.0	91.2	100.6	126.6
• Directories	1.7	-	58.0	56.0
New Business:				
• Leased lines and Data communications	191.2	192.3	181.1	184.2
• VoIP μέσω MSP	42.5	27.2	32.9	27.2
• Integrated Services Digital Network	142.7	132.6	158.9	141.4
• Sales of telecommunication equipment	90.2	60.3	341.6	112.2
• Internet services / ADSL	67.9	26.6	133.1	81.0
• Asynchronous Transfer Mode	32.0	30.2	32.1	23.1
• Services rendered	160.5	171.8	74.9	72.3
• Interconnection charges	99.9	103.9	96.8	101.7
• Miscellaneous	31.9	37.6	98.0	94.0
Total other revenues	**936.5**	**873.7**	**1,308.0**	**1,019.7**
Total revenues	**2,714.5**	**2,707.0**	**5,891.3**	**5,475.1**

(Amounts in millions of Euro, unless otherwise stated)

22. OTHER OPERATING EXPENSES

Other operating expenses are analyzed as follows:

	COMPANY		GROUP	
	2006	**2005**	**2006**	**2005**
Services and fees	136.5	122.0	173.7	155.9
Cost of telecommunication material, repairs and maintenance	75.3	107.4	199.0	205.7
Advertising costs	39.9	38.4	164.0	133.3
Utilities	56.5	51.2	98.0	100.0
Provision for doubtful accounts	65.5	91.0	97.9	110.4
Other provisions	35.0	47.8	36.0	37.8
Travel costs	7.2	7.2	17.6	17.0
Commissions to independent distributors	-	-	203.0	166.9
Payments to audiotex providers	11.4	14.6	17.1	21.7
Rent	63.3	59.3	80.1	71.1
Taxes, other than income taxes	9.6	11.0	47.1	30.1
Transportation	5.7	5.0	9.6	7.0
Other	14.4	16.5	46.4	55.4
	520.3	**571.4**	**1,189.5**	**1,112.3**

23. EARNINGS / (LOSSES) PER SHARE

Earnings per share (after income taxes,) are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period, excluding the average number of own shares that the Company possessed during the period.

Earnings per share (after income taxes) are analyzed as follows:

	COMPANY		GROUP	
	2006	**2005**	**2006**	**2005**
Earnings / (Losses) attributable to the shareholders of the parent	531.2	(237.2)	574.6	(216.8)
Weighted average number of shares outstanding	490,150,389	490,150,389	490,150,389	490,150,389
Basic earnings / (Losses) per share	1.0837	(0.4839)	1.1723	(0.4424)
Diluted earnings / (Losses) per share	1.0837	(0.4839)	1.1723	(0.4424)

Earnings / (Losses) per share are in absolute figures.

(Amounts in millions of Euro, unless otherwise stated)

24. SEGMENT REPORTING

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

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

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

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

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

Year ended 31/12/2006	OTE	COSMOTE	ROMTELECOM	ALL OTHER	TOTALS	ADJUSTMENTS-ELIMINATIONS	GROUP
Revenues from external customers	2,488.7	2,212.6	877.2	312.8	5,891.3	-	5,891.3
Intersegment Revenues	225.8	169.7	17.6	182.4	595.5	(595.5)	-
Interest income	45.7	18.2	13.5	134.5	211.9	(141.1)	70.8
Interest expense	(199.2)	(75.0)	(8.5)	(139.7)	(422.4)	143.6	(278.8)
Depreciation and Amortization	(528.0)	(318.9)	(217.5)	(67.7)	(1,132.1)	3.6	(1,128.5)
Earnings in equity-method investments	23.0	-	-	-	23.0	-	23.0
Income tax expense	(124.6)	(159.8)	(16.3)	(52.3)	(353.0)	-	(353.0)
Operating income	312.1	557.5	120.8	95.5	1,085.9	2.4	1,088.3
Net income	531.2	360.5	91.6	77.1	1,060.4	(485.8)	574.6
Investments	157.8	-	-	0.9	158.7	-	158.7
Segment assets	6,801.4	4,688.1	2,546.7	6,147.5	20,183.7	(7,635.1)	12,548.6
Expenditures for segment assets	225.7	442.4	208.1	86.2	962.4	-	962.4

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)
Earningsin 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	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

(Amounts in millions of Euro, unless otherwise stated)

25. RELATED PARTY TRANSACTIONS

OTE's related parties have been identified based on the requirements of IAS 24 and are the following: its subsidiaries, the members of the Board of Directors the key management personnel and their close family members.

The Company purchases goods and services from these related parties, and provides services to them. Furthermore OTE grants and receives loans to / from its subsidiaries and receives dididends.

