



**HELLENIC COMPANY OF TELECOMMUNICATIONS  
AND TELEMATIC APPLICATIONS  
(FORTHnet S.A.)**

**ANNUAL REPORT**

**2005**

**Based upon decision 5/204/14-11-2000 of the Hellenic Capital Market Committee's Board of Directors**

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## 1 MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear shareholders,

Year 2005 was a particularly important year for FORTHnet. The strengthening of our shareholding base marked a new, more dynamic era and confirmed, in the best possible way, the important position to be held by our company on the new broadband telecommunications market.

On a commercial level, FORTHnet reinforced its position on the Greek ADSL broadband services market during the past year, and now has a market share of over 20%. At the same time, the company continued its productive activity on the telephony market, presenting significant increase in the registration rate of new customers and holding a market share of around 5% (in telecommunications traffic).

By signing a Syndicated Loan for a total of 50 million Euros in December 2005, and completing the planned share capital increase in May 2006, which raised total capital amounting to 120 million euros, the Company has secured the liquidity required in order to achieve even higher goals.

FORTHnet's main objectives for the immediate future include increasing its clientele, improving services provided and accelerating the implementation of its investment plan. This plan, worth 253 million euros for the period 2006-2009, reflects the new era of development that FORTHnet has entered and includes - among other plans - the enhancement of its presence on broadband network, and increase its market share.

In particular, FORTHnet's immediate plans are:

- 1) to create a private DSL network – which will develop rapidly following the expected effective unbundling of the local loop
- 2) to develop Double Play (voice and data) services initially, and gradually expand into Triple Play services (voice, video, data), as well as
- 3) to create private metropolitan fibre optic network infrastructure in order to upgrade services and strengthen its position in the broadband application sector with new value-added services.

In this direction, the company has already submitted (in accordance with the existing regulatory framework) applications for physical and remote co-location at seventy eight (78) OTE urban centres, and has so far received positive responses for a small number of these. At the same time, having completed studies for fibre optic network development, the company is rapidly constructing metropolitan networks in the Athens and Thessaloniki areas.

FORTHnet is currently the largest alternative broadband organization in Greece and is developing new innovative services in accordance with a carefully elaborated, customer-oriented strategy, which is steadily leading the company to the achievement of its ambitious business goals.

Pantelis Tzortzakis  
Chief Executive Officer - FORTHnet

## 2 INFORMATION ABOUT THE COMPILATION OF ANNUAL REPORT AND THE COMPANY'S AUDITORS

This Annual Report contains all information and figures necessary for the appropriate evaluation of the property, financial situation, results and prospects of the “**HELLENIC TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS COMPANY S.A.**” or “**FORTHNET S.A.**” (hereinafter “**FORTHnet S.A.**” or “the Company”) by its investors and their investment consultants.

This report is provided free of charge to investors.

Investors who are interested in further information may contact the following during working hours:

- Company offices, no. 4, Atthidon St, 176 71, Kallithea, telephone 210 – 95.59.000 (Mr Giorgos Dermitzakis, Head of (Shareholder and Announcement Services - Investors Relations), Mr Giorgos Karakounis, Financial Director and Mr Thomas Koubouras, Corporate Reporting & Budgeting Supervisor).

The Boards of Directors of the Athens Stock Exchange and the Capital Market Committee have been notified of the report's content, which covers investors' information needs, as defined by the provisions of Decision 5/204/14.11.2000 of the Capital Market Committee Board of Directors.

Responsible for drafting the specific Annual report and the precision of its content are the following persons:

- **Mr Pantelis Tzortzakis**, Chief Executive Officer, address: 4, Atthidon St, 176 71 Kallithea, tel. 211 - 95.59.000.
- **Mr Giorgos Karakounis**, Financial Director, address: 4, Atthidon St, 176 71 Kallithea, tel. 211 - 95.59.000

The Company's Board of Directors hereby states that all its members have been notified of the content of this Annual Report, and, together with its editors, hereby declare that:

- *All the information and figures contained herein are complete and accurate.*
- *There are no other details, and no events have taken place, the concealment or negligence of which could render all or part of the information and figures contained in the Annual Report misleading.*
- *There are no contested issues or issues under arbitration, or decisions of legal or arbitral bodies affecting the Company's financial situation.*

### 2.1 REGULAR AUDIT

The company's first half and annual financial statements are audited by Certified Auditors during each fiscal year.

The company's and consolidated financial statements during the year 2005 were drafted based on IFRS, audited by the certified auditors Stavros Saloustros, a Certified Auditors-Accountants (reg.no. SOEL 14611) and Christos Pelentides (reg. no. SOEL 17831) with SOL SA, 3 Fokionos Negri str., 11257 Athens, Greece, tel.: 210 86 91 100 and ERNST & YOUNG (HELLAS) CERTIFIED AUDITORS, 11th km, Athens-Lamia National Road, 144 51 Metamorfossi, Greece, tel.: 210 28 86 000, respectively.

### 3 INFORMATION ON THE COMPANY

#### 3.1 GENERAL INFORMATION

FORTHnet S.A. activity falls into branches 642.0, “Telecommunications” and 726.0, “Other information technology-related activities” according to the classification of the Greek National Statistical Service (STAKOD 2003). It is the only company traded on the A.S.E. under the ICB “Internet” ICB sub-sector. In particular, the Company is active in the following fields:

- Internet Services,
- Fixed telephony and Data Services, and
- Value-Added Services.

#### 3.2 INFORMATION ABOUT COMPANY TRENDS AND PROSPECTS

This section includes a brief description of the main business objectives on which the Company's prospects are based. The Company's strategy is expected to be based on the following pillars, where the main feature is taking advantage of possibilities offered by the development of the legal framework on telecommunications and the development of broadband services in Greece through the use of modern technology:

1. Increase market share through applying advanced technology solutions.
2. Develop broadband services combining voice, data and content (triple play) through local loop unbundling.
3. Enhance the portfolio of services offered within a time frame that is in line with consumer demand.
4. Single and independent backbone infrastructure and develop a next generation, open architecture network.

By applying the above main objectives the Company seeks to enhance revenue growth and reduce expenses; this combination will result in a healthy growth of its profit margins. In the framework of the aforementioned objectives the Company will seek to implement the following individual strategies in each of its areas of activity:

##### A. MEDIUM - SIZED AND LARGE CORPORATIONS AND OTHER ENTITIES

- Expand its client base by adding large and medium-sized corporate customers and other entities.
- Transfer of services offered from the indirect access level (resale of access services) to a direct access level (direct and exclusive customer relationship without the intervention of another provider, by using its own infrastructure).
- Enhance of the portfolio of services offered.
- Evolution of the Company into a single point of contact with the client and provision of a single account for all combined voice, data and content services.

##### B. SMALL - SIZED ENTERPRISES AND RESIDENTIAL CUSTOMERS

- Expand client base.
- Upgrade services offered to existing customers so that the latter can use broadband products and services and increase the Average Revenue Per User.
- Broaden the portfolio of services offered by focusing on direct access.
- Enhance customer loyalty.
- Focus on rendering the Company as an exclusive provider of combined voice, data and content services to customers.

##### C. ADDED VALUE SERVICES

- Enhance e-business services and other applications of business interest.
- Expand e-promotion and advertising services.
- Expand Data Centre services.
- Develop smart combined transport services.
- Develop real-time content broadcasting services.

### 3.3 BRIEF HISTORY

The societe anonyme under the firm name HELLENIC TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS COMPANY - S.A." and the trade name "FORTHnet S.A." was established in November 1995, (Government Gazette: 6718/27.11.95) by the FOUNDATION FOR RESEARCH & TECHNOLOGY (FORTH) and MINOAN LINES S.A.

The Company's registered offices are at the Municipality of Heraklion, Crete, Vassilika Vouton location (Government Gazette: 6718/27.11.95), where the Company has offices at the Science & Technology Park. The administrative headquarters of the Company and its main offices are at 4, Atthidon Str., 17671 Kallithea, Greece, tel. 211 95 59 000. The Company is registered in the Companies Registry under registration number 34461/06/B/95/94. The life span of the Company, according to clause 4 of its Articles of Association, is 40 years from its establishment, i.e. until 2035. The Company's life span may be extended or reduced, subject to a resolution of its Shareholders' General Meeting and by amending the aforementioned clause.

During the initial phase of its operation, FORTHnet S.A. was actively and substantially supported by its founders and particularly by FORTH, the biggest research institute in Greece. FORTH has been active in the networking business since 1984, when it set up the first network node in Greece, providing to selected users (universities, research centres etc.) connection with UUCP and EARN/BITNET, the most popular computer networks at the time. Following the establishment of FORTHnet S.A., the combination of FORTH's experience and specialised knowledge of the sector with the business know-how of the other shareholders has boosted the development of the network and the enrichment of the services offered.

In 1997 the CYPRUS DEVELOPMENT BANK acquired 20% of FORTHnet's share capital.

In 1999 FORTHnet S.A. acquired 75% of the share capital of HELLAS NET S.A., which was active in the Internet field. During the same year, the Company set up FORTH-CRS S.A., in collaboration with MINOAN LINES S.A. and TERRA TEC S.A.

In 2000 FORTHnet S.A. had a 45.63% equity participation in the Paris-based TELEMEDICINE TECHNOLOGIES S.A. and acquired 90% of TERRA TEC S.A., while in October of that year its shares were admitted to the Athens Stock Exchange. In November 2000 FORTHnet set up MEDITERRANEAN BROADBAND SERVICES S.A. in collaboration with STET INTERNATIONAL NEDERLANDS N.V. (a TELECOM ITALIA subsidiary), whereby the equity participation percentages were 60% for TELECOM ITALIA and 40% for FORTHnet S.A.

In 2001 the Company obtained the first fixed telephony license in Greece. More specifically, on 20.4.2001 FORTHnet was granted by the Hellenic Telecommunications and Post Commission (EETT) the first full fixed telephony license, allowing it to provide international, long distance and local voice-call services to both enterprises and residential users. During the same year, FORTHnet signed an interconnection agreement with OTE and completed the nationwide interconnection of its fixed telephony network with the OTE network. FORTHnet also increased its equity participation in MEDITERRANEAN BROADBAND SERVICES S.A. from 40% to 60%, implementing its strategy on the full operational integration of this affiliated company.

In 2002 FORTHnet signed a syndicated loan agreement of € 20,000,000, for a period of 6 years, while in the same year it increased its equity participation in TELEMEDICINE TECHNOLOGIES S.A. to 92.2%. The Company also started the commercial distribution of voice telephony carrier selection services.

In 2003 the Company started the commercial distribution of Internet ADSL connection services, while it further increased its equity participation in MEDITERRANEAN BROADBAND SERVICES S.A. to 100%. The Company also carried out a share capital increase by cancellation of the existing shareholders' pre-emptive rights; such increase involved the participation of TELECOM ITALIA, which acquired 7.74% of the Company's share capital. Finally, during the same year FORTHnet acquired 100 % of INTERNET HELLAS S.A. and offered voice telephony services with carrier pre-selection.

In 2004 FORTHnet absorbed its subsidiaries INTERNET HELLAS S.A. and HELLAS NET S.A., while in September of that year the contract on Sub-project 3 of the "SYZEFXIS" programme, regarding the interconnection of the public sector's organisations in the region of Thessaloniki, was signed between FORTHnet and INFORMATION SOCIETY S.A.

In 2005 the Company announced the conclusion of a long-term common bond loan of €50 million for the financing of part of its investment plan involving the development of broadband services and infrastructure and for the refinancing of existing debt. The organization and management of the bond loan was undertaken by the NATIONAL BANK OF GREECE. During the same year, the following companies withdrew from the Company's share capital: MINOAN LINES S.A., TELECOM ITALIA and CYPRUS DEVELOPMENT BANK, while the following companies acquired equity participations: INTRACOM and NOVATOR EQUITIES LTD. During the same year, the Company increased its equity participation in its subsidiary FORTH CRS A.E. from 90.71% to 99.31%. Finally, in October 2005 INTRACOM S.A. filed a public proposal regarding the acquisition of the majority of the Company's shares; such proposal was not completed successfully and was cancelled in November 2005. The Company's Board of Directors formulated an opinion that the aforementioned public proposal was not for the benefit of the Company's shareholders.

At the beginning of 2006 the Company's shareholder structure was changed prior to its capital increase, since INTRACOM withdrew its equity participation and NOVATOR EQUITIES LTD. increased its equity participation, while a new

shareholder, the investment fund CYCLADIC CATALYST MASTER FUND, was added. In March 2006 the Shareholders General Assembly decided on the company's share capital increase by € 25,265,558.20 raising € 119,904,344.00. The specific share capital increase was successfully carried out at May 23, 2006. The merger by absorption by FORTHnet of its wholly-owned subsidiary MEDITERRANEAN BROADBAND SERVICES S.A. was completed at May 9, 2006. Furthermore, the Company has filed applications for collocation at seventy eighth (78) OTE urban sites, while it has installed pilot equipment at a limited number of such sites (6). Finally, the Company has initiated the procedures for the construction of a fibre optic metropolitan network in Athens and Thessaloniki areas.

### 3.4 SHARE CAPITAL CHANGE

On 31.12.2005, the Company's paid-in share capital comprised of 17,129,192 shares with a par value of €1.18 each, namely €20,212,446.56. On 31.05.2006 the Company's paid-in share capital amounted to 45,478,004.76 €, divided into 38,540,682 shares with a par value € 1.18 each.

In the following table is presented the company's share capital change:

General Meeting Date	Gov. Gaz. No.	Increase through:		Total share capital after the increase	Share par value in GRD/€	Number of new shares	Total shares
		Cash payment	Capitalisation of reserves				
Incorp.	6718/ 27.11.95	112,691,272	137,308,728	250,000,000	1,000	250,000	250,000
BoD resol.: 28.6.1996	241/ 20.1.97	250,000,000	-	500,000,000	1,000	250,000	500,000
30.6.1997	7727/ 3.11.97	125,000,000	-	625,000,000	1,000	125,000	625,000
20.2.1998	4192/ 21.6.99	400,000,000	-	1,025,000,000	1,000	400,000	1,025,000
23.11.1998	4189/ 21.6.99	70,000,000	-	1,095,000,000	1,000	70,000	1,095,000
28.6.1999	7025/ 30.8.99	-	667,500,000	1,762,500,000	1,000	667,500	1,762,500
28.6.1999	7025/ 30.8.99	Share par value reduction			400		4,406,250
28.6.1999	7025/ 30.8.99	352,500,000	-	2,115,000,000	400	881,250	5,287,500
25.8.1999	8085/ 8.10.99	-	2,326,500,000	4,441,500,000	400	5,816,250	11,103,750
7.6.2000	7834/ 21.8.2000	1,480,500,000 Public offering	-	5,922,000,000	400	3,701,250	14,805,000
30.10.2001	11165/17.12.2001	Conversion into Euro		€ 17,469,900	1.18	-	14,805,000
BoD resol. 24.12.2001	323/15.01.2002	Purchase of shares by staff and BoD pre-emptive right € 170,484.04	-	€ 17,640,384.04	1,18	144,478	14,949,478
BoD resol. 24.12.2002	428/21.01.2003	Purchase of shares by staff and BoD pre-emptive right € 174,699	-	€ 17,815,083.04	1,18	148,050	15,097,528
30.6.2003	8059/25.7.2003	€ 1,508,363.32 through annulment of pre-emptive right in favour of Telecom Italia International N.V.	-	€ 19,323,446.36	1,18	1,278,274	16,375,802
BoD resol. 30.12.2003	251/14.01.2004	Purchase of shares by staff and BoD pre-emptive right € 176,404.10	-	€ 19,499,850.46	1,18	149,495	16,525,297
BoD resol. 30.12.2004	88/05.01.2005	Purchase of shares by staff and BoD pre-emptive right € 178,150.50	-	€ 19,678,000.96	1,18	150,975	16,676,272
BoD resol. 30.12.2004	81/05.01.2005 & 734/4.2.2005 (Error Correction)	Purchase of shares by Managers, General Managers and BoD pre-emptive right € 206,999.14	-	€ 19,885,000.10	1,18	175,423	16,851,695
BoD resol. 21.12/2005	13244/29.12.2005	Purchase of shares by Managers, General Managers and BoD pre-emptive right € 327,446.46	-	€ 20,212,446.56	1,18	277,497	17,129,192
G.A. resol. 17.03.2006	2553/13.04.2006	Share Capital increase in favour of old shareholders € 25,265,558.20	-	€ 45,478,004.76	1.18	21,411,490	38,540,682
<b>Total Share Capital</b>				<b>€ 45,478,004.76</b>	<b>1.18</b>		<b>38,540,682</b>

## 4 COMPANY ACTIVITIES – DESCRIPTION OF OFFERED SERVICES

### → Internet Services

#### Internet in Greece

Although the Internet market has developed rapidly in Greece during recent years, its growth remains low vis-à-vis other EU countries. A survey carried out by the Observatory for the Greek Information Society in more than 8,000 households across the country between May and June 2005, revealed that 24.2% of the households sampled, had access to the Internet. According to the Observatory, “this figure denotes an important increase in Internet penetration, which, if continued, will lead to a convergence with the European average in the short and medium term”. It should also be mentioned that, according to the Observatory, at the end of December 2005 there were 151,437 operative ADSL lines for direct Internet access, in contrast to 46,547 connections operative on 1 January 2005, presenting an increase of 225%.

The Company provides the following Internet access services:

- FORTHnet ADSL,
- FORTHnet Internet PSTN and FORTHnet Internet ISDN,
- NetKey pre-paid cards,
- FORTHnet Wi – Fi,
- FORTHnet Small Office and
- FORTHnet Internet Leased Line

#### ▪ **FORTHnet ADSL**

ADSL services are the first example of broadband high-speed Internet connections and have the following main features:

- **Fast Internet Access (Fast Internet ADSL)** with connection speeds ranging from 256 Kbps up to 1024 Kbps, adequate for all kinds of applications, fast file transfers and video streaming.
- **Permanent Internet connection** without any dial-up or login procedures, providing direct access.
- **Access to new services**, such as Video on Demand (VoD) and Games on Demand (GoD), which are not usable with conventional access methods.

#### ▪ **FORTHnet Internet PSTN and FORTHnet ISDN**

FORTHnet’s extensive network allows Internet access at local rates to 98% of the Greek population. Since March 1, 1999 FORTHnet has been providing connections based on the national single access number (EPAK), which ensures reduced telecommunications charges for Internet access.

#### ▪ **Net key pre-paid cards**

Following the prevalent trends for provision of services through pre-paid cards and also within the framework of expanding the Company’s range of services, FORTHnet launched the NetKey pre-paid card, in March 2003, which gives the end-user the option to prepay for specific Internet access time, without having to enter into a contract.

#### ▪ **FORTHnet Wi - Fi**

The wireless access Internet service **FORTHnet Wi-Fi** offers users fast and reliable Internet connection from any FORTHnet HotSpot, using a laptop or a PDA.

#### ▪ **FORTHnet Small Office**

Small Office is an additional dial-up product, which combines features from other FORTHnet products. It permits a company to have its own corporate URL ([www.mycompany.gr](http://www.mycompany.gr)) together with e-mail accounts for multiple users. This is a package that has become quite popular in the small business market. The service is provided to PSTN, ISDN as well as ADSL users (the latter having the advantages referred to above).

#### ▪ **FORTHnet Internet Leased Line**

**INTERNET LEASED LINE** service is a permanent connection through a leased (digital or analogue) line and allows always-on, high quality access to the International and National Internet, at a wide range of access speeds. It is an ideal solution for businesses that require reliable Internet access, by taking advantage of the simultaneous access of a large number of LAN workstations and hosting on site Internet Servers for their commercial and business activities.

The Company provides access through leased lines for the implementation of broadband applications, such as: Internet access, data transmission, telephony services and online transaction processing.



## → Fixed Telephony and Data Services

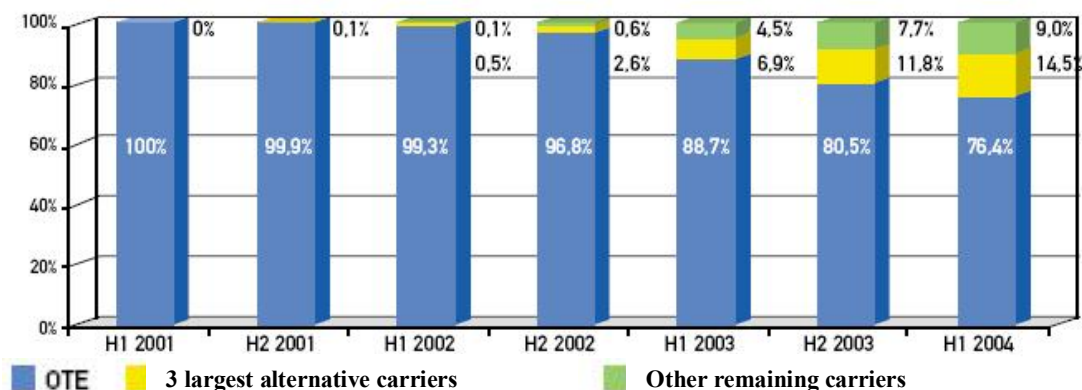
The specific category include **fixed telephony** and **data** services:

### Fixed Telephony services

#### The Greek Fixed Telephony market

Since 2002, when other providers started to offer fixed telephony services, the market-share of OTE in outbound calls (excluding internet calls) has been decreasing, falling to 73%, as at the end of 2005 (Source: OTE 2005 Financial Results). All alternative providers expect to raise their market shares vis-à-vis OTE in the years to follow. The expected acceleration of local loop unbundling (LLU) further supports the above expectations.

**Market shares according to Volume of outgoing calls, excluding dial up calls**



Source: 2004 Proceedings of the Hellenic Telecommunications and Post Commission (EETT).

### Fixed Telephony: FORTHnet Telephony

Each service is offered in a tailor made manner so that can meet the customer's needs based on the way with which the customer obtains access to the FORTHnet Telephony network and his/ her category, as it appears in the following table:

Access	Residential Customers	Business Customers
Through OTE's network by four digit prefix or with preselection	FORTHnet Telephony Favourite Destinations	FORTHnet Telephony Business
Through permanent connection to FORTHnet's network	--	FORTHnet Telephony MyLink
Through OTE's network with prepaid card	Smartalk	

**FORTHnet Telephony Favourite Destinations:** For residential customers and free lance professionals. Calls can be made through the four digit prefix 1789 or with preselection provided free of charge to customers. Customers have the ability to provide three (3) numbers per category (local, long distance, fixed to mobile) as well as three (3) countries as favourite destinations having lower charges for these specific calls. In addition, based on each customer's billed amount free minutes are given. These offers are free of any fixed charge.

**FORTHnet Telephony Business:** For small and large enterprises. Calls can be made through the four digit prefix 1789 (usually automatically by programming the telephony center) or with preselection which is provided free of charge to customers. Customers have the ability to choose lower charges per call category (but for all calls of the specific category e.g. for all local calls, logn distance or all calls made to Vodafone, Cosmote, TIM, Q), as well as to all countries the wish to call. Prices are lower compared to the residential package, but there is a fixed charge for each package.

**FORTHnet Telephony MyLink:** For businesses with large traffic volume and may concern only outbound calls or inbound and outbound calls. Connection with FORTHnet's Telephony network is achieved either through wireless LMDS links, or with leased lines. Due to the high cost related to the permanent link the specific solution is not provided to residential customers until full local loop unbundling can be accomplished.

**Smartalk:** . SmartTalk cards are available in amounts of €3, €6 and €10 and can be purchased at kiosks and mini markets, as well as through the ELTA (Hellenic Post) branch network. Each card contains a number which connects to FORTHnet's network. Consumers can make calls to any destination using any fixed public or private touch tone telephone device (even a payphone).

Furthermore, there are specialised services provided to business customers through the use of FORTHnet's Intelligent Network such as:

**a. FORTHnet 800**

It is based on the Freephone free of charge service, giving customers of an enterprise the opportunity to call that enterprise from any place in Greece, directly, effectively and without being charged for the call.

**b. FORTHnet 801**

It is based on the Onephone shared charge service, giving customers of an enterprise the opportunity to call that enterprise from anywhere in Greece, immediately, effectively and at a local rate.

**c. FORTHnet Telephony Premium – 901**

This service enables fixed phone users to communicate directly with various information databases and receive information and entertainment content at a rate which is higher than the local rate.

### **Data Services**

▪ **Fixed wireless access service (FORTHnet LMDS)**

FORTHnet provides access to its network for any customer through its wholly-owned subsidiary, MEDITERRANEAN BROADBAND SERVICES S.A., which absorbed in 2006. This subsidiary has obtained a license for use of part of Fixed Wireless Access - FWA frequencies at 26 GHz, throughout Greece. This license is used for the creation of a fixed wireless broadband services access network, providing a solution for customer access (local-loop) to the provider's network and constitutes an important means for the provision of broadband services. Through its subsidiary, FORTHnet has created the first Metropolitan Wireless Network with a total capacity of nx155 Mbps and provides advanced telecommunication solutions to enterprises with large volumes of telephone calls and data transport needs that wish to maintain high quality Internet access as well as local network interfacing.

▪ **FORTHnet Frame Relay services**

The Company provides this corporate service which involves the creation of a virtual private network with the use of the Frame Relay protocol, so that each corporate point of presence (branches, warehouses etc.) can be connected through an access circuit to FORTHnet's network, with one or more than one other points of presence of the same company, thus minimising equipment and circuit costs.

▪ **FORTHnet MPLS VPN services**

FORTHnet MPLS VPN is an integrated, manageable end-to-end private network implemented on its high-capacity and availability Telecommunications network. This service is a supplementary solution for the creation of Virtual Private Networks, which can co-exist with traditional Networks, implemented with Frame Relay or ATM technologies. MPLS VPNs are suitable for those companies that want to outsource the control and management of their VPN Network to FORTHnet. FORTHnet implements the management of the VPN and the Quality of Service Technique on the company's telecommunications network. This network implements a virtual private network for the company, providing reliability, management and flexible monitoring of a private network in a cost effective way.

▪ **FORTHnet I LINK services**

Technological Innovation that the Internet brings has led to many revolutionary changes in the Corporate Market, organisational structure and the way that companies communicate and operate. Companies can exploit Telecom and Internet convergence advantages and the next generation services for increasing their productivity. FORTHnet's Bundling Offering integrates Internet Access and Fixed telephony Services in one Service Package with competitive pricing.

▪ **FORTHnet Managed Services**

Managed Services are a very attractive alternative for many companies saving on the cost of maintaining IT resources to create and support the sophisticated networks and applications needed to run their business. These services allow companies to outsource the whole or part of their network systems operation to FORTHnet and concentrate on running their business. FORTHnet Managed Services may cover the supply, installation, management and monitoring of hardware and software.

▪ **FORTHnet IPLC**

FORTHnet IPLC Service is a dedicated, point-to-point connection which allows the transmission of all data types, including voice, image, video and graphics to a company's foreign points of presence, with the highest security and reliability. With FORTHnet's IPLC service, a company will be able to communicate with its overseas branches enjoying instant, reliable and high quality connectivity, resulting in substantial savings on international communications. International Private Leased Circuits provide transparent transmission capacity between a terminal network point in Greece and a terminal network point

in another country. The Service is implemented over FORTHnet's backbone network and over the international circuits of the providers with whom it has entered into commercial partnership agreements. In Greece, IPLC Service is implemented via a wireless (LMDS) or wired Local Loop circuit.

→ **Value Adds Services**

▪ **Interactive Marketing**

The Company specialises in Interactive Marketing services such as Online Advertising, Website Design & Development and Mobile Services. These services allow public and private sector customers to develop a dynamic presence on the Internet and to effectively promote their services and products. FORTHnet offers solutions for Internet Applications Development, where its customers can support their websites, through content management, e-commerce, investor relations web kit, on line booking and intranet solutions.

▪ **Υπηρεσίες Data Center**

FORTHnet specialises in Data Center service provision (Domain Name Services, E-mail Hosting Services, Web Hosting Services, ASP Hosting Services, Collocation Hosting Services, Dedicated Hosting Services, and Streaming Media Services). Specifically:

**Domain Name Services**

FORTHnet's Domain Name services allow on-line registration, renewal and management of .gr domain names.

**E-mail Hosting Services**

FORTHnet's E-mail Hosting service is a flexible Internet e-mail service solution, which is highly customisable and combines the provision of equipment manufactured by well-known firms, leading software, excellent telecommunications infrastructure and 24-hour technical support.

**Web Hosting Services**

Web Hosting services enable users to formulate the hosting plans that meet their needs - from the smallest to the largest web site, and from simple corporate sites to e-commerce applications.

**ASP Hosting Services**

ASP Hosting services concern leased application provisioning through the Internet and via a central management node (Data Center).

**Collocation Hosting Services**

**FORTHnet Collocation Hosting** is a service allowing each business to install its own equipment in the specially designed collocated servers area, and enjoy the basic services of FORTHnet's data centers such as: UPS, air-conditioning, 24-hour support, controlled environment, 24-hour network operation.

**Dedicated Hosting Services**

Dedicated Hosting services concern the rental and exclusive use of a web or application server, which is housed in FORTHnet's Data Centres and has permanent access to the network. More specifically, services include the procurement, installation, operating control and management of equipment and hardware by FORTHnet; the only thing customers have to do is manage the content hosted on their server. At the same time, customers will have full administrative access to the equipment, being allowed to install any software or application they may wish.

**Streaming Media Services**

Streaming technology allows image, sound and multimedia broadcasting over the Internet, in real time or on demand.

→ **Information services**

These include the i-mode and TIM Plus Services for Cosmote and TIM subscribers, respectively.

▪ **FORTHnet portal – FORTHnet.gr profile**

Internet users worldwide have access to FORTHnet's portal, which facilitates web navigation with news and other useful information. This portal provides managed access to: web mail application, on line account information (On line Account Manager – OAM), on-line statistics of each user's dial-up account, on-line usage statistics for the Netkey card and on-line technical support. In addition, the portal provides access to: FORTHnet's e-shop, the FORTHnet Guide – a functional guide to web navigation and the FORTHnet search engine, in collaboration with AltaVista, which provides the most complete list of Greek web with more than 20.000 web sites.

▪ **Financial Information Services**

FORTHnet is active in the financial information field providing several services addressed to both individuals and businesses, through the S.M.A.R.T., WebSMART, SMART SMS, SMART i-mode and IR Solutions and wireless "smart" tools for quick access to financial information. These services meet users' needs for flexible financial information, allowing access to services like price-watch in real-time, information on derivatives and mutual funds, balance sheets, indices, historical data, as well as a multitude of other data and useful analysis tools.