OTE' s sales and purchases with its related parties are analyzed as follows:

	2006		**2005**	
	OTE's Sales	**OTE's Purchases**	**OTE's revenues**	**OTE's expenses**
COSMOTE	164.8	139.2	145.6	174.1
OTE INTERNATIONAL INVESTMENTS LTD	1.6	9.0	2.1	7.0
ROMTELECOM	2.5	0.3	0.3	1.5
ARMENTEL	1.3	0.4	0.4	0.2
HELLAS-SAT	0.5	1.8	1.6	2.0
COSMO-ONE	-	0.9	-	1.3
OTENET	41.9	23.4	25.1	11.8
HELLASCOM	0.1	5.6	0.2	4.7
OTE SAT- MARITEL	1.1	2.2	1.2	2.3
OTE PLUS	0.4	23.7	0.4	12.6
OTE ESTATE	2.2	56.9	9.1	52.3
INFOTE	8.5	5.4	20.1	1.4
OTE GLOBE	0.7	40.9	62.6	76.2
OTE ACADEMY	0.2	3.4	0.1	1.2
	225.8	**313.1**	**268.8**	**348.6**

OTE 's interest income and interest expense with its related parties from the loans granted / received and gain resulting from sale of investments to related parties (gain from the sale of GLOBUL and COSMOFON to COSMOTE in 2005), are analyzed as follows:

	2006		**2005**	
	OTE' s interest income	**OTE's interest expense**	**OTE's interest income**	**OTE's interest expense**
COSMOTE	-	-	123.4	-
ARMENTEL	0.1	-	0.4	-
COSMOFON	3.4	-	2.4	-
HELLAS-SAT	5.2	-	6.9	-
OTE PLC	-	98.9	-	135.6
	8.7	**98.9**	**133.1**	**135.6**

Dividends received from its related parties, are analyzed as follows :

	2006	**2005**
COSMOTE	145.3	297.6
INFOTE	3.5	9.3
OTE GLOBE	2.5	2.5
OTE ESTATE	15.0	1.1
OTE SAT- MARITEL	0.7	-
ARMENTEL	6.8	4.5
	173.8	**315.0**

(Amounts in millions of Euro, unless otherwise stated)

25. RELATED PARTY TRANSACTIONS (continued)

OTE 's receivables and payables with its related parties from their operating transactions, are analyzed as follows:

	2006		2005	
	OTE's receivables	OTE's payables	OTE's receivables	OTE's payables
COSMOTE	37.9	33.9	35.9	45.1
OTE INTERNATIONAL INVESTMENTS LTD	0.5	2.6	6.0	7.4
ROMTELECOM	-	-	0.3	1.4
HELLAS-SAT	4.0	0.5	3.3	0.4
COSMO-ONE	-	0.3	-	0.5
OTENET	16.4	17.1	7.2	7.3
HELLASCOM	-	1.2	1.3	1.4
OTE SAT- MARITEL	1.1	0.5	0.8	1.2
OTE PLUS	3.7	11.6	4.7	5.6
OTE ESTATE	2.0	13.9	8.7	104.1
INFOTE	2.6	23.7	5.4	24.4
OTE GLOBE	10.4	27.3	23.9	27.6
OTE ACADEMY	0.1	0.8	0.3	1.5
	78.7	**133.4**	**97.8**	**227.9**

OTE 's receivables and payables with its related parties from loans granted and received, are analyzed as follows:

	2006		2005	
	OTE's receivables	OTE's payables	OTE's receivables	OTE's payables
ARMENTEL	-	-	6.0	-
COSMOFON	56.9	-	45.5	-
HELLAS SAT	-	-	143.9	-
OTE PLC	-	1,268.0	-	1,962.8
	56.9	**1,268.0**	**195.4**	**1,962.8**

The nature of the transactions between OTE and its 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.

25. RELATED PARTY TRANSACTIONS (continued)

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

i. 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.

ii. OTE purchases products and services from OTENET, which are sold to its customers.

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.

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.

25. RELATED PARTY TRANSACTIONS (continued)

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.

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j. OTE ACADEMY

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

ii. OTE ACADEMY provides training services to OTE and the Group's subsidiaries.

k. HELLASCOM

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

l. COSMOFON

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

m. HELLAS SAT

i. HELLAS SAT invoices OTE for transmitter's rental and the provision of satellite capacities.

ii. OTE invoices HELLAS SAT with a commission on the rental of satellite capacities.

n. OTE PLC

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

Fees paid to the members of the Board of Directors and key management personnel compensation charged in the Income Statements of the year ended 31 December 2006 and 2005, amounted to Euro 3.8 and 3.3, respectively.