▪ **Tourism, Transportation, Ticket reservation and issuing services**

Through its subsidiary, FORTH CRS S.A., the Company specialises in the development and provision of services in the area of tourism and transportation. The services provided include integrated ticket-booking management systems for companies active in coastal shipping, aviation, railways and coaches, solutions for online ticket reservation by travel agents and ticketing offices, as well as an integrated interface for travel agents, for electronic-distribution of reservations and ticket-issuance. Lately, the portfolio of FORTH CRS S.A. has been enriched with on-line ticket booking and distribution systems for hotels and for the ticketing services of cultural or sports activities. FORTH CRS S.A. combines its know-how in the areas of tourism, transport and cultural activities with its specialised expertise in advanced informatics technologies, such as: web technology, algorithmic solutions in transport / reservation issues, voice services, mobile internet and SMS and information and transaction kiosks.

▪ **Internet Software Services in the Health Sector**

Through its subsidiary, TELEMEDICINE TECHNOLOGIES S.A., which has its registered office in Paris, France and which has been incorporated through the Ten Telecom program of the EU, FORTHnet provides specialised B2B (business to business) services in the health sector at a European and a global level. The services provided by the subsidiary are based on an innovative and at the same time secure line of Internet software applications, which have been selected by large European corporations.

## 5 SHAREHOLDERS

According to the shareholder register as at 8.6.2006, the Company's shareholding structure was as follows:

Shareholder	Shares	Voting rights (P.D. 51/1992)	%
NOVATOR EQUITIES LTD*	14,897,451	14,897,451	38.65%
CYCLADIC CATALYST MASTER FUND	4,603,197	4,603,197	11.94%
FOUNDATION FOR RESEARCH AND TECHNOLOGY (FORTH)	4,512,465	4,512,465	11.71%
TALPA BEHEER B.V.**	2,245,500	2,245,500	5.83%
Other Investors	12,282,069	12,282,069	31.87%
<b>Total</b>	<b>38,540,682</b>	<b>38,540,682</b>	<b>100.00%</b>

\*Including a 4.32% stake that NOVATOR EQUITIES LTD. holds indirectly through NORDEA BANK DANMARK A/S, according to its notice.

\*\* Indirect participation through ING BANK GLOBAL CUSTODY N.V., according to a notice issued by TALPA BEHEER B.V. TALPA BEHEER B.V. is controlled by Mr. J.H.H. DeMol, according to a notice issued by the latter.

NOVATOR, has been founded and is controlled by Bjorgolfur Thor Bjorgolfsson. It is a private equity fund focusing on telecommunications, financial services and pharmaceuticals.

CYCLADIC CATALYST MASTER FUND is an equity fund, managed by CYCLADIC CAPITAL LLP. The aforementioned company focuses on investments in the share capital of small and medium capitalisation listed companies in Europe, currently managing funds amounting to €650 million.

FORTH is one of the largest research centers in Greece and covers all scientific areas of computer science, physics, chemistry and biology. It is based in Heraklion, Crete.

## 6 ADMINISTRATION – TOP MANAGEMENT – ORGANIZATIONAL STRUCTURE AND STAFF

### 6.1 BOARD OF DIRECTORS

According to article 19 of the Company's Articles of Incorporation, its Board of Directors ("BoD") consists of no less than five (5) members and no more than nine (9) members. The BoD members are elected at the General Shareholders Meeting. Each General Meeting specifies the exact number of BoD members.

According to an Extraordinary General Shareholders Meeting decision of 17.3.2006, the composition of the Company's BoD that was agreed during its meeting on 17.3.2006 is the following:

Name	Position within BoD
Ioannis Averof	Chairman BoD – Non-Executive Director
Constantinos Gontikas	BoD Vice-Chairman – Non-Executive Director
Pantelis Tzortzakis	CEO – Executive Director
Dimitrios Goulondris	Non-Executive Director
Georgios Koutsoudakis	Independent Non-Executive Director
Graham Bruce McInroy	Non-Executive Director
Alkiviadis Payiatakis	Non-Executive Director
Iason Stratos	Independent Non-Executive Director
Apostolos Traganitis	Non-Executive Director

The term of office of this BoD according to article 19 of the Company's Articles of Incorporation shall be five years, starting on the date of the Extraordinary General Meeting as of 17.3.2006 and ending upon the election of a new BoD by the Ordinary General Meeting on the year that their term of office expires. Note that the persons that served on the Company's board during 2005 and until the election of the new Board of Directors by the Extraordinary General Meeting of 17.03.2006, except the current Directors, are:

- Haralambos Stratigis.
- Konstantinos Klironomos (was replaced after he resigned on 1.9.2005).
- Konstantinos Mamalakis (was replaced after he resigned on 1.9.2005).
- Dimitrios Klonis (elected as provisional Director to replace a resigned Director on 1.9.2005).
- Georgios Deligiannis (elected as provisional Director to replace a resigned Director on 1.9.2005).
- Stylianos Orfanoudakis (deceased, replaced on 19.5.2005).
- Giuseppe Panusa (was replaced after he resigned on 22.9.2005).
- Hristakis Taousianis (was replaced after he resigned on 22.9.2005).
- Mihail Tsagatakis (elected as provisional Director to replace a resigned Director on 7.2.2006).

In 2005, the above persons received total remuneration from the Company that rose to €40,750, and concerns BoD meeting attendance fees.

The following pages include summary CVs of the current BoD members:

#### **Ioannis Averof**, Chairman BoD – Non-Executive Director

He was born in 1944 in Athens. He is a graduate of Athens College and Athens University of Economics and Business. He was Mayor of Metsovon from 1975 until 1982 and an MP for Ioannina between June 1989 and July 1992. He is the founder, Chief Executive Officer and lifelong Chairman of the BoD of the EGNATIA IPIROU Foundation and a member of the steering committee of the Euro-Mediterranean Information Society. He is currently the Chairman of FORTHnet S.A.'s BoD.

#### **Constantinos Gontikas**, Vice-Chairman BoD – Non-Executive Director

Born in 1966 in London, UK. Graduate of Oxford University Law School. Constantinos Gontikas is Managing Partner of NOVATOR PARTNERS LLP, a British company member of the NOVATOR Group of Companies, subject to the supervision of the Financial Services Authority. NOVATOR Group of companies, is controlled by Bjorgolfur Thor Bjorgolfsson, an investor from Iceland and includes, among other funds, a private equity fund named NOVATOR ONE LIMITED PARTNERSHIP. Prior to his current position within NOVATOR Group, Mr. Gontikas worked in investment banking (specialising in mergers and acquisitions at CREDIT SUISSE FIRST BOSTON and MERRILL LYNCH).

**Pantelis Tzortzakis, CEO – Executive Director**

Born in Pompa, Heraklion, Crete in 1962. He studied Business Administration at the University of Piraeus and Computer Science at post-graduate level at Brooklyn College, The City University of New York (CUNY). He is the founder of the Company, starting from FORTH's Information Technology Institute in 1987, when he assumed the work of converting FORTHnet from a research-oriented enterprise into a company, attracting investment capital from the private sector. At the same time, he was working at the Computer Science Department of the University of Crete. From 1987 to 1995 he was an active member of the "EBONE", "RIPE" and "EARN/BITNET" International Network Committees. He has been employed as an Assistant IT Professor at Heraklion Technological Educational Institute (1988-1994). Since 2003, he has been the Vice-Chairman of the BoD of SEPE (Federation of Hellenic Information Technology Communications Enterprises), responsible for Telecoms and Internet, currently representing SEPE as a member of the BoD of KETEP (Centre for Communication and Information Technology Applications). He has been the Company's CEO since its establishment.

**Dimitrios Goulandris, Non-Executive Director**

Born in 1966 in London, UK. He holds a Masters in Business Administration (MBA) from the Harvard Business School and an MSc in Electrical and Computer Engineering. Mr. Dimitrios Goulandris is Partner of CYCLADIC CAPITAL LLP. Previously Mr Goulandris had incorporated and managed the operations of WHITNEY & COMPANY, the world-wide private equity firm (with equity managed rising over \$5 billion), focusing on private equity investment, as well as on the development of alternative investment strategies. Before that, Mr. Goulandris worked for 10 years at MORGAN STANLEY, within the private equity working group, structuring derivative products and performing mergers and acquisitions in New York and London.

**Georgios Koutsoudakis, Independent – Non-Executive Director**

Born in Athens in 1965. He holds a BSc. in Economics by the Queen Mary College of London University. He has worked for ETEVA (National Bank of Greece Group of Companies) and Alpha Finance (Alpha Bank Group of Companies), assigned with Investment Banking tasks. He has been working at GENIKI BANK since 2002, at the beginning as a deputy General Manager and following the Bank's acquisition by SOCIETE GENERALE in 2004, as the Head of the Department of Major Clients.

**Graham Bruce McInroy, Non-Executive Director**

Born in 1960 in Saltford, UK. Mr. McInroy lives in London and holds a degree in Computer Science from Cambridge University. He joined NOVATOR Group of companies in May 2004 to develop the Group's activities in the telecom sector. Mr. McInroy is Partner of NOVATOR PARTNERS LLP, a British company member of the NOVATOR Group of Companies, under the supervision of the Financial Services Authority. The NOVATOR Group of companies is controlled by Bjorgolfur Thor Bjorgolfsson, an investor from Iceland and includes, among other funds, a private equity fund named NOVATOR ONE LIMITED PARTNERSHIP. Prior to his current position within NOVATOR Group, Mr. McInroy was active in the area of investment banking in the telecom market at MERRILL LYNCH and DEUTSCHE BANK, having also been employed as a research analyst and engineer at BRITISH TELECOM (BT).

**Alkiviadis Payiatakis, Non-Executive Director**

Born in Athens in 1945. Dr. Payiatakis holds a Diploma in Chemical Engineering from the National Technical University of Athens (NTUA) and a Doctorate by Syracuse NY University, U.S. Since 23.6.2005, he is the Chairman of the BoD of FORTH. He has been associated with FORTH since 1984 and is the Director of the Institute of Chemical Engineering and High Temperature Chemical Processes (ICE-TH). Dr. Payiatakis is also a professor at the Department of Chemical Engineering of the University of Patra, Director of the HELP FORWARD Innovation Relay Centre and Chairman of the Network of Initiative for the development of Community Programmes. He was Chairman of the School of Chemical Engineering (1984-1986), as well as Director of the Department for Physical Processes and the Environment of the School of Chemical Engineering of the University of Patra (1983-1995). He was Chairman of the Advisory Committee of Research and Technology Community Programmes of the General Secretariat for Research & Technology (1988-90) and Member of the BoD Scientific Park of Patra S.A. (1989-2004).

**Iason Stratos, Non-Executive Director**

Born in 1931 in Patra. He is a graduate of the National Technical University of Athens, specialised in Mechanical & Electrical Engineering and a holder of a BSc degree in Engineering from Columbia University, USA. In 1982, he became Vice-Chairman of the Federation of Greek Industries and then Chairman in May 1992. He also held the position of Chief Executive Officer of BIEK S.A. (1963-1984), ASPIOTI ELKA S.A. (1969-1981) and SUDAN TEXTILE INDUSTRY (1960-1964). From 1971 and for ten years, he was chairman of ICAP HELLAS S.A. He is Chairman of the BoD of ALUMINIUM OF GREECE S.A. and Member of the BoD of companies HELLENIC PETROLEUM S.A., MERCEDES HELLAS S.A., AIR LIQUID HELLAS S.A. and ELANET (non-profit company).

**Apostolos Traganitis, Non-Executive Director**

Born in 1947 in Volos. Dr. Traganitis holds a Diploma in Electrical Engineering from the National Technical University of Athens (NTUA), and a PhD from Princeton University, U.S. He is a professor at the Department of Computer Science of the University of Crete, teaching and carrying out research in matters of Digital Communications, Wireless Networks, Communications Security, Hardware Design and Biomedical Engineering. Dr. Traganitis joined ICS, FORTH in 1988. He coordinated and participated in competitive European and National Research projects in the areas of Wireless Communications and Medical Informatics Systems.

In the period 1993-1994, he was a Visiting Research Fellow at the Centre for Satellite and Hybrid Communication Networks (CSHCN) of the Institute for Systems' Research (ISR), University of Maryland, USA. For ten years, he served as an Expert Scientist at the Research and Technology Bureau of the Hellenic Navy, in charge of the Electronic Warfare unit.

## 6.2 TOP MANAGEMENT

Following are demonstrated the brief CVs of top management executives and members of the Company's managing and supervisory bodies:

### **Panayiotis Papadopoulos**, Internet Services General Manager

Born in Aghios Nikolaos, Crete, in 1970. He is a graduate of the Computer Science Department of the University of Crete and holds an M.B.A. from A.L.B.A. One of the founding members of the Company, having started at the FORTH in 1991. In November 1995 he took up the post of Technical Manager in the company, while since 1998 he holds the position of Commercial Manager within FORTHnet Group of Companies. His current responsibilities include the General Management of Internet Services.

### **Emmanuel Silligardakis**, Telecommunications Services General Manager

Born in Athens in 1960. He is a graduate of the Department of Electrical Engineering and holds a post-graduate degree in Computer Science from the New York Institute of Technology. He has worked for ATMA CORP., (in New York, USA) as a Technical Consultant (1987 – 1995). He was first employed by the Company in 1996 at the Sales Department. In 1998, he became Sales Manager and currently holds of position of Telecommunications Services General Manager.

### **Nektarios Kokkovas**, Information Systems General Manager

Born in 1967 in Larissa. He is a graduate of the Computer Science Department of the University of Crete. He has worked as a System Administrator at the University of Crete. He was initially employed by FORTHnet S.A. in 1996 as Technical Manager of the Thessalonica branch, then as manager of the Regional Network and since 1999 as Computer Systems Manager. He currently holds the position of Information Systems General Manager.

### **Georgios Karakouvounis**, Financial Director

Born in 1970 in Aitolokarnania. He is a graduate of the Accounting department of the Technical Educational Institute of Piraeus and a holder of an MSc in Finance by the University of Leicester. In the past, he has worked for various listed companies, employed by FORTHnet since 2001, initially as the Head of the Group's Accounting Department and as from March 2005 as its Financial Director.

### **Mihail Tsagkatakis**, Regulatory and Legal Affairs General Manager

Born in 1951 in Ierapetra, Crete. He is a graduate of the Law School of the Aristotle University of Thessaloniki. He is employed by FORTHnet S.A., since 1997. He currently holds the position of the Regulatory and Legal Affairs General Manager.

### **Vasilis Spitadakis**, Research and Development General Manager

Born in 1970 in Athens. He is a graduate of the department of Computer Science of the University of Crete and holds a graduate degree in Computer networks and digital communications (MsC) from the same University. He has worked at FORTH since 1991, in the design and operation of the Internet Network in Greece and participated in the Company's formation in 1995. He is working in the company since 1997 and currently holds the position of the Research and Development General Manager. From this position he coordinates and monitors the company's actions in National and European research programs focusing in telecommunications and advanced telematic services.

### **Grigoris Votsis** Technical General Manager

Born in 1960 in Athens. He is a graduate of the department of Electrical Engineering of the Democretion University of Thrace and holds a graduate degree D.E.A. in Information processing and a doctors degree in Electrical Engineering from the University of PARIS XI. He has worked in INRIA – Paris (1984 – 1987) and in various positions in INTRACOM (1989 – 2006). He has been hired in the company in April 2006 and since 13/6/2006 holds the position of the Technical General Manager responsible of the telecommunications network.

### **Georgios Dermitzakis**, Investor Relations Manager

Born in 1967 in Chania. He is a graduate of the department of Computer Engineering of the University of Kent and holds a graduate degree in International Financial Analysis from the University of Newcastle. He holds the position of the Investor Relations Manager since 2000.

### **Markos Pitsaris** Head of Internal Audit

Born in 1974 in Athens. He is a graduate of the department of Statistics of the Athens University of Economics and Business and member of the Hellenic and American Internal Auditors Institute. Mr. Pitsaris Markos is employed as an internal auditor since 1998, firstly at a big audit firm and since 2001 in FORTHnet as Head of Internal Audit.



### 6.3 CORPORATE GOVERNANCE

The Company has adopted, applies and, as per the declaration, observes the corporate governance principles, as outlined in the applicable laws (Law 3016/2002) and resulting from international practices. The corporate governance system includes a set of rules, tools and processes that defend the upright and effective management of the Company, with the ultimate aim of developing and safeguarding shareholders' interests.

Pursuant to Law 3016/2002 on corporate governance, the Company's organisation chart includes the following:

#### → Audit Committee

In the framework of corporate governance, an Audit Committee has been set up by virtue of Board of Directors' resolution dated 12.10.2001, conducting the activities of an objective and independent agency supervising and evaluating the audit procedure and the work of internal audit and external auditors. The Audit Committee consists of three non-executive Directors, two of whom are also independent directors.

Specifically, its current set-up, decided by virtue of the Company's Board of Directors resolution dated 17.3.2006, is the following:

**Chairman:** Graham Bruce McInroy

**Member:** Georgios Koutsoudakis

**Member:** Iason Stratos

#### → Internal Audit Department

The internal audit department operates as an independent, objective and consultancy service focused on constantly monitoring and improving Company operations. Its primary mission is to review and evaluate the internal audit system, ensuring its adequacy and effectiveness in achieving business targets. The Internal Audit responsibilities stated under the related legal framework (Decision 5/204/14.11.2000 of the Hellenic Capital Market, Law 3016/14.5.2002 for the Corporate Governance). Mr. Markos Pitsaris is the Head of Internal Audit.

#### → Department of Shareholders and Corporate Communications (Investor Relations)

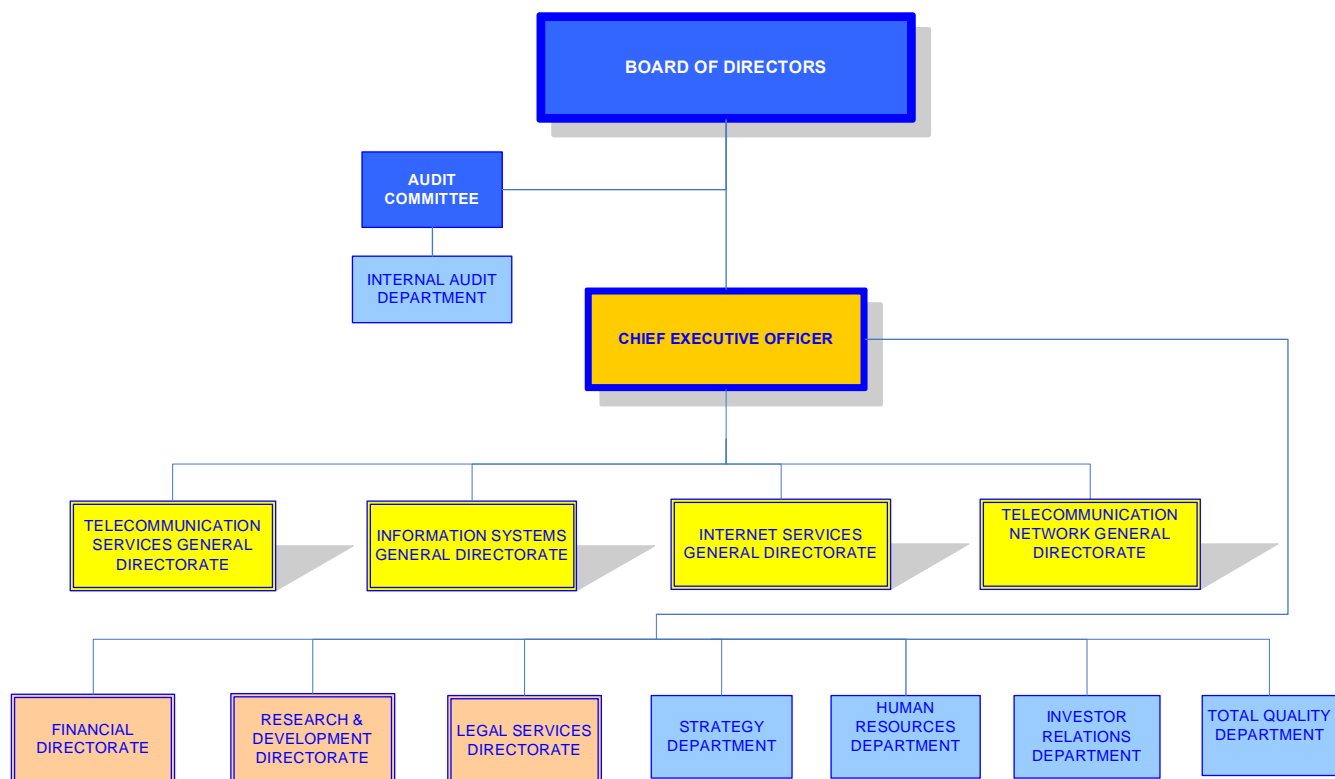
The Company has a Shareholders and Corporate Communications Department (the "SSCC" department), for offering immediate and equitable information as well as support to shareholders regarding the practice of their rights based on the Company's Articles of Incorporation.

The (SSCC) department is also responsible for issuing corporate announcements necessary for the Company's compliance with its obligations arising from the laws on listed companies, by communicating with the competent authorities, mass media and all other appropriate bodies.

The (SSCC) department operations and internal organisation (structure, areas of competence, responsibilities) are outlined in the detailed Standard Operating Procedures, issued, approved, amended and applied care of the Department's Director. Mr. Georgios Dermitzakis who has been appointed Director of the SSCC department.

#### 6.4 ORGANIZATION CHART – ORGANIZATIONAL STRUCTURE OF THE COMPANY

The Company's organizational structure is as follows:



## 6.5 STAFF

At 31.12.2005 total number of employees reached 579 for the company (of which 523 full time and 56 part time). The average number of personnel employed during 2005 was 563, primarily administrative personnel.

In the following table is presented the personnel allocation per administration, as well as the average number of the company's personnel at 31.12.2005:

DEPARTMENT	2005
General Directorate & Directors	10
Internet Services General Directorate	228
Telecommunications Services General Directorate	123
Operations General Directorate	137
Financial Directorate	30
Legal Services Directorate	8
Research & Development Directorate	30
Human Resources department and other Supporting Services	13
<b>Total</b>	<b>579</b>
<b>Annual Average</b>	<b>563</b>

At 31.12.2005 total number of employees reached 637 for the Group (of which 581 full time and 56 part time).

At 31.5.2006 total number of employees for the company was 622, (of which 558 full time and 64 part time) while for Group was 675, (of which 611 full time and 64 part time).

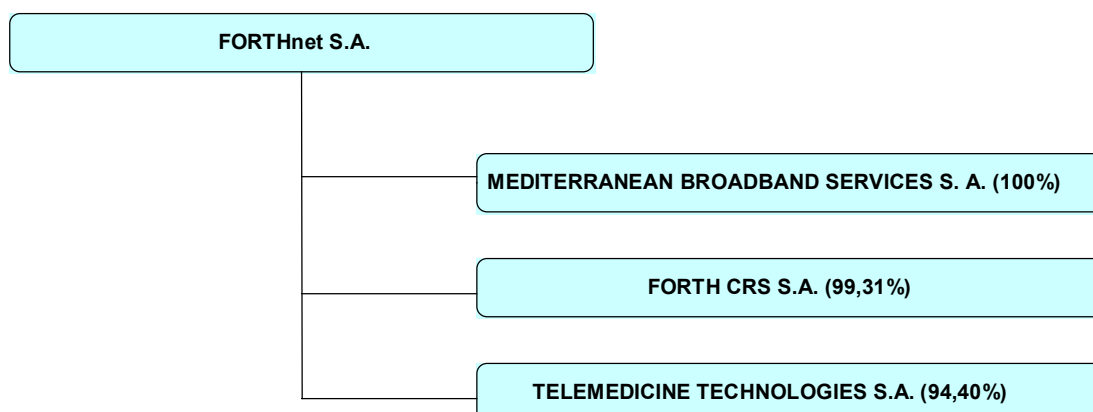
Among its personnel 282 hold a College or University degree (62 hold a post-graduate degree).

The Company recognises the importance of the human factor in its success and thus makes additional efforts to ensure an excellent working environment. Moreover, by investing in human resources, the Company seeks to constantly improve their training, through seminars in Greece and abroad on high-end information technology and telecoms.

Note is made that the Company has fulfilled its obligations pertaining to Employment Regulation (the Regulation was approved on 18/03/2005 under Reg. No. 1073).

## 7 GROUP ORGANIZATIONAL STRUCTURE

The Group of FORTHnet structure at 31.12.2005 is presented in the following chart:



The subsidiaries shown above are audited by certified auditors-accountants and are consolidated by means of the total consolidation method. The merger by absorption by FORTHnet of its subsidiary MEDITERRANEAN BROADBAND SERVICES S.A. has been completed on May 9, 2006.

### 7.1 COMPANY'S EQUITY PARTICIPATIONS

As at 31.12.2005, FORTHnet had and still has equity participations of more than 10% in the following companies:

<i>Company</i>	<i>Country of Establishment</i>	<i>Participation %</i>	<i>% of Voting Rights according to P.D. 51/1992</i>
MEDITERRANEAN BROADBAND SERVICES S.A.*	Greece	100.00%	100.00%
FORTH CRS S.A.	Greece	99.31%	99.31%
TELEMEDICINE TECHNOLOGIES S.A.	France	94.40%	94.40%
FORTH e-com S.A.**	Greece	45.00%	45.00%
ATHLONET S.A.**	Greece	44.00%	44.00%

\* This company was merged by absorption by FORTHnet.

\*\* Not consolidated with FORTHnet

### 7.2 DESCRIPTION OF CONSOLIDATED COMPANIES

#### → MEDITERRANEAN BROADBAND SERVICES S.A.

FORTHnet has a 100% equity participation in MEDITERRANEAN BROADBAND SERVICES S.A.

The Company was established in November 2000 and its registered offices are in the Municipality of Kalithea, 4. Atthidon St.

The company provides broadband services and as early as in the beginning of 2002 it developed a powerful and effective fixed wireless access network infrastructure by utilising state-of-the-art technology and offering properly customised, highly effective and value-added solutions. The company's share capital amounts to € 18,576,200.00 and is divided into 6,340,000 common registered shares with a par value of € 2.93 each.

It is noted that at 28/04/2006 and 09/05/2006, was registered in the Companies Registry of the Ministry of Development and in the Companies Registry & Trade of the Prefecture of Athens respectively, the No. K2-5962/28.04.2006 decision of the Ministry of Development, based on which the merge of the companies «HELLENIC TELECOMMUNICATIONS AND TELEMATICS APPLICATIONS COMPANY S.A.» and «MEDITERRANEAN BROADBAND SERVICES S.A.» by absorption of the latter by the former which held 100% of the shares of the latter. The merge has been realized based on the No. 202/23.11.2005, 207/30.01.2006 and 215/13.04.2006 acquirer's BoD's decisions and the No. 43/23.11.2005, 46/30.01.2006 and 49/13.04.2006 acquiree's BoD's decisions, the regulations of article 78 of the L. 2190/20 the articles 1-5 of L. 2166/93 and the Notarial deed 14424/17.04.2006 of the Athens Notary Public Alexandra Mergianou – Nikolaidi.

**→ FORTH CRS S.A.**

FORTHnet has a 99.31% equity participation in FORTH CRS S.A. The company was established in December 1999 and its registered offices are in the Municipality of Paleo Faliro, 34. Amfitheas Avenue. and Ichous St.

The company's line of business includes:

- a) any type of ticketing services (reservations, printed/electronic/group tickets, vouchers) for all types of events and activities with an emphasis on activities (ships, planes, charters, coaches, car rentals, hotels, rooms, concerts, theatres, sports events etc.) representing a part of or a whole tourist package;
- b) introduction and promotion of new, innovative reservation and selling methods for tourist and recreation services, by focusing on facilitating public access to information and tickets, and also enhancing the current offerings of travel agencies; and
- c) the utilisation of digital content (routes, means of transportation, hotels, rates etc.) using any appropriate means that can provide direct information to the public (web, SMS, voice portals).

**→ TELEMEDICINE TECHNOLOGIES S.A.**

FORTHnet has a 94,40% equity participation in TELEMEDICINE TECHNOLOGIES S.A. The company was established in March 2000 and its registered offices are in Boulogne Billancourt, France.

The company's line of business is to create, implement and trade services and products associated with the acquisition, transmission and dissemination of information, particularly electronically, in the health sector. The company seeks to implement and trade healthcare services, with particular emphasis on business-to-business services in the medical field. The establishment of this company is the outcome of the activities of FORTHnet's Research and Development Department in the Ten-Teled project (a project of the TEN TELECOM EU Programme concerning the creation and support of business activities in the field of innovative services).

The company's share capital amounts to € 1,141,300 and is divided into 57,065 common registered shares with a par value of € 20.00 each.

**7.3 DESCRIPTION OF AFFILIATED COMPANIES****→ FORTH e-com S.A.**

FORTHnet has a 45% equity participation in FORTH e-com S.A. This company is included in the consolidation by means of the net worth method. The company was established in January 1999 and its registered offices are in 18 Navarinou st., Thessaloniki. FORTH e-com SA is involved in the design, promotion, distribution, research, development and trading of e-commerce products and services and electronic transactions in general, both for the company itself and/or third party creators or beneficiaries.

The company's share capital amounts to € 1,465,000 and is divided into 500,000 common registered shares with a par value of € 2.93 each.

**→ ATHLONET S.A.**

FORTHnet has a 44% equity participation in ATHLONET S.A. This company is included in the consolidation by means of the net worth method. The Company was established in November 1999 and its registered offices are in the Municipality of Kalithea, 209. El. Venizelou st. ATHLONET S.A. provides sports news and information through electronic and other media.

The company's share capital amounts to € 295,930 and is divided into 101,000 common registered shares with a par value of € 2.93 each.

It should be noted that the Group's financial figures are not substantially affected by the above affiliated companies.

**8 FORTHNET S.A. & GROUP OF COMPANIES FINANCIAL STATEMENTS 2005****8.1 REPORT OF THE BOARD OF DIRECTORS OF THE FORTHNET S.A GROUP OF COMPANIES OF THE FINANCIAL STATEMENTS DURING THE FISCAL YEAR 2005****REPORT OF THE BOARD OF DIRECTORS OF THE FORTHNET S.A. GROUP OF COMPANIES  
TO THE ORDINARY GENERAL ASSEMBLY OF SHAREHOLDERS  
ON THE RESULTS OF FISCAL YEAR 1.1.2005 TO 31.12.2005**

Dear Shareholders,

According to the Law and the company's Articles of Association, we hereby present the activities of the company and the group during the tenth corporate year, from 1.1.2005 to 31.12.2005.

The companies included in the Consolidated Financial Statements are:

1. "FORTH-CRS S.A."
2. "MEDITERRANEAN BROADBAND ACCESS S.A."
3. "TELEMEDICINE TECHNOLOGIES S.A."