26. STOCK BASED COMPENSATION

COSMOTE's STOCK BASED PLAN

COSMOTE has established a Management Stock Option Plan for the purchase of COSMOTE's shares at discounted price. The Plan was approved by the resolution of the General Assembly held on 31 July 2000 and 6 September 2000 and amended by the resolutions of the General Assembly held on 12 June 2001, 21 February 2002 and on 27 January 2006.

The Plan, as valid on 31 December 2006, allowed that the Board of Directors would grant options to participants every year, which gradually (40% upon the completion of a year of the grant, 30% upon the completion of the second year and 30% upon the completion of the third year) would be converted to final grant for the acquisition of ordinary shares with an aggregate value of, at maximum, 2-5 times annual gross salaries, depending on the position, for the executives of the Company in Greece and at maximum, 1-3 annual gross salaries for the subsidiaries' executives abroad, provided that the participants continue to work efficiently for the Company (Basic Options). Further options may be granted by the Board o Directors to participants at the end of each year, for the acquisition of ordinary shares with an aggregate value of, at maximum, one annual gross salary, depending on the position, for the executives of the Company in Greece and, at maximum, 0.75 annual gross salary for the subsidiaries' executives abroad (Additional Options). The Basic Options granted to the Chairman of the Company vest in full after one year. Additional Options vest after 3 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.

The total number of the Company' shares, which may be acquired under this Plan or under any other ongoing plan, cannot exceed 5% of the Company' share capital on a five-year period on a rotation basis, and, in any case, the maximum number of shares, which may be issued if the participants exercise their options, cannot exceed 10% of the number of shares existing at the time of the approval of the Plan.

At 1 January 2005 the Company applied IFRS 2 «Share – based payment». According to the transitional regulations, this standard is eligible for the stock options that have been granted to the employees subsequent to 7 November 2002 and have not matured until 1 January 2005.

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 has been calculated based on the Black Scholes model. The data input in this model is the stock price, the exercise price, the dividend yield, the discount rate and the volatility of the stock. Volatility (standard variation of the stock's price) is calculated based on statistical analysis of the daily stock's price for the last 12 months.

(Amounts in millions of Euro, unless otherwise stated)

26. STOCK BASED COMPENSATION

The following table provides information regarding the Stock Option plan.

	2006		2005	
	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	3,151,820	13.48	3,266,990	11.00
Granted shares during the year	1,079,580	18.84	1,282,020	15.95
Forfeited	(149,860)	13.15	(185,580)	11.76
Exercised during the year	(1,094,090)	11.10	(1,211,610)	9.67
Outstanding shares at the end of the year	**2,987,450**	16.30	**3,151,820**	13.48
Exercisable at the end of the year	869,069	14.46	655,596	11.10

The following weighted average assumptions were used:

	2006	2005
Weighted average stock price	19.03	15.73
Weighted average exercise price	18.84	15.95
Volatility	24.79%	25.08%
Volatility of exercising the right	3 years	3 years
Risk free interest rate	3.97%	2.98%
Dividend yield	3.37%	7.62%

Volatility has been calculated using the standard deviation of the COSMOTE's stock during the relative year.
The fair value of the stock based compensation recognized as an expense amounted to Euro 2.4 for 2006 and 0.9 for 2005.

27. LITIGATION AND CLAIMS

The most significant legal cases on 31 December 2006 are the following:

(i) ***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. The amount of Euro 28 has already been paid against OTE Leasing's receivables of total amount Euro 17.1 and other assets of total amount Euro 10.9.

27. LITIGATION AND CLAIMS (continued)

(ii) **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 court in 2006 ruled in favor of Alpha Digital Synthesis S.A., and ordered OTE to pay an aggregate amount of Euro 13.0. OTE has appealed this decision before the Athens Court of Appeals. By its decision on 21 November 2006, the Athens Court of Appeals rejected OTE' appeal.

(iii) ***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.

(iv) **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 was scheduled for 3 May 2006 has been suspended.

(v) **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 was held on 22 March 2006 and Court by its decision rejected Greek Telecom S.A.'s claim.

(vi) **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 providing them leased lines. The hearing, initially scheduled for 8 June 2005, has been suspended.

(vii) **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 8.1 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 2007. Furthermore, Teledome S.A. filed lawsuits against OTE before the Athens Multi Member Court of First Instance, claiming approximately Euro 10.8 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. For two lawsuits totaling an amount of Euro 4.7, the Court rejected Teledome's claims. Teledome appealed the decision before the Court of Appeals. The hearings of the other lawsuits are scheduled in certain dates in 2007 and 2008.

27. LITIGATION AND CLAIMS (continued)

(viii) 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 was held on 17 May 2006 the Court rejected Newsphone's claims.