The main characteristics of this fiscal year for the group were:

- In comparison to year 2004, the group presented a significant increase in its financial figures. In particular, consolidated sales reached €91,559,451 in 2005 from €80,563,646 in 2004 (13.6% increase). Gross earnings of the FORTHnet group reached €26,905,321, up from €26,091,679 in 2004 (3.1% increase). Earnings before interest, tax and depreciation-amortization (EBITDA) reached €13,543,913, down from €13,685,437 in 2004 (1% reduction). The cost of obtaining new subscribers (excepting depreciation) reached around 3.7 million Euros and the full amount was charged to fiscal year 2005. Group depreciation increased by 5.2% in 2005, reaching €11,594,381 from €11,022,118 in 2004. The group remained profitable in year 2005, with earnings before taxes amounting to €321,365 (€1,172,548 in 2004).
- FORTHnet continued its telephony (voice) activities, with a significant increase in the number of new subscribers thanks to the successful promotion strategy implemented through various channels; its market share at year-end was about 5%.
- In the ADSL broadband services market, the company succeeded in maintaining its leadership, and now holds a share of about 2% of the Greek market. At year-end, there were **30,700** active ADSL subscribers, more than the target set for the year.
- LMDS sales also increased significantly during the year, with an increase of 40.78% in revenue in relation to year 2004, which puts the company in a leading position on the Greek wireless broadband access market.
- In the sector of e-Business Services, the Internet Hellas business unit was able to present significant results in 2005, by focusing on the provision of Data Center services. Overall sales of Data Center services increased by 44% in relation to 2004. At the same time, the Hellasnet business unit was able to increase earnings by 86%, through the provision of Interactive Marketing Services.
- Implementation of the Syzefxis project began, and new Public Sector projects with a total budget of 2.2 million Euros were contracted or awarded.
- The Group's subsidiary FORTHcrs SA maintained its leading position in the provision of systems and services for electronic shipping ticketing and reservations, while at the same penetrating the entertainment and hotels sectors, through the implementation of its strategy in the field of combined transport, tourism services and ticketing.
- As of 23.11.2005, FORTHnet proceeded with its merger by absorption of subsidiary company MBA.
- A stock option plan was successfully implemented in December 2005, for all Group employees. 277,497 shares were issued within the framework of the plan, and a total sum of €915,740.1 was raised.
- In December 2005, FORTHnet signed an agreement for a Syndicated Loan of fifty (50) million Euros, organised by the National Bank of Greece. The purpose of the loan is to refinance existing bank loans and finance part of the company's investment plan.
- Within fiscal year 2005, shareholders Minoan Lines, MED NAUTILUS, TELECOM ITALIA and the Cyprus Development Bank sold their shares in the company, with a significant return, and were replaced by NOVATOR EQUITIES LTD in mid-2005 and the CYCLADIC CATALYST MASTER FUND at the beginning of 2006.

During the year, the Company took a series of important actions aimed at achieving its goals, by exploiting the previous year's results and taking advantage of the economies of scale and the results of its productive investments to this date.

→ **FISCAL YEAR KEY POINTS**→ **SERVICE PROVISION**→ **Telecommunications Services Administration**→ **Internet Leased Line (ILL)**

2005 was another year during which the ILL service underwent significant pressure, with respect both to prices and to lines. The transfer of company customers with relatively small access speeds (up to 256K) to the ADSL service continued into this year, albeit at a reduced rate. At the same time, this year also appeared upgrades of the remaining connections to higher speeds.

This development can ultimately be considered positive, as the service's financial results are considered satisfactory, through the preservation of revenue and a 23.06% increase in the average revenue per customer from 2004 to 2005.

Thus, in 2005 the service's revenue reached around 7 million Euros, almost at the same levels as 2004, while the number of customers fell by 23%.

The average capacity of customer lines changed from **648 Kbps** in 2004 to **1311 Kbps** in 2005, up 102.3%, a trend that proves the service's position on the Market: high capacity Internet access for use by more and more business applications.

Agreements with Gaming Companies such as «THE WEB», «GNET GAMING», «E-GLOBAL» and «SUPER LINE» will generate revenue that will offset losses from interruptions due to the ADSL service to a large extent.

→ **Data Connectivity Services**

2005 was the year during which these Services underwent pressure, with respect both to prices and to lines. The reduction in circuits was caused by the following:

- The significant reduction in prices for Hellascom long-distance circuits as of 1.1.2005 allowed the Companies to develop private networks based exclusively on leased point-to-point connections and reduce their telecommunications costs significantly.
- Also, the increase in the penetration of ADSL circuits throughout Greece allowed for the implementation of VPNs through them. Businesses were able to achieve a significant reduction of costs for the WAN network via ADSL VPNs.

The financial results of these services are considered satisfactory, generating similar revenue to that of the previous year, while increasing average revenue per customer by 4%.

Thus, in 2005 revenue from the services reached €2,537,103, up from €2,519,943 in 2004, presenting an increase of 0.7%, while total connections in 2005 were reduced by 4.6%.

It is estimated that the gradual development of the MPLS VPN Service will give the service the largest share of earnings from Data Connectivity services. A 'transfer' of earnings from the Frame Relay service to the MPLS VPN Service is also expected.

→ **International MPLS & IPLC**

Revenue from this service covers around 10% of earnings from Data Connectivity services, with a total of 12 customers. The service has encountered strong competition from international providers such as OTEGLOBE, BRITISH TELECOM, EQUANT, CABLE & WIRELESS and development margins, because the number of companies with international activities is constantly increasing.

New major customers with significant export activities and points of presence in Europe were added to the client list (e.g. MAILLIS). The implementation of international private networks using MPLS technology is only now starting to be developed, and it is thought that the service can gain shares from its competitors and become very competitive in comparison to ILL Services.

## → LMDS

The progress of the LMDS service is considered very satisfactory for yet another year, with respect to new customers and revenue. In particular:

- In 2005, installed LMDS customer terminals increased by 38.86% in relation to 2004.
- Revenue from the service in 2005 reached €2,541,913, up 40.78% from year 2004 (€1,741,684).
- Average annual revenue per customer (ARPU) from the service increased by 18.30% in 2005 compared to 2004.

Moreover, the upward trend with respect to average circuit capacity continued in the past year, reaching 2.313Mbps per terminal in 2005, up from 2.058Mbps in 2004. The increase in LMDS service pricing in 2005 is also a significant event. It is perhaps the only telecommunications service to increase its prices at a time when the strongly competitive telecommunications market is forcing prices down.

With respect to the technical status of the LMDS network, the existing base stations provide sufficient coverage. 80% of base stations have already been upgraded to double stations, and cover 100% of available capacity.

## → VOICE

The downward trend observed in overall traffic from quarter to quarter was reversed during year 2005. At the same time, earnings started to recover too. Thus, in 2005 revenue from the service reached €53,899,704, up from €49,205,243 in 2004, presenting an increase of around 10%. The positive development, especially in the 2<sup>nd</sup> half of 2005, is due to the following:

1. Although OTE continued its particularly aggressive policy in promoting “OTEpiloges” and abolishing alternative carriers pre-selection customers, the number of new subscribers increased significantly from the 2<sup>nd</sup> quarter of 2005.
2. The subscription rate for new subscribers, thanks to the promotion strategy via various channels, especially through telesales centres, was strong enough to overcome the effect of customers who appear active in the company’s systems but do not produce traffic, either because they had no pre-selection and stopped using the 1789 code, or because they had a pre-selection code but abolished it.
3. With respect to pre-selection applications, 163,679 applications were added in 2005 to the 121,980 existing up to 31.12.2004, bringing the total to 285,659 pre-selection applications. Although OTE abolished many applications addressed to FORTHnet (at a rate of up to 1,000 per week) and to other providers, FORTHnet was able to increase its active customers.
4. There was no particular pressure with respect to pricing, as OTE also placed more emphasis on promotion than on its billing policy. The only discount provided was the free talk time made available through the FORTHnet Telephony Favourite Destinations package. Up to 5 hours of free talk time were provided, depending on the bill, scaled as follows:

Total bill (except satellite circuits)		Free Talk Time Minutes per Bill
From...	To...	
€6.00	€19.99	10
€20.00	€49.99	30
€50.00	€99.99	90
€100.00	€299.99	180
€300.00	And above	300

The above discount’s effect on revenue did not exceed 4%, and in fact only for customers of that specific programme, who are mainly domestic customers. At the same time, the number of Favourite Destinations that each customer could declare increased, but the minimum charge for calls to mobile telephones was also increased from 30’’ to 60’’.

In 2005, 46 customers subscribed to the new FORTHnet Telephony My Link service, which concerns customers with a permanent connection to the FORTHnet Telephony network who use FORTHnet as their main telephony provider, both for outgoing and incoming calls. As a result, traffic was created from other fixed and mobile networks towards the company’s network. Although this traffic is limited compared to overall traffic on the company’s network, it still proves the importance of the company’s ability to have customers who are connected permanently with privately-owned media on the company’s network.



There was significant traffic from Audiotext customers with 90 numbers provided by the company throughout 2005. Traffic from mobile telephony customers, which is increasing steadily in relation to traffic from fixed telephony, is a major variable on this market. Thus, the company has initiated an effort to expand its interconnection to mobile networks, which will also include calls to the company's 90 numbers.

The main milestones for the telephony service in 2005 were:

- February 2005. Changes to FORTHnet Telephony pricelists. Packages for domestic and corporate users were differentiated for the first time. The FORTHnet Telephony Favourite Destinations package concerns domestic consumers and its differences with respect to the previous programme were: increase in favourite destinations from 2 to 3 per category, increase in minimum charge for calls to mobiles from 30" to 60" and reduction in nominal charges. The programme for corporate customers is FORTHnet Telephony Business; it adheres to the logic of favourite destinations, which in this case include not individual numbers but entire categories of calls.
- April 2005. Free talk time is added to the FORTHnet Telephony Favourite Destinations programme.
- May 2005. FORTHnet takes part in celebrations for telecommunications day (17/3) with a special offer for that day only. During the day, all national and international calls to fixed numbers were charged as local calls, at per second rates.
- June 2005. The company's new advertising campaign, with the motto "Call Me" begins, and is welcomed by customers.
- October 2005. The company breaks the production ceiling of 15,000 new customers (different VAT numbers) for the first time.
- November 2005. For the first time, monthly earnings from telephony exceed the 2004 ceiling. Production during this month exceeds 17,000 new customers (unique VAT numbers).
- December 2005. After an appeal to the Communication Control Council, the OTEpiloges "Apples" advertising campaign is declared illegal.
- December 2005. The company responsible for the bill printing is changed successfully, and without delays in the dispatch of bills. The company's telephony bill is one of its most important features, and contributes to the success or failure of telephony services.
- December 2005. The EETT announces the new pre-selection regulation. Typically, throughout the year, the EETT did not implement the decisions made by the outgoing committee (condemnation of OTE because it did not adhere to the existing regulation and proceeded with abolitions not submitted by the alternative providers), while the new regulation adopts all of OTE's proposals.

In any case, the framework for alternative providers has become stricter, following several incidents of arbitrary subscription of consumers by certain providers. On the other hand, all violations made by OTE and documented in consecutive hearings with the outgoing committee, were ignored.

→ **Internet Services Administration****Internet Access Services**

Total Internet access services sales reached €14,644,496, up 30% in relation to €11,241,825 in 2004.

The significant increase in sales is due to the extensive development of the company's ADSL services. It is thought that the increase in sales would have been greater but for the major ADSL line availability problems on the part of OTE at the beginning of 2005.

The total number of active subscribers reached 246,824. This significant rate of increase reflects the constantly increasing competitiveness of the company's Internet services on the Greek market.

In particular, on the ADSL broadband connections market, the company has succeeded in holding a 25% market share in Greece, through aggressive tactics and fast reactions.

At the end of the year, there were **30,700** active ADSL subscribers, a number that exceeds the target set for the year.

Total ADSL service sales reached €8,150,068, up from €3,307,017 in 2004.

The development of new products, coordinated commercial and communication actions for all the range of products, and the systematic effort to differentiate the company from its competitors all contributed to the company's success.

In particular:

- **ADSL in a box plus** was added to the ADSL in a box family; like ADSL in a box, it is the most integrated, user-friendly and cost-effective solution for users who want to obtain a broadband connection, while also offering reliable branded equipment with wireless access capabilities. ADSL in a box products, the first entry level ADSL packages, became the most popular products of their type on the Greek market in 2005, and are considered a market leader in their category.
- **FORTHnet ADSL 1Bill** services, which constitute an integrated ADSL access solution, as they include an Internet subscription and fixed charges for the ADSL line, are very user-friendly; users have one point of contact for access, while the company undertakes all procedures required for activation and support of ADSL access.
- Great emphasis was also placed on the development of added value services with respect to Internet access. FORTHnet AntiDialer, a mechanism protecting users from malicious dialer attacks, was added to the **My Security** services, which protect users from spam mail and viruses, and are already widely accepted and used. The **FORTHnet Accelerator** was also announced, a service that accelerates Internet access subscriptions.
- A new category of services for **AEK** fans was introduced, including Dialup, ADSL services & a special ADSL in a box AEK package. The added value provided by these services includes access to a special website (AEK TV) with exclusive content about AEK, and e-mail addresses under the aekweb.gr domain name.
- A new SMS access service was added to the NetKey family. With **NetKey SMS**, users can receive codes for 2-hour Internet access on their mobile phone. The addition of the ADSL 256 access feature to NetKey €20 cards contributed to the significant (38%) increase in activations.
- Development of **FORTHnet Wi-Fi** services, firstly through expansion of the network of FORTHnet HotSpots all over Greece and its establishment as the largest hotspot network in Greece, and secondly through creation of the Be a FORTHnet HotSpot commercial model, a mechanism for continuous expansion. A significant development in the FORTHnet Wi-Fi was the collaboration with Nintendo, whereby Nintendo DS users can play online via Wi-Fi access, completely free of charge, at FORTHnet HotSpots. Major roaming agreements were also signed in 2005, such as the one with Fiberlink, which contribute to further development via potential customers importing the service.
- Announcement of collaboration with **CISCO** for the provision of an integrated ADSL solution with equipment. Creation of special packages targeted to small and medium companies and extensive promotion thereof through promotion actions.
- Formulation of a single and competitive commercial policy for resellers, which was widely accepted by the market. Development of service distribution points and achievement of the target of placing them in all large IT chain stores. Reinforcement of large distribution channels through promotion actions and special offers. Geographical expansion and reinforcement of the sales network.
- Reinforcement of the company's e-shop through exclusive offers, which led to an increase in sales and its acceptance by consumers.
- Reorganisation of sales departments, in order to maximise efficiency, into a large distributors and resellers department with new personnel and managers.
- Introduction of a new advertising campaign at the end of 2005, in order to expand the target-public, raise consumer awareness on the benefits of the Internet, and associate the company's name with the Internet. The communication and product target is, on the one hand, to raise public awareness about the Internet as part of daily activities and the company's Internet services as the right choice and, on the other hand, to differentiate the company's services from those of its competitors using original, flexible and understandable means and methods, even for consumers without specialised knowledge. The results of this campaign were immediately identifiable.

## E-business Services

### → **Internet Hellas (Data Center Services)**

Internet Hellas is FORTHnet's business unit that specialises in the provision of Data Center Services; it offers a complete range of services to businesses requiring reliability, safe operation and high availability. Through three ultra-modern Data Centers, Internet Hellas offers parameterised and integrated hosting and data management services, computer systems and Internet applications.

2005 was the first year during which a distinct and specific company business entity focussed on the provision of Data Center services, and presented significant positive results. Total Data Center services sales (Domain Names, Web Hosting, E-mail Hosting, ASP Hosting, Co-location Hosting, Dedicated Hosting, Managed Hosting and Streaming Media) reached €1,523,465, up 44% in relation to 2004.

Internet Hellas's main activities in year 2005 included:

- Advertising and promotion of Internet Hellas's new profile, as established after its merger with the company in 2004.
- Active participation on the [.gr] Domain Name Management and Registration market, with 11,500 subscriptions at the end of 2005, presenting an increase of 32% in relation to year 2004. This activity allowed for further expansion of the range of Data Center services, and allowed us to address a larger portion of the Internet services market. This new category of services has expanded the clientele significantly, bringing the company to one of the leading positions among 280 Registrars. Milestones in the development of the service in question: the ability to register [.gr] Domain Names with Greek characters in July 2005, and the commencement of [.eu] Domain Name registration at the end of the year.
- Re-placement of website hosting services on common servers via the Web Hosting For All service, in order to approach the broader web hosting market and increase the number of subscribers.
- Combined provision of Data Center services (domain names, e-mail hosting, etc.) with other services from the FORTHnet Internet sector, such as ADSL subscriptions, which have a large penetration degree in SMEs (bundle).
- Preparation and successful initial inspection for Internet Hellas's ISO certification.
- Preparation for the development of new services for the online requirements of small and medium companies, with respect to communication and cooperation between groups or individuals, Internet communication safety, digital content distribution and management.
- Focus on approaching mainly large customers and vertical markets, through the promotion of advanced Data Center services (under development), such as Dedicated Hosting (computer system rental and hosting) and Managed Hosting (computer system and application support and management).
- Expansion and upgrading of network and other infrastructure at FORTHnet's main Data Center in Agios Stefanos, Attica, for provision of the above Data Center services.
- Development of a specialised 24-hour technical support department.

### → **Hellasnet (Interactive Marketing Services)**

Within year 2005, the HellasNet business unit set itself certain basic, long-term objectives and initiated a series of internal structural changes with the aim of achieving those objectives. The ultimate goal is to create a department capable of promoting added value services to a selected business clientele, as well as studying / developing specialised services for FORTHnet's broadband customers. Other goals include the reduction of service production costs, improvement/upgrading of human resources, better placement on the markets on which the business unit is active, and a simultaneous increase in turnover.

These changes included:

- Consolidation of the Production and Web Information Technology sub-departments into a broader, but more compact production unit. Consolidation occurred both with respect to human resources and to services, products and know-how. With respect to human resources, employees were strategically repositioned so as to perform to the maximum. At the same time, new employees with specialised knowledge and skills in significant fields were hired. As a result, the department is better staffed, the working environment has improved, costs have been reduced, and work has improved, in order to support required development in 2005 and 2006.
- The consolidation of sub-departments was supported by suitable reinforcement of the Client Service department, allowing it to manage the increased clientele better.
- A separate Presales department was created, to support the presales process required, especially in large projects for the public or private sector.
- A new product development team was set up, for the strategic development of new technologies to support expected future progress.
- A major upgrading project for the computer systems supporting HellasNet's production, and that of affiliated groups, such as the Content group, was decided and initiated.

At the same time as these changes, a significant effort was made to reinforce and communicate the business unit's strategic placement to all involved departments and the market in general. The principle was "Fewer but better customers, with an effort to cross-sell other company services, emphasis on customers who already use other company services (e.g. ADSL etc.),

provision of as many services as possible to them, increase in turnover per customer, reduction in customer support operating costs”.

The services provided through the HellasNet business unit presented a significant increase of 86% during year 2005, with revenue reaching €2,675,233.

In year 2005, HellasNet continued its activities in the three basic categories of services, and achieved a healthy development in all three. In particular:

- **Web Development**

HellasNet's traditional success in this sector continued, with the installation of many and large new websites, such as those of: Alpha television, Village Cinemas, Aegean Airlines, AEK, Geniki Trofimon SA, Hellenic Seaways, Pittas Apiary Company Attiki, Multirama, Novartis, Remax, Comdex, GSEVEE, Cadbury's, etc. As a result, revenue increased by 14% compared to year 2004. With respect to communication and marketing in this sector, HellasNet participated in the national Ermis Awards ceremony, and received a total of 6 awards for all its activities.

- **Online Marketing**

Many significant activities took place in this field, in order to expand the customer base and improve services rendered. Besides major changes in the company's human resources, all agreements with collaborating advertising media where renegotiated entirely. The buying power of parent company FORTHnet (given that the HellasNet business unit operates as an online media shop for FORTHnet), and HellasNet's strong position on the market, were used to obtain favourable prices in comparison to competitors.

A very large effort to expand HellasNet's clientele in the online advertising sector was made in 2005, with strong participation in the presales process and constant support for the sales team. As a result, many new and large companies were added to the business unit's client list, such as: Sarakakis Group (Mitsubishi), Best Line, Kinder Bueno, Barba-Stathis, etc. Consequently, turnover from Online advertising services presented and increase of 21% compared to the previous year.

On the Marketing front, HellasNet took actions to reinforce its market leadership. Besides a strong presence in the sector's journals and magazines, with articles, interviews, etc., HellasNet also sponsored the Interactive Marketing Conference, which was attended by a large portion of the market and the competition.

- **Mobile Services**

In 2005, HellasNet saw a rapid improvement in figures for this activity. The increase rate reached 135%. This is due to the fact that HellasNet's sales and marketing executives had a deep understanding of the activity and were able to take organised actions to distribute/present it appropriately to the market.

Besides these actions, HellasNet was a sponsor and speaker at the Mobile Marketing Forum 2005, which is becoming a point of reference in Greece for Mobile Marketing issues. Combined with this action, company executives participated in Group 02 "3G mobile telephony network applications and services" of the Ministry of Development's E-Business Forum.

## Content Services

During the year, the company reinforced its position in the content services sector, with new agreements and new services. In particular:

- Portal: The portal's content was enriched with new units and services (e.g. Job Market – Public Sector Jobs, Astrology, low-cost air tickets, Automatic activation of subscriptions with serial number, etc.). The production of popular content was also enhanced (e.g. photo reporting and special folders). The above actions contributed to the doubling of visitor statistics (more than 100% increase in individual visitors, more than 180% in hits and more than 140% in page projection). At the same time, new online advertising opportunities were created for FORTHnet's customers through its portal, such as sponsorship packages for content units, and new positions for advertising banners.
- Mobile services: the company's mobile content services were upgraded, and the FORTHnet mobile service development framework was developed (implementation of automated device recognition system, expansion of billing system).
  - I-mode: development of new services (Poseidon Weather+ Java, DoJa client for i-mode mobiles with a rich graphic interface) and upgrading of existing services (DriveMe), resulting in an increase in the use of FORTHnet i-mode services.
  - TIM: development of weather forecasting service in cooperation with the ELKETHE. FORTHnet is now TIM's exclusive provider of weather forecasts, while the ground has been prepared for the implementation of new services for the TIM Plus platform.
- Information Society: a content collection and management plan was elaborated and a Drafting and Communication Helpdesk was installed, within the framework of implementation of the project for development and maintenance of the EYD portal, while collection and management of the portal's information material in under development.
- DriveMe: the DriveMe.gr electronic map service was upgraded. Maps were updated, the interface was renewed, and coverage was expanded (from urban to national), while new services were added, resulting in a doubling of visitors. Moreover, new services for the promotion of FORTHnet's customers through DriveMe were created, and

the implementation of a web service that will allow the incorporation of DriveMe maps in other FORTHnet customer sites is under way. The commercial exploitation potential of this service was thus reinforced.

- Live Video Streaming: the Dream Race sailing races and national volleyball playoffs were broadcast live through the portal, in cooperation with the Greek Volleyball Federation.
- Cooperation agreements for the provision of music downloads via the portal were signed.

## **SMART**

Stock market information services SMART and WebSMART, presented a downward trend as in previous years, but with an apparent deceleration of the trend. Overall sales in 2005 reached €381,453. There was a small reduction in subscribers, and the reduction in earnings compared to year 2004 is due to the transfer of subscribers to other company services with lower charges. Finally, the company signed an agreement for the provision of stock market information with Emboriki Bank at the end of 2005, which is expected to generate significant revenue in the coming fiscal year.

## **Public Sector Projects**

The company's activity in the Public Works sector was noteworthy in year 2005. Besides the fact that FORTHnet's Public Sector department submitted proposals in 2005 that are still being evaluated and whose budget amounts to 4.17 million Euros, the company was able to invoice services worth 1.2 million Euros in year 2005.

Major projects were implemented, Syzefxis being chief among them; Syzefxis is the largest project for the collection of Public Sector customers for advanced broadband data and voice telematic services. The following were implemented:

- Syzefxis Sub-project 3, with a budget of 4.75 million Euros and a term expiring on 31.12.2008, was delivered on schedule on 15.12.2005.
- A sub-contract granted by OTE (budget: 1.66 million Euros) was implemented for Syzefxis Sub-project 2, also ending on 31.12.2008.
- The largest section of the Information Society Special Management Authority's strategic portal was implemented and published (conventional budget: €436,622).
- Other projects were also implemented within the year, whose budget for FORTHnet amounted to 1.1 million Euros, including the OPS & ODDY Network project, and the co-funded FORTHnet Wi-Fi Hot Spots.

Additionally, new projects with a total budget of 2.2 million Euros for FORTHnet were contracted or awarded. FORTHnet will participate in these either as a contractor or sub-contractor, and the work will be invoiced in year 2006 or later.

Within current year 2006, invoicing provisions will amount to around 2.3 million Euros, only from current contracts already signed in 2005 or earlier; this amount will surely be boosted by new assignments of offers under evaluation. Contracts for large projects, and especially Syzefxis, foresee invoicing of more than 2 million Euros for each of the years 2007 & 2008.

## **→ INVESTMENTS**

### **→ Network Investment**

During year 2005, FORTHnet's data network expanded significantly with respect to capacity and equipment. This development is due both to already available services and to the provision of new services. The most important events leading to the need for expansion of FORTHnet's network are:

#### **A. Development of ADSL services**

The rapid development of ADSL broadband services that commenced in the 2<sup>nd</sup> quarter of 2003 continued well into year 2005. The most important changes made to the network were:

- Development of two (2) Central OKSYA 2 interconnection lines with a total capacity of 2Gbps in Athens, to replace existing ATM interconnection circuits in Athens and Thessaloniki.
- Upgrading of BBRAS servers with new systems that can serve more than 50,000 subscribers throughout Greece.
- Upgrading of the international Internet connection, from 4 STM-1 (620Mbps) to 2 STM-4 (1244Mbps).

#### **B. Development of IP/MPLS services**

The company's IP/MPLS network developed significantly in 2005:

- "Island 3" of the "SYZEFXIS" network, based on IP/MPLS technology, was implemented, and includes the provision of advanced network services (telephony, teleconferencing, Data Center services etc.) to 97 Public Sector bodies in the broader Thessaloniki area.
- Activation of IP/MPLS services at the Thessaloniki, Patras and Heraklion hubs.

In the telephony sector, interconnections and available interconnection services were expanded during the current year. The prospect of portability increased the company's need to accept traffic from other telephony providers. Thus, interconnections with Tellas, Lannet, Vivodi, ALTEC and HOL have been completed and added to the existing connections to OTE and the

mobile telephony companies. Traffic to/from other alternative providers is served through OTE, after activation (by OTE) of the transfer service foreseen by RIO.

Finally, commercial provision of the PREMIUM (090) service was implemented, with technical advantages not offered by competitors. Within the same framework, the development of a service platform based on the SIP protocol was completed by the company's R&D department, allowing for the provision of added value services within year 2006.

97 VoIP terminals and 79 PBXs were installed within the framework of the IS project "SYZEFXIS", while the EETT assigned 37,000 numbers to the company.

## → Investments in Research and Development

### a. Development of Billing & OSS Systems

The R&D department continued the development of the billing system used by the company to cover its increasing and particular requirements, with particular emphasis on DSL packages, improvement of billing performance, expansion of payment system and consolidation of the SIEBEL-OAM systems. The main developments and deliverables in 2005 include software for the support of new telephony packages and the new pre-paid Internet access cards, interconnection of the billing system database with the new data warehouse system, improvements in system performance, transfer of invoicing to a new printing company, expansion of payment systems to include other banks, interconnection with an online payment system of Piraeus Bank, and implementation of a data export mechanism for large telephony customers (for dispatch of itemized bills on CD).

For network and operations management, the department developed and expanded a range of quality, network and service monitoring and management applications. SLA management and monitoring applications and the IRIS error management system were developed, with new capabilities for SLA parameter measurement and presentation (e.g. VoIP parameters) and network element support (such as Cisco/Juniper routers, Siemens VoIP switches, Colubris WiFis) respectively. At the same time, it completed implementation and adaptations, as well as application studies or proposals for public sector projects requiring NMS and SLA, such as SYZEFXIS for ODDY (Island 3), the Ministry of Justice (Criminal Register), and the Council of State.

### b. Research Projects (e-learning, tourism and transport, mobile Internet, network security)

The following research projects were completed in 2005, within the framework of the company's research activities:

- **SCAMPI (European IST programme)**, aimed at monitoring parameters of Internet traffic and automatically identifying Internet assaults. The project developed an innovative system for monitoring and recording high speed network usage.
- **ADOL (project within the framework of the GSRT, SPORT programme)**, aimed at designing and creating an integrated system for online collection, processing and management of data from doping measurements and controls using portable devices.
- **YPETHROS (project within the framework of the Regional Programme of Innovative Actions for the Region of Crete)**, within the framework of which advanced technological solutions combining Web, SMS and voice services were designed and implemented for use by inhabitants in rural and remote areas of the Region of Crete. The evaluation study of the project's results is currently under elaboration.

At the same time, the following projects continued and were audited with respect to their physical and financial progress:

- **Advanced SLA Services**, (within the framework of the PEPER programme) aimed at the development of advanced quality service management applications. The project underwent a successful annual audit by the GSRT in February 2005, and is expected to be completed in March 2006.
- **EAR (within the framework of the GSRT programme)**, aimed at the design and implementation of a system for coordinated and automated identification of Internet security threats to computer systems, and the prevention thereof through advanced detection mechanisms.
- **LOBSTER (within the framework of the European IST programme)**, on network assault prevention and security systems. The project will be completed in April 2006.
- **DIAVATIS (project within the framework of the GSRT, TOURISM-CULTURE programme)**, a project that began in July 2003 and concerns the development of a platform for the promotion of the historical, cultural and natural resources of a destination on the broader tourism network, using new technologies and digital content.
- **ENOSIS (project within the framework of the GSRT, TRANSPORT-NAVIGATION programme)**, aimed at innovative information provision to travellers on combined national urban and transport. The project is expected to be completed in October 2006.
- **BIOPATTERN (European IST programme)**, a project providing an electronic platform that will be enriched with important medical information, in order to create a valid health information system.

Finally, the following projects commenced within the framework of the 6<sup>th</sup> Framework Programme's European Programmes: **Safeline (Internet Action Plan for a Safer Internet – European programme)**, in January 2005, **NOAH (EU programme Research Infrastructures)**, in April 2005, aimed at the collection and analysis of information on the nature of Internet cyberattacks, using honeypots technology, and the **integrated Rural Wings programme (FP6)**, aimed at the provision of learning for inhabitants of remote areas, on Public Administration, Health, the Environment, etc. Applications using satellite Internet infrastructure will be developed for the achievement of this objective. Finally, approval was granted for projects **Heart-FAID (Heart Failure Aid)** and **COLLAGE (Collaborative Learning Platform using Game-like Enhancements, e-Learning)**, on innovative mobile communication applications for e-Health/homecare and e-Learning respectively.

→ **REGULATORY ENVIRONMENT**

The regulatory environment was characterised by a transitional nature and slow development. Some developments were, however, recorded, such as the appointment of a new National Regulatory Authority, an increase in the urban centres offered to alternative providers for collocation and the increase in the number of ADSL subscribers. There was no new interconnection offer model, while the provision of wholesale invoices became reality on the leased lines market (not, unfortunately accompanied by the provision of volume discounts). Significant markets 11 and 12 were defined and analysed (unbundled access to the local loop and wholesale broadband access). Major problems were encountered in the operation of competition rules, characterised by multiple hearings and the issuance of a series of decisions imposing large fines on OTE.

At the end of the year, the social affairs committee voted in the new telecommunications law, which has been officially published since the beginning of February. The secondary executive framework is expected to be published soon. Its provisions harmonise our national legislation with the new telecommunications framework and incorporate five community directives regulating important issues, such as the use of rights of passage, and the completion of the definition and analysis of markets. In its turn, the company continued to exercise significant pressure on the State and the Regulatory Authority, which pressure is expected to bring better results in subsequent corporate years. Its efforts are based on the realisation that market analysis must be accelerated, that critical access and interconnection markets must remain regulated, that the creation of conditions for the development of broadband infrastructure, services and content must be encouraged in specific ways, that price and margin-squeezing phenomena must be eradicated, and that the importance of IT and communications technologies for the national economy must be stressed.

Important positive interventions were made in 2005 by collective authorities, such as SEPE and the FGI (valid interlocutors of the State), for the smooth operation of the e-communications market. The publication of important national and European institutional documents (Directives, communications, consultations etc.) on a series of issues concerning the e-communications market, public contracts, e-commerce, network security and IT systems are also thought to constitute adequate preparation for a successful business activity in the coming years.

It is hoped that the uncertainty, created due to pending trials related to the critical access and interconnection markets, will be mitigated significantly in the coming year.

→ **CORPORATE CHANGES**

→ *Stock option plan*

A stock option plan was successfully implemented in December 2005 for all Group employees. 277,497 shares were issued within the framework of the plan, raising a total of €915,740.1.

→ *Mergers*

According to a decision made by their Boards of Directors on 23 November 2005, companies MBA and FORTHnet will merge by absorption of the former by the latter, in accordance with the provisions of Law 2166/93 and L. 2190.20.

→ *Organizational Structure and Human Resources*

Constant technological developments in the field of communications, and better fulfilment of customers' telecommunications needs, which are the company's primary goals, have created the need for an organisational reform. The new structure to emerge from this reform will be based on customer service and how to achieve this through the restructuring of our departments and services. The company employed 579 persons (full and part-time employees) at the end of fiscal year 2005, while the respective number for the Group was 637 employees.

→ *Quality Control*

During year 2005, the Total Quality Department monitored correct application of the Quality System for certified Company activities, i.e.:

- Internal Inspections
- Monitoring and Management of Non-compliances
- Process Updating
- Monitoring of Quality Index Measurement results
- Processing of Customer Complaint statistics
- Customer Satisfaction Measurement coordination

Moreover, the Total Quality Department completed the development of a Quality Management System for the following Divisions/Departments:

- Research and Development Department
- Web IT Department
- Data Center Business Unit

in order for them to be incorporated in the Company Quality System.

The following were audited during the repeat audit carried out on 6, 13-15 June 2005, which resulted in expansion of the Company's Compliance Certificate with the requirements of the ISO 9001:2000 standard. The new certification application field is as follows:

- Design, Development and Operation of a Telecommunications Network for the Provision of Internet, Frame Relay, Data VPN, LL, Telephony Services
- Design, Implementation, Provision, Technical Support and Maintenance of Data Center Services
- Analysis, Design, Implementation of Computer Systems and Development of Internet Applications
- Design, Development and Maintenance of Network Monitoring, Network Operation Management and Billing System Software
- Research Programme Management

Also, with respect to subsidiary company FORTH-crs, all necessary actions (Internal Inspections, amendment of Processes, etc.) were carried out, so that the company could be re-audited by the Certification Authority and the Compliance Certificate updated with the requirements of the ISO 9001:2000 standard. The re-audit was carried out successfully in January 2006.

#### → FINANCIAL RESULTS

#### → HOLDINGS:

FORTHnet S.A. holdings in affiliated and other companies are presented in the following table.

<i>Amounts in €</i>	31.12.2005				31.12.2004			
<b>SUBSIDIARIES</b>	%	Acquisition value	Less	Balance	%	Acquisition value	Less	Balance
Mediterranean Broadband Access S.A.	100.00	18,604,420	0	18,604,420	100.00	18,604,420	0	18,604,420
FORTH CRS S.A.	99.31	3,139,169	0	3,139,169	90.71	2,858,455	0	2,858,455
TELEMEDICINE TECHNOLOGIES S.A.	94.40	1,070,736	756,255	314,481	94.40	1,070,736	756,255	314,481
<b>Total Subsidiaries</b>		<b>22,814,325</b>	<b>756,255</b>	<b>22,058,070</b>		<b>22,533,611</b>	<b>756,255</b>	<b>21,777,356</b>
<b>AFFILIATED</b>	%	Acquisition value	Less	Balance	%	Acquisition value	Less	Balance
FORTHe-com S.A.	45.00	660,308	660,308	0	45.00	660,308	660,308	0
ATHLONET S.A.	44.00	255,990	212,690	43,300	44.00	255,990	212,690	43,300
<b>Total Affiliated</b>		<b>916,298</b>	<b>872,998</b>	<b>43,300</b>		<b>916,298</b>	<b>872,998</b>	<b>43,300</b>
<b>OTHER</b>								
ATHINA		7,043	0	7,043		7,043	0	7,043
KNOSSOS		10,638	0	10,638		10,638	0	10,638
INA		139,398	0	139,398		139,398	0	139,398
SAFENET		11,005	0	11,005		11,005	0	11,005
ACROPOLIS S.A.		122,539	0	122,539		105,034	0	105,034
<b>Total Other</b>		<b>290,625</b>	<b>0</b>	<b>290,625</b>		<b>273,120</b>	<b>0</b>	<b>273,120</b>

#### → MEDITERRANEAN BROADBAND ACCESS S.A.

MBA still provides LMDS circuits to FORTHnet, which FORTHnet then sells to end users or other resellers. In 2005, 232 new LMDS customer terminals were added to the system, bringing the number of customers to around 829. In addition, the increase in average capacity per terminal at the end of 2005 to 2,709Mbps, which increased ARPU figures, is also considered significant.

#### → FORTH-CRS S.A.

In 2005, FORTHcrs continued developing its line of activities, i.e. in the transportation sector (shipping, air transport, coaches etc), hotels, accommodation and entertainment in general (theatres, events, sports clubs etc.), with the objective of selling and distributing the products of these markets electronically.

In 2005, FORTHcrs maintained its leadership position in the provision of ticketing and reservation systems and services for the shipping sector. Specifically, eleven (11) new companies were connected, and the touch-screen agent interface for the Saronikos lines and the SeaOnLine booking engine at [www.hellenicseaways.gr](http://www.hellenicseaways.gr) for Hellenic Seaways were completed; it



continued to expand and support the network of agents in Greece and abroad, and electronically distributed 14,900,000 tickets, i.e. a 15% increase compared to 2004.

With respect to other transport sectors: a) The system supporting the Aegean Airlines e-check in service was completed, b) the first version of the FlightOnLine ticketing software (for low-cost airlines) was applied to AirSeaLines and SkyExpress, which started business in Greece successfully by opting for the booking and distribution systems provided by FORTHcrs, c) the first version of the rent-a-car software was completed and will become operational in agencies in spring 2006 and d) interconnection with national coach booking systems is under implementation. The above activities are yet another significant step in favour of the company's strategy in the field of integrated transport.

In the hotel booking sector and in view of qualitative and qualitative upgrading of hotel material provided by the Roomview™ booking system, FORTHcrs signed agreements in 2005 with content providers and recognised tourism authorities (SEDDE), thus guaranteeing its upward trend and stable position in this tourism sector. In September 2005, the significant efforts to improve the content by entering hotel companies from the country's two largest cities (Athens and Thessaloniki) in the Roomview™ system were completed successfully. And at the beginning of October the company started the gradual introduction of hotels abroad, thus covering important European destinations. During the same period, the company signed additional agreements with hotel content providers, thus significantly increasing its capacity to provide immediate room availability to the Roomview™ system at competitive prices in the most popular tourist destinations.

In the Spectacles and Entertainment Ticketing Sector, where the objective is to provide systems and services for the administration and distribution of seats and to issue tickets for producers of spectacles, cultural and sports events, during its second year of operation (2005), the basic strategic objectives were to seek cooperation for exclusive management of spectacle, culture and sport content, and to improve distribution means. Thus, in 2005, efforts were made to approach customers from various representative sectors such as sport, exhibitions, museums, theatres etc, the ticketing software was improved for the broader spectacle sector in order to cover numerous and varied needs. At the same time, the network of agents was significantly expanded by cooperation agreements of strategic importance for selling spectacles. All the above new cooperation agreements together with the current activities of the spectacle sector involved the distribution of 547,000 tickets. In addition, the main achievements in the entertainment sector in 2005, per sector, are: a) participation in a tender for the Thessaloniki Sciences Diffusion Centre and Technology Museum ticketing system, which was awarded to FORTHcrs and will be implemented in 2006, b) assignment following a tender to FORTHcrs of a ticketing system for Patras 2006 - European Cultural Capital, a project that began on 1.1.2006, and c) completion and activation of a transactioning platform for prepaid Virgin Megadownloads music cards.

With respect to more general company organization and development issues, FORTHcrs:

- decided to relocate to new offices on Amphiheas Avenue in order to upgrade its corporate environment and transfer all company divisions and units to the new premises,
- significantly increased its turnover and in particular improved its profitability compared to the previous year, achieving a total revenue of 3.3 million Euros, up from 2.8 million in 2004 (18% increase), and
- was ISO-certified at the beginning of 2005 by TUV Hellas.

#### → **TELEMEDICINE TECHNOLOGIES S.A.**

In 2005, TELEMEDICINE TECHNOLOGIES S.A. continued the development and promotion of CleanWEB™, a product for Electronic Processing of Clinical Studies, by: issuing 42 new releases of the CleanWeb software in 2005, carrying out 26 clinical studies of which 4 have been completed, using 435 clinical study research centres in 10 countries, with 19,600 patients and 15,000 medical files.

The product remained part of the market penetration strategy, at low cost on the academic market mainly, in order to confront competition and finance product development, as evidenced by the large number of new releases mentioned above. Three studies concerned private pharmaceutical firms, FRESNIUS KABI France, NOVONORDISK and BRAHMS France. In 2005, the CleanWeb multichannel approach developed into an important element by including multiple types of data entry, such as digital pen & paper (DPP), web, offline, client software, thus differentiating itself from the competition. With more than 12 new studies ordered for 2006, CleanWEB™ is now ready for further business development.

In telemedicine, remote medical training and the creation of medical information system software for medical professionals, Telemedicine Technologies continued development of MEDSKY, and improvement and adaptation of the platform to satellite connection systems. Specifically, it completed a large number of new releases of the MEDSKY software, which was used in 1850 cases of Intermutuelles Assistance (IMA). Videoconference over IP, sharing and exchange of DICOM medical images and broadband connection via satellite or DSL, were integrated in the MEDSKY software.

In May 2005, Telemedicine Technologies became official provider of EUTELSAT/SKYLOGIC within the framework of commercial exploitation of MEDSKY over satellite communications for the requirements of the medical sector. MEDSKY is developing intensively within the framework of projects funded by the European Union such as HealthWare that started in May 2005 and RuralWings that was initiated in January 2006. At the same time, it remains a unique offer on the market, and is being certified by the European Space Agency (ESA). At the end of 2005, five (5) customers had ordered the solution; the International Assistance Group is one of these, but actually represents 27 companies providing assistance throughout the world, while another twelve (12) customers are at the ordering phase.

## → REVENUE

The Group and Company's Revenue during the time period in question, in accordance with International Financial Reporting Standards (IFRS), is presented in the following table:

(Amounts in €)	Group		Company	
	31 December		31 December	
	2005	2004	2005	2004
<b>Operating revenue</b>				
Telephony (Voice)	53,899,704	49,205,243	53,899,704	49,205,243
Internet Access	14,644,496	11,241,825	14,644,496	10,683,459
Internet Leased Lines	6,995,352	7,090,598	6,995,352	7,006,431
Data Connectivity Services	2,537,103	2,519,943	2,537,103	2,519,943
LMDS	2,451,913	1,741,684	2,451,913	1,741,684
Data Center Services	1,523,465	1,059,738	1,523,465	1,059,738
Interactive Marketing	2,675,233	1,435,118	2,675,233	1,435,118
Forth CRS Services	2,697,689	2,217,438	-	-
Other services income	3,503,789	3,470,519	3,009,557	2,078,187
Sale of equipment and consumables	630,707	581,540	222,375	294,471
<b>Total Operating Revenue</b>	<b>91,559,451</b>	<b>80,563,646</b>	<b>87,959,198</b>	<b>76,024,274</b>
<b>Other Revenue</b>				
Subsidies	1,319,892	534,219	912,109	495,810
Other	634,052	59,901	698,474	150,044
<b>Total Other Revenue</b>	<b>1,953,944</b>	<b>594,120</b>	<b>1,610,583</b>	<b>645,854</b>
<b>Grand Total – Revenue</b>	<b>93,513,395</b>	<b>81,157,766</b>	<b>89,569,781</b>	<b>76,670,128</b>

FORTHnet's total revenue for 2005 increased by 17% in relation to 2004, while Group revenue increased by about 15%. At Company level, the highest increase was presented in sales of Interactive Marketing and Other Services Income (86% and 45% respectively), in relation to 2004. These followed by Data Center Services (44%), LMDS (41%) and Internet Access (37%) services. At a Group level, the same services presented an upward trend, except for other services income, which increased by 1%. In addition, the revenue of subsidiary FORTHcrs increased by 18% in relation to 2004.

At Company level, Internet LL and Equipment sales decreased (-0.2% and -24.5% respectively) in relation to 2004, while at Group level only Internet LL revenue fell (-1.3%).

→ **PROFIT AND LOSS ACCOUNT**

Group and Company results for the period 01.01.2005–31.12.2005, compared to the same period in the previous fiscal year, according to International Financial Reporting Standards (IFRS), are as follows:

(Amounts in €)	Group			Company		
	01.01-31.12.2005	01.01-31.12.2004	Change %	01.01-31.12.2005	01.01-31.12.2004	Change %
Revenue	91,559,451	80,563,646	13.6%	87,959,198	76,024,274	15.7%
Cost of sales	(64,654,130)	(54,471,967)	18.7%	(62,185,395)	(50,951,734)	22.0%
<b>Gross Operating Results</b>	<b>26,905,321</b>	<b>26,091,679</b>	<b>3.1%</b>	<b>25,773,803</b>	<b>25,072,540</b>	<b>2.8%</b>
Other Operating Revenue	1,953,944	594,120	228.9%	1,610,583	645,854	149.4%
Distribution costs	(19,813,632)	(15,361,970)	29.0%	(18,773,267)	(13,902,173)	35.0%
Administrative costs	(5,720,540)	(7,536,369)	-24.1%	(5,179,464)	(6,732,018)	-23.1%
Research & Development costs	(1,375,561)	(1,124,141)	22.4%	(1,375,561)	(1,124,141)	22.4%
<b>Operating Profit/ (Loss)</b>	<b>1,949,532</b>	<b>2,663,319</b>	<b>-26.8%</b>	<b>2,056,094</b>	<b>3,960,062</b>	<b>-48.1%</b>
<b>Earnings before tax – Part. Int. and Depreciation</b>	<b>13,543,913</b>	<b>13,685,437</b>	<b>-1.0%</b>	<b>11,039,593</b>	<b>12,100,534</b>	<b>-8.8%</b>
Profit/(loss) ratio from affiliated companies valued using the net position method	12,100	(1,200)	1108.3%	-	-	-
Net financial results (Revenue/Expenses)	(1,640,267)	(1,489,571)	10.1%	(1,542,922)	(1,348,642)	14.4%
<b>Profit/ (Loss) before tax</b>	<b>321,365</b>	<b>1,172,548</b>	<b>-72.6%</b>	<b>513,172</b>	<b>2,611,420</b>	<b>-80.3%</b>

Company revenue reached €87,959,198 in 2005, compared to €76,024,274 in 2004, presenting an increase of about 16%, while Group turnover reached €91,559,451 in 2005, up from €80,563,646 in 2004 (14% increase).

Company gross operating results (profit) reached €25,773,803 in 2005 up from €25,072,540 in 2004 (increased by about 3%), while Group profits reached €26,905,321, up from €26,091,679 in the previous fiscal year (increased by about 3%).

Other operating revenue, research subsidies mainly, were added to the above, while operating expenses and interest expense were subtracted; after adding interest income, resulting into Company earnings before taxes equal to €513,172 in 2005, compared to €2,611,420 in 2004, while at Group level earnings before taxes reached €321,365, compared to earnings before taxes of €1,172,548 in the previous fiscal year.

At 31.12.2005 the company had the following branches:

- 4 Atthidon Street, Kalithea
- 5 Atthidon Street, Kalithea
- 7 Atthidon Street, Kalithea
- 4-6 Thetidos Street, Athens
- 10 Thetidos Street, Athens
- 5 Orminiou Street, Athens
- 55 Ermou Street, Thessaloniki
- 18 Navarinou Square, Thessaloniki
- 25 Dodekanisou Street, Thessaloniki
- Thermi, Thessaloniki
- Sindos, Thessaloniki
- 1 Kouma Street, Larissa
- 61 Spiridou Socrati Street, Volos
- 36 Dedalou Street, Heraklion
- 19 Patreos Street, Patras
- 10 Hydras Street, Kavala
- 5 Peloponnissou Street, Syros
- 27 Lagopati Street, Tripolis
- 23<sup>rd</sup> km Athens-Lamia highway

→ **PROSPECTS FOR 2006**→ **Telecommunications Services Administration**→ **Internet Leased Line & Data Connectivity Services**

- Competition between providers of Leased Line Telecommunication Services will continue to vary significantly depending on the access technology applied.
- All traditional Leased Line services will benefit from Unbundled Access to the Local Loop as the cost of the access line and point-to-point Service monitoring and management will fall.
- With respect to the Internet Leased Line service, average access capacity per Customer is expected to increase steadily over the next years as Internet use increases for implementation of more business applications. Moreover, it is expected that the service will be provided with different quality features, thus satisfying the market requirement for Quality of Service implementation. In addition, the expected development of Wi-Fi Hot Spots will benefit the provision of leased lines for Internet access.
- Development of the MPLS network at Backbone Network hubs has been planned, in order to further develop the MPLS VPN service focusing on companies seeking Managed Services and Outsourcing for the management and monitoring of Private Networks. The use of ADSL lines at regional points of Virtual Private Networks (VPN) means that it is necessary to use a high capacity leased line at the VPN central hub. This technology is now provided by all providers on the market and particularly strong competition is expected, coupled with a gradual decrease in profit margins over the next years.
- Increased corporate requirements for Managed Services, which translate into squeezing and control of company telecommunications expenses.

→ **Voice**

- Creation of combined telephony and Internet programs in order to prepare the ground for services that will build on unbundling of the local loop.
- The number of OTE centers where collocation for the provision of services based on unbundling of the local loop and portability has been completed, is expected to increase significantly.
- Exploitation of 90 numbers with expansion of the customer base to mobile telephony companies. As we will be able to forward calls to our customer content (Audiotext content providers) via a common number either for users calling from OTE or for users calling from mobile telephony networks (Vodafone, TIM, Cosmote) we expect a significant increase in revenue from this service.
- Continuation of our aggressive strategy for promoting FORTHnet Telephony services via telesales centres, in order to increase the customer base.
- Automation of temporary interruption procedures for customers due to overdue payments, combined with all actions taken by the collections department.

→ **LMDS**

With respect to the technical status of the LMDS network, the existing base stations provide sufficient coverage. 80% of base stations have already been upgraded to double stations, and cover 100% of available capacity. Emphasis on new infrastructure via fibre optics and Unbundled Access to the Local Loop will limit the possibility to use this infrastructure for connecting customers. Consequently, for 2006, it is expected that the LMDS service will remain at the same level with respect to the number of new connections and revenue.

→ **Internet Services Administration**→ **Internet Access Services**

In the broadband services sector, the company will focus its attention on significant development of its subscriber customer base in 2006:

- By creating innovative, reliable and user-friendly ADSL products
- By maintaining its competitive pricing policy
- By developing value added services
- By expanding its communications & promotion policy
- By reinforcing its sales network
- By developing customer support

In addition, it will develop and maintain the current subscriber base for dialup services by providing incentives for renewal and upgrading services, and also excellent technical and customer support, as usual.

It will improve access services via pre-paid NetKey cards by upgrading the product and its commercial and communication strategy.

Moreover, it is planning to develop value added services with respect to safety, content provision and also the provision of innovative solutions.

→ **E-business Services**→ **Internet Hellas (Data Center Services)**

The main objectives of Internet Hellas for 2006, building on the above activities, are to maintain the annual rate of development above 20%, to increase its subscriber customer base for Web Hosting services, to maintain its leadership position for domain name services, joint development of integrated e-business services with HellasNet, within the framework of broadband networks development, preparation for relocation to the new Data Center owned by the company, which is under construction, and planning for improvement of its computer infrastructure supporting Data Center services.

→ **Hellasnet (Interactive Marketing Services)**

The objectives of HellasNet for 2006 are:

- Further approach of FORTHnet's customer base in order to identify existing unexploited business opportunities. Provision of integrated value added services to a business clientele that traditionally only enjoys FORTHnet network or telephony services.
- Research and development of new and advanced value added services for FORTHnet broadband subscribers. Expansion and evaluation of technologies such as VoIP, IPTV, Content provision (music, video-clips), Corporate Web Services, etc.
- Further increase of the business unit's customer base through increasingly grouped service packages to be offered to existing customers and a selected new clientele.

→ **Public Sector Projects**

In 2006, it is expected that a total of around €2.3 mil., will be invoiced for Public Sector projects, on the basis of existing contracts signed in 2005 and earlier. This figure will certainly increase due to the assignment of new projects that are at the evaluation phase. Contracts for large projects (the Syzefxis project being the main one), foresee invoicing exceeding €2 mil., for both 2007 and 2008.

→ **Smart Living**

The last quarter of 2005 was a period of preparation for the development of a new supplementary company activity in the broadband services provision sector; the provision of an integrated building infrastructure solution for the provision of broadband services via high speed data, image, sound and TV signal transmission combined with safety, automation and energy management in buildings. This new activity concerns the development, promotion and provision of relevant SmartLiving services, with the objective of making FORTHnet the leader of the smart living market, and smart living broadband products in general.

**Since the end of the year and until present, no significant events or losses have occurred that could influence the financial situation and the prospects of the company, and there are no indications that such events may occur.**

In view of the above, Shareholders are requested to:

Approve the balance sheet, the profit and loss account and the appropriation table for the period from 1.1.2005 to 31.12.2005.  
Release the Board of Directors and the auditors of any responsibility regarding the results of year 2004, in accordance to the law and the company's articles of association.

Appoint a regular and a deputy auditor for the fiscal year 2006.

Heraklion, 10 March 2006

For the Board of Directors

Chief Executive Officer

Pantelis Tzortzakis

#### AUDITORS DECLARATION

It is hereby certified that the above report, consisting of eighteen (18) pages, is the report mentioned in the audit certificate issued by us and dated 13 March 2006.

ATHENS, 13 March 2006

The Auditors

STAVROS K. SALOUSTROS

SOEL REG. No. 14611

SOL S.A.



CHRISTOS PELENDRIDES

SOEL REG. No.17831

ERNST & YOUNG HELLAS

CERTIFIED AUDITORS S.A.



## 8.2 AUDITORS' REPORT

### TO THE SHAREHOLDERS OF HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A. "FORTHnet S.A.":

We have audited the accompanying financial statements as well as the consolidated financial statements of Hellenic Company for Telecommunications and Telematic Applications S.A. ("FORTHnet S.A."), as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the aforementioned financial statements give a true and fair view of the financial position of the Company and that of the Group as of December 31, 2005 and of the results of the Company's operations and those of the Group and their cash flows and changes in shareholders' equity for the year then ended in accordance with the International Financial Reporting Standards that have been adopted by the European Union and the Board of Directors' report is consistent with the aforementioned financial statements.

Athens, March 13, 2006

The Certified Auditors Accountants

Chris Pelendridis  
R.N ICA(GR) 17831  
ERNST & YOUNG (HELLAS)  
CERTIFIED AUDITORS ACCOUNTANTS S.A.



Stavros Saloustros  
R.N. ICA (GR) 14611  
SOL S.A.



ΣΟΛ α.ε.  
ΟΡΚΩΤΟΙ ΕΛΕΓΚΤΕΣ ΛΟΓΙΣΤΕΣ

### 8.3 STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2005

	Notes	The Group		The Company	
		01.01- 31.12.2005	01.01- 31.12.2004	01.01- 31.12.2005	01.01- 31.12.2004
Revenues	5	91.559.451	80.563.646	87.959.198	76.024.274
Cost of sales	9	(64.654.130)	(54.471.967)	(62.185.395)	(50.951.734)
<b>Gross Profit:</b>		<b>26.905.321</b>	<b>26.091.679</b>	<b>25.773.803</b>	<b>25.072.540</b>
Selling and distribution expenses	9	(19.813.632)	(15.361.970)	(18.773.267)	(13.902.173)
General administrative expenses	9	(5.720.540)	(7.536.369)	(5.179.464)	(6.732.018)
Research and development costs	9	(1.375.561)	(1.124.141)	(1.375.561)	(1.124.141)
Other income	5	1.953.944	594.120	1.610.583	645.854
Share of profit/(losses) of associates accounted for under the equity method	11	12.100	(1.200)	-	-
Financial income/ (expenses), net	8	(1.640.267)	(1.489.571)	(1.542.922)	(1.348.642)
<b>PROFIT BEFORE INCOME TAXES</b>		<b>321.365</b>	<b>1.172.548</b>	<b>513.172</b>	<b>2.611.420</b>
Income taxes	10	(1.435.229)	(742.674)	(1.410.466)	(591.053)
<b>NET PROFIT /(LOSS)</b>		<b>(1.113.864)</b>	<b>429.874</b>	<b>(897.294)</b>	<b>2.020.367</b>
<b>Attributable to:</b>					
Equity holders of the parent		(1.125.527)	450.487	(897.294)	2.020.367
Minority interests		11.663	(20.613)	-	-
		<b>(1.113.864)</b>	<b>429.874</b>	<b>(897.294)</b>	<b>2.020.367</b>
<b>Earnings/(loss) per share:</b>	<b>30</b>				
Basic		(0,07)	0,03	(0,05)	0,12
Diluted		(0,07)	0,03	(0,05)	0,12
<b>Weighted average number of shares:</b>					
Basic		16.860.058	16.516.229	16.860.058	16.516.229
Diluted		17.129.192	16.840.839	17.129.192	16.840.839

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

Iraklion, March 10, 2006

President of the Board of Directors

Chief Executive Officer

Chief Financial Officer

Averof Ioannis  
I.D. No. N 772354

Tzortzakos Pantelis  
I.D. No. X 072948

Karakouvounis George  
I.D. No. N 536124  
License No. 0036987  
(A Class)



## 8.4 BALANCE SHEET AT DECEMBER 31, 2005

		The Group		The Company	
	Notes	31.12.2005	31.12.2004	31.12.2005	31.12.2004
<b>ASSETS</b>					
<b>Non-Current Assets:</b>					
Property, plant and equipment	12	63.770.821	54.584.093	49.964.172	42.867.066
Intangible assets	13	9.844.006	10.698.382	1.885.869	2.136.744
Goodwill	11	727.519	707.648	-	-
Investments in subsidiaries	11	-	-	22.058.070	21.777.356
Investments in associates accounted for under the equity method	11	55.400	43.300	44.500	44.500
Other non-current assets		192.732	145.855	68.677	55.148
Available for sale financial assets	14	326.325	303.720	290.625	273.120
Deferred income taxes	10	5.391.362	6.805.300	4.189.527	5.599.993
<b>Total non-current assets</b>		<b>80.308.165</b>	<b>73.288.298</b>	<b>78.501.440</b>	<b>72.753.927</b>
<b>Current Assets:</b>					
Inventories	16	487.249	261.140	414.864	183.596
Trade accounts receivable	17	32.333.284	23.070.801	31.807.249	24.076.146
Prepayments and other receivables	18	3.469.929	2.262.270	3.335.664	857.377
Financial assets held for trading	15	-	269.251	-	268.622
Cash and cash equivalents	19	8.170.642	8.321.219	7.872.012	7.694.453
<b>Total current assets</b>		<b>44.461.104</b>	<b>34.184.681</b>	<b>43.429.789</b>	<b>33.080.194</b>
<b>TOTAL ASSETS</b>		<b>124.769.269</b>	<b>107.472.979</b>	<b>121.931.229</b>	<b>105.834.121</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attriutable to equity holders of the parent company</b>					
Share capital	20	20.212.447	19.885.000	20.212.447	19.885.000
Share premium	20	50.068.723	49.486.127	50.068.723	49.486.127
Other reserves	21	3.090.478	2.692.862	2.467.808	2.070.192
Accumulated deficit		(23.074.156)	(21.948.629)	(20.879.577)	(19.982.283)
		<b>50.297.492</b>	<b>50.115.360</b>	<b>51.869.401</b>	<b>51.459.036</b>
Minority interests		38.329	291.880	-	-
<b>Total equity</b>		<b>50.335.821</b>	<b>50.407.240</b>	<b>51.869.401</b>	<b>51.459.036</b>
<b>Non-Current Liabilities:</b>					
Long-term loans	23	33.531.684	12.130.635	33.531.684	12.130.635
Finance lease obligations	24	2.571.055	-	2.450.214	-
Other long-term liabilities	27	2.228.055	3.895.020	2.228.055	4.074.685
Reserve for staff retirement indemnities	29	832.098	660.355	784.499	622.365
Government grants	28	204.257	445.665	162.421	382.283
<b>Total non-current liabilities</b>		<b>39.367.149</b>	<b>17.131.675</b>	<b>39.156.873</b>	<b>17.209.968</b>
<b>Current Liabilities:</b>					
Trade accounts payable	25	22.397.134	18.521.100	20.694.931	17.420.579
Short-term borrowings	23	3.711.986	8.616.690	2.000.000	7.300.000
Current portion of long-term interest bearing loans	23	-	5.146.489	-	5.146.489
Deferred income	3	5.096.002	4.050.328	5.096.002	4.050.328
Short-term portion of finance lease obligations	24	169.353	709.895	121.991	709.895
Income tax payable	10	322.344	301.055	228.526	228.526
Accrued and other current liabilities	26	3.369.480	2.588.507	2.763.505	2.309.300
<b>Total current liabilities</b>		<b>35.066.299</b>	<b>39.934.064</b>	<b>30.904.955</b>	<b>37.165.117</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>124.769.269</b>	<b>107.472.979</b>	<b>121.931.229</b>	<b>105.834.121</b>