(ix) 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 after suspension have been rescheduled for 14 March 2007.

(x) LANNET S.A.: Lannet S.A filed two lawsuits against OTE before the Athens Multi Member Court of First Instance, claiming an aggregate amount of approximately Euro 2.2 in damages due to suspension of it's subscriber's number portability. The hearing of the first lawsuit for the amount of Euro 1.5 was held and the Court rejected the claim, while the hearing of the second lawsuit after suspension has been rescheduled for 21 March 2007.

(xi) ALGONET S.A.: Algonet S.A filed two lawsuits against OTE before the Athens Multi Member Court of First Instance, claiming an aggregate amount of approximately Euro 0.9 in damages due to suspension of it's subscriber's number portability. The hearing of the first lawsuit for the amount of Euro 0.4 was held and the Court rejected the claim, while the hearing of the second lawsuit initially scheduled for 8 February 2006, has been suspended.

(xii) FASMA ADVERTISING TECHNICAL AND COMMERCIAL S.A.: Fasma Advertising Technical and Commercial S.A. filed a lawsuit against OTE before the Athens Multi Member Court of First Instance, claiming an aggregate amount of Euro 9.1 for breach of contract. The hearing is scheduled for 8 November 2007.

(xiii) Employees' Claims: OTE's employees have filed a number of lawsuits against OTE.

(xiv) 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 2 November 2006, has been suspended and a new hearing is scheduled for 15 November 2007. 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 were held on 9 March 2006 and the court rejected DEP INFO LTD's lawsuit, while it accepted OTE's lawsuit. In the fourth case, Infoshop S.A. filed a lawsuit against OTE claiming alleged damages in the amount of 7.0. A hearing scheduled for 2 November 2006 has been suspended, and a new hearing has is scheduled for 15 November 2007.

27. LITIGATION AND CLAIMS (continued)

(xv) 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.

OTE has established appropriate provisions in relation to litigations and claims, the outcomes of which hare probable and can be reasonably estimated**.**

28. FINANCIAL RISK MANAGEMENT

a. Interest Rate Risk

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

b. Liquidity Risk

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

c. 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.

d. 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

The most important events that have occurred after 31 December 2006 are the following:

a. On 28 February 2007, OTE signed a collective labor agreement with OME-OTE, according to which, eligible employees will be entitled to benefits in order to retire up to 30 December 2007. The applications should be submitted until 31 March 2007 and could not be recalled. The relative cost will be determined after the confirmation of the participants and will be included in the income statement of the first quarter 2007.

b. On 15 January 2007, Mr. Panos Germanos acquired the 10% of COSMOHOLDING CYPRUS share capital. As a result of the above acquisition, the Group's indirect ownership in COSMOHOLDING CYPRUS reduced to 60.3%, while the Group's indirect ownership in GERMANOS S.A. reduced to 57.72%.

c. On 9 February 2007, GERMANOS S.A.'s Extraordinary General Assembly decided, due to requirement of COSMOHOLDING CYPRUS, the submission of application to the Hellenic Capital Market Committee for the delisting of GERMANOS from Athens Stock Exchange. Hellenic Capital Market Committee approved the above application on 9 March 2007. The GERMANOS S.A.'s shares will be delisted at 29 March 2007.

d. On 6 February 2007, Group through its subsidiary OTE PLC fully repaid the outstanding balance of the Eurobond 1,100, with 7 year duration, fixed-rate 6.125% of Euro 491.6.

e. Following the decision of the Board of Directors of 21 September 2006, on 8 February 2008 OTE acquired the remaining 1.0% minority interests in OTE PLUS for a cash consideration of Euro 0.04. After the completion of the transaction OTE owes 100% interest in OTE PLUS.

f. On 14 March 2007 OTE held an Extraordinary General Assembly to revise certain Articles of Association, to establish a Stock Option Plan and other matters. As the necessary quorum was not met, the General Assembly will be repeated on 27 March 2007.

BOARD OF DIRECTORS' REPORT OF THE
"HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A."
TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2006

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 2006 and for the year then ended.

The above mentioned Financial Statements have been prepared 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 2006 are of big significance:

- Completion of the Voluntary Retirement Program in OTE, with the early retirement of 4.759 employees between October 2005 and October 2006.
- Completion of the organizational reconstruction in OTE, aiming at its efficiency and financial performance.
- Sale of OTE's stake in Armentel.
- Acquisition of GERMANOS S.A. by Cosmote
- OTE PLC issued two bonds, guaranteed by OTE, in an aggregate amount of Euro 1.5 billion (Euro 900 million and Euro 600 million) under the Global Medium Term Notes Program, in order to refinance the bridge facility of Cosmote for the acquisition of GERMANOS S.A.
- Romtelecom launched satellite television services, available countrywide via OTE's Hellas Sat 2 satellite.
- Increase of OTE's stake in Cosmote to 67%.