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

# 8.5 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005

	Attributable to equity holders of the parent company						Minority Interests	Total equity
<u>The Group</u>	Share capital	Share premium	Treasury shares	Other reserves	Accumulated deficit	Total		
<b>Balance at January 1, 2004</b>	<b>19,499,850</b>	<b>48,649,320</b>	<b>(122,446)</b>	<b>2,689,395</b>	<b>(22,376,610)</b>	<b>48,339,509</b>	<b>292,005</b>	<b>48,631,514</b>
Issuance of share capital	385,150	842,107	-	-	-	1,227,257	-	1,227,257
Share capital issuance costs	-	(5,300)	-	-	-	(5,300)	-	(5,300)
Net gains/ (losses) on available-for-sale financial assets	-	-	-	3,467	-	3,467	-	3,467
Disposal of treasury shares	-	-	122,446	-	(22,506)	99,940	-	99,940
Profit for the year	-	-	-	-	450,487	450,487	(20,613)	429,874
Acquisition of minority interests	-	-	-	-	-	-	20,488	20,488
<b>Balance at December 31, 2004</b>	<b>19,885,000</b>	<b>49,486,127</b>	<b>-</b>	<b>2,692,862</b>	<b>(21,948,629)</b>	<b>50,115,360</b>	<b>291,880</b>	<b>50,407,240</b>
Loss for the year	-	-	-	-	(1,125,527)	(1,125,527)	11,663	(1,113,864)
Issuance of share capital	327,447	588,294	-	-	-	915,741	-	915,741
Acquisition of minority interests	-	-	-	-	-	-	(265,214)	(265,214)
Share capital issuance costs	-	(5,698)	-	-	-	(5,698)	-	(5,698)
Employee stock option plan	-	-	-	397,616	-	397,616	-	397,616
<b>Balance at December 31, 2005</b>	<b>20,212,447</b>	<b>50,068,723</b>	<b>-</b>	<b>3,090,478</b>	<b>(23,074,156)</b>	<b>50,297,492</b>	<b>38,329</b>	<b>50,335,821</b>

<u>The Company</u>	Share capital	Share premium	Treasury shares	Other reserves	Accumulated deficit	Total		
<b>Balance at January 1, 2004</b>	<b>19,499,850</b>	<b>48,649,320</b>	<b>(122,446)</b>	<b>2,073,659</b>	<b>(14,891,292)</b>	<b>55,209,091</b>		
Issuance of share capital	385,150	842,107	-	-	-	1,227,257		
Share capital issuance costs	-	(5,300)	-	-	-	(5,300)		
Net gains/ (losses) on available-for-sale financial assets	-	-	-	(3,467)	-	(3,467)		
Absorption of subsidiaries	-	-	-	-	(7,088,852)	(7,088,852)		
Disposal of treasury shares	-	-	122,446	-	(22,506)	99,940		
Profit for the year	-	-	-	-	2,020,367	2,020,367		
<b>Balance at December 31, 2004</b>	<b>19,885,000</b>	<b>49,486,127</b>	<b>-</b>	<b>2,070,192</b>	<b>(19,982,283)</b>	<b>51,459,036</b>		
Loss for the year	-	-	-	-	(897,294)	(897,294)		
Issuance of share capital	327,447	588,294	-	-	-	915,741		
Share capital issuance costs	-	(5,698)	-	-	-	(5,698)		
Employee stock option plan	-	-	-	397,616	-	397,616		
<b>Balance at December 31, 2005</b>	<b>20,212,447</b>	<b>50,068,723</b>	<b>-</b>	<b>2,467,808</b>	<b>(20,879,577)</b>	<b>51,869,401</b>		

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

## 8.6 CASH FLOW STATEMENT (INDIRECT METHOD) FOR THE YEAR ENDED DECEMBER 31, 2005

	The Group		The Company	
	01.01- 31.12.2005	01.01- 31.12.2004	01.01- 31.12.2005	01.01- 31.12.2004
<b>Cash Flows from Operating Activities</b>				
Profit/(loss) before income taxes	321.365	1.172.548	513.172	2.611.420
Adjustments for:				
Depreciation and amortization	11.594.381	11.022.118	8.983.499	8.140.472
Valuation of financial assets	-	(1.144)	-	-
Gains on disposal of financial assets	(48.886)	-	(48.645)	-
(Gains)/losses on disposal of property, plant, equipment and intangible assets	51.386	-	(16.700)	-
Financial (income)/expenses, net	1.640.267	1.489.571	1.542.922	1.348.642
Share of profit/(losses) of associates accounted for under the equity method	(12.100)	1.200	-	-
Allowance for doubtful accounts receivable	1.250.000	1.159.500	1.200.000	850.000
Employee stock option plan	397.616	-	397.616	-
Provision for staff retirement indemnities	269.472	342.635	247.132	302.975
<b>Profit before working capital changes</b>	<b>15.463.501</b>	<b>15.186.428</b>	<b>12.818.996</b>	<b>13.253.509</b>
<b>(Increase)/decrease in:</b>				
Inventories	(226.109)	(99.877)	(231.268)	(105.622)
Trade accounts receivable	(10.512.483)	(1.083.955)	(8.931.103)	(708.487)
Prepayments and other receivables	(1.207.659)	1.327.978	(2.477.087)	-
<b>Increase/(decrease) in:</b>				
Trade accounts payable	3.876.034	(3.137.204)	3.274.352	(2.265.415)
Deferred income	1.045.674	315.646	1.045.674	-
Accrued and other current liabilities	422.347	274.002	121.497	91.641
Income taxes paid	-	(112.559)	-	(112.559)
Interest paid	(1.632.435)	(1.564.643)	(1.531.803)	(1.484.119)
Payment of staff retirement indemnities	(97.729)	(234.024)	(84.998)	(199.214)
(Increase)/decrease in other non-current assets	(46.877)	8.802	(14.728)	-
Increase/(decrease) in other long-term liabilities	(1.666.965)	974.010	(1.846.630)	974.010
<b>Net Cash from Operating Activities</b>	<b>5.417.299</b>	<b>11.854.604</b>	<b>2.142.902</b>	<b>9.443.744</b>
<b>Cash Flows from Investing Activities</b>				
Capital expenditure for property, plant and equipment	(18.449.074)	(9.444.304)	(14.766.087)	(6.880.848)
Purchase of intangible assets	(1.619.341)	(1.217.286)	(1.137.033)	(576.373)
Proceeds from disposal of property, plant, equipment and intangible assets	90.296	-	90.089	-
Purchase of available for sale financial assets	(22.605)	(70.719)	(17.505)	(65.727)
Increase in subsidiaries share capital	(280.714)	-	(280.714)	3.465
Increase/(decrease) in other long-term liabilities	-	(1.072.142)	-	(1.072.142)
Interest and related income received	105.013	186.750	101.727	135.477
Proceeds from sale of financial assets	318.137	11.095	317.267	-
<b>Net Cash used in Investing Activities</b>	<b>(19.858.288)</b>	<b>(11.606.606)</b>	<b>(15.692.256)</b>	<b>(8.456.148)</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from the issuance of share capital	910.043	1.221.957	910.043	1.221.957
Proceeds from long-term borrowings	33.531.684	-	33.531.684	-
Repayment of long-term borrowings	(17.277.124)	(5.106.685)	(17.277.124)	(5.106.685)
Proceeds from sale of treasury shares	-	99.940	-	99.940
Net change in short-term borrowings	(4.904.704)	5.394.390	(5.300.000)	4.194.390
Net change in finance lease creditors	2.030.513	(624.441)	1.862.310	(624.441)
<b>Net Cash from Financing Activities</b>	<b>14.290.412</b>	<b>985.161</b>	<b>13.726.913</b>	<b>(214.839)</b>
Net increase/(decrease) in cash and cash equivalents	(150.577)	1.233.159	177.559	772.757
Cash and cash equivalents at beginning of year	8.321.219	7.088.060	7.694.453	5.683.575
Cash and cash equivalents of absorbed subsidiaries	-	-	-	1.238.121
<b>Cash and cash equivalents at end of year</b>	<b>8.170.642</b>	<b>8.321.219</b>	<b>7.872.012</b>	<b>7.694.453</b>

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

## 8.7 NOTES TO THE ANNUAL FINANCIAL STATEMENTS ENDED DECEMBER 31, 2005

### 1. CORPORATE INFORMATION

HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A. (hereinafter referred to as the “Company” or “FORTHnet”), was incorporated in Greece in November 1995 (Government Gazette 6718/27.11.95) as a société anonyme by the Technology and Research Foundation and Minoan Lines S.A.

The Company’s registered office is in Vassilika Vouton, Iraklion, Crete, while its administrative headquarters are in Athens at 4 Atthidon Street, 176 71 Kallithea. The life of the Company, according to its Articles of Incorporation, has been determined to be 20 years from the date of its incorporation with a possible extension permitted following a decision of the General Meeting of the Company’s Shareholders.

The Company’s principal activities, in accordance with paragraph 3 of its Articles of Incorporation, are the provision of telecommunications services and electronic information systems, the development and use of any telecommunications and network technique and infrastructure in Greece and overseas and the development of any other associated activity.

The Company has been granted a general license with respect to the provision of telecommunications services by the Greek Telecommunications and Postal Commission (‘EETT’). Its license also includes the provision of Data Network and Internet services, as well as data and voice unification services for intra company networks and closed groups of users. Also, in accordance with the decision No. 198/11.12.2000 of the plenary assembly of EETT, FORTHnet was granted a special license regarding the installation of a Public Wire Telecommunications Network. An amendment of the above granted special license followed, so that the provision of public fixed voice telephony service is included therein, in accordance with the decision No. 214/23 of the plenary assembly of EETT, dated April 20, 2001. Based on the aforementioned amendment, EETT, with its decision 215/43/02.05.2001, granted FORTHnet the Access Selection Code 1789, through which it provides public fixed voice telephony.

Effective October 2000, FORTHnet’s shares were listed on the Athens Stock Exchange.

The accompanying consolidated financial statements include the financial statements of FORTHnet and its subsidiaries, Mediterranean Broadband Assess S.A., Forth CRS S.A. and Telemedicine Technologies S.A. (the “Group”).

In accordance with the decision No. 203/10.01.2001 of the plenary assembly of EETT, Mediterranean Broadband Access S.A. was granted a special license regarding the installation, application and use of a Public Telecommunications Wireless Network and the provision of Fixed Public Voice Telephony services.

Forth CRS S.A.’s principle activities are to provide integrated tourism services through the research, development, use and sale of modern, high convergent technological electronic products and services for the distribution and management of tourism material, such as reservations, ticketing and other related material, produced by entities such as shipping companies, airlines and other transportation enterprises, hotel enterprises, promotion and entertainment enterprises, enterprises relating to sports, hospitals and all other electronic reservation organizations.

Telemedicine Technologies S.A.’s principle activities is to create, implement and sell services and products associated with the acquisition, transmission and dissemination of information, particularly electronically, in the health sector. The company aims to implement and sell services in the health sector, with emphasis on business-to-business medical services.

The Group’s average number of employees for the year ended December 31, 2005, amounted to 637 while that of the Company to 579. At December 31, 2004, the respective number of employees were 612 for the Group and 557 for the Company.

## 2. BASIS OF PRESENTATION

- (a) **Basis of Preparation of Financial Statements:** The accompanying consolidated financial statements have been prepared under the historical cost convention except for available for sale financial assets that have been measured at fair value and they comply with International Financial Reporting Standards (“IFRS”).

The accompanying consolidated financial statements have been prepared in accordance with IFRS for the first time, by applying IFRS 1 “First-time Adoption of International Financial Reporting Standards” with the transition date being January 1, 2004. In accordance with IFRS 1, the Group has elected not to apply retrospectively IFRS 3, “Business Combinations”, to business combinations that occurred prior to the date of transition to IFRSs but adopted IAS 22 for all acquisitions which occurred between January 1, 2001, up to and including December 31, 2003. Business combinations occurring after the date of transition to IFRS have been accounted for in accordance with IFRS 3.

Also the Group adopted IFRS 2 “Share based Payment” which was issued on February 19, 2004, relating to stock options which were granted to employees and the members of the Board of Directors after November 7, 2002 and had not matured through as of the date of the issuance of IFRS 2.

- (b) **First Time Adoption of International Financial Reporting Standards:** According to European Union legislation 1600/2002 and based on Law 3229/2004 (as amended by Law 3301/2004), Greek companies listed on any Stock Exchange (in Greece or abroad) are required to prepare their statutory financial statements from fiscal years beginning on or after January 1, 2005, onwards, in accordance with IFRS. Based on IFRS 1 and the aforementioned Greek legislation, the above mentioned companies are obliged to present comparative financial statements for at least one year (December 31, 2004).

- (c) **New Standards and Interpretations:** The International Accounting Standards Board, as well as the IFRIC, have already issued a number of new accounting standards and interpretations whose application is mandatory for the periods beginning January 1, 2006, onwards (except if mentioned otherwise below). The Group’s assessment regarding the effect of these new standards and interpretations is as follows:

- **IFRS 6: Explorations and Evaluation of mineral reserves:** Not applicable for the Group and will not affect the financial statements.
- **IFRS 7: Financial Instruments Disclosures:** This standard is in mandatory force for the periods starting from January 1, 2007 and onwards. It is not expected to affect significantly the Group’s financial statements. The standard requires mainly additional disclosures regarding financial instruments.
- **IFRIC 3: Emission Rights:** This interpretation was later withdrawn by the International Accounting Standards Board. It does not apply to the Group and will not affect the financial statements.
- **IFRIC 4: Determining whether an arrangement contains a lease:** The application of the Interpretation 4 is not expected to alter the accounting treatment of any of the Group’s contracts in force.
- **IFRIC 5: Right to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds:** Not applicable for the Group and will not affect the financial statements.
- **IFRIC 6: Liabilities arising from participating in a specific market – waste, electrical and electronic equipment:** Not applicable for the Group and will not affect the financial statements.
- **IFRIC 7: Applying the restatement approach under IAS 29 financial reporting hyperinflationary economies:** Not applicable for the Group and will not affect the financial statements.
- **IFRIC 8: Scope of IFRS 2:** Will not affect the financial statements of the Group.

- (d) **Approval of Financial Statements:** The Board of Directors of FORTHnet approved the separate and consolidated financial statements for the year ended December 31, 2005, on March 10, 2006.

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

### 3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the accompanying financial statements are as follows:

- (a) **Basis of Consolidation:** The accompanying consolidated financial statements include the financial statements of FORTHnet and all subsidiaries where FORTHnet has control. All subsidiaries (companies in which the Group has direct or indirect ownership of 50% of more voting interest or has the power to control the Board of the investees) have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. Where necessary, accounting policies for subsidiaries have been revised to ensure consistency with the policies adopted by the Group.

No retrospective application of IFRS 3 has been applied to business combinations that occurred prior to January 1, 2001. Any goodwill arising on such business combinations (before January 1, 2001) has been deducted from equity as allowed under Greek generally accepted accounting principles ("Greek GAAP"). IAS 22 has been adopted for all acquisition from January 1, 2001, up to and including December 31, 2003. Business combinations arising after January 1, 2001, have been accounted for using the purchase method of accounting that measures the assets and liabilities acquired at their fair value at acquisition date in accordance with IAS 22 for all acquisitions between January 1, 2001 and December 31, 2003 and in accordance with IFRS 3 for acquisitions after January 1, 2004. For business combinations occurring after January 1, 2001, the purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition. Minority interests have been stated at the minority's proportion of the fair values of the identifiable assets and liabilities at the date of acquisition.

Acquisitions of minority interests, effectively representing step acquisitions made after obtaining control of an entity, are accounted for by recognising the reduction in minority interest based on the carrying amount of equity at the date of acquisition. Any excess of amounts paid over the percentage of the carrying amount of equity acquired are recognized as goodwill. Any deficit of amounts paid over the percentage of the carrying amount of equity acquired is recognised directly in equity as negative goodwill. Investments in subsidiaries in the separate financial statements are accounted for at cost less any accumulated impairment.

- (b) **Investments in Associates:** The Group's investments in other entities in which it exercises significant influence are accounted for using the equity method. Under this method the investment in associates is recognized at cost and subsequently increased or decreased to recognize the investor's share of the profit or loss of the associate, changes in the investor's share of other changes in the associate's equity, distributions received and any impairment in value. The consolidated statements of income reflect the Group's share of the results of operations of the associate. Investments in associates in the separate financial statements are accounted for at cost less any accumulated impairment.
- (c) **Foreign Currency Translation:** The Group's measurement as well as reporting currency is the Euro. Transactions involving other currencies are converted into Euro using the exchange rates, which were 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 remeasurements are reflected in the accompanying statements of income. Gains or losses resulting from transactions are also reflected in the accompanying statements of income.

- (d) **Property, Plant and Equipment:** Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Repairs and maintenance costs are expensed as incurred. Significant improvements are capitalized to the cost of the related asset if such improvements increase the life of the asset, increase its production capacity or improve its efficiency. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement and any gain or loss is included in the statements of income.
- (e) **Depreciation:** Depreciation is computed based on the straight-line method at rates, which approximate average useful lives. The rates used are as follows:

<u>Classification</u>	<u>Annual Rates</u>
Buildings	2.5%
Installations on buildings	10%-11%
Machinery:	
- Network equipment (internet and fixed telephony)	15%
- Network support equipment (LMDS)	10%
- Fibre-optic network	6.67%
Transportation assets	10%
Computer hardware	30%
Furniture and other equipment	12.50%

- (f) **Goodwill:** Goodwill is the difference between the purchase price and the fair value of the asset acquired. No retrospective application of IFRS 3 has been applied to business combinations that occurred prior to January 1, 2001. Goodwill arising from business combinations prior to January 1, 2001, has been deducted from equity as permitted under Greek GAAP. IAS 22 has been adopted on all acquisitions from January 1, 2001, up to and including December 31, 2003. Goodwill on acquisitions that occurred after January 1, 2001, is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Following initial recognition, goodwill is amortised on a straight-line basis over its useful economic life which has been estimated at ten (10) years. Goodwill on acquisitions after January 1, 2004, is not amortised. This is also applicable to goodwill which is carried on the balance sheet as at January 1, 2004. For this reason, in accordance with IAS 22, goodwill carried on the balance sheet at January 1, 2004, is not amortised but is reviewed for impairment when events or changes in circumstances indicate that its carrying value may not be recoverable.
- (g) **Intangible Assets:** Intangible assets include costs of purchased and internally generated software and various licences. Purchased intangible assets acquired separately are capitalised at cost while those acquired from a business combination are capitalised at fair value at the date of acquisition. Internally generated software includes costs such as payroll, materials and services used and any other expenditure directly incurred in developing computer software and in bringing the software into its intended use.

Intangible assets of the Group's subsidiary, Mediterranean Broadband Access S.A., includes the cost of a license for the provision of Fixed Wireless Access Telecommunications. The license was awarded in accordance with the decision No. 203 of EETT for a term of fifteen (15) years at a cost of approximately € 8.5 million. The license is being amortized over a period of thirteen (13) years, representing the remaining period of use from the year that the network was operational.

Amortisation of intangible assets is computed based on the straight-line method at rates, which approximate average useful lives. The rates used are as follows:

<u>Classification</u>	<u>Annual Rates</u>
Software	30%
Fixed wireless access license	7.69%
Reputation and customer base	20%-50%

- (h) **Research and Development Costs:** Research costs are expensed as incurred. Development expenditure is mainly incurred for developing software. Costs incurred for the development of an individual project are recognized as an intangible asset only when the requirements of IAS 38 "Intangible Assets" are met. Following initial recognition, development expenditure is carried at cost until the asset is ready for its intended use at which time all costs incurred for that asset are transferred to intangible assets or machinery and are amortised over their average useful lives.
- (i) **Impairment of Assets:** With the exception of goodwill and other intangible assets with indefinite useful life which is tested for impairment on an annual basis, the carrying values of other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Whenever the carrying value of an asset exceeds its recoverable amount an impairment loss is recognised in the statement of income. The recoverable amount is measured as the higher of net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental selling costs, while value in use is the present value of estimated future cash flows expected to arise from continuing use of the asset and from its disposal at the end of its useful life. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.
- (j) **Investments:** All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments which are classified as held for trading and available for sale are measured at fair value. Gains or losses on investments held for trading are recognised in the statement of income. Gains or losses on available for sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income. For investments that are actively traded in organised financial markets, fair value is determined by reference to market prices at the balance sheet date. For investments where there is no quoted market price, fair value is determined based on the expected cash flows of the underlying net asset base of the investment.

- (k) **Financial Assets and Liabilities:** The financial assets and liabilities reflected on the balance sheet include cash and cash equivalents, trade and other accounts receivable, investments and short and long-term liabilities.

These accounts are presented as assets, liabilities or components of equity based on the substance and the contents of the related contractual agreements from which they are derived. Interest, dividends, profit or losses which result from financial assets or liabilities are recognized as income or expenses, respectively. The distribution of dividends to shareholders is reflected directly in equity. Financial assets and liabilities are set-off

when the Company has the legal right and the intention to do so (between the parties). The Company does not use financial instruments to either hedge risks or for speculation purposes.

- (l) **Inventories:** Inventories are stated at the lower of cost or net realizable value. Cost is determined based on a first-in, first-out method. Net realisable 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. A reserve is established when such items are determined to be obsolete or slow moving.
- (m) **Trade and Other Accounts Receivables:** Trade accounts receivable, which generally have 30-120 day payment terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection is no longer probable. The provision for doubtful debts is charged to the statement of income. Bad debts are written-off against the established reserve when identified.
- (n) **Cash and Cash Equivalents:** The Group considers time deposits and other highly liquid investments with original maturity of three months or less, to be cash equivalents.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash at hand and in banks and of cash and cash equivalents as defined above.

- (o) **Borrowing Costs:** Borrowing costs are recognised as an expense in the period in which they are incurred in accordance with the benchmark treatment of IAS 23 "Borrowing Costs".
- (p) **Long-Term Liabilities:** All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.
- (q) **Stock Options:** The cost of the employee stock option plans which is their fair value on the date exercised by the employees is charged to the statement of income over the vesting period with an equivalent credit to shareholders equity (Other Reserves).
- (r) **Leases:** Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, at the fair value of the leased item, or if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the estimated useful life of the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income.

- (s) **Government Grants:** The Group obtains grants from the European Union in order to fund specific projects for the acquisition of tangible and intangible assets. Grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants relating to assets are recognised as deferred income and amortised in accordance with the useful life of the related asset.

When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

- (t) **Provisions and Contingencies:** Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle this obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the present value of the expenditure expected to be required to settle the obligation.

When the effect of 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, where appropriate the risks specific to the liability.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

- (u) **Income Taxes (Current and Deferred):** Current and deferred income taxes are computed based on the separate financial statements of each of the entities included in the consolidated financial statements, in accordance with the tax rules in force in Greece or other tax jurisdictions in which entities operate. Income tax expense consists of income taxes for the current year based on each entity's profits as adjusted in its tax returns, additional income taxes resulting from the audits of the tax authorities and deferred income taxes, using substantively enacted tax rates. Deferred income taxes are provided using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences:



- Except where the deferred income tax liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

- Except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future and there will be available taxable profit which will be used against temporary differences.

Deferred tax assets are 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 income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

For transactions recognised directly in equity, any related tax effects are also recognised directly in equity and not in the statement of income.

- (v) **Revenue Recognition:** Revenue is accounted for on an accrual basis and is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues mainly consist of fixed telephony usage charges, internet access services and internet data services.

Unbilled revenues from the billing cycle dating to the end of each month are estimated based on airtime and are accrued at the end of the month.

Revenues from the sale of pre-paid airtime telephony cards, net of discounts allowed, are recognized based on usage.

Revenues from internet services (Dial Up, ADSL, Leased Lines, etc.) are recognized at the time such services are provided to subscribers - customers.

Billed revenue which has been deferred and will be recognized as income in subsequent periods amounted to € 5,096,002 and € 4,050,328, respectively.

Unbilled revenues (mainly voice telephony) for the Group and the Company at December 31, 2005 and 2004, amounted to € 4,700,196 and € 2,789,958 and € 4,516,447 and € 2,789,423, respectively.

- (w) **Earnings/(Loss) per Share:** Basic earnings/(loss) per share are computed by dividing net income/(loss) attributable to the shareholders of the parent by the weighted average number of shares outstanding during each year. Diluted earnings/(loss) per share amounts are calculated by dividing the net income/(loss) attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding each year as adjusted for the effects of dilutive options.
- (x) **Treasury Shares:** Treasury shares are presented as a separate component of equity at acquisition cost. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is recognized directly in equity.
- (y) **Reserve for Staff Retirement Indemnities:** Staff retirement obligations are calculated at the discounted value of the future retirement benefits deemed to have accrued at year-end, based on the employees earning retirement benefit rights steadily throughout the working period. The reserve for retirement obligations is calculated on the basis of financial and actuarial assumptions detailed in Note 29 and are determined using the projected unit credit actuarial valuation method. Net pension costs for the period are included in payroll in the accompanying statements of income and consist of the present value of benefits earned in the year, interest cost on the benefit obligation, prior service cost, actuarial gains or losses and the cost of additional pension charges. Past service costs are recognized on a straight-line basis over the average period until the benefits under the plan become vested.

Unrecognized actuarial gains or losses are recognized over the average remaining service period of active employees and included as a component of net pension cost for a year if, as of the beginning of the year it exceeds 10% of the projected benefit obligation. The retirement benefit obligations are not funded.

- (z) **Segment Reporting:** The Group mainly provides telecommunications services and operates in Greece. Due to the nature of the services provided and the manner in which they are marketed to customers, the chief operating decision makers operate and manage the business as one business segment. Accordingly, no operating results by individual or group of services are produced and neither are the Group's assets and liabilities analysed by the various services provided. As a result, the Group does not present segment information.
- (aa) **Dividend Distribution:** Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.
- (ab) **Previously Published Results:** The Group and the Company decided to adjust certain amounts relating to the first time adoption balance sheet as at January 1, 2004, which has been published together with its interim financial statements of 2005. The accompanying financial statements are the first complete set of financial statements which are prepared in accordance with IFRS. The relevant adjustments were made with retrospective effect to the periods in which they related.

The accumulated affect of the adjustments which relate to the periods prior to January 1, 2004, were recorded against beginning shareholders equity as of the above date.

As a result, the first time adoption balance sheet as at January 1, 2004, the balance sheet as at December 31, 2004, as well as the profit/(loss) after taxes for the fiscal year 2004 have been adjusted as compared to those included in the interim financial statements which were published during the quarters of 2005.

The effect of the above mentioned adjustments to shareholders equity and the net profit/(loss) has as follows:

	Shareholders Equity excluding Minority Interest		Net profit/ (loss)
	January 1, 2004	December 31, 2004	December 31, 2004
<b>The Group</b>			
Balances as previously published	48,422,076	50,240,237	472,184
<b>Adjustments:</b>			
Additional provision for staff retirement indemnities net of deferred income taxes	(82,567)	(124,877)	(42,310)
<b>Total</b>	<b>48,339,509</b>	<b>50,115,360</b>	<b>429,874</b>
<b>The Company</b>			
Balances as previously published	55,274,421	51,661,084	2,157,086
<b>Adjustments:</b>			
Additional provision for staff retirement indemnities net of deferred income taxes	(65,330)	(202,048)	(136,719)
<b>Total</b>	<b>55,209,091</b>	<b>51,459,036</b>	<b>2,020,367</b>

#### 4. TRANSITION TO I.F.R.S.

For the preparation of the financial statements in accordance with IFRS, the previously published Greek GAAP accounts have been appropriately adjusted.

	<b>The Group</b>		<b>The Company</b>	
	<b>31.12.2004</b>	<b>01.01.2004</b>	<b>31.12.2004</b>	<b>01.01.2004</b>
<b>Equity at beginning of periods excluding minority interests, (1/1/2004 and 31/12/2004) in accordance with Greek GAAP</b>	<b>65,210,501</b>	<b>62,802,983</b>	<b>66,137,477</b>	<b>68,790,426</b>
Write off of preoperating expenses and intangible assets	(7,203,501)	(10,167,360)	(6,067,997)	(7,858,525)
Effect from the recalculation of depreciation based on useful life of related fixed assets	(7,233,897)	(4,300,089)	(5,056,196)	(2,763,309)
Recognition of deferred income taxes	6,805,300	7,423,003	5,599,993	5,069,911
Adjustment for deferred income	(4,050,328)	(3,734,682)	(4,050,328)	(3,734,682)
Recognition of liabilities (capitalized leases)	(709,895)	(1,334,336)	(709,895)	-
Impairment in cost of associates	(872,997)	(871,797)	(1,629,253)	(1,594,411)
Adjustment to reserve for staff retirement indemnities (based on actuarial valuation)	222,102	171,180	202,391	97,580
Adjustment of provision for doubtful debts	(2,320,000)	(2,440,000)	(2,200,000)	(2,350,000)
Goodwill recognized	707,648	776,989	-	-
Other	439,573	13,618	(767,156)	(447,899)
<b>Equity at end of periods excluding minority interests (1/1/2004 and 31/12/2004) in accordance with IFRS</b>	<b>50,115,360</b>	<b>48,339,509</b>	<b>51,459,036</b>	<b>55,209,091</b>

The differences in the inflows and outflows reflected in the accompanying cash flow for the period January 1, 2004 to December 31, 2004, in comparison with the respective cash flow which was prepared in accordance with Greek GAAP, is due to non-cash items included therein and the different interpretation of cash and cash equivalents.

The reconciliation of the balance sheet at January 1, 2004, between IFRS and Greek GAAP has as follows:

	The Group			The Company		
	01.01.2004 Greek GAAP	Effect from conversion to IFRS	01.01.2004 (Based on IFRS)	01.01.2004 Greek GAAP	Effect from conversion to IFRS	01.01.2004 (Based on IFRS)
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	51,663,862	1,403,137	53,066,999	38,143,886	1,303,227	39,447,113
Intangible assets	26,973,286	(14,320,761)	12,652,525	13,121,639	(10,803,029)	2,318,610
Goodwill	-	776,989	776,989	-	-	-
Investments in subsidiaries	-	-	-	33,720,511	(1,694,943)	3,025,068
Investments in associates	491,350	(446,850)	44,500	454,616	(407,851)	46,765
Other non current assets	155,125	(468)	154,657	46,262	-	46,262
Available for sale financial assets	-	231,895	231,895	-	195,161	195,161
Deferred income taxes	-	7,423,003	7,423,003	-	5,069,911	5,069,911
<b>Total non-current assets</b>	<b>79,283,623</b>	<b>(4,933,055)</b>	<b>74,350,568</b>	<b>85,486,914</b>	<b>(6,337,524)</b>	<b>79,149,390</b>
<b>Current Assets</b>						
Inventories	838,109	(676,846)	161,263	73,451	-	73,451
Trade accounts receivables	23,541,665	(395,319)	23,146,346	18,228,862	682,334	18,911,197
Prepayments and other receivables	7,197,027	(3,853,063)	3,343,964	5,109,943	(3,687,151)	1,422,792
Financial assets held for trading	361,196	(115,383)	245,813	358,129	(114,784)	243,345
Cash and cash equivalents	7,129,376	(41,316)	7,088,060	5,683,575	-	5,683,575
<b>Total current assets</b>	<b>39,067,373</b>	<b>(5,081,927)</b>	<b>33,985,446</b>	<b>29,453,960</b>	<b>(3,119,601)</b>	<b>26,334,359</b>
<b>TOTAL ASSETS</b>	<b>118,350,996</b>	<b>(10,014,982)</b>	<b>108,336,014</b>	<b>114,940,874</b>	<b>(9,457,125)</b>	<b>105,483,749</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity attributable to the shareholders of the parent</b>						
Share capital	19,499,850	-	19,499,850	19,499,850	-	19,499,850
Share premium	50,549,540	(1,900,220)	48,649,320	50,549,540	(1,900,220)	48,649,320
Treasury shares	122,446	(244,892)	(122,446)	122,446	(244,892)	(122,446)
Other reserves	2,509,238	180,157	2,689,395	1,764,174	309,485	2,073,659
Accumulated losses	(3,728,891)	(18,647,719)	(22,376,610)	(3,145,584)	(11,745,708)	(14,891,292)
Consolidation differences	(6,149,200)	6,149,200	-	-	-	-
	<b>62,802,983</b>	<b>(14,463,474)</b>	<b>48,339,509</b>	<b>68,790,426</b>	<b>(13,581,335)</b>	<b>55,209,091</b>
Minority interests	900,305	(608,300)	292,005	-	-	-
<b>Total equity</b>	<b>63,703,288</b>	<b>(15,071,774)</b>	<b>48,631,514</b>	<b>68,790,426</b>	<b>(13,581,335)</b>	<b>55,209,091</b>
<b>Non- Current Liabilities</b>						
Long-term loans	17,333,352	(130,112)	17,203,240	14,000,000	2,970,562	16,970,562
Finance lease obligations	-	709,895	709,895	-	-	-
Other long-term liabilities	7,117,900	(1,386,123)	5,731,777	7,132,503	(3,428,583)	3,703,920
Reserve for staff retirement indemnities	722,924	(171,180)	551,744	485,456	(97,580)	387,876
Provisions	60,744	(60,744)	-	12,814	(12,814)	-
Government grants	-	599,522	599,522	-	514,402	514,402
<b>Total non-current liabilities</b>	<b>25,234,920</b>	<b>(438,742)</b>	<b>24,796,178</b>	<b>21,630,773</b>	<b>(54,013)</b>	<b>21,576,760</b>
<b>Current Liabilities</b>						
Trade accounts payable	16,487,134	3,005,271	19,492,405	13,920,224	1,725,699	15,645,923
Short-term borrowings	3,431,754	(209,454)	3,222,300	3,004,598	-	3,004,598
Current portion of interest bearing long-term loans	5,156,010	24,559	5,180,569	4,000,000	525,757	4,525,757
Deferred income	-	3,734,682	3,734,682	-	3,734,682	3,734,682
Short-term portion of finance lease obligations	-	624,441	624,441	-	-	-
Income tax payable	-	341,498	341,498	-	-	-
Accrued and other current liabilities	4,337,890	(2,025,463)	2,312,427	3,594,853	(1,807,915)	1,786,938
<b>Total current liabilities</b>	<b>29,412,788</b>	<b>5,495,534</b>	<b>34,908,322</b>	<b>24,519,675</b>	<b>4,178,223</b>	<b>28,697,898</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>118,350,996</b>	<b>(10,014,982)</b>	<b>108,336,014</b>	<b>114,940,874</b>	<b>(9,457,125)</b>	<b>105,483,749</b>

The reconciliation of the balance sheet at December 31, 2004, between IFRS and Greek GAAP has as follows:

	The Group			The Company		
	31.12.2004 Greek GAAP	Effect from conversion to IFRS	31.12.2004 (Based on IFRS)	31.12.2004 Greek GAAP	Effect from conversion to IFRS	31.12.2004 (Based on IFRS)
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	58,057,469	(3,473,376)	54,584,093	44,162,744	(1,295,678)	42,867,066
Intangible assets	21,662,404	(10,964,022)	10,698,382	11,965,259	(9,828,515)	2,136,744
Goodwill	-	707,648	707,648	-	-	-
Investments in subsidiaries	-	-	-	22,533,611	(756,255)	21,777,356
Investments in associates	1,220,017	(1,176,717)	43,300	1,189,417	(1,144,917)	44,500
Other non current assets	137,159	8,696	145,855	55,148	-	55,148
Available for sale financial assets	-	303,720	303,720	-	273,120	273,120
Deferred income taxes	-	6,805,300	6,805,300	-	5,599,993	5,599,993
<b>Total non-current assets</b>	<b>81,077,049</b>	<b>(7,788,751)</b>	<b>73,288,298</b>	<b>79,906,179</b>	<b>(7,152,252)</b>	<b>72,753,927</b>
<b>Current Assets</b>						
Inventories	261,140	-	261,140	183,596	-	183,596
Trade accounts receivables	23,497,571	(426,770)	23,070,801	23,696,855	379,291	24,076,146
Prepayments and other receivables	8,013,049	(5,750,779)	2,262,270	7,322,856	(6,465,479)	857,377
Financial assets held for trading	261,589	7,662	269,251	260,960	7,662	268,622
Cash and cash equivalents	8,321,219	-	8,321,219	7,694,453	-	7,694,453
<b>Total current assets</b>	<b>40,354,568</b>	<b>(6,169,887)</b>	<b>34,184,681</b>	<b>39,158,720</b>	<b>(6,078,526)</b>	<b>33,080,394</b>
<b>TOTAL ASSETS</b>	<b>121,431,617</b>	<b>(13,958,638)</b>	<b>107,472,979</b>	<b>119,064,899</b>	<b>(13,230,778)</b>	<b>105,834,121</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity attributable to the shareholders of the parent</b>						
Share capital	19,885,000	-	19,885,000	19,885,000	-	19,885,000
Share premium	49,710,479	(224,352)	49,486,127	49,710,479	(224,352)	49,486,127
Other reserves	2,482,433	210,429	2,692,862	1,802,720	267,472	2,070,192
Accumulated losses	(5,887,779)	(16,060,850)	(21,948,629)	(5,260,722)	(14,721,561)	(19,982,283)
Consolidation differences	(979,632)	979,632	-	-	-	-
	<b>65,210,501</b>	<b>(15,095,141)</b>	<b>50,115,360</b>	<b>66,137,477</b>	<b>(14,678,441)</b>	<b>51,459,036</b>
Minority interests	365,225	(73,345)	291,880	-	-	-
<b>Total equity</b>	<b>65,575,726</b>	<b>(15,168,486)</b>	<b>50,407,240</b>	<b>66,137,477</b>	<b>(14,678,441)</b>	<b>51,459,036</b>
<b>Non- Current Liabilities</b>						
Long-term loans	12,222,072	(91,437)	12,130,635	12,222,072	(91,437)	12,130,635
Finance lease obligations	-	-	-	-	-	-
Other long-term liabilities	6,075,152	(2,180,132)	3,895,020	6,080,849	(2,006,164)	4,074,685
Reserve for staff retirement indemnities	882,457	(222,102)	660,355	824,756	(202,391)	622,365
Provisions	1,071,981	(1,071,981)	-	1,070,611	(1,070,611)	-
Government grants	-	445,665	445,665	-	382,283	382,283
<b>Total non-current liabilities</b>	<b>20,251,662</b>	<b>(3,119,987)</b>	<b>17,131,675</b>	<b>20,198,288</b>	<b>(2,988,320)</b>	<b>17,209,968</b>
<b>Current Liabilities</b>						
Trade accounts payable	17,355,435	1,165,665	18,521,100	16,208,203	1,212,376	17,420,579
Short-term borrowings	8,628,828	(12,138)	8,616,690	7,300,000	-	7,300,000
Current portion of interest bearing long-term loans	6,052,571	(906,082)	5,146,489	6,052,571	(906,082)	5,146,489
Deferred income	-	4,050,328	4,050,328	-	4,050,328	4,050,328
Short-term portion of finance lease obligations	-	709,895	709,895	-	709,895	709,895
Income tax payable	-	301,055	301,055	-	228,526	228,526
Accrued and other current liabilities	3,567,395	(978,888)	2,588,507	3,168,360	(859,060)	2,309,300
<b>Total current liabilities</b>	<b>35,604,229</b>	<b>4,329,835</b>	<b>39,934,064</b>	<b>32,729,134</b>	<b>4,435,983</b>	<b>37,165,117</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>121,431,617</b>	<b>(13,958,638)</b>	<b>107,472,979</b>	<b>119,064,899</b>	<b>(13,230,778)</b>	<b>105,834,121</b>

The reconciliation of the income statement for the year ended December 31, 2004, between Greek GAAP and IFRS has as follows:

	The Group			The Company		
	01.01.2004- 31.12.2004 (Greek GAAP)	Effect from conversion to IFRS	01.01.2004 31.12.2004 (Based on IFRS)	01.01.2004- 31.12.2004 (Greek GAAP)	Effect from conversion to IFRS	01.01.2004 - 31.12.2004 (Based on IFRS)
Revenues	80,513,935	49,711	80,563,646	76,068,116	(43,842)	76,024,274
Cost of sales	(51,539,100)	(2,932,867)	(54,471,967)	(50,650,409)	(301,325)	(50,951,734)
<b>Gross Margin</b>	<b>28,974,835</b>	<b>(2,883,156)</b>	<b>26,091,679</b>	<b>25,417,707</b>	<b>(345,167)</b>	<b>25,072,540</b>
Other income	903,397	(309,277)	594,120	962,793	(316,939)	645,854
Selling, general, administrative, research and development expenses	(25,509,094)	1,486,614	(24,022,480)	(21,707,318)	(51,014)	(21,758,332)
<b>Profit/(loss) from operations</b>	<b>4,369,138</b>	<b>(1,705,819)</b>	<b>2,663,319</b>	<b>4,673,182</b>	<b>(713,120)</b>	<b>3,960,062</b>
Financial income / (expenses), net	(1,316,720)	(174,051)	(1,490,771)	(1,217,849)	(130,794)	(1,348,642)
Exceptional gain / (losses), net	(1,481,656)	1,481,656	-	(1,277,975)	1,277,975	-
<b>Profit / (loss) before income taxes</b>	<b>1,570,762</b>	<b>(398,214)</b>	<b>1,172,548</b>	<b>2,177,359</b>	<b>434,061</b>	<b>2,611,420</b>
Income taxes	(378,959)	(363,715)	(742,674)	(358,618)	(232,435)	(591,053)
<b>Net profit / (loss)</b>	<b>1,191,803</b>	<b>(761,929)</b>	<b>429,879</b>	<b>1,818,741</b>	<b>201,626</b>	<b>2,020,367</b>
<b>Attributable to:</b>						
Equity holders of the parent	1,192,423	(741,936)	450,487	1,818,741	201,626	2,020,367
Minority interests	(620)	(19,993)	(20,613)	-	-	-
	<b>1,191,803</b>	<b>(761,929)</b>	<b>429,874</b>	<b>1,818,741</b>	<b>201,626</b>	<b>2,020,367</b>

The adjustments recorded to convert the statement of income from Greek GAAP to IFRS are analyzed as follows:

	The Group	The Company
<b>Net results after taxes and minority interests in accordance with Greek GAAP</b>	<b>1,192,423</b>	<b>1,818,741</b>
<b>Adjustments :</b>		
Differences mainly relating to the depreciation of tangible and intangible assets	(960,914)	(162,177)
Recognition of deferred income taxes	(617,703)	(530,082)
Deferred income adjustment	(315,646)	(315,646)
Recognition of liabilities (capitalized leases)	525,078	525,078
Reversal of inventory write-off's	449,818	449,818
Discounting of liabilities	(130,092)	(130,092)
Adjustment for staff retirement indemnities (based on actuarial valuation)	50,922	104,811
Adjustment of provision for doubtful debts	120,000	150,000
Reversal of additional income taxes	253,988	253,988
Effective interest rate adjustment	(38,865)	(38,865)
Reversal of results from sale of treasury shares	22,506	22,506
Impairment of investments	-	(31,377)
Other	(101,028)	(96,336)
<b>Total adjustments</b>	<b>(741,936)</b>	<b>201,626</b>
<b>Net result after taxes and minority interests in accordance with IFRS.</b>	<b>450,487</b>	<b>2,020,367</b>



## 5. REVENUES

Revenues in the accompanying financial statements are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Operating Revenues:</b>				
Fixed telephone (Voice)	53,899,704	49,205,243	53,899,704	49,205,243
Internet Access	14,644,496	11,241,825	14,644,496	10,683,459
Internet Leased Lines	6,995,352	7,090,598	6,995,352	7,006,431
Data Connectivity Services	2,537,103	2,519,943	2,537,103	2,519,943
LMDS	2,451,913	1,741,684	2,451,913	1,741,684
Data Center Services	1,523,465	1,059,738	1,523,465	1,059,738
Interactive Marketing	2,675,233	1,435,118	2,675,233	1,435,118
Services Forth CRS	2,697,689	2,217,438	-	-
Other revenues from services	3,503,789	3,470,519	3,009,557	2,078,187
Sales of equipment and consumables	630,707	581,540	222,375	294,471
<b>Total Operating Revenues</b>	<b>91,559,451</b>	<b>80,563,646</b>	<b>87,959,198</b>	<b>76,024,274</b>
<b>Other Income:</b>				
Government grants	1,319,892	534,219	912,109	495,810
Other	634,052	59,901	698,474	150,044
<b>Total Other Income</b>	<b>1,953,944</b>	<b>594,120</b>	<b>1,610,583</b>	<b>645,854</b>
<b>Total Revenues</b>	<b>93,513,395</b>	<b>81,157,766</b>	<b>89,569,781</b>	<b>76,670,128</b>

## 6. PAYROLL COST

Payroll cost in the accompanying financial statements are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Wages and salaries	13,080,313	12,493,086	11,590,256	10,847,289
Social security costs	3,250,650	3,125,987	2,858,097	2,613,304
Staff retirement indemnities (Note 29)	269,472	342,635	247,132	302,975
Other staff costs	218,650	229,977	196,552	169,752
<b>Total</b>	<b>16,819,085</b>	<b>16,191,685</b>	<b>14,892,037</b>	<b>13,933,320</b>
<b>Less: amounts capitalized</b>	<b>(1,251,968)</b>	<b>(500,438)</b>	<b>(933,937)</b>	<b>(209,296)</b>
<b>Payroll expense (Note 9)</b>	<b>15,567,117</b>	<b>15,691,247</b>	<b>13,958,100</b>	<b>13,724,024</b>

## 7. DEPRECIATION AND AMORTIZATION

Depreciation and amortization in the accompanying financial statements are analyzed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2005	2004	2005	2004
Depreciation on buildings	451,722	432,677	444,173	418,832
Depreciation on network equipment (Voice)	2,866,235	2,256,400	2,866,235	2,470,583
Depreciation on network equipment (other)	5,146,496	4,414,625	3,778,906	3,240,561
Depreciation on transportation equipment	6,336	3,509	5,120	2,490
Depreciation on furniture and equipment	1,071,613	1,254,810	858,889	877,804
<b>Depreciation on property, plant and equipment (Note 12)</b>	<b>9,542,402</b>	<b>8,362,021</b>	<b>7,953,323</b>	<b>7,010,270</b>
Amortization on fixed wireless access license	659,218	659,218	-	-
Amortization on software and other intangible assets	1,392,761	2,000,879	1,030,176	1,130,202
<b>Amortization on intangible assets (Note 13)</b>	<b>2,051,979</b>	<b>2,660,097</b>	<b>1,030,176</b>	<b>1,130,202</b>
<b>Depreciation and amortization (Note 9)</b>	<b>11,594,381</b>	<b>11,022,118</b>	<b>8,983,499</b>	<b>8,140,472</b>

## 8. FINANCIAL INCOME / (EXPENSES), NET

Financial income (expenses), net in the accompanying financial statements is analyzed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2005	2004	2005	2004
Interest on long-term borrowings (Note 23)	(686,167)	(895,437)	(686,167)	(895,437)
Interest on short-term borrowings (Note 23)	(660,750)	(335,120)	(570,732)	(236,100)
Finance charges paid under finance leases	(154,534)	(136,009)	(149,105)	(48,098)
Interest on services related to the acquisition of Internet Hellas S.A.	(112,845)	(130,092)	(112,845)	(130,092)
Interest on promissory notes	-	(152,374)	-	(152,374)
Other financial costs	(130,984)	(27,289)	(125,800)	(22,018)
<b>Total financial expenses</b>	<b>(1,745,280)</b>	<b>(1,676,321)</b>	<b>(1,644,649)</b>	<b>(1,484,119)</b>
Interest earned on cash at banks and on time deposits (Note 19)	53,289	98,562	50,258	92,635
Other financial income	51,724	88,188	51,469	42,842
<b>Total financial income</b>	<b>105,013</b>	<b>186,750</b>	<b>101,727</b>	<b>135,477</b>
<b>Total financial income/(expenses), net</b>	<b>(1,640,267)</b>	<b>(1,489,571)</b>	<b>(1,542,922)</b>	<b>(1,348,642)</b>



## 9. ANALYSIS OF EXPENSES

Expenses (selling, general, administrative, research and development) in the accompanying financial statements are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Payroll and related costs (Note 6)	15,567,117	15,691,247	13,958,100	13,724,024
Third party fees and services	7,970,912	5,931,601	6,964,300	4,802,634
Rentals	1,228,365	1,131,772	537,562	380,000
Commissions on sales	3,160,129	2,692,130	3,141,634	1,887,106
Repairs and maintenance	2,149,822	2,311,494	1,862,340	1,665,657
Interconnection fees (Voice)	30,596,340	24,500,226	30,596,340	24,500,226
Leased lines (Voice)	2,439,723	1,390,069	2,439,723	1,390,069
Other telecommunications costs	7,915,504	5,505,519	11,002,173	8,932,233
Taxes and duties	534,335	486,686	467,313	423,269
Sundry expenses	1,116,833	935,614	962,867	850,906
Advertising and promotion costs	4,516,309	5,036,398	4,436,191	4,876,544
Depreciation and amortisation (Note 7)	11,594,381	11,022,118	8,983,499	8,140,472
Allowance for doubtful accounts receivable (Note 17)	1,250,000	1,159,500	1,200,000	850,000
Cost of sales of inventory and consumables	1,524,093	700,073	961,645	286,926
<b>Total expenses</b>	<b>91,563,863</b>	<b>78,494,447</b>	<b>87,513,687</b>	<b>72,710,066</b>

The above expenses are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Cost of sales	64,654,130	54,471,967	62,185,395	50,951,734
Selling and distribution expenses	19,813,632	15,361,970	18,773,267	13,902,173
Administrative expenses	5,720,540	7,536,369	5,179,464	6,732,018
Research and development costs	1,375,561	1,124,141	1,375,561	1,124,141
	<b>91,563,863</b>	<b>78,494,447</b>	<b>87,513,687</b>	<b>72,710,066</b>

## 10. INCOME TAXES

In accordance with tax regulations, the corporate tax rate is applied by societe anonymes for fiscal year 2005 is 32% (35% through December 31, 2004).

In November 2004, a new tax act was approved whereby the corporate tax rate for companies will be gradually reduced from 35% to 25%. Specifically for fiscal years 2005 and 2006, the tax rate is reduced to 32% and 29%, respectively and from fiscal year 2007 and onwards it is further reduced to 25%.

The provision for income taxes which is reflected in the accompanying financial statements is analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Current income taxes	21,291	124,971	-	20,050
Deferred income taxes	1,413,938	617,703	1,410,466	571,003
<b>Income taxes reflected in the statements of income</b>	<b>1,435,229</b>	<b>742,674</b>	<b>1,410,466</b>	<b>591,053</b>

FORTHnet and its subsidiary, Forth CRS S.A, have not been audited by the tax authorities for the fiscal years 2003 through 2005. In addition, the absorbed subsidiaries, Hellas Net International Distribution Systems S.A. and Internet Hellas S.A. have not been audited by the tax authorities for the fiscal years 2003 and 2004 and 1999 through 2004, respectively.

The subsidiary, Mediterranean Broadband Access S.A., has not been audited by the tax authorities since inception (fiscal year 2001) while the subsidiary, Telemedicine Technologies S.A., which is located abroad has no unaudited tax years.

In a future tax audit of the unaudited tax years it is possible that additional taxes and penalties will be assessed to FORTHnet and to its subsidiaries. The Group believes that they have provided adequate provision for probable future tax assessments based upon previous years' tax examinations and past interpretations of the tax laws.

It is noted that the tax authorities are currently auditing FORTHnet for fiscal years 2003 and 2004 as well as the unaudited tax years of the absorbed subsidiaries, Hellas Net International Distribution Systems S.A. and Internet Hellas S.A., referred to above, in accordance with the audit mandate No. 671/30.6.2005. In addition, the tax authorities are also auditing FORTHnet's subsidiary's, Mediterranean Broadband Access S.A., unaudited tax years from inception through 2004, in accordance with the audit mandate No. 1109/2005.

The reconciliation of the provision for income taxes to the amount determined by the application of the Greek statutory tax rate to pretax income, is summarized as follows:

	December 31,	
	2005	2004
<b><u>The Group</u></b>		
<b>Profit before tax</b>	<b>321,365</b>	<b>1,172,548</b>
Income tax calculated at nominal applicable tax rate (32% and 35%, respectively)	102,837	410,392
Tax effect of non tax deductible expenses and non taxable income	236,026	209,282
Tax losses for which no deferred income tax asset was recognized	29,507	-
Utilisation of previously unrecognized tax losses	-	(1,529,165)
Reversal of deferred income tax on previously recognized tax losses	844.663	-
Tax effect of change in tax rates	222,196	1,652,165
<b>Income tax reported in the statements of income</b>	<b>1,435,229</b>	<b>742,674</b>

	December 31,	
	2005	2004
<b><u>The Company</u></b>		
<b>Profit before tax</b>	<b>513,172</b>	<b>2,611,420</b>
Income tax calculated at nominal applicable tax rate (32% and 35%, respectively)	164,215	913,997
Tax effect of non tax deductible expenses and non taxable income	220,085	164,542
Tax losses for which no deferred income tax asset was recognized	29,507	-
Utilisation of previously unrecognized tax losses	-	(1,529,165)
Reversal of deferred income tax on previously recognized tax losses	844.663	-
Tax effect of change in tax rates	151,996	1,041,679
<b>Income tax reported in the statements of income</b>	<b>1,410,466</b>	<b>591,053</b>

Greek tax laws and regulations are subject to interpretations by the tax authorities. 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 taxpayer and a final assessment is issued. Tax losses, to the extent accepted by the tax authorities, can be used to offset profits of the five fiscal years following the fiscal year to which they relate.

On December 31, 2005, the Company had accumulated tax losses of approximately € 3.3 million for which it has not recognized a related deferred income tax asset.

The movement of the deferred income taxes is as follows:

	December 31,	
	2005	2004
<b><u>The Group</u></b>		
Beginning balance	6,805,300	7,423,003
Charge to the statement of income	(1,413,938)	(617,703)
Ending balance	<u>5,391,362</u>	<u>6,805,300</u>
	December 31,	
	2005	2004
<b><u>The Company</u></b>		
Beginning balance	5,599,993	5,069,911
Charge to the statement of income	(1,410,466)	(571,003)
Business combinations (absorptions)	-	1,101,085
Ending balance	<u>4,189,527</u>	<u>5,599,993</u>

Deferred income tax assets and liabilities are disclosed in the accompanying balance sheets as follows:

	December 31,	
	2005	2004
<b><u>The Group</u></b>		
<b>Deferred income tax assets</b>		
Deferred costs	2,195,993	3,200,603
Deferred income	-	1,296,105
Staff retirement indemnities	208,025	165,089
Tax loss carryforwards	800,000	844,663
Property, plant and equipment	2,047,850	1,225,749
Other	185,354	128,297
<b>Gross deferred income tax assets</b>	<u>5,437,222</u>	<u>6,860,506</u>
<b>Deferred income tax liabilities</b>		
Other	(45,860)	(55,206)
<b>Net deferred income tax asset</b>	<u>(5,391,362)</u>	<u>(6,805,300)</u>
	December 31,	
	2005	2004
<b><u>The Company</u></b>		
<b>Deferred income tax assets</b>		
Deferred costs	1,960,351	2,642,896
Deferred income	-	1,296,105
Staff retirement indemnities	196,125	155,591
Tax loss carryforwards	800,000	844,663
Property, plant and equipment	1,268,358	565,018
Other	10,553	150,926
<b>Gross deferred income tax assets</b>	<u>4,235,387</u>	<u>5,655,199</u>
<b>Deferred income tax liabilities</b>		
Other	(45,860)	(55,206)
<b>Net deferred income tax asset</b>	<u>4,189,527</u>	<u>5,599,993</u>

## 11. SUBSIDIARIES AND ASSOCIATES - GOODWILL

FORTHnet's subsidiaries which are included in the accompanying consolidated financial statements are as follows:

Name	Country of Incorporation	Equity Interest		As at	
		2005	2004	December 31, 2005	December 31, 2004
Mediterranean Broadband Access S.A.	Kallithea, Attica, Greece	100.00%	100.00%	18,604,420	18,604,420
Forth CRS S.A.	P. Faliro, Attica, Greece	99.31%	90.71%	3,139,169	2,858,455
Telemedicine Technologies S.A.	Paris, France	94.40%	94.40%	314,481	314,481
				<b>22,058,070</b>	<b>21,777,356</b>

### Mediterranean Broadband Access S.A.:

Mediterranean Broadband Access S.A. ("MBA") was incorporated in November 2000 by FORTHnet and Telecom Italia S.A. FORTHnet participated in the newly founded company with an interest stake of 40% for a cash consideration of € 4,695,525. The Extraordinary General Assembly of Shareholders of MBA of November 15, 2001, approved the increase of MBA's share capital by € 5,869,406. This amount was fully paid by FORTHnet in April 2002, thus increasing its participation to 60%. Accordingly, the Group ceased to account for MBA using the equity method and begun consolidating MBA from the date of this transaction.

On October 29, 2003, FORTHnet purchased Telecom Italia S.A.'s minority interest stake of 40% for a cash consideration of € 7,043,290. In accordance with the decision of the Board of Directors of November 23, 2005, MBA is to be absorbed by FORTHnet in accordance with Law 2166/93 and Law 2190/20.

### Forth CRS S.A.:

In March 2000, Forth CRS S.A. ("Forth CRS") was incorporated in Greece by FORTHnet with a 70% interest stake. The cost of the investment amounted to € 616,288. On June 8, 2001, FORTHnet acquired an additional 1.35% of the voting shares in Forth CRS for a cash consideration of € 164,343.

On December 5, 2001, FORTHnet paid an amount of € 73,373 in order to acquire an additional 3.6% of the voting shares. This acquisition was completed on April 30, 2002.

In June 2002, Forth CRS fully absorbed Terratec Electronic Products and Services S.A. Following this absorption, FORTHnet's interest stake in Forth CRS was increased by 6.26%.

Additionally, on November 28, 2002, FORTHnet acquired an additional 9.5% of the voting shares for a cash consideration of € 724,885 out of which, the amount of € 316,948 had been paid in 2001.

On November 24, 2005, FORTHnet acquired an additional 7.30% of the voting shares for a cash consideration of € 230,582 and on December 22, 2005, acquired a further 1.30% for € 50,132. Thus its participation of 90.71% at December 31, 2004, increased to 99.31% at December 31, 2005.

### Telemedicine Technologies S.A.:

Telemedicine Technologies S.A. ("Telemedicine") was incorporated in March 2000 by FORTHnet with a 45.63% interest stake. The cost of the investment amounted to € 370,696. In early 2002, FORTHnet acquired an additional 46.57% interest stake in Telemedicine for a cash consideration of € 377,360 (the amount was paid within 2001). As a result, FORTHnet's equity stake was increased to 92.2%, and accordingly, the Group ceased to account for Telemedicine using the equity method and begun consolidating Telemedicine from the date of this transaction.

The extraordinary Assembly of Shareholders of Telemedicine of January 26, 2004, approved the increase of Telemedicine's share capital by € 322,680. As the minority shareholders did not participate in this capital increase, FORTHnet's interest stake increased by 2.2% to reach 94.4%.

### Internet Hellas S.A.:

On December 30, 2003, FORTHnet purchased 100% of the voting shares of Internet Hellas S.A. ("Internet Hellas") for a total consideration of € 3,100,675. According to the agreement, the consideration was to be settled through either (a) the issuance of convertible bonds (procedures for the issuance of the bonds should have been initiated by April 2004) or (b) the provision of services (internet and fixed line network services, connection, data-center, etc.). Through April 2004, the issuance of bonds was not achieved and, consequently, FORTHnet will provide the agreed services during the fiscal years 2004, 2005 and 2006 with a possible extension to 2007. The provision of services commenced in 2005. The net present value of the services to be provided amounts to € 2,790,242. In June 2004, Internet Hellas was fully absorbed by FORTHnet based on the absorption balance sheet as at March 31, 2004.

### Hellas Net International Distribution Systems S.A.:

Hellas Net International Distribution Systems S.A. ("Hellas Net") was founded in February 1995. In December 1999, FORTHnet acquired 75% of the share capital of Hellas Net for a cash consideration of € 5,722,671. On February 27, 2003, FORTHnet purchased the remaining interest stake of 25% from Isonet S.A. for an amount of € 375,042. The consideration was settled by setting-off payables of Isonet S.A. to Hellas Net.

In March 2004, FORTHnet fully absorbed Hellas Net with the absorption balance sheet at March 31, 2004 and the absorption was approved by the Board of Directors of Hellas Net on June 1, 2004.

Associates in which FORTHnet has an interest therein are as follows:

	Registered Office	Equity Interest		Balance	
		December 31,		December 31,	
		2005	2004	2005	2004
Forth e-com S.A.	Thessaloniki, Greece	45.00%	45.00%	-	-
Athlonet S.A.	Kallithea, Attica, Greece	44.00%	44.00%	55,400	43,300
				<b>55,400</b>	<b>43,300</b>

**Forth e-com Transbalkan Centre of Electronic Commerce S.A.:** Forth e-com Transbalkan Centre of Electronic Commerce S.A. ("Forth e-com") is involved in the research, development, promotion and distribution through electronic trading.

**Athlonet S.A.:** Athlonet S.A.'s principle activities is the provision of information regarding sports with electronic and other means.