B. STRATEGY- OBJECTIVES

With respect to OTE's strategic objectives in the coming years as stated in the 2007-2009 Business Plan, the management's strategic goal is the maximization of the existing synergies within the Group and the increase of EBITDA margin, so that OTE returns in line with European peers.

In order to fulfill the above goal, the Company's top priorities are the sustention of revenues against the persistent competition and the reduction of all elements of operating costs.

Based on the above, the effort already commenced during 2006 continues, focused on the main pivots:

- Development of new products and services with differentiation by customer segment.
- Retention of market share for both retail and wholesale.
- Exploitation of the existing telecommunications infrastructure and reveal new business opportunities.
- Improvement of customer service in both retail and wholesale with a substantial and direct after-sales technical support.

- Competitiveness based on technological and operational advantage
- Minimization of regulatory interventions
- Optimization of sales channels / networks.
- Stable ratio “Payroll and employee benefits / Revenues” in the three years (2007-2009), through the development of a competitive working environment.

C. DIVIDEND POLICY

OTE’s Board of Directors will propose to the General Assembly the distribution of an dividend from the financial year’s 2006 profits of a total amount of Euro 269.6 million or Euro 0.55 per share.

D. FINANCIAL HIGHLIGHTS OF 2006

INCOME STATEMENT:

OTE Group Revenues in 2006 increased by 7.6%, as compared to 2005 and reached to Euro 5.891,3 million.

This increase is mainly due to :

a. Increased revenues from the mobile telephony, (12.8% increase), as a result of the boost of the subscriber base for all the mobile operations of the Group (Cosmote, AMC, Globul & Cosmofon), and the mobile traffic volume enhancement in Greece.

b. The consolidation of GERMANOS S.A. for the first time in the fourth quarter of 2006 after its acquisition by Cosmote. This contribution which mostly affected the sales of telecommunication equipment, more than offset the loss of revenues from the sale of Armentel on 16th November 2006 and therefore its deconsolidation as of that date.

c. The significant increase in revenues from ADSL (152.7% increase), reflecting the significant boost in ADSL customers, which increased more than three times as compared to 2005 reaching above a half million connections.

d. Increased revenues in basic monthly rentals.

OTE’s revenues, which amounted to Euro 2,714.5 million remained unchanged as compared to 2005 (0.3% increase), better than forecasted. This is as a result of the increase in revenues from basic monthly rentals, broadband services (ADSL), sales of telecommunication equipment, and revenues from VoIP, which partially offset the decline in revenues from telecommunication traffic.

OTE Group Operating Expenses in 2006 declined by 11.9% as compared to 2005 and reached to Euro 4,803.0 million. This is mainly due to the cost of the Voluntary Retirement Program, which was charged in last year’s operating expenses.

Furthermore, the overall decline was due to:

- The 6.4% decrease in payroll and employee benefits.
- The 101.1% increase in the cost of telecommunication equipment, reflecting the consolidation of GERMANOS S.A.(in line with increased sales of telecommunications equipment).
- The 4.2% decrease in charges from international operators.
- The 8.3% increase in charges from domestic operators
- The 1.9% increase in depreciation and amortization.
- The 6.9% increase in other operating expenses.

OTE's Operating Expenses in amounted to Euro 2,402.4 million and have decreased by 31.9% as compared to 2005. This is mainly due to the cost of the Voluntary Retirement Program, which was charged in last year's operating expenses

Furthermore, the overall decline was due to:

- The 10.4% decrease in payroll and employee benefits.
- The 1.3% decrease in charges from international operators.
- The 1.6% decrease in charges from domestic operators
- The 2.7% decrease in depreciation.
- The 19.4% of the cost of telecommunication equipment, mainly due to the "SYZEYXIS" project (in line with the increased sales of telecommunications equipment).
- The 8.9% decrease in other operating expenses.

OTE Group Financial Income and Expenses are analyzed as follows:
Interest Expenses amounted to Euro 278.8 million increased by 70.8% compared to 2005 reflecting the increase in debt and the one-off net financial loss of Euro 70.0 million related to the well under current market conditions loan that OTE granted to the OTE Auxiliary Pension Fund.
Interest income increased by 31.4% compared to 2005, mainly as a result of the increased cash and cash equivalents.
Income from dividends increased by 12.8% principally reflecting increased dividend from Telecom Serbia.
Investment income is increased by 425.6%, reflecting the gain from the sale of Armentel.

Income Tax was increased significantly as compared to 2005, as the last year's deferred tax included the tax benefits resulting from the cost of the Voluntary Retirement Program. No income tax was recorded in 2005 at OTE, due to tax losses incurred.