The following table illustrates summarized information of the investment in Forth e-com:

	December 31,	
	2005	2004
<b>Share of associate's balance sheet:</b>		
Current assets	67,976	51,837
Non - current assets	111,248	49,197
Current liabilities	(195,077)	(169,636)
Non - current liabilities	(882)	(58)
<b>Net assets/(liabilities)</b>	<b>(16,735)</b>	<b>(68,660)</b>
<b>Share of associate's revenue and profit/(loss):</b>		
Revenue	6,183	14,671
Loss for the year	(121,436)	(61,060)
<b>Carrying amount of the investment</b>	<b>-</b>	<b>-</b>

The following table illustrates summarized information of the investment in Athlonet S.A.:

	December 31,	
	2005	2004
<b>Share of associate's balance sheet:</b>		
Current assets	68,914	41,687
Non - current assets	2,151	19,757
Current liabilities	(15,665)	(18,144)

Net assets	55,400	43,300
Share of associate's revenue and Profit/(loss):		
Revenue	191,686	34,644
Profit/(loss) for the year	12,100	(1,200)
Carrying amount of investment	55,400	43,300

Goodwill in the accompanying consolidated balance sheet is analyzed as follows:

	December 31,	
	2005	2004
MBA	596,185	596,185
Forth CRS	26,619	6,748
Telemedicine	251,384	251,384
	874,188	854,317
Less: Amortisation	(146,669)	(146,669)
Net Book Value	727,519	707,648

## 12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements for the Group and the Company is analyzed as follows:

	Land	Buildings	Machinery	Transportation Means	Furniture & Other Equipment	Construction in Progress (CIP)	Total
<b>THE GROUP COST</b>							
At January 1, 2004	1,137,589	8,614,965	48,339,063	36,249	5,844,284	4,042,645	68,014,795
Additions	-	100,057	8,437,828	28,189	725,216	153,014	9,444,304
Transfers from CIP	-	-	3,576,184	-	-	(3,141,373)	434,811
At December 31, 2004	1,137,589	8,715,022	60,353,075	64,438	6,569,500	1,054,286	77,893,910
Additions	-	90,506	12,731,866	1,652	1,453,008	4,172,042	18,449,074
Transfers from CIP	-	152,168	592,033	-	-	(424,469)	319,732
Disposals	-	-	(44,747)	(4,082)	(47,611)	-	(96,440)
At December 31, 2005	1,137,589	8,957,696	73,632,227	62,008	7,974,897	4,801,859	96,566,276
<b>DEPRECIATION</b>							
At January 1, 2004	-	(1,135,510)	(10,776,229)	(7,631)	(3,028,426)	-	(14,947,796)
Depreciation expense	-	(432,677)	(6,671,025)	(3,509)	(1,254,810)	-	(8,362,021)
At December 31, 2004	-	(1,568,187)	(17,447,254)	(11,140)	(4,283,236)	-	(23,309,817)
Depreciation expense	-	(451,722)	(8,012,731)	(6,336)	(1,071,613)	-	(9,542,402)
Disposals	-	-	10,598	-	46,166	-	56,764
At December 31, 2005	-	(2,019,909)	(25,449,387)	(17,476)	(5,308,683)	-	(32,795,455)
<b>NET BOOK VALUE</b>							
At January 1, 2004	1,137,589	7,479,455	37,562,834	28,618	2,815,858	4,042,645	53,066,999
At December 31, 2004	1,137,589	7,146,835	42,905,821	53,298	2,286,264	1,054,286	54,584,093
At December 31, 2005	1,137,589	6,937,787	48,182,840	44,532	2,666,214	4,801,859	63,770,821
<b>THE COMPANY COST</b>							
At January 1, 2004	1,137,589	8,233,660	37,971,362	19,639	3,794,623	333,934	51,490,807
Additions	-	92,633	5,956,326	31,566	563,463	236,860	6,880,848
Business combinations	-	356,414	5,223,335	-	658,833	-	6,238,582
Transfers from CIP	-	-	1,127,745	-	(1,650)	(473,338)	652,757
Disposals (intercompany)	-	-	(498,520)	-	(67,066)	-	(565,586)

<b>At December 31, 2004</b>	<b>1,137,589</b>	<b>8,682,707</b>	<b>49,780,248</b>	<b>51,205</b>	<b>4,948,203</b>	<b>97,456</b>	<b>64,697,408</b>
Additions	-	31,787	9,324,048	-	853,996	4,556,256	14,766,087
Transfers from CIP	-	152,168	319,732	-	-	(152,168)	319,732
Disposals	-	-	(44,747)	-	(47,611)	-	(92,358)
<b>At December 31, 2005</b>	<b>1,137,589</b>	<b>8,866,662</b>	<b>59,379,281</b>	<b>51,205</b>	<b>5,754,588</b>	<b>4,501,544</b>	<b>79,690,869</b>
<b>DEPRECIATION</b>							
<b>At January 1, 2004</b>	<b>-</b>	<b>(1,004,373)</b>	<b>(9,407,429)</b>	<b>(4,717)</b>	<b>(1,627,175)</b>	<b>-</b>	<b>(12,043,694)</b>
Depreciation expense	-	(418,832)	(5,711,144)	(2,490)	(877,804)	-	(7,010,270)
Business combinations	-	(121,279)	(2,606,434)	-	(443,920)	-	(3,171,633)
Disposals	-	-	331,077	-	64,178	-	395,255
<b>At December 31, 2004</b>	<b>-</b>	<b>(1,544,484)</b>	<b>(17,393,930)</b>	<b>(7,207)</b>	<b>(2,884,721)</b>	<b>-</b>	<b>(21,830,342)</b>
Depreciation expense	-	(444,173)	(6,645,141)	(5,120)	(858,889)	-	(7,953,323)
Disposals	-	-	10,598	-	46,370	-	56,968
<b>At December 31, 2005</b>	<b>-</b>	<b>(1,988,657)</b>	<b>(24,028,473)</b>	<b>(12,327)</b>	<b>(3,697,240)</b>	<b>-</b>	<b>(29,726,697)</b>
<b>NET BOOK VALUE</b>							
<b>At January 1, 2004</b>	<b>1,137,589</b>	<b>7,229,287</b>	<b>28,563,933</b>	<b>14,922</b>	<b>2,167,448</b>	<b>333,934</b>	<b>39,447,113</b>
<b>At December 31, 2004</b>	<b>1,137,589</b>	<b>7,138,223</b>	<b>32,386,318</b>	<b>43,998</b>	<b>2,063,482</b>	<b>97,456</b>	<b>42,867,066</b>
<b>At December 31, 2005</b>	<b>1,137,589</b>	<b>6,878,005</b>	<b>35,350,809</b>	<b>38,878</b>	<b>2,057,348</b>	<b>4,501,544</b>	<b>49,964,172</b>

There is no property, plant and equipment that has been pledged as security. The title of the capitalized leased assets has been retained by the lessor. The net book value of the Company's capitalized leased assets at December 31, 2005 and 2004, amounted to € 4,367,588 and € 879,960, respectively. For the Group the related amounts are € 4,535,311 at December 31, 2005 and € 879,960 at December 31, 2004.

### 13. INTANGIBLE ASSETS

Intangible assets in the accompanying financial statements for the Group and the Company are analyzed as follows:

<b>THE GROUP</b>	<b>Purchased Software</b>	<b>Internally Generated Software</b>	<b>Licenses</b>	<b>Intangibles Under Development</b>	<b>Total</b>
<b><u>COST</u></b>					
<b>At January 1, 2004</b>	<b>4,013,838</b>	<b>2,136,144</b>	<b>9,588,084</b>	<b>715,076</b>	<b>16,453,142</b>
Additions	464,016	41,452	-	711,818	1,217,286
Transfers from intangibles under development	219,597	102,458	-	(756,866)	(434,811)
Disposals	(76,521)	-	-	-	(76,521)
<b>At December 31, 2004</b>	<b>4,620,930</b>	<b>2,280,054</b>	<b>9,588,084</b>	<b>670,028</b>	<b>17,159,096</b>
Additions	1,017,255	278,675	-	323,411	1,619,341
Transfers from intangibles under development	250,454	-	-	(570,186)	(319,732)
Disposals	(38,000)	-	(64,006)	-	(102,006)
<b>At December 31, 2005</b>	<b>5,850,639</b>	<b>2,558,729</b>	<b>9,524,078</b>	<b>423,253</b>	<b>18,356,699</b>
<b><u>AMORTISATION</u></b>					
<b>At January 1, 2004</b>	<b>(2,003,861)</b>	<b>(894,922)</b>	<b>(901,834)</b>	<b>-</b>	<b>(3,800,617)</b>
Amortisation expense	(1,403,111)	(597,768)	(659,218)	-	(2,660,097)
<b>At December 31, 2004</b>	<b>(3,406,972)</b>	<b>(1,492,690)</b>	<b>(1,561,052)</b>	<b>-</b>	<b>(6,460,714)</b>
Amortisation expense	(1,149,289)	(13,072)	(889,618)	-	(2,051,979)
<b>At December 31, 2005</b>	<b>(4,556,261)</b>	<b>(1,505,762)</b>	<b>(2,450,670)</b>	<b>-</b>	<b>(8,512,693)</b>
<b><u>NET BOOK VALUE</u></b>					
<b>At January 1, 2004</b>	<b>2,009,977</b>	<b>1,241,222</b>	<b>8,686,250</b>	<b>715,076</b>	<b>12,652,525</b>
<b>At December 31, 2004</b>	<b>1,213,958</b>	<b>787,364</b>	<b>8,027,032</b>	<b>670,028</b>	<b>10,698,382</b>
<b>At December 31, 2005</b>	<b>1,294,378</b>	<b>1,052,967</b>	<b>7,073,408</b>	<b>423,253</b>	<b>9,844,006</b>

<b>THE COMPANY</b>	<b>Purchased Software</b>	<b>Internally Generated Software</b>	<b>Licenses</b>	<b>Intangibles Under Development</b>	<b>Total</b>
<b><u>COST</u></b>					
<b>At January 1, 2004</b>	<b>3,230,690</b>	<b>103,644</b>	<b>-</b>	<b>861,781</b>	<b>4,196,115</b>
Additions	464,015	-	-	112,358	576,373
Business combinations	2,305,852	-	840,000	-	3,145,852
Transfers from intangibles under development	1,650	-	-	(654,407)	(652,757)
Disposals	(446,823)	-	-	-	(446,823)
<b>At December 31, 2004</b>	<b>5,555,384</b>	<b>103,644</b>	<b>840,000</b>	<b>319,732</b>	<b>6,818,760</b>
Additions	902,413	234,620	-	-	1,137,033
Transfers from intangibles under construction	-	-	-	(319,732)	(319,732)
Disposals	(38,000)	-	-	-	(38,000)
<b>At December 31, 2005</b>	<b>6,419,797</b>	<b>338,264</b>	<b>840,000</b>	<b>-</b>	<b>7,598,061</b>
<b><u>AMORTISATION</u></b>					
<b>At January 1, 2004</b>	<b>(1,773,863)</b>	<b>(103,643)</b>	<b>-</b>	<b>-</b>	<b>(1,877,506)</b>
Amortisation expense	(1,130,202)	-	-	-	(1,130,202)
Business combinations	(1,976,177)	-	(144,600)	-	(2,120,777)
Disposals	446,469	-	-	-	446,469
<b>At December 31, 2004</b>	<b>(4,433,773)</b>	<b>(103,643)</b>	<b>(144,600)</b>	<b>-</b>	<b>(4,682,016)</b>
Amortisation expense	(786,704)	(13,072)	(230,400)	-	(1,030,176)
<b>At December 31, 2005</b>	<b>(5,220,477)</b>	<b>(116,715)</b>	<b>(375,000)</b>	<b>-</b>	<b>(5,712,192)</b>
<b><u>NET BOOK VALUE</u></b>					
<b>At January 1, 2004</b>	<b>1,456,827</b>	<b>1</b>	<b>-</b>	<b>861,781</b>	<b>2,318,609</b>
<b>At December 31, 2004</b>	<b>1,121,611</b>	<b>1</b>	<b>695,400</b>	<b>319,732</b>	<b>2,136,744</b>
<b>At December 31, 2005</b>	<b>1,199,320</b>	<b>221,549</b>	<b>465,000</b>	<b>-</b>	<b>1,885,869</b>

There are no intangible assets that have been pledged as security. The net book value of the Company's and Group's capitalized leased intangible assets at December 31, 2005 and 2004, amounted to € 1,027 and € 24,282, respectively.



#### 14. AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Shares – unlisted	326,325	303,720	290,625	273,120
	<b>326,325</b>	<b>303,720</b>	<b>290,625</b>	<b>273,120</b>

Available for sale financial assets consist of investments in ordinary shares, and therefore, have no fixed maturity or coupon rate.

#### 15. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Shares – listed	-	269,251	-	268,622
	<b>-</b>	<b>269,251</b>	<b>-</b>	<b>268,622</b>

Gains and losses on disposals and changes in fair value of the above assets are reflected in financial income/(expenses), net in the accompanying statements of income.

#### 16. INVENTORIES

Inventories in the accompanying financial statements are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Merchandise	433,143	201,462	414,864	183,596
Consumables	54,106	59,678	-	-
	<b>487,249</b>	<b>261,140</b>	<b>414,864</b>	<b>183,596</b>

#### 17. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable in the accompanying financial statements are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Domestic customers	25,521,218	18,216,006	25,675,244	19,308,849
Foreign customers	1,264,959	1,490,057	1,208,401	1,451,526
Accounts payable due to state owned companies	1,447,424	1,329,402	1,447,424	1,329,402
Cheques and notes receivable	3,970,857	2,566,748	3,359,733	2,396,946
Unbilled revenue	4,700,196	2,789,958	4,516,447	2,789,423
	<b>36,904,654</b>	<b>26,392,171</b>	<b>36,207,249</b>	<b>27,276,146</b>
Less: Allowance for doubtful accounts receivable	(4,571,370)	(3,321,370)	(4,400,000)	(3,200,000)
	<b>32,333,284</b>	<b>23,070,801</b>	<b>31,807,249</b>	<b>24,076,146</b>

The movement in the allowance for doubtful accounts receivable is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Beginning balance</b>	<b>3,321,370</b>	<b>2,488,485</b>	<b>3,200,000</b>	<b>2,350,000</b>
Provision (Note 9)	1,250,000	1,159,500	1,200,000	850,000
Utilisation	-	(326,615)	-	-
<b>Ending balance</b>	<b>4,571,370</b>	<b>3,321,370</b>	<b>4,400,000</b>	<b>3,200,000</b>

## 18. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables in the accompanying financial statements are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Receivables due from the Greek State	491,002	182,245	210,952	155,973
Prepaid expenses	1,718,019	566,964	1,479,901	450,116
Value added tax receivable	120,080	380,479	109,967	-
Advances to personnel	40,945	184,054	33,058	33,096
Advances to suppliers	807,824	257,015	1,378,784	-
Other debtors	292,059	691,513	123,002	218,192
	<b>3,469,929</b>	<b>2,262,270</b>	<b>3,335,664</b>	<b>857,377</b>

## 19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Cash in hand	41,904	23,845	40,914	21,633
Cash at banks	3,628,738	3,597,374	3,331,098	2,972,820
Time deposits	4,500,000	4,700,000	4,500,000	4,700,000
	<b>8,170,642</b>	<b>8,321,219</b>	<b>7,872,012</b>	<b>7,694,453</b>

Cash at banks earns interest at floating rates based on monthly bank deposit rates. Interest earned on cash at banks and time deposits is accounted for on an accrual basis and for the year ended December 31, 2005, amounted to € 53,289 and € 50,258 for the Group and the Company, respectively, (for the year ended December 31, 2004, € 98,562 and € 92,635 for the Group and the Company, respectively) and is included in financial income/(expenses), net in the accompanying statements of income.

## 20. SHARE CAPITAL

FORTHnet's ordinary share capital at incorporation amounted to GRD 250,000,000 (€ 733,676) divided into 250,000 ordinary registered shares of GRD 1,000 (€ 2.93) par value each. Following a number of share capital increases and the Company's listing on the Athens Stock Exchange in October 2000, FORTHnet's ordinary share capital as at January 1, 2001, amounted to GRD 5,922,000,000 (€ 17,379,310) divided into 14,805,000 ordinary shares of GRD 400 (€ 1.17) par value each.

Following the decisions of Shareholders' General Meetings through December 31, 2003, the Company's ordinary share capital amounted to € 19,499,850 divided into 16,525,297 ordinary shares of € 1.18 par value each.

Following the decision of the Board of Directors meeting dated December 30, 2004, 326,398 shares were issued at an exercise price of € 3.76 for the options exercised under the Group's employee stock option plan. This resulted in an increase in share capital of € 385,150 while the resulting surplus on the above transactions of € 842,107, net of issuance expenses and related deferred tax, was recorded in the share premium account. As a result, the Company's ordinary share capital as at December 31, 2004, amounted to € 19,885,000 divided into 16,851,695 ordinary shares of € 1.18 par value each.

Following the Board of Directors decision of December 21, 2005, 277,497 shares were issued at an exercise price of € 3.30, for the options exercised under the Group's employee stock option plan. This resulted in an increase in share capital of €

327,447, while the resulting surplus on the above transactions of € 588,294, net of issuance expenses and related deferred tax was recorded in the share premium account. As a result, the Company's ordinary share capital as at December 31, 2005, amounted to € 20,212,447 divided into 17,129,192 ordinary shares of € 1.18 par value each.

## 21. OTHER RESERVES

Other reserves are analyzed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2005	2004	2005	2004
Legal reserve	118,940	118,940	94,031	94,031
Tax-free reserves	1,862,148	1,862,148	1,853,715	1,853,715
Special reserves	640,474	640,474	122,446	122,446
Reserve for employee stock option plan	397,616	-	397,616	-
Other	71,300	71,300	-	-
<b>Total reserve</b>	<b>3,090,478</b>	<b>2,692,862</b>	<b>2,467,808</b>	<b>2,070,192</b>

**Legal Reserve:** Under Greek corporate law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a legal reserve, until such reserve equals one-third of the paid-in share capital. This reserve cannot be distributed through the life of the corporation.

**Tax Free Reserve:** Tax-free and specially taxed reserves represent interest income which is either free of tax or a 15% tax has been withheld at source. This income is not taxable, assuming there are adequate profits from which respective tax-free reserves can be established. According to the Greek tax regulations, this reserve is exempt from income tax, provided it is not distributed to shareholders. The Group has no intention of distributing this reserve and, accordingly, has not provided for deferred income tax that would be required in the event the reserve is distributed.

**Special Reserve:** Under the Greek corporate law, corporations may establish a special reserve without a particular purpose after the decision of the shareholders at their Annual General Meeting or if required by its Articles of Association. The special reserve has been created from non-distributed prior year after tax profits.

## 22. DIVIDENDS

Under Greek corporate law, companies are required each year to declare and pay from statutory profits dividends of at least 35% of after-tax profit, after allowing for the legal reserve, or a minimum of 6% of the paid-in share capital, whichever is greater. A dividend of an amount less than 35% of after tax profit and after allowing for the legal reserve, but greater than 6% of paid-in share capital can be declared and paid with 100% affirmative vote of all shareholders.

Furthermore, Greek corporate law requires certain conditions to be met before dividends can be distributed, which are as follows:

- No dividends can be distributed to the shareholders as long as a company's net equity, as reflected in the statutory financial statements, is, or after such distribution, will be less than the outstanding capital plus non-distributable reserves.
- No dividends can be distributed to the shareholders as long as the unamortized balance of "Pre-operating Expenses", as reflected in the statutory financial statements, exceeds the aggregate of distributable reserves plus retained earnings.

No dividends were paid during the year ended December 31, 2004. Also, due to accumulated losses no dividend distribution is being proposed for the year ended December 31, 2005.

## 23. LONG-TERM AND SHORT-TERM BORROWINGS

### a) Long-term loans:

Long-term loans for the Group and the Company at December 31, 2005 and 2004, are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Syndicated bank loan	-	13,943,772	-	13,943,772
Long-term loan	-	3,333,352	-	3,333,352
Bond loan	33,531,684	-	33,531,684	-
	<b>33,531,684</b>	<b>17,277,124</b>	<b>33,531,684</b>	<b>17,277,124</b>
<b>Less current portion:</b>				
- Syndicated bank loan	-	(4,035,370)	-	(4,035,370)
- Long-term loan	-	(1,111,119)	-	(1,111,119)
<b>Current portion</b>	<b>-</b>	<b>(5,146,489)</b>	<b>-</b>	<b>(5,146,489)</b>
<b>Long-term portion</b>	<b>33,531,684</b>	<b>12,130,635</b>	<b>33,531,684</b>	<b>12,130,635</b>

### Syndicated Bank Loan:

In April 2002, FORTHnet entered into a loan agreement with a consortium of banks for a principal amount of € 20 million. The loan was obtained to finance the acquisition of network equipment, support and capacity systems in order to materialize the fixed wireless access network. It is repayable in ten semi-annual equal installments, the first of which was paid on November 17, 2003 and bears interest at the six-month Euribor plus a margin 1.5% and mandatory costs (0.6% at the date of the agreement). The loan was initially recognized at cost (€ 20 million), being the fair value of the consideration received net of issue costs (€ 233 thousands) associated with the borrowing.

The loan agreement contains events of default including, among others, (i) failure to make payments under the loan agreement or to third parties, (ii) breach of other obligations under the loan agreement, (iii) cessation or expropriation of business, (iv) default in any of FORTHnet's other debt obligations, (v) usage of the loan for purposes other than those contained in the agreement and, (vi) material deterioration of FORTHnet's financial position. Upon the occurrence of an Event of Default, the facility agent may, and shall if so directed by a majority of the banks, declare that an Event of Default has occurred, terminate the commitment under the loan, and declare all or any amounts under the loan to be due and payable.

The loan agreement also contains financial covenants including requirements to maintain certain ratios of liabilities to equity (excluding intangible assets), current assets to current liabilities and EBITDA to interest expense. These ratios are computed by the facility agent on the basis of the quarterly statutory financial statements. Furthermore, in the case of the semi-annual and annual statutory financial statements, certified auditors must opine on (a) the aforementioned ratios, (b) that there is no case of an Event of Default and, (c) that there are no liens or encumbrances on FORTHnet's assets.

Furthermore, FORTHnet has, under the loan agreement, undertaken certain obligations/ restrictions the most important of which are (i) to furnish financial information to the Agent, (ii) payment of liabilities towards state authorities, (iii) restrictions on disposals of assets and / or put liens or encumbrances on them, (iv) restrictions on provisions of loans, other credit facilities or guarantees in favor of third parties or any of its subsidiaries over an amount specified in the agreement, (v) restrictions on FORTHnet's sale or merger and reduction of share capital without the prior consent of the majority of the banks, (vi) insure its assets with an insurance agent approved by the facility agent, (vii) distribution of only the minimum dividends as required by Corporate Law 2190/1920 and, (viii) restriction on changes in the nature of the business and compliance with laws and regulations.

Earlier repayment in full or part is permitted at the change date of each interest period provided that certain conditions specified in the agreement are met. In December 2005, the Company fully repaid the Syndicated bank loan.

### Long-Term Loan:

In December 2003, Internet Hellas, signed a loan agreement for an amount of € 4,444,469. The loan bears interest at the three-month Euribor plus a margin of 1.5%. The loan is repayable in four (4) equal annual installments, the first of which was paid on December 11, 2004. Early repayment in full or part is permitted at an agreed interest cost relating to the period between the agreed date of payment and the date of earlier payment.

The loan contains events of default including (i) restrictions in entering into new loan agreements without the approval of the bank, (ii) restriction on disposals, sale by auction of property, plant and equipment, (iii) restrictions on cessation of business operations without cause, (iv) an obligation to promptly insure and repair fixed assets, (v) a restriction to further burden assets with liens or encumbrances without the prior approval of the bank, (vi) restriction on usage of the loan for different from the agreed purpose, (vii) restrictions on change of the shareholders percentage of participation, (viii) restrictions on the reduction of net equity, (ix) restriction on setting up a new corporation via the contribution of assets and, (x) certain events of insolvency.

Upon the occurrence of an event of default, the bank may unilaterally denounce the loan agreement. Furthermore, Internet Hellas also gave certain undertakings to the bank relating to insuring its assets with an insurance agent approved by the bank within five (5) days from the date of the loan agreement. In December 2005, the Company fully repaid the bank loan.

### Bond Loan:

In December 2005, FORTHnet entered into Bond Loan ("Bond") agreement with a consortium of banks for a principle amount of € 50 million. The purpose of the Bond is the refinancing of existing bank indebtedness and to finance a portion of the Company's capital expenditure.

The main covenants of the Bond have as follows:

- partial issuance of the notes within the next two years in four series,
- each note has a grace period of 18 months and the repayment will be made gradually within the next five years in equal semi-annual installments,
- the Bond bears interest at the six-month Euribor plus a margin ranging between 1.5% to 1.8% (effective rate of 4.5% at December 31, 2005).

Through December 31, 2005, the first two series of the Bond had been drawn-down amounting to € 34 million. The Bond drawn-downs were initially recognized at cost (€ 34 million), being the fair value of the consideration received net of issuance costs (€ 468.3 thousand) associated with the borrowing.

The loan agreement contains covenants and events of default including, among others, (i) insure, throughout the duration of the Bond, its assets against all risks with an insurance agent of its choice, reputable in the Greek market, and does not assign the rights of the insurance contracts, (ii) to provide to the agent by May 15 of each year, the Company's audited financial statements, (iii) to assign to the agent, throughout the duration of the Bond, MBA's 6,340,000 ordinary shares. In case that MBA is absorbed by FORTHnet, the counter parties will release the assignment and return the shares to FORTHnet free of any liens subject to: (a) the absorption will have been duly registered, (b) the completion of the legal transfer of the license to provide fixed wireless voice telephony to FORTHnet, (c) no occurrence of or immanent event of default as defined therein, (vi) to maintain throughout the duration of the loan the financial covenants disclosed below, which are to be computed on an annual basis using the annual audited accounts of FORTHnet:

- EBITDA [Profit/(loss) before taxes, financial income/(expenses), net and depreciation divided by net interest expense (interest expense less interest income)]  $\geq 5$ .
- Total bank debt (Long-term borrowings plus short-term borrowings plus short-term portion of long-term liabilities) divided by EBITDA [profit/(loss) before taxes, financial income/(expenses), net and depreciation]  $\leq 4$ .

The annual principal payments required to be made on all long-term loans subsequent to December 31, 2005 and 2004, for the Group and the Company are as follows:

Maturity	The Group		The Company	
	December 31,		December 31,	
	2005	2004	2005	2004
Within one year	-	5,146,489	-	5,146,489
2-5 years	30,440,769	12,130,635	30,440,769	12,130,635
Over 5 years	3,090,915	-	3,090,915	-
	<b>33,531,684</b>	<b>17,277,124</b>	<b>33,531,684</b>	<b>17,277,124</b>

The total interest expense on long-term debt for the years ended December 31, 2005 and 2004, amounted to € 686,167 and € 895,437, respectively for the Group and the Company and are included in financial income/(expenses), net (Note 8) in the accompanying statements of income.

#### b) Short-term borrowings:

FORTHnet and its subsidiaries, MBA and Telemedicine have short-term borrowings with an annual interest rate of 4% to 5%.

The table below presents the credit lines available to the Group and the Company as well as the utilized portion.

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
- Credit lines available	13,400,000	15,530,000	11,600,000	14,330,000
- Unused portion	(9,688,014)	(6,913,310)	(9,600,000)	(7,030,000)
- Used portion	<b>3,711,986</b>	<b>8,616,690</b>	<b>2,000,000</b>	<b>7,300,000</b>

The total interest expense for short-term borrowings for the years ended December 31, 2005 and 2004, amounted to € 660,750 and € 335,120, respectively, for the Group and to € 570,732 and € 236,100, respectively for the Company and is included in financial income/(expenses), net (Note 8), in the accompanying statements of income.

## 24. FINANCE LEASE OBLIGATIONS

The finance lease obligations relate to:

- Leasing of machinery, equipment and software with a total value of € 2.1 million which is repayable in thirty six (36) equal monthly installments (from December 31, 2002 through December 31, 2005) bearing interest at the three month Euribor plus a margin of 2.5%. As at December 31, 2005, the related liability has been settled.
- Leasing of a building at Antigonis 58, Peristeri, Attica, with a total value of € 2,669,054 (including expenses, taxes, etc.) and is repayable in a hundred and seventy five (175) monthly installments (from August 10, 2005 through February 10, 2020) bearing interest at the three month Euribor plus a margin of 3.5%.
- Leasing of equipment (printers) by the Company's subsidiary, Forth CRS, during 2005 with a total value of € 199,935, with a duration of three years, repayable in equal monthly installments bearing interest at Euribor plus a margin of 2.5%.

The finance lease obligations are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Obligation under finance lease	2,740,408	709,895	2,572,205	709,895
Less: Current portion	(169,353)	(709,895)	(121,991)	(709,895)
<b>Long-term portion</b>	<b>2,571,055</b>	<b>-</b>	<b>2,450,214</b>	<b>-</b>

Future minimum lease payments under the finance lease with the present value of the net minimum lease payments for the Group and the Company as at December 31, 2005 and 2004, are as follows:

	<b>As at December 31, 2005</b>	
	<b>Minimum payments</b>	<b>Present value of payments</b>
<b>THE GROUP</b>		
Within one year	319,157	169,353
After one year but no more than five years	1,449,065	845,560
Over five years	2,158,402	1,725,495
<b>Total minimum lease payments</b>	<b>3,926,625</b>	<b>2,740,408</b>
Less: amounts representing finance charges	(1,186,216)	-
<b>Present value of minimum lease payments</b>	<b>2,740,408</b>	<b>2,740,408</b>

		As at December 31, 2005	
		Minimum payments	Present value of payments
<b>THE COMPANY</b>			
Within one year		264,294	121,991
After one year but no more than five years		1,321,470	724,719
Over five years		2,158,402	1,725,495
<b>Total minimum lease payments</b>		<b>3,744,166</b>	<b>2,572,205</b>
Less: amounts representing finance charges		(1,171,961)	-
<b>Present value of minimum lease payments</b>		<b>2,572,205</b>	<b>2,572,205</b>
		As at December 31, 2004	
		Minimum payments	Present value of payments
<b>THE GROUP</b>			
Within one year		760,450	709,895
<b>Total minimum lease payments</b>		<b>760,450</b>	<b>709,895</b>
Less: amounts representing finance charges		(50,555)	-
<b>Present value of minimum lease payments</b>		<b>709,895</b>	<b>709,895</b>
		As at December 31, 2004	
		Minimum payments	Present value of payments
<b>THE COMPANY</b>			
Within one year		760,450	709,895
<b>Total minimum lease payments</b>		<b>760,450</b>	<b>709,895</b>
Less: amounts representing finance charges		(50,555)	-
<b>Present value of minimum lease payments</b>		<b>709,895</b>	<b>709,895</b>

## 25. TRADE ACCOUNTS PAYABLE

Trade accounts payables in the accompanying financial statements are analyzed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2005	2004	2005	2004
Domestic suppliers	17,175,731	11,951,342	15,807,624	11,162,083
Foreign suppliers	2,737,625	895,388	2,722,484	888,776
Promissory notes	-	2,941,535	-	2,941,535
Post dated cheques payable	2,483,778	2,732,835	2,164,823	2,428,185
	<b>22,397,134</b>	<b>18,521,100</b>	<b>20,694,931</b>	<b>17,420,579</b>

## 26. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities in the accompanying financial statements are analyzed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2005	2004	2005	2004
Social security payable	742,386	717,836	644,331	659,537
Value added tax	56,457	701,171	-	610,462
Other taxes and duties	324,188	373,354	241,993	242,231
Customer advances	1,394,498	402,258	1,371,741	370,919
Other current liabilities	851,951	393,888	505,440	426,151
	<b>3,369,480</b>	<b>2,588,507</b>	<b>2,763,505</b>	<b>2,309,300</b>

## 27. OTHER LONG – TERM LIABILITIES

Other long-term liabilities in the accompanying financial statements are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Liability for the acquisition of Internet Hellas	2,228,055	2,921,010	2,228,055	2,921,010
Other long term liabilities	-	974,010	-	1,153,675
	<b>2,228,055</b>	<b>3,895,020</b>	<b>2,228,055</b>	<b>4,074,685</b>

### *Liability for the acquisition of Internet Hellas:*

As of December 30, 2003, FORTHnet purchased 100% of the shares of Internet Hellas for a total consideration of € 3,100,675. According to the sale and purchase agreement, the consideration would be settled via the issuance of convertible bonds, the issuance of which had to be approved by the Shareholders' General Assembly and by the responsible authorities. FORTHnet had to initiate procedures for issuing the bonds by April 30, 2004. The bonds would have been convertible six months after the responsible authorities' approval of the Shareholders' General Assembly decision.

Since the convertible bonds were not issued through April 2004 and, in accordance with the related agreement, the consideration will be settled via the provision of services (internet and fixed line network services, connectivity, and data center) to the seller or any third party indicated by the seller, during the years 2004, 2005 and 2006 with a possible extension to 2007. The total value of services to be provided, according to the agreement, will be equal to the consideration (or in case that the bonds have been issued but have not been converted within the above time frame, the value of the services will be equal to the consideration plus accumulated interest on the bond).

The sale and purchase agreement include certain undertakings on behalf of the seller, the most important of which are:

- the sellers will be obliged to cover and pay to the buyer any receivables of Internet Hellas as of September 30, 2003, which are outstanding and considered as non-collectible in excess of € 180,000,
- the sellers are obliged to cover any liability arising in the future and relating to the period from Internet Hellas' incorporation up to December 30, 2003, including without limitation, for all types of taxes which may arise from a future tax audit,
- the sellers are obliged to honor certain commercial sales agreements between the seller and Internet Hellas for a period of 12 months from the date of the agreement. In case of resolution, the total consideration may be reduced by the value of services to be provided by Internet Hellas as per the sales agreements and,
- the sellers are obliged not to develop certain types of competitive activities.

## 28. GOVERNMENT GRANTS

Government grants in the accompanying financial statements are analyzed as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Cost:	1,606,851	1,606,851	1,514,051	1,514,051
Accumulated amortization:	(1,402,594)	(1,161,186)	(1,351,630)	(1,131,768)
<b>Net Book Value:</b>	<b>204,257</b>	<b>445,665</b>	<b>162,421</b>	<b>382,283</b>



## 29. RESERVE FOR STAFF RETIREMENT INDEMNITIES

- a) **State Pension:** The Company's employees are covered by one of several Greek State sponsored pension funds. Each employee is required to contribute a portion of their monthly salary to the fund, with the Company also contributing a portion. Upon retirement, the pension fund is responsible for paying the employees retirement benefits. As such, the Company has no legal or constructive obligation to pay future benefits under this plan. The contributions to the pension funds for the years ended December 31, 2005 and 2004, amounted to € 3,250,650 and € 3,125,987, respectively for the Group and € 2,858,097 and € 2,613,304, respectively for the Company.
- b) **Staff Retirement Indemnities:** Under Greek labor law, employees and workers are entitled to termination payments in the event of dismissal or retirement with the amount of payment varying in relation to the employee's or worker's compensation, length of service and manner of termination (dismissed or retired). Employees or workers who resign 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 without cause. In Greece, local practice is that pension plans are not funded. In accordance with this practice, the Company does not fund these plans. The Company charges income from continuing operations for benefits earned in each period with a corresponding increase in retirement indemnity liability. Benefits payments made each period to retirees are charged against this liability.

An international firm of independent actuaries evaluated the Group's liabilities arising from the obligation to pay retirement indemnities. The details and principal assumptions of the actuarial study as at December 31, 2005 and 2004, have as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Present value of unfunded obligations	930,300	659,844	876,036	624,351
Unrecognised net gains/(loss)	(98,202)	511	(91,537)	(1,986)
<b>Net Liability in Balance Sheet</b>	<b>832,098</b>	<b>660,355</b>	<b>784,499</b>	<b>622,365</b>
<b>Components of net periodic pension cost</b>				
Service cost	157,306	146,752	147,179	130,575
Interest cost	32,993	27,030	31,218	23,927
Amortization of unrecognized net loss	63	-	172	-
Regular charge to operations	<b>190,362</b>	<b>173,782</b>	<b>178,569</b>	<b>154,502</b>
Additional cost of extra benefits	79,110	168,853	68,563	148,473
<b>Total charge to operations</b>	<b>269,472</b>	<b>342,635</b>	<b>247,132</b>	<b>302,975</b>
<b>Reconciliation of benefit obligation</b>				
Net liability at start of period	659,844	551,744	624,351	387,876
Service cost	157,306	146,752	147,179	130,575
Interest cost	32,993	27,030	31,218	23,927
Benefits paid	(97,729)	(234,024)	(84,998)	(199,214)
Extra payments or expenses	79,110	168,853	68,563	148,473
Business combinations	-	-	-	130,728
Actuarial gains/(loss)	98,776	(511)	89,723	1,986
<b>Present value of obligation at the end of year</b>	<b>930,300</b>	<b>659,844</b>	<b>876,036</b>	<b>624,351</b>
<b>Principal Assumptions</b>				
Discount Rate	4.0%	5.0%	4.0%	5.0%
Rate of compensation increase	4.5%	5.0%	4.5%	5.0%
Increase in consumer price index	2.5%	2.5%	2.5%	2.5%

The additional cost of extra benefits relates to benefits paid to employees who became redundant. Most of these benefits were not expected within the terms of this plan and, accordingly, the excess of benefit payments over existing reserves have been treated as an additional pension charge.

The additional pension charge for the years ended December 31, 2005 and 2004, amounted to € 79,110 and € 168,853, respectively for the Group and € 68,563 and € 148,473, respectively for the Company.

### 30. EARNINGS / (LOSS) PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net income/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net income/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive options.

The following reflects the income and share data used in the basic and diluted earning per share computations as at December 31, 2005 and 2004:

	The Group		The Company	
	December 31,		December 31,	
	2005	2004	2005	2004
<b>Net profit/(loss) attributable to the shareholders of the parent</b>	<b>(1,125,527)</b>	<b>450,487</b>	<b>(897,294)</b>	<b>2,020,367</b>
Weighted average number of ordinary shares	16,860,058	16,527,085	16,860,058	16,527,085
Less: Weighted average treasury shares	-	(10,856)	-	(10,856)
<b>Total weighted average number of ordinary shares</b>	<b>16,860,058</b>	<b>16,516,229</b>	<b>16,860,058</b>	<b>16,516,229</b>
Effect of dilution resulting from share options	269,134	324,610	269,134	324,610
<b>Adjusted weighted average number of ordinary shares for diluted earnings/(loss) per share</b>	<b>17,129,192</b>	<b>16,840,839</b>	<b>17,129,192</b>	<b>16,840,839</b>

### 31. EMPLOYEE STOCK OPTION PLANS

The Group has two types of compensatory management share option plans, a short-term plan exercisable on an annual basis and a long-term plan of an overall life of 3 years since its initial establishment. These plans are further analysed below:

#### SHORT TERM PLAN:

##### *Plan – Year 2004:*

The plan for 2004 was approved on June 30, 2004, by FORTHnet's Shareholders Ordinary General Assembly and is administered by the Board of Directors. The principal terms of this plan that were approved by the shareholders are as follows:

- (i) **Eligibility:** Options can be granted to all the personnel of the Group and the Board of Directors members as long as the following conditions are met: (a) the personnel are hired up to September 30, 2004, (b) the achievement of a turnover target for the year 2004, as specified in the decision and,
- (ii) **Entitlement to Options:** The total number of shares under the option plan granted shall be 165,253 corresponding to the 1% of the Company's share capital at an exercise price of € 3.76. Based on the Shareholders Ordinary General Assembly of June 30, 2005, it was decided that the plan would not be exercised as the targets set by the Shareholders Ordinary General assembly of June 30, 2004, had not been met.

### Plan – Year 2005:

The plan for 2005 was approved on June 30, 2005, by FORTHnet's Shareholders Ordinary General Assembly and is administered by the Board of Directors. The principal terms of the plan that were approved by the shareholders are as follows:

- (i) **Eligibility:** Options can be granted to all the personnel of the Group and the Board of Directors members as long as the following conditions are met: (a) the personnel are hired up to September 30, 2005, (b) the achievement of a turnover target for the Group of € 95 million for the year ended December 31, 2005, as specified in the decision.
- (ii) **Entitlement to Options:** The total number of shares under the option plan granted shall be 168,517 corresponding to the 1% of the Company's share capital at an exercise price of € 3.30 per share.

As the target set by the Ordinary General Assembly of Shareholders was not met, the plan for fiscal year 2005 will not be exercised.

The following table illustrates the number (No.) and exercise prices (EP) of share options for the employee share incentive plans:

	December 31,			
	2005		2004	
	No.	EP	No.	EP
<b>Outstanding at the beginning of the year</b>	165,253	3.76	150,975	3.76
Granted during the year	168,517	3.30	165,253	3.76
Forfeited during the year				
- Plan year 2004	(165,253)	3.76	-	-
- Plan year 2005	(168,517)	3.30	-	-
Exercised during the year	-	-	(150,975)	3.76
<b>Outstanding at the end of the year</b>	-	-	<b>165,253</b>	<b>3.76</b>

### LONG-TERM PLAN:

This plan was initially approved on June 30, 2001, by the Shareholders General Assembly Meeting and, accordingly, modified pursuant to the decisions of the General Meetings of the Company's shareholders on October 30, 2001, June 29, 2002 and June 30, 2003. According to the above decisions, this is a long-term plan allowing the General Managers, Directors and members of the Board of Directors of the Group to exercise the options in year 2004 once certain financial targets are met.

Under the above scheme, 452,920 shares shall be granted corresponding to 3% of the Company's share capital as of June 30, 2003, at an exercise price of € 3.76 per share.

The options under the long-term plan were partially exercised pursuant the Board of Directors decision dated December 30, 2004. According to the above decision, under this scheme 175,423 shares were issued of nominal value of € 1.18 per share and exercise price of € 3.76 per share.

By the decision of the Shareholders at the General Assembly Meeting of June 30, 2005, the above mentioned long-term stock option plan which related to fiscal year 2004 and, given that the 2004 targets were met, was extended to fiscal year 2005 so that the remaining options of 277,497 under this scheme can be exercised at a price of € 3.30 per share.

Pursuant to the Board of Directors decision dated December 31, 2005, the 277,497 options were exercised with the issuance of an equivalent number of shares with a nominal value of € 1.18 per share and an exercise price of € 3.30 per share.

The fair value of the options was determined using the Black Scholes model. The main assumptions affecting the model are the share price, exercise price, dividend yield, discount rate and the volatility of the share price. The volatility is the variance between the expected volatility in the share price and is computed using statistical analyses of the daily share prices of the last 12 months.

## 32. RELATED PARTIES

The Company purchases goods and services from and provides services to certain related companies in the normal course of business. These related parties consist of companies that have a significant influence over the Group (shareholders) or are associates of the Group.

Account balances and translations with related companies are as follows:

<u>Related Party</u>	<u>Relation with FORTHnet</u>	<u>Fiscal Years</u>	<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Amounts owned by related parties</u>	<u>Amounts owed to related parties</u>
Minoan Lines S.A.	Shareholder	2004	92,382	-	4,472	-
		2005	103,916	6,164	2,320	-
Technology and Research Foundation	Shareholder	2004	144,183	81,857	55,465	1,187
		2005	118,904	192,667	112,335	88,171
Intracom S.A.	Shareholder	2004	58,571	1,980	15,364	2,336
		2005	163,926	22,588	25,883	-
Telecom Italia International N.V.	Shareholder	2004	3,482,767	3,734,859	871,741	-
		2005	4,128,556	4,677,535	322,763	-
Mediterranean Nautilus S.A.	Shareholder	2004	-	1,271,763	-	760,000
		2005	-	2,729,000	123	2,275,333
Mediterranean Broadband Access S.A.	Subsidiary	2004	90,707	2,712,309	1,666,647	141,840
		2005	423,845	2,523,848	2,700,109	23,202
Forth CRS S.A.	Subsidiary	2004	107,866	6,136	872,563	275
		2005	134,046	4,929	808,532	370
Telemedicine Technologies S.A.	Subsidiary	2004	-	-	56,675	-
		2005	-	-	56,675	-
Hellas Net S.A.	Subsidiary	2004	48,678	184,131	-	-
		2005	-	-	-	-
Internet Hellas S.A.	Subsidiary	2004	46,837	-	-	-
		2005	-	-	-	-
Forth e-com S.A.	Associated	2004	138,500	15,343	331,106	14,379
		2005	48,633	20,884	493,955	20,972
Athlonet S.A.	Associated	2004	10,120	7,068	-	4,262
		2005	6,499	18,827	486	7,824
<b>Total:</b>		<b>2004</b>	<b>4,220,611</b>	<b>8,015,446</b>	<b>3,874,033</b>	<b>924,279</b>
		<b>2005</b>	<b>5,128,355</b>	<b>10,196,442</b>	<b>4,523,181</b>	<b>2,415,872</b>

Minoan Lines S.A. owned 0% and 18.40% of the ordinary shares of FORTHnet as at December 31, 2005 and 2004, respectively. During its duration as shareholder, it was represented by two non-executive members on FORTHnet's Board of Directors.

Technology and Research Foundation owned 20.31%, and 20.65% of the ordinary shares of FORTHnet as at December 31, 2005 and 2004, respectively, and is represented by two non-executive members on FORTHnet's Board of Directors.

Telecom Italia International N.V. owned 0%, and 7.58% of the ordinary shares of FORTHnet as at December 31, 2005 and 2004, respectively. During its duration as shareholder it was represented by one non-executive member on FORTHnet's Board of Directors.

Intracom S.A. owned 24.41% and 0% of the ordinary shares of FORTHnet as at December 31, 2005 and 2004, respectively. Through February 2006, at which date it sold its interest it was represented by two non-executive members of FORTHnet's Board of Directors.

Novator Equities Limited owned 21.89% of the ordinary shares of FORTHnet as at December 31, 2005, and is represented by two non-executive members of FORTHnet's Board of Directors.

Salaries and fees for the members the Board of Directors and the general managers of the Group for the fiscal years 2004 and 2005, are analyzed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2005	2004	2005	2004
Salaries and fees for executive members of the BoD	228,371	238,171	228,371	238,171
Salaries and fees for non executive members of the BoD	68,500	28,440	68,500	28,440
Salaries and fees for general managers	835,207	771,118	800,342	662,878
	<u>1,132,078</u>	<u>1,037,729</u>	<u>1,097,213</u>	<u>929,489</u>

### 33. COMMITMENTS AND CONTINGENCIES

**Litigation and Claims:** The Group is currently involved in a number of legal proceedings and has various claims pending arising in the ordinary course of business. Based on currently available information, management and its legal counsel believe that the outcome of these proceedings will not have a significant effect on the Group's operating results or financial position. (Refer to Note 35).

**License terms and obligations:** The Fixed Wireless Access Telecommunications infrastructure license granted to one of the Group's subsidiaries, MBA, is subject to a number of commercial and technical conditions which require that MBA meet certain coverage and technical criteria and attain population coverage of 20% within two years from the date of the grant. By the end of 2002, MBA's network covered in excess of 20% of the Greek population. A letter of guarantee of € 146,735 has been provided for the compliance of the above obligations.

**Operating Lease Commitments:** The Group has entered into commercial operating lease agreements for the lease of building, office space and offices used as points of presentation for dealers. These lease agreements have an average life of 5 to 10 years with renewal terms included in certain contracts. Future minimum rentals payable under non-cancelable operating leases as at December 31, 2005 and 2004, are as follows:

	The Group		The Company	
	December 31,		December 31,	
	2005	2004	2005	2004
Within one year	1,263,169	1,063,966	533,507	481,427
2-5 years	4,244,674	3,960,201	1,010,112	1,115,614
Over 5 years	469,328	732,729	225,960	163,040
<b>Total</b>	<u>5,977,171</u>	<u>5,756,896</u>	<u>1,769,579</u>	<u>1,760,081</u>

**Guarantees:** Letters of guarantee issued by the Group to various beneficiaries as at December 31, 2005 and 2004, are analyzed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2005	2004	2005	2004
Good execution of agreements	1,779,386	2,180,747	1,623,457	2,034,012
Participation and advances in biddings	84,228	1,335,876	84,228	1,335,876
In favour of associates	-	690,205	-	690,205
Guarantee for advance payments received	967,912	146,735	967,912	146,735
<b>Total</b>	<u>2,831,526</u>	<u>4,353,563</u>	<u>2,675,597</u>	<u>4,206,828</u>

**Contractual Commitments:** The outstanding contractual commitments for the Group and the Company at December 31, 2005, amounted to approximately € 3.8 million.

### 34. FINANCIAL INSTRUMENTS

*Fair Value:* The carrying amounts reflected in the accompanying balance sheets for cash and cash equivalents, trade and other accounts receivable, prepayments, trade and other accounts payable and accrued and other current liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of available for sale financial assets and assets held for trading in the accompanying balance sheets reflect their fair value.

The fair value of variable rate loans and borrowings and promissory notes included in other long-term liabilities approximate their carrying amounts. The fair value of the liability for the acquisition of Internet Hellas is included in other long-term liabilities.

*Credit Risk:* The Group's maximum exposure to credit risk, due to the failure of counter parties to perform their obligations as at December 31, 2005, in relation to each class of recognized financial assets, is the carrying amount of those assets as indicated in the accompanying balance sheets. The Group has no significant concentrations of credit risk with any single counter party.

*Foreign Currency Risk:* The Group enters into transactions denominated in foreign currencies related to the purchases of goods and sales of services. Therefore, the Group is potentially exposed to market risk related to possible foreign currency fluctuations, which is however, mitigated to some extent by the set-off of credit and debit balances in the same currencies.

*Interest Rate Risk:* With respect to long-term borrowings, Management monitors on a constant basis the interest rate variances and evaluates the need for assuming certain positions for the hedging of such risks.

### 35. LITIGATION - ARBITRATION

FORTHnet's, outstanding judicial claims against third parties amount to approximately € 33.2 million of which, approximately € 26.7 million concern a claim against OTE by virtue of the law suit filed on December 31, 2002, with regard to the positive damages claimed to have been suffered by the Company in the case of EPAK, approximately € 293 thousand consisting of a claim against OTE for moral damages that the Company has suffered for the same cause, approximately € 3.6 million relating to a claim against OTE based on the law suit dated July 25, 2005, filed by the Company with regard to the positive and indirect damages claimed to have been suffered from OTE's unlawful practices of customer winback, € 500 thousand consisting of a claim for the same cause for moral damages that the Company has suffered. The amount of approximately € 3.2 million relates to claims against debtors. Against the Company, including against two companies of the Group, which have been already absorbed by FORTHnet, remain outstanding judicial claims of third parties to the total amount of € 300 thousand of which, for the amount of € 110 thousand there is contractual guarantee of coverage in case of their negative outcome. Management as well as its legal advisors estimate that the outstanding cases are expected to be settled without any significant negative impact on the financial position of the Group or of the Company or on their financial results of operations.

There are outstanding opposing applications before the Council of State for the annulment of EETT decisions that concern: (a) volume discounts by OTE, (b) low margin between retail and wholesale prices of leased lines, (c) the level of interconnection fees and, (d) the fees for leased lines. The positions of the Company have basis though, the significance of the cases and the circumstances make it difficult for the prediction of any positive outcome of the above cases in the sense of the denial of the applications filed by OTE and the acceptance of the applications filed by the Company. The impact (positive) on the financial results of the Company is impossible to predict as, it is estimated that even if any or all of the applications were to be accepted, the case file will be brought to the Management which will have to evaluate again the critical fees. Accordingly, no related revenue has been provided by the Company in its financial statements.

Outstanding disputes with regard to certain of the Company's trademarks are estimated not to have an impact on the financial position of the Group. In addition, there remain outstanding before EETT, decisions upon two relevant resolutions which took place in 2005 of which, the first refers to OTE's denial to recognize wholesale volume discounts and the second to the return of amounts unduly paid.

### 36. SUBSEQUENT EVENT

The Board of Directors on February 7, 2006, decided to call an extraordinary General Shareholders Meeting for March 17, 2006, during which meeting they will submit a proposal for the increase of the Company's share capital in favour of the existing shareholders with a cash contribution, which increase, will need to be approved by the General Shareholders Meeting. The details relating to the issuance such as the rights of the existing shareholders, the exercise price and the exact number of shares to be issued will be proposed by the Board of Directors in a subsequent meeting. The fund which will be raised from the increase in share capital will be utilised to strengthen the Company's working capital position and to meet its capital expenditure program.

## 9 INTERCOMPANY TRANSACTIONS

Intercompany transactions between FORTHnet and its consolidated companies, as at 31.12.2005, were:

2005	in € thousand	Purchase of											
	Company	FORTHnet S.A.	MEDITERRANEAN BROADBAND ACCESS S.A.	FORTH CRS S.A.	TELEMEDICINE TECHNOLOGIES S.A.	FORTH e-com S.A.*	ATHLONET S.A.*	MINOAN LINES S.A.**	FORTH	INTRACOM S.A.**	TELECOM ITALIA**	MED. NAUTILUS S.A.**	Total
Sale of	FORTHnet S.A.		423.85	134.05	0.00	48.64	6.50	103.92	118.90	163.93	4,128.56	0.00	5,128.35
	MEDITERRANEAN BROADBAND ACCESS S.A.	2,523.85											2,523.85
	FORTH CRS S.A.	4.93											4.93
	FORTH e-com S.A.*	20.88											20.88
	ATHLONET S.A.*	18.83											18.83
	MINOAN LINES S.A.**	6.16											6.16
	FORTH	192.67											192.67
	INTRACOM S.A.**	22.59											22.59
	TELECOM ITALIA**	4,677.54											4,677.54
	MEDITERRANEAN NAUTILUS S.A.**	2,729.00											2,729.00
	Total	10,196.44	423.85	134.05	0.00	48.64	6.50	103.92	118.90	163.93	4,128.56	0.00	

\* Not consolidated with the Company

\*\* No longer participates in the Company's share capital

FORTHnet sales to MEDITERRANEAN BROADBAND ACCESS S.A. to the amount of €423.85 thousand, relate to fees for technical and financial support, as well as fixed charges for LEASED LINES and WiFi services.

FORTHnet sales to TELECOM ITALIA to the amount of € 4,128.56 thousand, relate to sales of call traffic termination services, as is the case for TELECOM ITALIA sales to FORTHnet, to the amount of €4,677.54 thousand.

MEDITERRANEAN BROADBAND ASSESS S.A. sales to FORTHnet to the amount of €2,523.85 thousand, relate to LMDS and WiFi services sales.

MEDITERRANEAN NAUTILUS S.A. sales to FORTHnet S.A. to the amount of € 2,729 thousand, relate mainly to the provision of operation and maintenance services to the network's international lines (STM).

2005	in € thousand	Liability of											
	Company	FORTHnet S.A.	MEDITERRANEAN BROADBAND ACCESS S.A.	FORTH CRS S.A.	TELEMEDICINE TECHNOLOGIES S.A.	FORTH e-com S.A.	ATHLONET S.A.	MINOAN LINES S.A.	FORTH	INTRACOM S.A.	TELECOM ITALIA	MED. NAUTILUS S.A.	Total
Receivable of	FORTHnet S.A.		2,700.11	808.53	56.68	493.96	0.49	2.32	112.34	25.88	322.76	0.12	4,523.19
	MEDITERRANEAN BROADBAND ACCESS S.A.	23.20											23.20
	FORTH CRS S.A.	0.37											0.37
	FORTH e-com S.A.*	20.97											20.97
	ATHLONET S.A.*	7.82											7.82
	FORTH	88.17											88.17
	MEDITERRANEAN NAUTILUS S.A.**	2,275.33											2,275.33
	Total	2,415.86	2,700.11	808.53	56.68	493.96	0.49	2.32	112.34	25.88	322.76	0.12	

\* Not consolidated with the Company

\*\* No longer participates in the Company's share capital

FORTHnet receivables from MEDITERRANEAN BROADBAND ACCESS S.A. to the amount of €2,700.11 thousand, relate to equipment purchase, fees for (technical and financial) support, as well as future invoicing for LMDS and WiFi services.

FORTHnet receivables from FORTH e-com S.A. to the amount of €493.96 thousand, relate to the provision of services for public projects, rent payments, and short-term lending.

FORTHnet receivables from FORTH CRS S.A. to the amount of €808.53 thousand, mainly relate to the sale of software and the provision of voice services, Leased Lines and Frame Relay.

MEDITERRANEAN NAUTILUS S.A. receivables from FORTHnet to the amount of €2,275.33 thousand, relate mainly to the provision of operation and maintenance services to the network's international lines (STM).



# 10 ARTICLE 10 L. 3401/2005 INFORMATION

Date	Subject	Address
03/01/2005	Information on the Company's two (2) Stock Option Plans	www.ase.gr
26/1/2005	Presentation in Association of Greek Institutional Investors	www.ase.gr
16/02/2005	Leasing Contract equal to € 2,670,000, with ALPHA LEASING repayable in 15 years, for a 3 floor building in Athens (Kolokyntou)	www.ase.gr
21/02/2005	Trading of New Common Shares, of the Stock Option Plan, started on 23/2/2005	www.ase.gr
23/02/2005	Financial Results of FORTHnet S.A. for the fiscal year ended at December 31, 2004	www.ase.gr
01/03/2005	Pre-announcement of transactions	www.ase.gr
18/03/2005	Participation in Public Offers of "Κ.Ι.Π." S.A.	www.ase.gr
21/03/2005	Announcement - Voting	www.ase.gr
23/03/2005	Termination of employment of FORTHnet's Financial Director Mr. Ioannis Zaranis	www.ase.gr
03/06/2005	BoD elects Mr. Alkiviadis Pagiatakis as temporary member of the BoD	www.ase.gr
03/06/2005	Replacemtn of a BoD's member	www.ase.gr
17/06/2005	2004 Annual Report at Investors disposal	www.ase.gr
21/06/2005	Treasury Shares were not acquired	www.ase.gr
30/06/2005	FORTHnet Results Q1 2005	www.ase.gr
01/07/2005	Decisions of the Shareholders General Assembly Meeting	www.ase.gr
05/07/2005	Purchase of Treasury Shares	www.ase.gr
5/7/2005	Articles of incorporation amendments	www.ase.gr
06/07/2005	Mr. Apostolos Traganitis - new member of the BoD	www.ase.gr
01/08/2005	Announcements	www.ase.gr
01/09/2005	BoD's incorporation	www.ase.gr
15/09/2005	Announcements	www.ase.gr
22/09/2005	Election of the BoD's members	www.ase.gr
27/09/2005	FORTHnet Results H1 2005 - Sales Increase (14.1%), Gross Results Increase (8.5%), EBITDA Increase (19%)	www.ase.gr
04/10/2005	Announcement	www.ase.gr
05/10/2005	Novator Equities Ltd: Notification of article 17 of the decision of the Capital Markets Commission 2/258/5.12.2002 (Government Gazette B 19/16.01.2003, Public Offer for the Acquisition of Transferable Securities)	www.ase.gr
05/10/2005	Novator Equities Ltd: Notification of article 17 of the decision of the Capital Markets Commission 2/258/5.12.2002 (Government Gazette B 19/16.01.2003, Public Offer for the Acquisition of Transferable Securities)	www.ase.gr
7/10/2005	Novator Equities Ltd acquired 164,000 of FORTHnet's common shares	www.ase.gr
7/10/2005	Announcement	www.ase.gr
12/10/2005	Notification of article 17 of the decision of the Capital Markets Commission 2/258/5.12.2002 (Government Gazette B 19/16.01.2003, Public Offer for the Acquisition of Transferable Securities)	www.ase.gr
13/10/2005	Announcement	www.ase.gr
14/10/2005	Notification of article 17 of the decision of the Capital Markets Commission 2/258/5.12.2002 (Government Gazette B 19/16.01.2003, Public Offer for the Acquisition of Transferable Securities)	www.ase.gr
20/10/2005	Presentation in Institutional Investors Union	www.ase.gr
25/10/2005	BoD 's Expressed Opinion on Intracom's Public Offer	www.ase.gr
25/10/2005	Announcement of Transactions	www.ase.gr
02/11/2005	FORTHnet's BoD 's Supplementary Expressed Opinion on Intracom's Public Offer for the acquisition of 50.00003264% of "HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A." Share Capital	www.ase.gr
04/11/2005	Novator Equities Ltd holds 4,434,224 shares representing 26.313% of FORTHnet's Share Capital	www.ase.gr
07/11/2005	Changes in Shareholders - Participation Interest	www.ase.gr
29/11/2005	FORTHnet Results Q3 2005	www.ase.gr
30/11/2005	FORTHnet acquired from MINOAN LINES 100,253 registered shares of FORTH-crs, based on the 24/11/2005 agreement on sale of registered shares	www.ase.gr
02/12/2005	Announcement	www.ase.gr
09/12/2005	Information Form (Art.4, Par. 2 (vi) Law 3401/2005)	www.ase.gr
15/12/2005	Comments on Press articles	www.ase.gr
16/12/2005	FORTHnet announces signing a € 50,000,000 Bond Long Term Loan agreement	www.ase.gr
21/12/2005	Announcement	www.ase.gr
23/12/2005	BoD decides on 21/12/2005, a Share Capital Increase	www.ase.gr

## 11 AVAILABILITY OF FINANCIAL STATEMENTS

The Publicized financial statements (Company and Consolidated), the audit certificates and the Board of Directors reports (Company and Consolidated) of the company as well as of the Company's subsidiaries which are consolidated are available at the electronic address [www.forthnet.gr](http://www.forthnet.gr).



**HELLENIC COMPANY OF TELECOMMUNICATIONS  
AND TELEMATIC APPLICATIONS  
FORTHNET S.A.**

**SCIENTIFIC TECHNOLOGICAL  
PARK OF CRETE  
VASILIKA VOUTON  
IRAKLION CRETE 710 03**