As a result of all the above, **OTE Group Net Profit** for the year 2006 amounted to Euro 574.6 million, as compared to Euro 216.8 loss in 2005.

The **Group's Capital Expenditures** reached Euro 962.4 million, significantly increased as compared to the last year's capital expenditure, but still lower than the budgeted amount for 2006 due to the lower investment program in the parent company.

The **Group's Total Debt** was increased by 33.4% from the previous year and amounted to Euro 4,590.5 million, due to the bonds issue by OTE PLC for the financing of the acquisition of GERMANOS S.A., whereas the **Group's Net Debt** was increased by 32.2% and amounted to Euro 2,548.0 million.

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, with increase in revenues by 32.5% and in net profit by 6.1%, as compared to 2005. COSMOTE's Group's total subscriber base increased by 35.4% as compared to 2005 reaching over 11 million subscribers, while the consolidated results of GERMANOS S.A. contributed to the Groups positive results.

ROMTELECOM: Decrease in revenues by 3.8% approximately and in net profit by 35% reflecting the intense market competition from alternative providers resulting the drop in the number of subscriber lines and the lower wholesale and retail revenues, which was partly offset by the tariff rebalancing implemented last August. EBITDA margin improved to 37.8% from 36,7%. Headcount was decreased by 6% as compared to 2005.

OTENET group: Increase in revenues by 13.6% as compared to 2005, mainly due to its subscriber base augmentation with the migration of PSTN-ISDN customers to broadbamd (ADSL) connections.

E. INFORMATION ACCORDING TO ARTICLE 11a, L. 3371/2005

(a) Share capital structure

As at 31.12.2006 the Company's share capital amounted to Euros one billion, one hundred seventy two million, four hundred ninety-three thousand, eighty and eighty-one cents (1,172,493,080.81) and is divided into four hundred ninety million, five hundred eighty-two thousand eight hundred seventy nine (490,582,879) ordinary registered shares of nominal value two Euros and thirty nine cents (2.39) each.

According to the Company's share registry on 31.12.2006 the Company's shareholding structure was as follows:

Shareholder	Number of Shares	%
Hellenic State	174,796,804	35.6%
DEKA S.A.	15,052,783	3.1%
Free float	300,300,802	61.3%
TOTAL	**490,150,389**	**100%**

The total of the Company's shares are common, nominal and there are not special classes of them.
Company's shares are listed on the Athens Stock Exchange.
The rights and obligations attaching to the shares are those mentioned in C.L. 2190/1920 and Company's Articles of Incorporation.
Shareholder that has in his possession any number of shares has the right to participate in the General Assembly of shareholders of the Company either in person or with by proxy. The Hellenic State, as shareholder, is represented in the General Assembly by the Minister of Finance or by his representative.
The ownership of one share entitles one vote.

The Company’s shareholders have the right to receive dividends. According to the Articles of Incorporation and Greek Law 2190/20, the minimum permissible limit of the dividend is set at the greater of six percent (6%) of the share capital or thirty five percent (35%) of the net profits.
The General Assembly may resolve to allocate the remaining profits at its own discretion; as a case in point, the Assembly may decide on the distribution of shares to Company employees and to its affiliated companies, with such shares coming from an increase of the share capital through capitalization of profits or it may be covered by the shareholders themselves.
The General Assembly of shareholders maintains all its rights at the duration of liquidation.
Shareholder’s liability is limited to the nominal value of shares that they have in possession.
Shareholders representing one twentieth (1/20) of the paid up share capital: **(1)** are entitled to request the audit of the Company by the competent Court of the Company's seat, **(2)** are entitled to request from the Chairman of the Board of Directors to convene an extraordinary General Assembly of the Shareholders of the company, stating the date of convocation, which cannot be more than thirty (30) days from the date of service of the application to the Chairman of the Board of Directors, **(3)** are entitled to request from the Board of Directors **(a)** to disclose to the General Assembly of the Shareholders of the company all those amounts paid within the previous two years, for any reason whatsoever, to the members of the Board of Directors or to the senior management or to the other personnel and every other payment of the company effected toward such persons, as well as every agreement in force, for any reason whatsoever, with such persons, **(b)** Provide specific information requested with regard to the affairs of the company, to the extent that such are useful for the appraisal of the issues of the agenda. The Board of Directors may refuse to provide the information requested for reasonable cause, stating the respective reasoning in the minutes, **(4)** are entitled to request from the Chairman of the General Assembly to postpone only once resolutions of the General Meeting, ordinary or extraordinary, for all or certain issues **(5)** the adoption of a resolution on any issue whatsoever on the daily agenda of the General Assembly is effected on name-by-name basis.

(b) <u>Restrictions in the transfer of the Company’s shares</u>

The Company’s shares are listed for trading on Athens Stock Exchange and are transferred according the law.

Exceptionally, in the article 26 of 2843/2000 (Official Journal of the Hellenic Republic-Volume A219-12.10.2000) Act is referred as follows “In every case the Greek State maintains at least the 1/3 of share capital of Hellenic Telecommunications Organization”, restriction which was also reported in the Company’s Articles of Incorporation.

Already, after the issue of 3522/2006 (Official Journal of the Hellenic Republic-Volume A 275-22.12.2006) Act the above restriction ceased to be in effect.

As long as Article 1 of Law 2257/1994 was the Company’s Articles of Incorporation, article 7 (paragraphs 2 and 3) included a voting restriction. More specifically, any other shareholder except for the Hellenic State, could not exercise the portion of his voting rights that exceeded 5%, even if the shareholder had a greater percentage to the Company’s share capital. This requirement was superseded since the Company’s Articles of Incorporation is amended in accordance with C.L 2190.1920, as such a voting restriction is not in compliance with the law’s requirements. This restriction has been already superseded in Law 2257/1994.

According to article 4 of 3016/2002 Act as is in effect independent non-executive members of the Board of Directors cannot possess Company’s shares in percent above 0.5% of the paid-in share capital.

According to the provisions of article 53 of 3371/2005 Act (Official Journal of the Hellenic Republic-Volume A 178-2005 the materialized shares which had not been deposited in order to dematerialize are liquidate in Athens Stock Exchange according to the 1/380/04.05.2006 regulation of Hellenic Capital Market Committee. The holders of the materialized share are not able to transfer them any more, however are entitled to receive the amount of liquidation. The Company has already submitted an application with number of registry 660154/02.03.2007 in order to issue the required decision.

According to the article 26 of 3340/2005, persons charged with managerial duties or persons having close relationship with them, without being limited to acquire or vest company's shares, are obliged to notify their transactions that exceed 5.000 Euro per year. The obligation of notification impose the Law and the decisions of the Board of Directors of the Hellenic Capital Market Committee.

According to the Article 26 of 3431/2006 Act about Electronic Communications, the change of control of the company takes place with approval of Hellenic Telecommunications and Post Committee. The above approval is also required under the 703/199 Law about monopoly regulations and competition.

(c) Significant direct or indirect participations according to the Presidential Decree 51/1992

Significant direct ownership in the share capital of the company on 31 December 2006, according to the provisions PD 51/1992, was the Hellenic State's ownership, which as shareholder it possessed (and it possesses up to today) the 35.6% of the Company's share capital. In addition the Hellenic State has indirect ownership of 3.1% through DEKA S.A.

Company is not aware of any other shareholder who has direct or indirect ownership of 5% or more of company's paid-in share capital.

(d) Owners of shares that offer special control right

There are no issued shares of the Company that offer special control rights.

(e) Restrictions in voting rights-Deadlines in exercising those rights

There are no restrictions in voting rights.

(f) Shareholder agreements for restrictions in the transfer of shares or in the exercising of voting rights

There are no shareholder agreements regarding restrictions in the transfer of shares or in the exercising of voting rights that are known to the Company.

(g) Rules of appointment and replacement of the members of the Board of Directors and amendment of the Company's Articles of Incorporation if they differ from the provisions of Codified Law 2190/1920.

The members of the Board of Directors are appointed and replaced according to the restrictions of the C.L. 2190/1920. The restrictions upon which the Company's Articles of Incorporation is amended are provided by the C.L. 2190/1920.

The provisions of the Company's Article of Incorporation related to the appointment and the replacement of the BoD members and the amendment of its Company's Article of Incorporation are not differentiated by the provisions of C.L. 2190/1920.

In particular according to the Company's Articles of Incorporation regulations the Board of Directors consists of nine (9) or eleven (11) members, are elected by the General Shareholders Assembly, and serve for a 3-years term. The Board's synthesis is renewed by one third (1/3) of its Directors every year. When eleven (11) Directors serve on the Board and in order to achieve the number corresponding to one third of renewable Directors for the year, the fraction that results there from is omitted on the first two s described above is omitted. In this case, on the third year, the remaining number of Directors is renewed up until the filling of eleven (11) members. The term of each Director commences on the day of its election by the General Shareholders Assembly and terminates three (3) years from the election, on the day the Annual General Assembly of Shareholders meets.

By resolution of the General Shareholders Assembly the Board of Directors are eleven (11).

Board of Directors may always be re-elected and can be revoked any time by the General Shareholders Assembly.

(h) Jurisdiction of the Board of Directors for the issuance of new shares/share buybacks according to article 16 of Codified Law 2190/1920.

With regards to the article 6 of the Company's Articles of Incorporation, it is determined that within five (5) years from the relevant decision of the General Shareholders Assembly, (pursuant to the publicity formalities of article 7b of the C.L. 2190/1920) the Board of Directors is entitled to, upon a resolution reached by the quorum and by the majority of the same, as specified by the Codified Law 2190/1920:

> I. Increase the share capital with the issuance of new common shares. The amount of the increases cannot exceed the amount of the paid in share capital at the date of the adoption of the relevant resolution of the General Assembly.
>
> II. Issue of bond up to an amount not exceeding the paid in share capital, by means of the issuance of a bond convertible into shares.

The powers mentioned hereinabove of the Board of Directors may be renewed by the General Assembly for a period not exceeding five (5) years per each renewal.

By way of exception, in the event the capital reserves of the Company exceed one fourth (1/4) of the paid in share capital, the resolution of the General Assembly for the increase of the share capital by means of the issuance of a bond convertible into shares, will be always required.

There are no valid resolutions of the Company's General Shareholders Assembly for the concession of its aforementioned jurisdictions to the Board of Directors.

According to its General Shareholders Assembly's resolution and pursuant to the regulations that are in force, the Company may acquire shares up to 10% of its own share capital, in order to stabilize their share price. The execution of such resolutions of the General Assembly is effectuated by the Board of Director's resolutions.

No such resolutions of the General Assembly of shareholders, or of the Board of Directors during 2006 have been taken until today.

(i) <u>Significant Company agreements that take effect / alter or terminate upon a change of control of the Company occurs following a takeover bid.</u>

On 21 November 2006, OTE Plc, wholly owned by OTE S.A., issued two bonds of an amount of Euro 900.000.000 and Euro 600.000.000 maturing on 20 May 2016 and 21 November 2009 respectively, under the Global Medium Term Note Programme which is fully guaranteed by OTE S.A. Upon issuance, the bonds were assigned a rating of BBB+/Baa1 by the international rating agencies.

The bonds include a Change of Control clause applicable to OTE S.A. which is triggered if both of the following events occur:

a) any person or persons acting in concert (other than the Hellenic Republic) at any time directly or indirectly come(s) to own or acquire(s) more than 50 % of the issued ordinary share capital or of the voting rights of OTE S.A. and

b) as a consequence of (a), the rating previously assigned to the bonds by any international rating agency is withdrawn or downgraded to BB+/Ba1 or their respective equivalents (non Investment grade), within a specific period and under specific terms and conditions.

In accordance with the terms and conditions of the bonds, in the event that the Change of Control clause is triggered, OTE Plc shall promptly give written notice to the bondholders, who in turn shall have the option to require OTE Plc to redeem the bonds (put option), at their principal amounts together with accrued interest up to the date of redemption.

The bondholders shall have the right to exercise the put option within a period of 45 days after receipt of the written notice of the trigger of the Change of Control clause and OTE Plc shall redeem the bonds within five business days following the end of the aforementioned period.

The Change of Control clause is also included in the terms of the bond loan agreements for the Euro 900.000.000 and Euro 600.000.000 bonds issued by Cosmote S.A. on 21 November 2006 which were fully subscribed by OTE Plc. Consequently, in the event that the Change of Control clause is triggered, OTE Plc shall have the right to require redemption of those bonds by Cosmote S.A. within a specific period and under specific terms and conditions as defined in the relevant bond loan agreements.

<u>(j) Agreements between the company and its Board Members or personnel providing for compensation if they resign or are made redundant without valid reason or of their employment ceases because of a takeover bid</u>

There are no agreements regarding compensation of members of the Board of Directors or personnel in case of resignation, termination of their employment agreement without an essential cause or expiration of their term / agreement due to public tender offer.

Athens, 20 March 2007

Panagis Vourloumis
Chairman and Managing Director

Independent Auditor's Report

To the Shareholders of
HELLENIC TELECOMMUNICATIONS ORGANISATION S.A.

Report on the Financial Statements

We have audited the accompanying Financial Statements and Consolidated Financial Statements (the "Financial Statements") of HELLENIC TELECOMMUNICATIONS ORGANISATION S.A. ("the Company") which comprise the balance sheet as at 31 December 2006 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

Opinion

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

Report on other legal and regulatory requirements

The Board of Directors' Report is consistent with the accompanying financial statements.

Athens, 21 March 2007

KPMG Kyriacou Certified Auditors A.E.

Marios T. Kyriacou Certified Auditor Accountant AM SOEL 11121	Michael Kokkinos Certified Auditor Accountant AM SOEL 12701